Dofasco Inc.

2003 ANNUAL REPORT

strength of purpose

profile Dofasco is Canada's most successful steel producer, serving customers throughout North America with high-quality flat rolled and tubular steels and laser-welded blanks.

Dofasco's advanced facilities in Hamilton, Ontario produce hot rolled, cold rolled, galvanized, Extragal™, Galvalume™, tinplate, chromium-coated and pre-painted flat rolled steels, as well as tubular products and Zyplex™, a proprietary laminate. Gallatin Steel, Dofasco's joint venture in Kentucky, produces hot rolled steels. Dofasco de Mexico and Dofasco Marion, wholly-owned subsidiaries, produce tubular products in Monterrey, Mexico and Marion, Ohio, respectively. Powerlasers, also wholly-owned, manufactures laser-welded automotive blanks and related components in Concord, Ontario and Pioneer, Ohio and has an Advanced Technology Centre in Kitchener, Ontario.

strength of purpose

on the cover

Paula Galassi is a specialist in Dofasco's Technology Resource Development Department

contents

DOFASCO

Our product is steel. Our strength is people.

strength **of purpose**

We are often asked how Dofasco has consistently outperformed the North American steel industry, successfully withstanding pricing pressures, market upheaval and an increasingly challenging economic environment. The answer goes beyond our *Solutions in Steel*™ strategy, our innovation, our operational excellence and our financial prudence. Dofasco people have underlying strength of purpose, born of our values, our commitment to the principles of sustainability and our focus on value creation for all our stakeholders.

IT'S IN US. IT'S IN EVERYTHING WE DO. IT WON'T CHANGE.

For more than 90 years, Dofasco people have demonstrated the capability and the clarity of intent to face any challenge and to create sustainable value for all our stakeholders. It is in us and it will not change. Dofasco succeeds today – and will succeed tomorrow – because we have fundamental strength of purpose.

Angela Pappin is a member of Dofasco's Strategic Development team.

performance

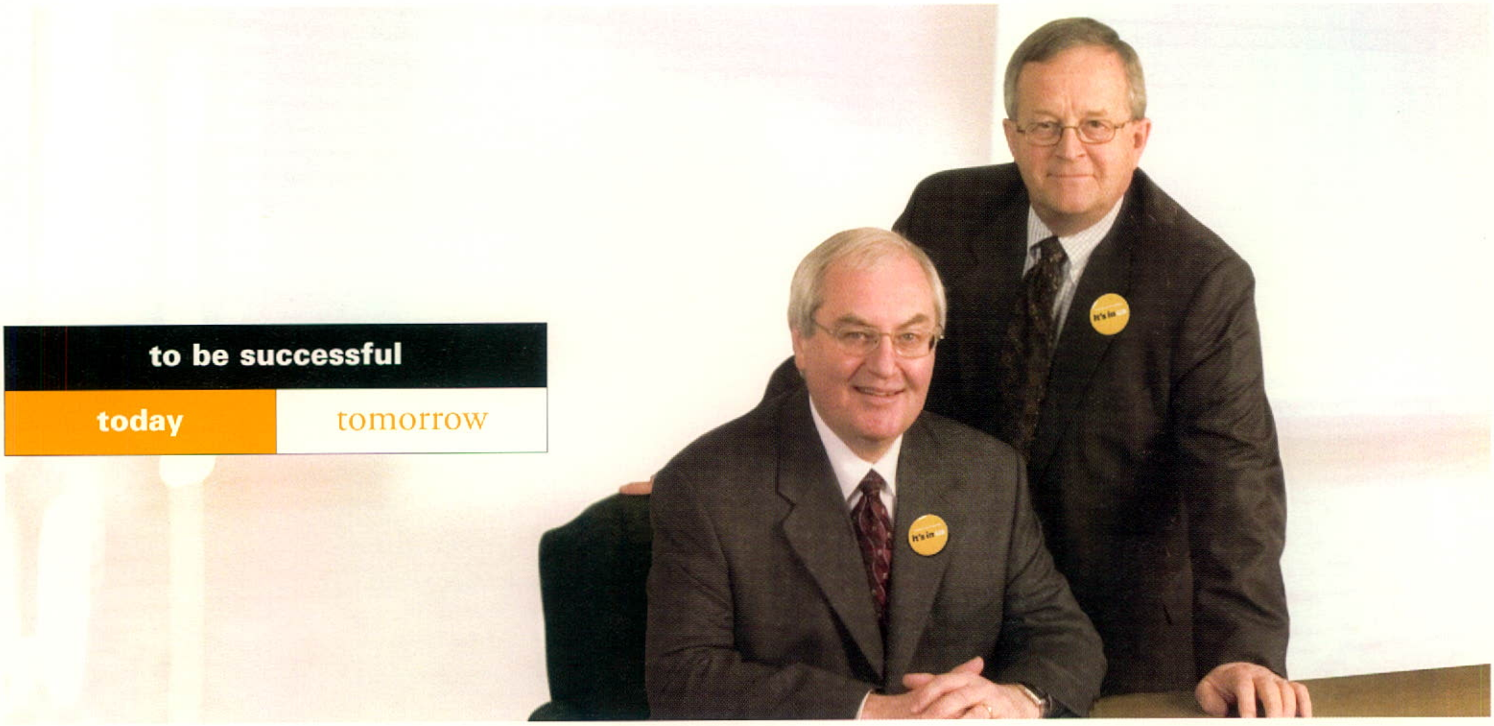
- Earned consolidated net income of $118.4 million or $1.56 per common share, a result of record shipments and solid operating results.
- Named one of the world's most sustainable companies by the Dow Jones Sustainability World Index for the fifth consecutive year. For the fourth year in a row, named the leader of the Basic Resources sector of the index.
- Undertook the first phase of a five-year, $700 million Finishing Division Improvement Program in Hamilton that will enhance quality and product mix, reduce costs and improve customer service.
- Dofasco was ranked second, and Gallatin Steel fourth, among 29 major North American steel suppliers in an industry-recognized survey on overall customer satisfaction.
- Created Dofasco Tubular Products, a new business unit that combines our world-class tube-making facilities in Hamilton, Ontario; Monterrey, Mexico; and Marion, Ohio.
- Increased by 200,000 tons our capacity to produce high-end automotive galvanized steel through a new lease arrangement with JFE Steel Corp. of Japan at our joint venture facility in Windsor, Ontario.
- Supported our host communities through employee volunteer activities and through corporate donations that exceeded the Imagine program guideline of 1% of pre-tax profits.
- Met or surpassed all commitments under our voluntary Environmental Management Agreement with federal and provincial authorities and maintained our ISO 14001 registration at all registered operations.
- Awards in 2003 included:
  - Excellence in Quality Award from Toyota North America
  - Synergy Award for Innovation, Creativity and Entrepreneurship from the Natural Sciences and Engineering Research Council of Canada and The Conference Board of Canada
  - First- and second-place Project Excellence Awards from the Association of Iron and Steel Engineers
  - Leadership Award for Climate Change Challenge from Canada's Climate Change Voluntary Challenge and Registry Inc.
  - Named by Hewitt Associates/*Report on Business Magazine* as one of the 50 Best Employers in Canada and by MediaCorp/*Maclean's* as one of Canada's Top 100 Employers for 2004

highlights

(in millions, except per share amounts and where noted)	**2003**	2002
Raw steel production and purchased semi-finished steel processed (thousands of net tons)	**5,333**	5,470
Steel shipments (thousands of net tons)	**4,833**	4,827
Sales	**$ 3,554.9**	$ 3,583.7
Net income	**$ 118.4**	$ 122.8
Net income attributable to common shares	**$ 117.8**	$ 122.2
Earnings per common share[1] – basic	**$ 1.56**	$ 1.63
– diluted	**$ 1.56**	$ 1.62
Dividends declared per common share	**$ 1.20**	$ 1.08
Capital expenditures	**$ 163.1**	$ 139.0
Working capital	**$ 1,150.3**	$ 1,042.3
Shareholders' equity	**$ 1,903.4**	$ 1,910.9

[1] after preferred dividends

Strength of purpose **leads us**



Don Pether
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Brian MacNeill
CHAIR OF THE BOARD

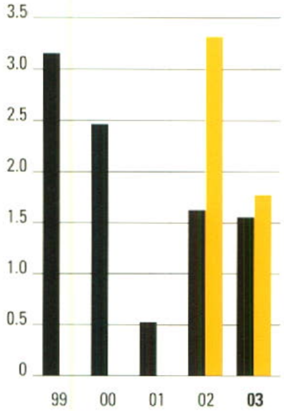
Dofasco succeeds today – and will succeed tomorrow – because it has fundamental strength of purpose. It is evident in the development and execution of our strategies and business plans, in the willingness of employees to work together and in the actions and interactions we have with all our stakeholders.

In 2003, Dofasco people faced an array of challenges, from surging global commodity costs and the impact of the rising Canadian dollar to a power outage and a slowdown in steel demand during the first eight months of the year.

Dofasco met these challenges with clarity of intent and with the remarkable capabilities of our people and our facilities. And we continued to apply our proven *Solutions in Steel*™ strategy, adding another year of solid performance to Dofasco's nearly century-long legacy.

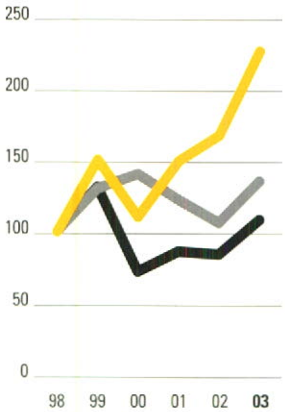
This year, Dofasco was the most profitable steelmaker in North America. Our continuing strong performance proves that our *Solutions in Steel*™ strategy that we adopted ten years ago, and which has evolved with changing customer needs and technologies, is still right for today. We continue to generate strong internal cash flows and have a strong balance sheet, a flexible and low-cost structure and a fully funded pension plan. Accordingly, we are well positioned to build on our record of success as the North American steel industry and economy show signs of improving.

Earnings per share
$ per common share



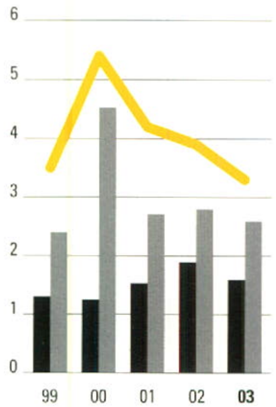
Pro forma (excluding QCM)
As reported

Cumulative total return on $100 investment
dollars



Dofasco Inc.
S&P/TSX composite index
S&P/TSX steel index

Dividend yield
% as at December 31



Dofasco Inc.
S&P/TSX composite index
S&P/TSX steel index

Financial results buoyed by strong operating performance

Dofasco's strong earnings for 2003 were the result of record shipments and solid operating results, which helped to offset extremely challenging market conditions.

Dofasco's 2003 consolidated net income was $118.4 million ($1.56 per share), compared to $122.8 million ($1.63 per share) in 2002. Eliminating the non-cash charge on the disposition of its remaining common share equity investment in Quebec Cartier Mining Company (QCM), and eliminating QCM's earnings for 2003, Dofasco earned $133.9 million ($1.78 per common share) in 2003. Excluding QCM's 2002 results, which reflected a $113.6 million non-cash loss on impairment of long-lived assets, Dofasco earned $249.7 million ($3.32 per share) in 2002.

Consolidated sales were $3.55 billion in 2003, compared to $3.58 billion in 2002. Steel shipments hit a record 4.833 million tons, an increase from 4.827 million tons in 2002.

Dofasco's Steel Operations segment, which includes the company's Hamilton operations, reported income before income taxes of $181.7 million for the year, compared to $313.8 million for 2002, due to lower average revenue per ton, higher costs per ton and a much higher foreign exchange loss. Shipments from Hamilton were 4.09 million tons compared to 4.12 million tons in 2002.

Gallatin Steel, Dofasco's joint venture steelmaking facility in Kentucky, achieved record production and shipments. Production reached 1.49 million tons (1.43 million tons in 2002) and shipments were 1.48 million tons (1.42 million tons in 2002). However, because of lower selling prices and significantly higher scrap costs, Dofasco's share of Gallatin's pre-tax income was $2.9 million compared to $46.6 million in 2002.

QCM shipped 13.6 million tonnes of iron ore products in 2003, up from 12.2 million tonnes in 2002. Buoyed by higher U.S. dollar pricing, which was partially offset by the impact of the weaker U.S. dollar, Dofasco's 50% share of QCM's profit before income taxes was $12.9 million, compared to a loss of $166.2 million in 2002 that included the non-cash charge.

Restructuring of Quebec Cartier Mining completed

Effective December 31, 2003, the restructuring of Dofasco's investment in QCM was completed. The restructuring resulted in a conversion of Dofasco's $20 million in notes receivable into preferred shares of QCM and the disposal of the $27.9 million remaining equity value of Dofasco's holdings in QCM as at December 31, 2003. The loss on disposal is reported on Dofasco's financial statements as a non-cash charge against earnings. As a preferred shareholder, Dofasco will account for its investment in QCM on a cost basis rather than by proportionate consolidation. Dofasco, CAEMI and Investissement Quebec, all shareholders of QCM, will continue to support future mine development. Dofasco's support will not be greater than $34.5 million between 2004 and 2010. The restructuring will enable QCM to undertake the $350 million capital investment for mine development required to extend the mine life through 2016. Dofasco's current iron ore supply contracts with QCM will remain in place.

Our strategy is more important than ever

Dofasco's *Solutions in Steel*™ strategy provides the foundation for sustainable growth and increased value for stakeholders by differentiating the company in the marketplace – through the pursuit of selective investments in technology that add value to our products and create value for our customers. Our strategy is rooted in world-class operations, strong relationships with our customers, financial prudence and stability – all enabled by engaged and skilled Dofasco people.

We regularly assess our strategy in the context of global steel industry dynamics and changes in our North American markets.

In the U.S., competition is intensifying. Several flat rolled steelmakers have consolidated and restructured, emerging from the bankruptcy process with minimal or no legacy costs and lower operating costs. Globally, the ongoing challenge to balance the supply and demand for steel – driven largely by China, the world's largest and still-growing producer – will continue to have a major impact on raw material costs, steel imports and pricing.

In the face of these challenges, we have found our strategy is more relevant than ever. It continues to differentiate Dofasco from its competitors, bring us closer to customers and deliver value for shareholders. An important underlying strength of Dofasco's strategy is that it is designed to minimize the impact of negative swings in the market, while positioning us to benefit disproportionately when markets improve. So we can succeed in difficult times and truly excel when market conditions improve. This has been proven time and again over the last decade and 2003 was no exception.

Solutions in Steel™

differentiate succeed

Our strategy is more valuable than ever, allowing us to adapt to the changing nature of the steel industry.

Quick response to changing markets

Steel prices declined steadily from August 2002 to June 2003. Demand weakened, energy and raw material costs rose and the strengthening Canadian dollar lowered our revenue on U.S. dollar sales.

In response, Dofasco people rallied behind our Market Response Plan to increase revenues and reduce costs. We explored new avenues to rethink, reinvent and reaffirm the way we do business.

This was demonstrated in many ways, thanks to the ingenuity, commitment and creativity of Dofasco people. For instance, internal "workforce sharing" for maintenance shutdowns significantly reduced outside contractor costs. Increased by-product sales generated new revenues. Working with suppliers on a variety of procurement initiatives identified new, sustainable cost savings.

Over the last half of the year, the Market Response Plan made a $45 million contribution to gross income.

Investing in future success

In 2003, Dofasco began implementation of the first phase of a five-year, $700 million program to upgrade our Hamilton Finishing Division. This program will put the division at the leading edge of global capability, enhance quality and product mix, reduce costs and improve customer service. When completed, the program will expand our ability to provide customers with high-value, high-quality steel for the automotive, construction and packaging markets.

These improvements, part of a program to improve all finishing operations and processes in Hamilton, capitalize on an earlier Hot Mill Improvement Program that increased hot rolling capacity by 600,000 tons.

Technology partnerships

In 2003, we continued to evolve technological partnerships that create shareholder value by meeting the needs of our customers.

We negotiated a new lease arrangement with our 50% joint venture partner JFE Steel Corp. of Japan (formerly NKK and Kawasaki) at DJ Galvanizing (formerly DNN Galvanizing) in Windsor, Ontario. As a result, by mid-2004 we will be able to provide to our key North American automotive customers up to 200,000 more tons of high value-added galvanized steel products than we did in 2002.

strength of purpose	
capability	intent

Dofasco's strength of purpose consists of two parts in equal measure: capability and clarity of intent.

(left to right) Steve Koos, John Cook and Duane Smith are part of Dofasco's Coke Group, which in 2003 celebrated two years without a lost-time injury.

Journey to Zero sets a new Health and Safety standard

The health, safety and well-being of every employee is fundamental to Dofasco's continued success and industry leadership. While having shown steady improvement in recent years, we are still not satisfied with our health and safety performance.

The launch of our *Journey to Zero* project in 2003 reaffirms our commitment to health and safety and focuses on our long-term goal: an accident- and injury-free workplace. This multi-year initiative will engage employees across the company in identifying opportunities to improve our health and safety programs and in developing strategies based on best practices to close the gaps.

Environmental performance continues to improve

Dofasco's ongoing commitment to be the North American industry leader in environmental performance was reflected in our 2003 performance. Once again, we met or surpassed all commitments under our voluntary Environmental Management Agreement with provincial and federal governments. Progress was made in all key performance areas, including reducing air and water emissions, improving energy efficiency, decreasing material shipped to landfill and maximizing the value of secondary materials. As well, the company's Hamilton facility successfully completed its second ISO 14001 Environmental Management Systems surveillance audit.

To reduce costs and help meet Dofasco's obligations under the Climate Change Plan for Canada, we have initiated a study to identify projects that would generate significant improvements in energy efficiency and greenhouse gas emissions intensity from the primary steelmaking facilities.

With a global perspective, in 2003 Dofasco helped launch the International Iron and Steel Institute's CO_2 Breakthrough Programme, which will examine new technologies for making steel with reduced carbon dioxide (CO_2) emissions.

Our support for the community

The success of our company is closely linked to the success of the communities where we live and work. This commitment was once again evident in 2003, when Dofasco contributed more than $3 million in company and employee donations, the majority of which were distributed in the Hamilton region, where our main manufacturing operations are located. Dofasco employees shared their abilities with dozens of local organizations through thousands of volunteer hours. The company and our people remain engaged in a broad variety of community and stakeholder initiatives, in the areas of arts and culture, health care, social services, education and civic causes. Dofasco has been designated a Caring Company by the Imagine program of the Canadian Centre for Philanthropy.

Executive and board changes

In addition to the board and executive changes discussed in last year's annual report, two appointments were announced at Dofasco's 2003 annual meeting in May.

Allen Root was appointed Executive Vice President and Chief Operating Officer. Allen joined Dofasco in 1973 and progressed through the financial, manufacturing and commercial departments. He was Vice President – Commercial before being appointed COO.

Brian Aranha was appointed Vice President – Commercial. He joined Dofasco in 1979 and has worked in the research and development, quality systems, purchasing and commercial departments. Brian was Director – Automotive Business prior to becoming Vice President – Commercial.

Outlook

Dofasco people exhibited their remarkable abilities in meeting and overcoming the challenges of 2003. Their skills and commitment will once again make the difference in 2004.

In 2004, we expect the Canadian and U.S. economies to strengthen. We project that demand for our principal product – flat rolled steel – will rise by 4%. We also expect that our largest market segment – the North American auto industry – will grow by approximately 2%.

Dofasco is poised to capitalize on improving market conditions. We are also prepared to address the challenges we foresee in the year ahead, which include continued volatility in raw material and energy costs, volatility in spot market pricing and the impact of the stronger Canadian dollar relative to the U.S. dollar. We will do this while maintaining a long-term view to sustain and nurture customer relationships.

We are well positioned for 2004 and beyond. Dofasco people will continue to implement our strategy with excellence, demonstrating continued industry-leading performance in delivery, customer service, quality and cost. We will continue to identify sustainable cost savings to increase our competitiveness. And we will continue to invest wisely in our operations and our people with the goal of delivering sustainable value to all our stakeholders.

It's in us

All steel companies have access to the same equipment, raw materials and markets. But Dofasco's strength of purpose sets us apart. It is unifying and it is empowering. It engages and aligns employees to deliver results that are beyond expectation. And it forms the foundation of excellence upon which we continuously build, driving us towards future success.

Brian MacNeill CHAIR OF THE BOARD

April 2, 2004

Don Pether PRESIDENT AND CHIEF EXECUTIVE OFFICER

Strength of purpose **unifies us**

At Dofasco, we take a multi-stakeholder view when we make decisions and manage our resources. And we take a long-term view – we've been around for more than nine decades and we expect to remain a major force for the foreseeable future. This strength of purpose has resulted in strong, long-standing relationships with our shareholders, customers, employees, host communities and suppliers.

stakeholders **shareholders**

Dofasco's shareholders have come to expect industry leadership from their company. During the challenges of 2003, that leadership was again evident. We led our competitors in five-year annualized total shareholder return from 1999 through 2003. We have an industry-leading dividend yield and we have returned more than $650 million to shareholders in the past five years. Most important to shareholders, while many other steel companies were concerned about mere survival last year, Dofasco posted industry-leading results.

Craig Miles is part of Dofasco's Information Technology Logistics Systems team.

stakeholders **customers**

In 2003, the industry benchmark Jacobson customer survey ranked Dofasco second among all North American steelmakers in total customer satisfaction. Among numerous product launches in 2003, one in particular illustrates why. As a result of the efforts of a multi-departmental team, which put together all aspects of the project in just three months, Dofasco's Extragal™ is now part of every General Motors Pontiac Sunfire and Chevrolet Cavalier and will be part of their replacement model, the Cobalt. The launch earned Dofasco a greater share of the global automotive market.

stakeholders **employees**

Dofasco employees are a competitive advantage, with the remarkable ability to meet challenges head on and deliver superior results. This was evidenced on the afternoon of August 14, 2003 when a massive power blackout rolled across Ontario and eight states in the U.S. Dofasco employees responded immediately to restart our steelmaking operations, to repair damage and to continue to take care of our customers. Despite eight more days of reduced energy consumption as a result of an appeal from government, there were no lost-time injuries and all our customers received the orders we promised them.

Lisa Hacon and her daughter Kelsey enjoy the services of the Dofasco Family Nutrition Centre at Living Rock Ministries, a youth outreach organization in downtown Hamilton.

stakeholders **community**

Dofasco makes decisions with the community in mind and makes investments in vibrant, prosperous and sustainable communities. Every year since 1999, Dofasco and its employees in Hamilton have donated about $3 million to primarily local causes. With our employees, we are the largest single donor to the United Way of Burlington & Greater Hamilton. Dofasco's quarter-century relationship with Theatre Aquarius in Hamilton was recognized in 2003 when the theatre's performance facility was renamed Dofasco Centre for the Arts.

stakeholders **suppliers**

Dofasco's suppliers form an integral part of the overall team that combines to produce valued-added *Solutions in Steel*™ for our customers. When the market is challenging, as it was in 2003, we work with suppliers to identify cost saving opportunities in the same way that we ask employees to look for new ways to increase revenues and reduce costs. With shared expectations for success, Dofasco's suppliers continue to work as our partners in a supply chain that can meet the challenges of global competition.

Strength of purpose

to be globally competitive

The steel industry worldwide is becoming increasingly competitive. Dofasco is committed to benchmarking our manufacturing performance to standards that are second to none. Over the past ten years, we have invested more than $2 billion in new and improved facilities that help us to maintain our commitment to our customers and deliver value to our shareholders and other stakeholders.

Stu Critchley is a member of Dofasco's Technology Council, a cross-functional team that helps keep the company globally competitive.

In the last few years, Dofasco has undertaken a number of improvement programs to enhance quality and product mix, reduce costs and provide customers with world-class steel for the automotive, construction, manufacturing, pipe and tube and packaging markets. During 2003 Dofasco launched the first phase of a five-year, $700 million program to upgrade our Finishing Division in Hamilton to leading global standards. This new program follows recently completed improvement programs in our Hot Mill, Tin Stream and Galvalume™ Line. All these initiatives underscore our commitment to *Solutions in Steel™* for our customers.

empowers us

One of Dofasco's clearest differentiators in the marketplace is our continuous drive to develop, acquire and adapt advanced technology to anticipate and meet the changing needs of our customers for high-value steel products. We employ product licences and technology agreements with major companies like Arcelor, the world's largest steel producer, and JFE of Japan to deliver added value to our customers and to gain access to important leading global technologies.

to be innovative	
invest	differentiate

→ **Dofasco was a founding partner in a North American steel industry initiative to create lighter, stronger, safer, more energy efficient and cost-effective automobiles through the use of innovative steel technologies.** Today Dofasco is a North American industry leader in manufacturing key products utilized in the Ultra Light Steel Auto Body – Advanced Vehicle Concepts project.

We now have a tubular business that spans NAFTA, providing tubing for hydroforming applications – complex-shaped automotive parts made from a single, hollow tube shaped under high fluid pressure. We have a subsidiary, Powerlasers, that makes laser-welded blanks – a technology that welds thin and thicker steel together. And we produce Advanced High Strength Steels for automotive applications. These technologies are being increasingly adopted by our North American customers.

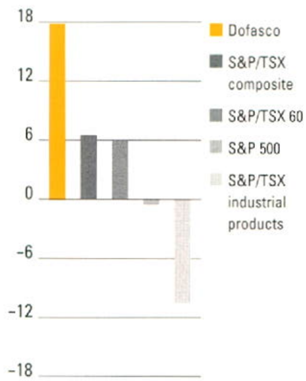
Tim Fawcett and his colleagues in Market Development and Product Applications work to anticipate and meet the changing needs of Dofasco's customers.

Strength of purpose

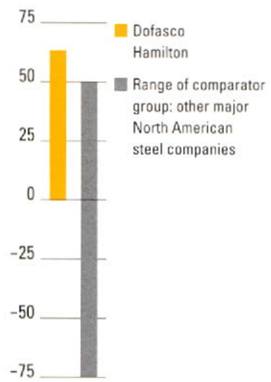
financially

Dofasco pursues a financially conservative and prudent approach which is geared to earning in excess of our cost of capital over the business cycle. As a result we can make selective strategic investments that allow us to add value for customers and deliver value to our shareholders.

Annualized shareholder return
(1999–2003)
%



2003 earnings before interest and taxes per shipped ton
dollars



The company ranks near the top of our industry in earnings before interest and taxes per ton. Dofasco has generated more than $2 billion in cash from operations (before changes in working capital) over the past five years. Dofasco has a very low net debt to total capital position and we are one of only three steelmakers in the world with an "A" category bond rating from Standard & Poor's. The company has built a strong financial foundation on which to continue its growth.

sustains us

We believe it's about looking at the world through the eyes of our stakeholders. Dofasco's strength is rooted in the values that were instilled decades ago by the company's founders and which prevail today: respect, teamwork, community, and sharing the rewards of success, all grounded in a shared sense of purpose.

as a company	
values	stakeholders

→ **In 2003, for the fifth year in a row, we were named to the Dow Jones Sustainability World Index, which is based on environmental, social and economic performance.** For the fourth consecutive year, Dofasco was the only Canadian company ranked as a sector leader and the only steel company listed on the index.

Dofasco people including (left to right) Ian Shaw, Dr. Deborah Parachin and Ed Cocchiarella help sustain the company's strong relationships with all its stakeholders.

an open letter from

community stakeholders

In an effort to improve transparency of reporting and to engage stakeholders in the reporting process, Dofasco asked three community members to review the Social Well-Being and Environment and Energy sections of our annual report (pgs. 15 to 32). We're pleased to present their opinion.

Dear Fellow Stakeholder,

For several years, Dofasco has used the opportunity presented by its annual report to reinforce its commitment to sustainability, by examining and reporting on its performance in all areas that impact its stakeholders. This report includes an assessment of all relevant activities, progress made towards stated targets and plans for the future.

We have been asked, as representatives of the community, to review the quality and accuracy of the content and data in the Social Well-Being and Environment and Energy sections of Dofasco's 2003 annual report, contained in pages 15 through 32. Unlike last year, the sections relating to Dofasco's subsidiaries and joint venture operations were not included in this review.

We were provided with the Social Well-Being and Environment and Energy sections of the annual report in draft form and given the opportunity to examine them and comment on them. Dofasco management, representing all relevant areas of the company, was available to answer our questions on any area we felt needed explanation, including the company's accomplishments and shortfalls, clarifications of data presented, methods of information collection, and goals for the future. We raised a number of issues with management relating to the form and content of this disclosure and we are satisfied that management was forthcoming and willing to engage in discussions about the company's performance. All questions were answered directly and detailed information was provided upon request. Some changes were made to the annual report as a result.

While reporting methodologies and standards for non-financial performance indicators vary greatly, and assessments of relative progress are difficult to measure, we believe that Dofasco has made a sincere effort to disclose all key information relating to their Social Well-Being and Environment and Energy activities.

Our signatures below confirm that we find that Dofasco's 2003 annual report accurately assesses and communicates the company's Social Well-Being and Environment and Energy performance and issues. Further, we believe Dofasco's commitment to excellence in corporate citizenship is both a major benefit to our community and an example that other corporations would do well to emulate.

Brian Mullan
CHIEF OF POLICE
HAMILTON POLICE SERVICE

Neil Everson
EXECUTIVE DIRECTOR
ECONOMIC DEVELOPMENT DEPARTMENT
CITY OF HAMILTON

John D. Hall, MCIP, RPP
COORDINATOR
HAMILTON HARBOUR
REMEDIAL ACTION PLAN

our strength of purpose means we care about...

social well-being

The strength of our company and of our community are closely linked. Dofasco remains committed to working collaboratively with its stakeholders for mutual benefit.

Bob Newton (Hot Mill Technology), his wife Nancy and their children Caitlin and Paul hike on the Dofasco 2000 Trail, one of three nature trails Dofasco supports in the region.

Dofasco believes in looking through the eyes of our stakeholders: shareholders, customers, employees, suppliers and the communities where we live and work. This multi-stakeholder focus is fundamental both to our current success and to our future sustainability. We measure success not only according to financial return, but also by employee engagement and satisfaction, the strength of customer relationships, the health and safety of our workplace and the prosperity and quality of life offered by our home communities.

In 2003, this approach was evident as Dofasco continued long-standing programs, relationships and sponsorships, and began new ones. Our investment in Hamilton operations, through such endeavours as our Finishing Division Improvement Program, and our investment in community, including our significant contribution to the Art Gallery of Hamilton renovation, demonstrate our firm commitment to our stakeholders. This commitment was recognized in January of 2004 when Theatre Aquarius renamed its performance facility Dofasco Centre for the Arts in acknowledgement of the 24-year relationship between the theatre company and Dofasco.

Subsidiaries and joint ventures

In prior years, the Social Well-Being and Environment and Energy sections of this report have included information about Dofasco's subsidiaries. This year, subsidiaries are discussed separately on pages 34 and 35. Joint ventures are discussed on pages 36 and 37.

prosperity

Dofasco engages with stakeholders in the belief that the success of the company and the community are intertwined.

Economic development

During 2003, the company began discussions with the City of Hamilton, McMaster University and other stakeholders regarding the development of the Hamilton area as a unique centre of advanced manufacturing. These efforts are continuing in 2004.

Dofasco acquired two properties adjacent to its Hamilton site in 2003. The properties will be used for office space and other operations facilities associated with the company's Finishing Division Improvement Program. This will result in transforming former brownfield sites into productive employment lands.

In another initiative, Dofasco has been active in support of the Hamilton Port Authority's escalating business development efforts with respect to Hamilton's harbourfront lands. Dofasco occupies a large section of Hamilton's waterfront real estate and is one of the largest shippers on the Great Lakes. The company supports a vision of a vibrant, multi-use harbour and the sustained environmental rehabilitation of this great natural asset.

The company remains engaged in a number of economic development initiatives. For instance, Dofasco's President and CEO is a member of the Canadian Automotive Partnership Council's long-term strategy group, which is formulating strategies to maintain and grow Ontario's position as a centre for automotive assembly. This is critical to Ontario's prosperity.

A company representative is also President of the Burlington Economic Development Corporation Board of Directors. This non-profit group works with the public and private sectors to promote economic growth in the City of Burlington, Hamilton's lakeshore neighbour.

Supplier relationships

Dofasco's strong relationships with suppliers contributed to Dofasco's success in a challenging year. During the power outage and eight-day period of constrained electricity supply in August, suppliers partnered with Dofasco to ensure supply of key materials. Throughout the year, suppliers worked closely with the company to support improvement projects.

Capital investments

In 2003, Dofasco began the first phase of the Finishing Division Improvement Program to create a best-in-class, globally competitive Finishing Division. The first phase, which accounts for $384 million of the total $700 million investment, includes upgrades to the #4 Pickle Line and coupled Pickle Line Cold Rolling Mill, building a new Pickle Line to be coupled with an existing upgraded Cold Mill, and replacing two existing Acid Regeneration Plants with a single, more advanced one. Approximately half of the $700 million will be invested directly in the community, through wages and contracts with local suppliers.

Sharing the rewards

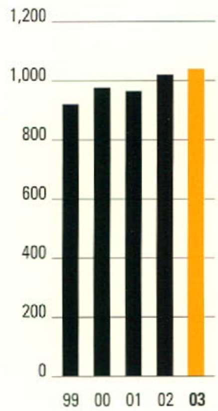
Sharing in the rewards of success is a key principle at Dofasco. Variable compensation is based on the company's performance against targets for return on capital employed, cost, revenue, customer service, and health and safety. A portion of every Hamilton employee's compensation is tied to these company goals.

As well, through Dofasco's profit sharing program, 14% of Dofasco's Hamilton pre-tax profits are divided equally among full-time Hamilton employees, with at least half of these profits being deposited in employees' retirement savings. In 2003, Hamilton employees shared $32.9 million in profit sharing.

Dofasco's employee pension plans are fully funded. Each year, the company offers seminars to assist employees and their families in developing a financial plan – based on Dofasco's pension system – for retirement.

Employees enjoy discounts on a variety of products, from cars to live theatre, through Dofasco's Employee Discount Program, which stems from the company's relationships with customers and other stakeholders.

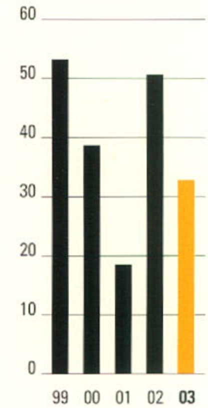
Material and energy purchases
millions of dollars



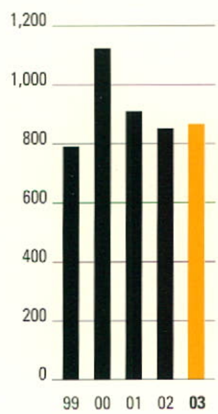
success
investment community

→ **Dofasco is the largest contributor of tax revenues to the City of Hamilton. The company is committed to helping strengthen the city's cultural and economic foundations.**

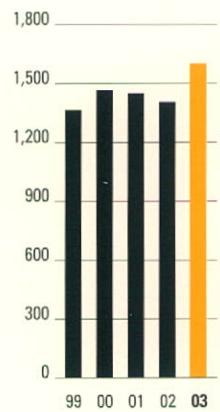
Contributions to profit sharing
millions of dollars



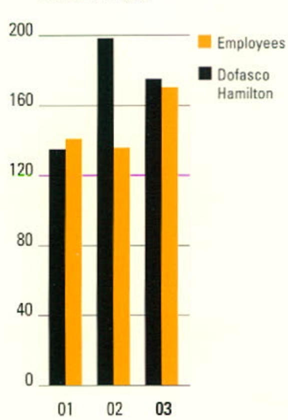
Direct local purchases
millions of dollars



Total contributions to economy
Total wages plus material and energy purchases
millions of dollars



Taxes paid by Dofasco and employees (Hamilton)
Dofasco taxes consist of payroll, property, income and capital, royalty, commodity, income, CPP and EI. Employee taxes consist of withholdings of income tax, CPP and EI.
millions of dollars



(left to right) Sandi Peters, Cory Federici, Anne Purcell and David Hood of Purchasing have partnered with Dofasco's valued suppliers to help generate sustainable savings for the company.

community capacity

Dofasco is dedicated to supporting and developing leadership, voluntarism, education, social services and cultural life.

Capacity building

Investment in leadership is an investment in the future. In 2003, more than 300 Dofasco managers took part in the ENGAGE leadership development program, developed with the Ivey School of Business specifically for Dofasco leaders. Participants learn leadership principles within a sustainability framework with a multi-stakeholder focus.

The local Bay Area Leadership program recognized Dofasco in 2003 for outstanding support. Dofasco sends participants, speakers and volunteers to the program, which aims to develop leaders for the Hamilton-Burlington area.

Dofasco supports events and organizations that strengthen the social fabric in our host communities. For instance, in 2003, Dofasco sponsored over a dozen community festivals, including Hamilton's Mardi Gras and the Hamilton Music Scene festival.

Dofasco is a key partner in the renovation of the Art Gallery of Hamilton, which is an important component of the revitalization of Hamilton's downtown. Dofasco led a steel industry commitment in excess of $2 million, securing financial and steel in-kind support of other partners. In January 2004, Theatre Aquarius renamed its performance facility the Dofasco Centre for the Arts in recognition of Dofasco's long-standing and ongoing support, including a $600,000 donation to the theatre's current capital campaign.

Hamilton's crowning moment of 2003 was also a highlight for Dofasco. During the first week of October, 750 international cyclists competed in the Road World Cycling Championships. The event brought Hamilton to the world, with thousands of international tourists sampling local hotels, restaurants and shops and television networks broadcasting the event globally. Dofasco was a major sponsor and provided other forms of support to organizers for this world-class event.

Volunteer sector

Thousands of Dofasco employees volunteer their time and talents to various local organizations. Many volunteer efforts start at work. For instance, employees from the Cold Roll Product Stream held a Dance for Life in winter 2003, raising over $5,000 for the Canadian Cancer Society.

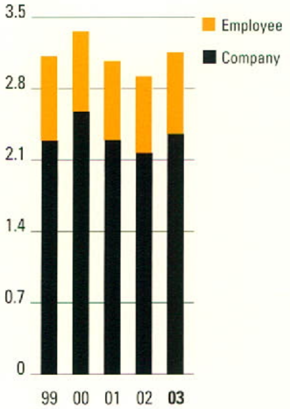
Dofasco's senior management team is active in the community. The President and CEO serves on the Board of Governors for McMaster University and the Council of Governors at the Art Gallery of Hamilton, and all senior executives volunteer with at least one local community organization.

In 2003, Dofasco and its employees donated approximately $3,160,000 to over 120 organizations and events. For example, Dofasco donated $30,000 to Habitat for Humanity for a multi-unit building project. Many Dofasco employees volunteer for Habitat for Humanity projects.

The Employee Donations Fund is administered by Dofasco employees. Hamilton's Bundle Up Program was one of over 50 local recipients of employee donations in 2003, receiving $3,000 to purchase 45 winter coats for underprivileged children.

The Dofasco Pipe Band celebrated its 65th anniversary in 2003. The Band performs at highland games and various parades across Ontario and raises money for local causes. The Dofasco Male Chorus also continued its tradition of performing at a large number of charity concerts during the year.

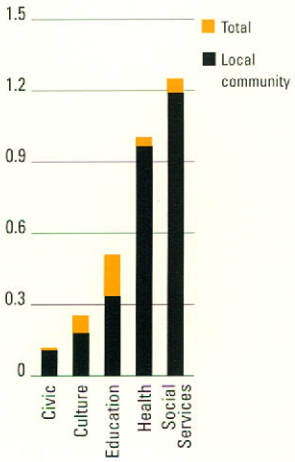
Total company and employee donations
millions of dollars



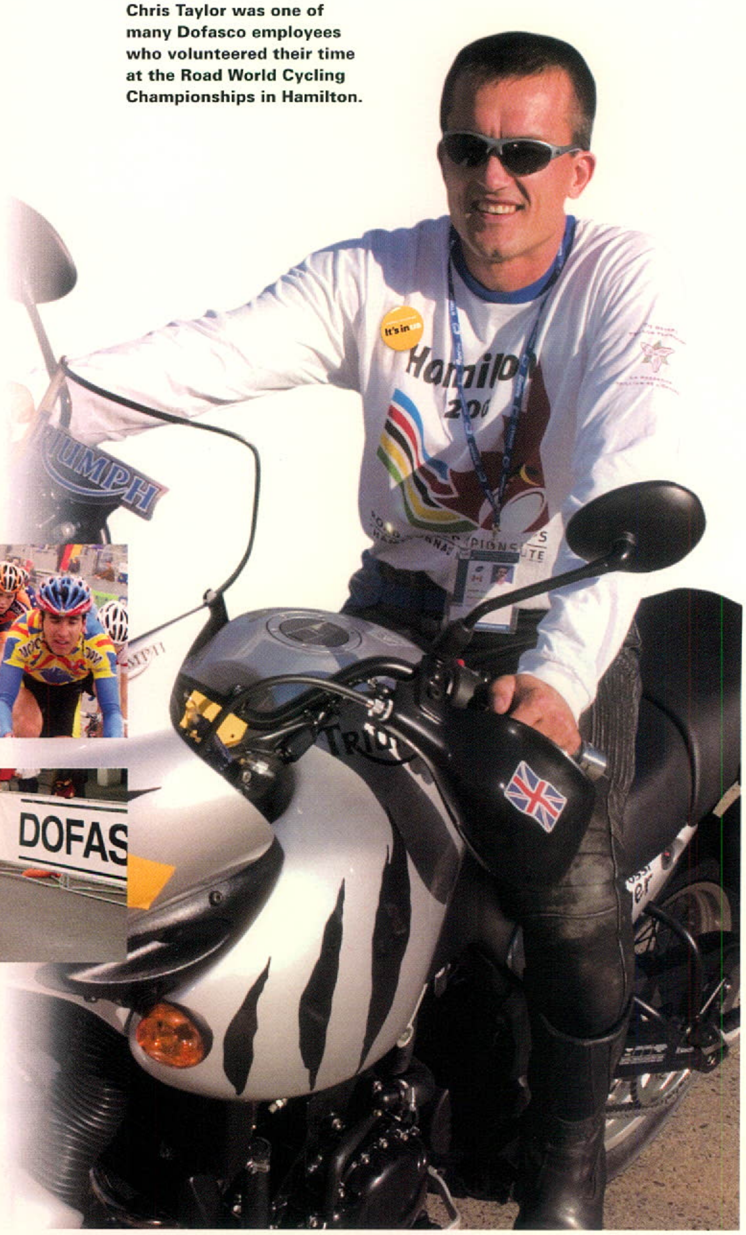
leadership	
support	vision

Dofasco has been designated a Caring Company by the Imagine program of the Canadian Centre for Philanthropy. The company and its employees were the largest donor to the 2003 campaign for the United Way of Burlington and Greater Hamilton, contributing $780,000.

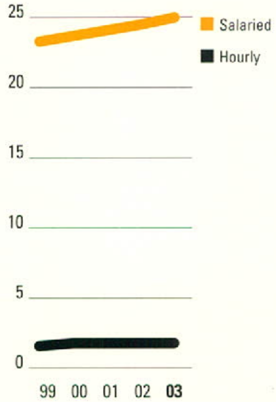
2003 donations by sector
millions of dollars



Chris Taylor was one of many Dofasco employees who volunteered their time at the Road World Cycling Championships in Hamilton.



Gender diversity
% of total employees who are female



quality of life

Every decision we make is based on our responsibility to ensure the health, safety and well-being of all people working at Dofasco.

For the second consecutive year, Dofasco was designated one of Canada's Top 100 Employers by *Maclean's* magazine and one of the 50 Best Employers in Canada by *Report on Business Magazine*.

Health and safety

In 2003, Dofasco launched the *Journey to Zero* initiative to accelerate the company's goal of achieving an accident-free workplace. The purpose of the program is to identify areas of opportunity in Dofasco's current health and safety program and introduce new best practices into the program. The company engaged Dupont Safety Resources to review Dofasco's health and safety program through questionnaires and employee workshops. This preliminary stage of *Journey to Zero* will help Dofasco determine improvement opportunities when compared to what world-class companies have done to achieve their results and then develop new strategies for the future.

The Health and Safety Department has been closely involved with the Finishing Division Improvement Program in developing design specifications for new and upgraded equipment and facilities. Areas of focus include equipment guarding, chemical exposure controls, noise controls, improved task design and safe access for operations and maintenance. Additional Health and Safety support is also being provided to develop site specific health and safety plans.

A Healthy Workplace Speaker Series was held in late October for employees featuring presentations, including heart health, workplace stress, prostate cancer and sun exposure, by local health care professionals. The event was held in coordination with Canada's Healthy Workplace Week. More than 600 employees attended.

In 2003, Dofasco also continued its partnership with Our Youth at Work Associates to raise awareness in young people about workplace safety. Besides making a financial contribution, Dofasco hosted a conference with the group's founder, Rob Ellis, for area employers, and a team of Dofasco volunteers developed and launched a new website for the organization.

Wellness

Dofasco's medical team and the employee-led Lifestyle Group were recognized by *Canadian Healthcare Manager* magazine with a Who's Who in Healthcare Award in 2003 for providing exceptional health services. Now in its tenth year, the Lifestyle Group conducted over 2,500 voluntary employee health screenings, which measure such levels as blood pressure and cholesterol, and spoke at numerous external conferences about Dofasco's wellness programs.

In May 2003, Dofasco opened its third on-site fitness facility. Use of all fitness facilities is free for employees, who averaged a record 4,000 visits per month in 2003.

Dofasco's Recreation Park celebrated its 25th anniversary in 2003. The 100-acre athletic and conference facility offers assorted sports and wellness programs to employees, retirees and their families.

Education and training

A strong education system is critical to a vibrant community and economy. Dofasco partners with educational institutions, the private sector and all levels of government to develop educational excellence. Employees volunteer for various community education programs, including Junior Achievement and high school mentorship.

Dofasco employees are encouraged to take extension or part-time courses to enhance their careers. In 2003, the company paid almost $260,000 in tuition reimbursements. Also, Dofasco's Training and Development Centre offers internal web-based and classroom training associated with various jobs throughout the company. Dofasco invests approximately $15 million each year in training and education. The company has endowed two university chairs at McMaster (metallurgy and process automation and information technology) and one at the University of British Columbia (metallurgy).

Ontario's Minister of Colleges and Universities honoured Dofasco with a Minister's Apprenticeship Award in 2003 for strengthening the province's apprenticeship training system. Dofasco's 260-member apprenticeship program is the second largest in Ontario. The company promotes apprenticeship through elementary to post-secondary programs to address the skilled trades shortage in the Golden Horseshoe. In addition, the company invested $13 million in its apprenticeship program in 2003. For the fourth consecutive year, over a dozen female employees participated in Tech 2003, an expo that introduces high school women to skilled trades and technology careers.

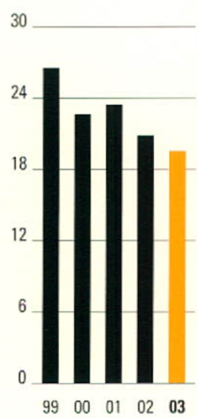
Employee satisfaction
Attrition and job satisfaction

wellness

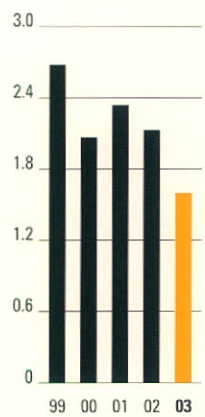
opportunity | satisfaction

→ **Lost-time injury frequency performance met targets in 2003, a result of corporate and departmental health and safety improvement initiatives.**

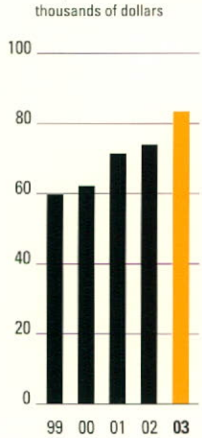
All reported injury frequency
Injuries per 100 employee-years



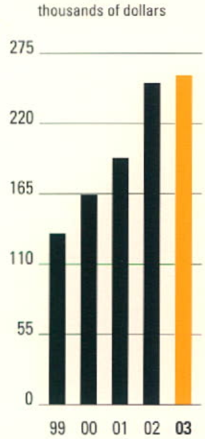
Lost-time injuries
Injuries per 100 employee-years



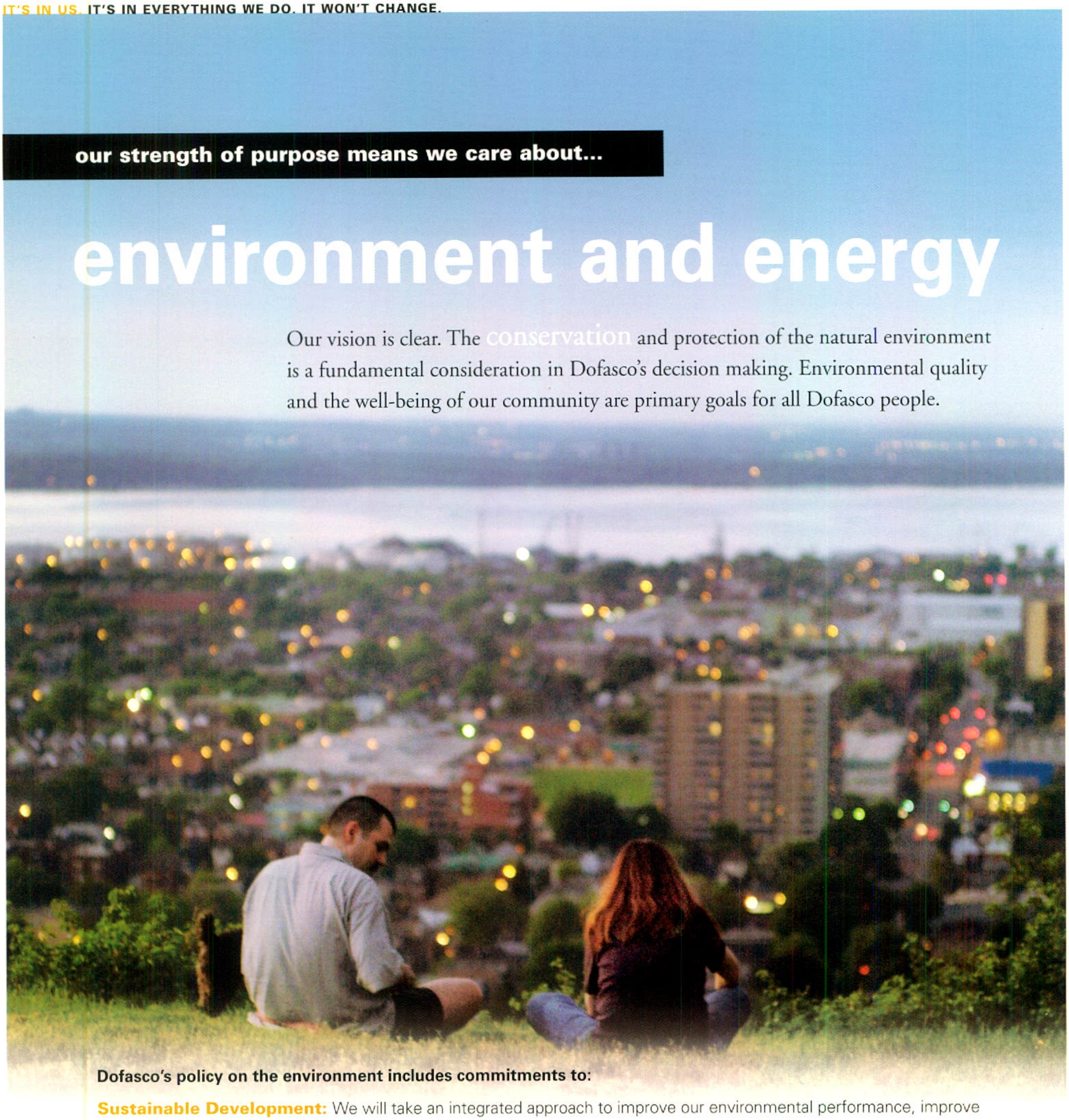
Scholarships to employees' children
thousands of dollars



Tuition refunds to employees
thousands of dollars



Cartoonist and Tubular Products employee Jay Long contributed his creativity to raise health and safety awareness at Dofasco. He designed a safety hazards poster for a contest that challenged employees to find 28 hidden workplace hazards. Over 500 employees participated in the contest.



our strength of purpose means we care about...

environment and energy

Our vision is clear. The conservation and protection of the natural environment is a fundamental consideration in Dofasco's decision making. Environmental quality and the well-being of our community are primary goals for all Dofasco people.

Dofasco's policy on the environment includes commitments to:

Sustainable Development: We will take an integrated approach to improve our environmental performance, improve the quality of life of our employees and the community, and achieve our financial goals.

Managing Resources: We will optimize the use of resources by reducing, reusing, recovering, and recycling energy, raw materials, water and by-products.

Pollution Prevention: We will minimize our environmental impact through innovative design and practices to improve our processes and our products.

Product Stewardship: We will work with our customers and suppliers to maximize the inherent advantages of steel's strength, recyclability and cost-effectiveness across the steel product life cycle.

Continual Improvement: We will use our environmental management system, which includes setting objectives, assigning responsibilities, communication, training, auditing and assessing risks, to achieve this.

Exceeding Expectations: We will meet standards set by legislation and go beyond compliance where appropriate through voluntary commitments to stakeholders.

stewardship

vision | accountability

→ **Dofasco's vision is to be the North American leader among steel companies in environmental performance.**

Dofasco focuses on four key performance areas:

- **Energy**
- **Air quality**
- **Water use and water quality**
- **Management of secondary materials**

Performance in these areas is detailed in the following pages.

In 2003, Dofasco successfully completed its second ISO 14001 Environmental Management System (EMS) surveillance audit and retained its registration. The company's Primary, Finishing and Manufacturing Services business units were registered in 2001.

Certified auditors from Quality Management Institute thoroughly assessed Dofasco's EMS, which includes Dofasco's organizational structure, responsibilities, accountabilities, practices, procedures and resources used to address environmental matters. The auditors also reviewed detailed documentation, inspected the company's operations and interviewed employees at random. Three minor non-conformances identified by the auditors were resolved and Dofasco is also addressing 25 opportunities for improvement identified by the auditors. In November 2004, auditors will conduct a detailed re-registration audit.

The auditors complimented Dofasco for making significant improvements in how business units apply the ISO 14001 standard to drive continual improvement initiatives. These improvements have included reducing waste and recycling materials, improving energy efficiency and eliminating potentially high-risk environmental issues identified during the audit.

Dofasco is actively participating in the International Iron and Steel Institute's (IISI) CO_2 Breakthrough Program initiated in 2003. The IISI global research initiative will identify potential new technologies and processes for making steel with significantly reduced carbon dioxide (CO_2) emissions. Over the next decade, an international consortium of steel producers, governments, universities and representatives from other industries will research, test and pilot potential solutions for reducing CO_2 emissions through the entire life cycle of the steelmaking process.

Dofasco's participation in an international effort to reduce CO_2 emissions reflects the company's belief that new technologies and innovative approaches to energy use will offer long-term sustainable solutions for reducing emissions and further enhancing competitiveness.

In 1997, Dofasco became the first company in Canada to enter into a voluntary Environmental Management Agreement (EMA) with the federal and provincial governments. Dofasco has already met the majority of the agreement's specific commitments and remains on, or ahead of, schedule to meet the remaining commitments before the agreement expires in 2005. Full details of the EMA are located in the Environment and Energy section of Dofasco's website at www.dofasco.ca.

Pat Thiessen (right) is a member of the Community Advisory Panel (CAP) of the Hamilton Industrial Environmental Association (HIEA), which in 2003 received a Vision 2020 Community Recognition Award from the City of Hamilton. HIEA, which is chaired by Dofasco's Vice President of Manufacturing, Dave Borsellino (left), meets monthly with CAP members.

energy

As Ontario's largest single site consumer of electricity, Dofasco is committed to continually improving energy efficiency and reducing greenhouse gas emissions intensity.

Dofasco has committed to reducing Specific Energy Consumption (SEC) by 10% between 2000 and 2010 as part of a voluntary Canadian steel industry agreement. Dofasco had reduced SEC by nearly 20% between 1990 and 2000 under a prior voluntary commitment with the Government of Canada. Dofasco is on track to meet the new commitment, having reduced SEC by 8% since 2000, from 18.61 gigajoules per tonne of steel shipped (GJ/ts) in 2000 to 17.13 GJ/ts in 2003.

An SEC reduction of 0.5% was achieved from 2002 to 2003. The overall plant improvement was offset by increased use of molten iron in our steelmaking operations and greater consumption of internally produced slabs in our hot rolling operations.

Dofasco's Primary Division accounts for the majority of Dofasco's energy use and greenhouse gas emissions. In 2003, an improvement program was initiated to identify Dofasco's options for achieving significant reductions in Primary energy intensity and greenhouse gas emissions intensity above what the company identified in its business plans. Improvements will begin once the program's planning phase ends in the spring of 2004.

Following the August 2003 electricity blackout, when electricity supply in Ontario and much of the eastern seaboard of the United States was constricted, Dofasco fully supported the province's appeal for industry to reduce electricity use by 50%. Dofasco curtailed production and managed operations hour-to-hour for eight days to significantly reduce electricity consumption and help maintain the stability of the province's electricity system.

Dofasco's experience during these extraordinary circumstances resulted in a renewed focus on energy conservation. A conservation program at Dofasco's four main office buildings focused on adjusting thermostats and turning off lights and computer monitors. This effort will generate an estimated $120,000 in annual energy savings.

As a member of the Canadian Steel Producers Association's Climate Change Task Force, Dofasco continued to work closely with the federal government through 2003 in developing steel industry targets for reducing greenhouse gas emissions to meet Canada's overall reduction targets as set out in the Climate Change Plan for Canada. Having reduced absolute greenhouse gas emissions by 23% between 1990 and 2003, Dofasco's position is that early voluntary action should be recognized by the Canadian government when setting targets for 2008 to 2012.

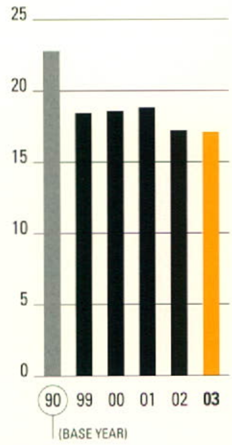
Dofasco continues to explore new opportunities to further reduce greenhouse gas emissions and improve energy performance by comparing its energy performance with other leading steel companies in Europe and Canada. Benchmarking allows steel producers to share information, compare energy performance and learn more about new technologies and different processes.

efficiency

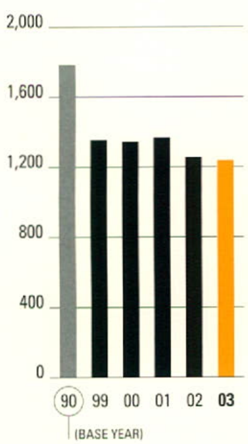
conservation | reduction

→ **Dofasco continued to meet the needs of customers during the August 2003 blackout, while supporting the provincial government's appeal for reduced electricity consumption.**

Specific energy consumption
gigajoules/tonne of steel shipped



Specific greenhouse gas* emissions
kg/tonne of steel shipped



* These gases include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O).

Dofasco's (left to right) Dave Alderson, Ray MacNeil and John Burns led a project to significantly reduce annual steam consumption and ongoing operating costs at the company's #4 Continuous Pickle Line. A new and more energy efficient set of heat exchangers was installed on the line in early 2004.

air

Dofasco is working closely with the federal government to develop new emissions standards for the steel industry and to explore options and innovative strategies to further improve environmental performance.

In 2003, Dofasco joined Canada's other steel producers and representatives from federal and provincial governments and non-government organizations in a newly formed Steel Environmental Multi-stakeholder Advisory Group (SEMAG).

SEMAG provides advice to Environment Canada on environmental issues and initiatives relevant to the steel manufacturing sector, including a review of Canada-wide standards for dioxins and furans and the development of new environmental performance standards for the steel industry.

As part of SEMAG, an external consultant reviewed Dofasco's performance against the Environmental Codes of Practice for Steel Mills under the Canadian Environmental Protection Act and reported that Dofasco is leading the Canadian steel industry in meeting the Codes' recommendations.

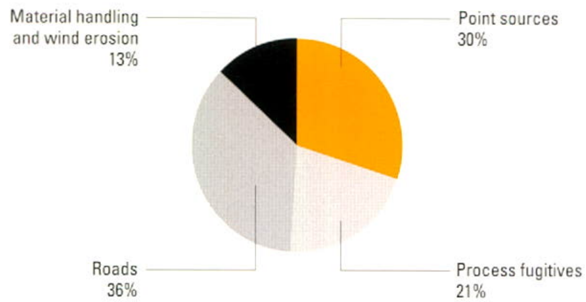
Dofasco is committed to reducing smog and emissions that cause acid rain. The company helped develop potential options and strategies for controlling and reducing sulphur dioxide (SO_2) and nitrogen oxide (NO_X) emissions as a member of the Ontario Ministry of Environment's Clean Air Plan for Industry. In 2003, the government broadened the scope of the plan to include discussions about emission caps for volatile organic compounds and particulate matter. Dofasco will continue collaborating with stakeholders to improve air quality.

In conjunction with the province's Selected Targets for Air Compliance program, Dofasco and four other industrial companies were asked to participate in a risk management project in 2003. The project is evaluating ways of assessing community impact and risks associated with emissions of substances that do not have fixed regulatory limits. This would give companies added flexibility in identifying sources and focusing efforts on effective and cost-efficient improvements that have the greatest benefit to the community. Dofasco has proposed using this approach to further reduce emissions of total suspended particulate, benzene and polycyclic aromatic hydrocarbons (PAHs).

Dofasco is committed to working with its community neighbours. Concerns about odours from some of the company's facilities resulted in the installation of odour neutralizing and reducing equipment at Dofasco's Cold Rolling Mills and Cold Mill Waste Water Treatment Plant in 2002 and 2003.

In 2003, Dofasco introduced a new process to test and evaluate the odour of potential new coolant fluids used in the rolling process when making steel. An external consultant conducted a focus group to evaluate the odour of coolants to be used in one of the company's Finishing operations. This process identified a new coolant that is virtually odourless and meets Dofasco's stringent quality requirements.

Inventory of particulate emissions – 2003

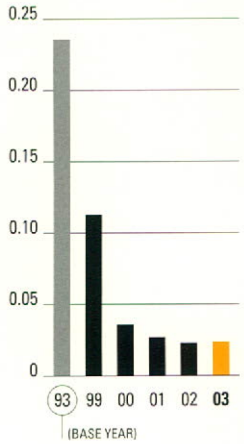


performance

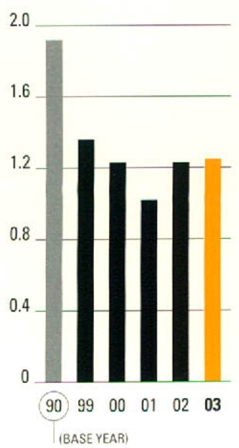
community | quality

Since 1993, Dofasco has reduced benzene emissions by 88%. Polycyclic aromatic hydrocarbons emissions were reduced by 87% during the same time period. The reductions are well ahead of the commitments made by Dofasco in its Environmental Management Agreement with the federal and provincial governments.

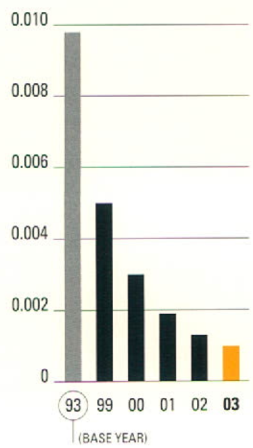
Benzene emissions to air
kg/tonne of steel shipped



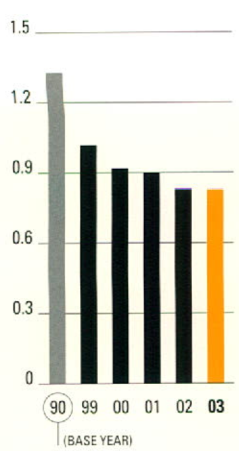
SO_2 emissions to air
kg/tonne of steel shipped



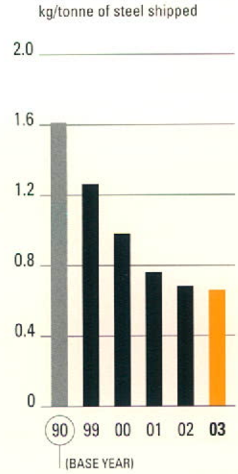
PAHs emissions to air
kg/tonne of steel shipped



NO_x emissions to air
kg/tonne of steel shipped



Particulate emissions to air from all sources
kg/tonne of steel shipped



Dofasco started a Dust Abatement Program in 2000 to reduce air particulate caused by vehicular and windblown dust. Leah Mojeski participated in a project to add a 25-foot-wide berm around the perimeter of one of Dofasco's coil storage yards. The project included fencing, sodding and planting coniferous and deciduous trees.

water

In 2003, a cross-functional team at Dofasco's Tin Mill developed a process to significantly reduce the amount of water from the #3 Electrolytic Line rinse tanks which is sent to the company's Cold Mill Waste Water Treatment Plant.

Water used to rinse tin electrolyte from steel strips after plating is now redirected to a tank. An evaporator boils off the excess water, allowing for the recovery and recycling of a concentrated solution of tin electrolyte. The project has reduced loadings to the treatment plant and reduced material consumption by recovering about one tonne of tin per year.

A tire wash facility was commissioned in the fall of 2003 as part of Dofasco's ongoing Dust Abatement Program. The facility uses recycled water to clean the wheels, side panels and undercarriages of trucks as they leave Dofasco's Primary Water Treatment Plant. By the spring of 2004, approximately 100 trucks a week will be cleaned. The tire wash facility will eliminate a major source of trackout onto Dofasco's paved roads, reducing windblown dust and preventing suspended solids from entering Hamilton Harbour through storm sewers.

As part of Dofasco's Finishing Division Improvement Program, planning began in 2003 to construct a state-of-the-art Acid Regeneration Plant to replace two existing plants. The Acid Regeneration Plant recycles waste acid that is used to clean oxides off steel strips. Once in operation, the new Acid Regeneration Plant will use a closed loop system to reuse both acid and rinse water, thereby eliminating the intake of water from Hamilton Harbour and all releases of neutralized sodium chloride back to the Bay.

Dofasco is committed to outperforming Municipal-Industrial Strategy for Abatement (MISA) water requirements set by the provincial government. In 2003, the company conducted almost 6,000 daily and weekly analytical water tests. Dofasco met or surpassed regulatory requirements on more than 99.9% of the tests. Three tests revealed pH exceedances related to one minor incident, which was immediately investigated and remedied.

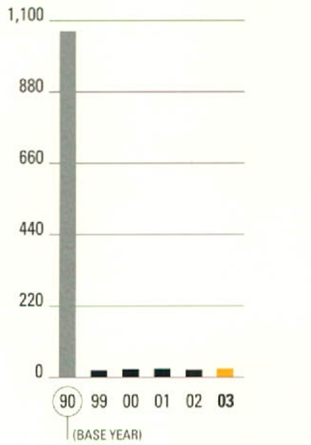
The International Joint Commission of the Great Lakes has identified Hamilton Harbour as an Area of Concern. Dofasco's boat slip contains contaminated sediment from an era pre-dating environmental awareness and controls. Dofasco and the Ontario Ministry of the Environment are exploring options for the secure containment and capping of this sediment. Steady progress continues to be made but challenges in characterizing the sediments have led to slower implementation than originally planned. Work will continue in 2004.

Dofasco has three treated effluent streams that are discharged to the sanitary sewer system. In 2003, all were in compliance with their respective agreements and Hamilton's sewer by-law.

In 2003, there were 24 reportable spills to water. These reported spills were minor in nature and all quickly identified and controlled, resulting in no impact on the environment. Dofasco has made improvements to water management systems to prevent recurrences.

SUBSTANCE	MISA LIMIT (KG/DAY)	DOFASCO PERFORMANCE (KG/DAY)	% OF LIMIT
Suspended Solids	646	103.10	16%
Cyanide	19.8	0.38	2%
Ammonia	152	57.35	38%
Lead	6.08	0.48	8%
Zinc	11.7	2.25	19%
Phenolics	0.364	0.19	53%

Total process effluent to Hamilton Harbour*
g/tonne of steel shipped

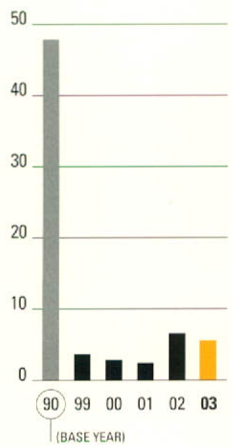


* Includes ammonia, phosphorus, suspended solids, oil and grease, DOC, phenolics and cyanide

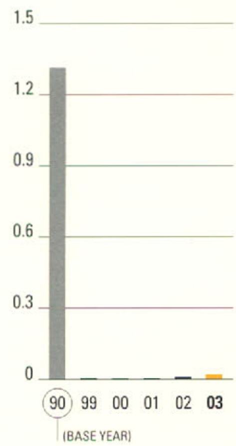
prevention	
conservation	reduction

→ **Dofasco has reduced loadings to Hamilton Harbour by nearly 99% since 1990.**

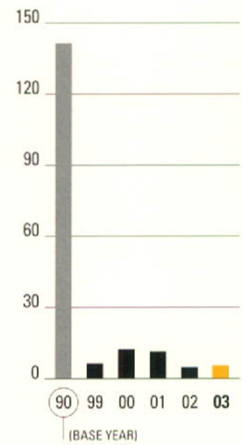
Ammonia to Hamilton Harbour
g/tonne of steel shipped



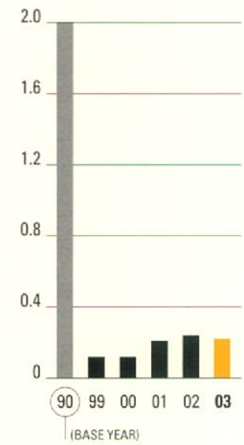
Phenolics to Hamilton Harbour
g/tonne of steel shipped



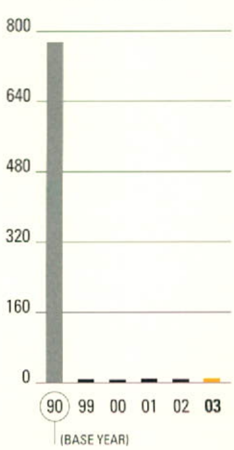
Dissolved organic carbon to Hamilton Harbour
g/tonne of steel shipped



Zinc to Hamilton Harbour
g/tonne of steel shipped



Suspended solids to Hamilton Harbour
g/tonne of steel shipped



(left to right) Gary Chisholm and Jack Shepherd helped build Dofasco's new $10 million Ammonia Removal and Destruction Plant. The plant safely destroys ammonia found in waste waters and gas streams from Dofasco's Coke Plants, eliminates NO_X emissions from a decommissioned burner and reduces annual maintenance costs by nearly $900,000.

secondary materials

Dofasco's management of secondary materials in 2003 supported the company's ongoing efforts to reduce the volume of waste going to landfill, to drive down costs and to generate revenues. More than $31 million was generated from the sale of secondary materials in 2003.

Dofasco continues to recycle 100% of Electric Arc Furnace (EAF) dust to a metals recovery facility. In 2003, 15,574 tonnes of the zinc-rich dust were recycled. Since installing a pneumatic silo at the EAF in 2001, Dofasco has redirected nearly 48,000 tonnes of EAF dust from landfill.

Recycling additional EAF material was the focus of a feasibility study that began in 2003. A cross-functional team developed a new sealed and dustless handling system that can safely filter, sort, store and recycle additional steelmaking by-products. Using this system, heavy particulates found in steelmaking dusts, which contain iron, lime and slag, can be sealed in steel drums and then recycled in the EAF, returning valuable and reusable materials directly back into the steelmaking process. In trials conducted in the fall of 2003, recycling the material showed no negative effects on the environment, steel quality, EAF operations or energy consumption. Work will continue on developing the new handling system in 2004, with the goal of redirecting upwards of 5,000 tonnes of steelmaking by-products from landfill.

All of the company's steel and blast furnace slags, totalling approximately 825,000 tonnes, were captured for recycling in 2003. These slags can be used in the manufacture of cement, cinder blocks, road aggregate and asphalt.

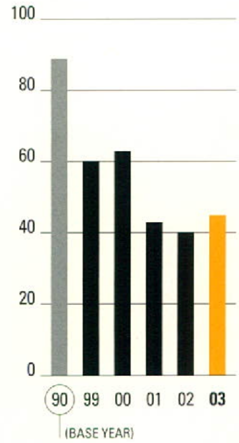
In 2003, Dofasco recycled 6,077 tonnes of steel slag by paving the company's roads with asphalt containing slag. In the past six years, Dofasco has recycled approximately 44,000 tonnes in this manner. Dofasco is engineering new mixes of asphalt that use a greater percentage of steel slag that can withstand the extreme weight of production vehicles. New technologies, and the development of a new paving method, now allow for asphalt to contain up to 80% steel slag aggregate. These advances allow Dofasco to reuse even more of this steelmaking by-product and protect natural resources. Dofasco also works with suppliers to sell this valuable by-product to outside customers.

Dofasco continued its PCB phase-out program in 2003 by replacing 15 PCB transformers, removing 56,000 kg of PCB liquids and recycling 151,000 kg of transformer shells. Since 1999, Dofasco has replaced 134 transformers, removed more than 474,000 kg of PCB liquids for secure destruction and safely recycled almost 928,000 kg of steel transformer shells. Dofasco is on schedule to meet a federal government proposed deadline of 2009 for the removal and safe disposal of electrical equipment containing PCBs.

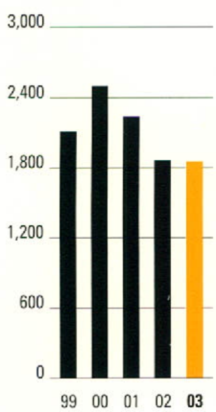
management	
reducing	recycling

→ **Dofasco continually looks for opportunities to maximize the inherent value of secondary materials.**

Solid waste disposal
kg/tonne of steel shipped



Materials recycled through blue box program
tonnes



Dofasco's (left to right) Jamie Telfer and John Mallon took part in identifying reusable scrap throughout all of the company's operations. By recycling 4,576 tonnes of obsolete equipment and unused product in 2003, Dofasco avoided the purchase of more than $800,000 worth of scrap from outside suppliers while improving the appearance of the company's property. Another 5,000 tonnes of scrap will be recycled in 2004.

Dofasco is required to provide a full report of its releases to Environment Canada. This chart provides performance data on Dofasco's priority NPRI substances. The company has made significant improvements in its environmental performance over the last decade. In recent years, Dofasco's performance has reached the optimal level for the current technology configuration, and slight variations from year-to-year are expected. Since the conservation and protection of the natural environment is a fundamental consideration in Dofasco's decision-making, state-of-the-art environmental technologies are contemplated in all the company's planned capital investments. A complete inventory of Dofasco's substances can be found on the NPRI website at: www.ec.gc.ca/pdb/npri.

	DIRECT RELEASE TO THE ENVIRONMENT TONNES/YEAR		PRIMARY RELEASE		
SUBSTANCE NAME	2002	2003	A†	W†	ONGOING ACTION PLAN TO REDUCE EMISSIONS
Ammonia	31	28			Continue Coke Battery leak reduction program and commission Ammonia Removal and Destruction Plant
Benzene	84	88			Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Chromium and its compounds	0.18	0.19			Optimize KOBM Secondary Emissions Control System
Copper and its compounds	0.20	0.87			Optimize KOBM Secondary Emissions Control System
Dioxins and Furans (TEQ*)	0.00000067	0.00000066			Investigate control options through the Canada-wide Standards setting process
Ethylbenzene	0.44	0.43			Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Ethylene	15	14			Continue Coke Battery leak reduction program
Hexachlorobenzene	0.00018	0.00016			Investigate control options through the Canada-wide Standards setting process
Hydrochloric Acid	49	41			Build newer and more modern facilities by 2005. Older facilities will be shut down
Hydrogen Sulfide	25	28			Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Lead and its compounds	0.51	0.42			Optimize KOBM Secondary Emissions Control System
Manganese and its compounds	2.5	3.6			Optimize KOBM Secondary Emissions Control System
Mercury	0.095	0.084			Investigate control options through the Canada-wide Standards setting process
Nickel and its compounds	0.04	0.04			Optimize KOBM Secondary Emissions Control System
Polycyclic Aromatic Hydrocarbons	20	15			Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Styrene	0.40	0.38			Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Toluene	10	10			Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Xylene	1.9	1.9			Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Zinc and its compounds	8.2	7.8			Optimize KOBM Secondary Emissions Control System

Note: Air release inventories of certain substances for 2002 were updated to reflect new information and improved estimation techniques applied in 2003. The data in this table will be submitted to Environment Canada as part of our National Pollutant Release Inventory reporting requirements.

† A – Air W – Water

* TEQ – international toxic equivalences

Ammonia (NH_3)	A colourless gas with a sharp irritating odour. Easily soluble in water. Ammonia is a by-product of cokemaking. Ammonia is removed from coke oven gas and is primarily sold as a raw material to the fertilizer industry.
Benzene	A flammable, colourless to light-yellow volatile aromatic hydrocarbon. Benzene is a by-product of cokemaking. Benzene is recovered from coke oven gas and sold to the chemical industry, along with xylene and toluene, as raw materials in the manufacture of styrene.
Carbon Dioxide (CO_2)	An odourless, colourless gas. A product of combustion of a fuel containing carbon.
Climate Change	A change in the average weather. This might encompass changes in temperature, precipitation and wind patterns. On a global scale, it refers to changes in the climate of the earth as a whole.
Dioxins and Furans	Dioxins and furans are two closely related families of chlorinated chemicals formed as a by-product of the combustion process. Dioxins and furans are substances that require management under the Canadian Council of the Ministers of the Environment Policy for the Management of Toxic Substances.
EAF Dust	An iron- and zinc-rich by-product recovered from the Electric Arc Furnace gas cleaning system. Zinc that is recovered from EAF dust is processed further and used as a curing agent in the synthetic rubber industry and in the manufacture of ceramics.
Finishing Division	Includes Pickling, Cold Rolling, Annealing, Tempering, Cleaning and Coating facilities. At the Finishing Division, steel coils are processed prior to being shipped to customers.
Gigajoule	A measure of energy. A gigajoule equals 1,000,000,000 joules. A 100-watt light bulb turned on for one second consumes 100 joules. Another measure of energy is British Thermal Units, or BTUs. One BTU equals 1054.8 joules.
Greenbelting	Planting of trees, shrubs and grass to reduce windblown dust from open areas.
Greenhouse Gas	Any one of several heat trapping gases (e.g., water vapour, carbon dioxide, methane) that absorb heat emitted by the earth, thereby retarding the loss of heat to space. Increased levels of greenhouse gases in the atmosphere are creating an enhanced greenhouse effect, linked to global climate change.
ISO 14001	An international standard that specifies a framework of control for an Environmental Management System against which an organization can be certified by an independent third party.
Nitrogen Oxide (NO_X)	A product of combustion which contributes to the formation of smog and acid rain.
Particulates	Finely divided solid or liquid particles in the air or in an emission. Particulates include dust, smoke and fumes.
pH	A value which represents the acidity or alkalinity of a solution. Pure water has a pH of 7.
Phenolics	A class of aromatic compounds in which one or more hydroxy groups are attached directly to the benzene ring. Phenol is a by-product of cokemaking.
Polycyclic Aromatic Hydrocarbons (PAHs)	PAHs is a term used to collectively describe more than 100 different compounds. All of these compounds are organic substances made up of carbon and hydrogen. PAHs are released from cokemaking operations. Most are removed from the coke oven gas stream and sold in by-products such as coal tar.
Primary Division	Includes Cokemaking, Ironmaking, Steelmaking and Hot Rolling processes. At the primary manufacturing operations, raw materials are made into steel and then rolled into coils for further processing.
Secondary Material	A non-steel substance or material produced or recovered during the manufacturing of coke, iron and steel. Some common by-products include ammonia, slags and benzene. By-products are an important source of revenue for Dofasco.
Slags	Fused agglomerate that separates in metal smelting and floats on the surface of molten metal. Slags are sold and used in a number of different applications including portland cement manufacture, aggregate for asphalt and aggregate for concrete block.
Sodium Chloride (NaCl)	Common salt.
Specific Energy Consumption	The net consumption of energy in a process or group of processes per unit of product output.
Specific Greenhouse Gas Emissions	Total direct greenhouse gas emissions for a process or group of processes per unit of produced output.
Sulphur Dioxide (SO_2)	A colourless, pungent gas formed by the combustion of fossil fuels – has been identified as one cause of acid rain.
Total Process Effluent	The total discharge of ammonia, phosphorus, suspended solids, oil and grease, dissolved organic carbon, phenolics and cyanide.
Total Suspended Solids (TSS)	Solids that either float on the surface or remain suspended in liquids.
Volatile Organic Compounds (VOCs)	Any hydrocarbon except methane and ethane, with a vapour pressure equal to or greater than .01 mm of Hg (mercury). Some VOCs can react with nitrogen oxide to form ground level ozone. Ground level ozone is a component of smog.

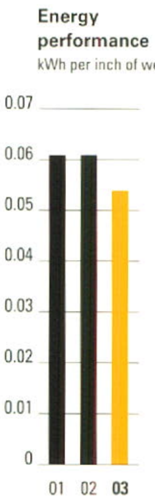
subsidiaries

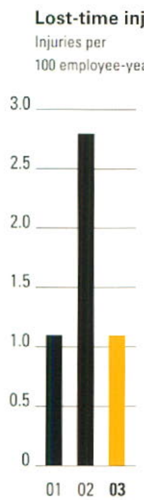
Dofasco has three wholly-owned operating subsidiaries with steel processing operations:

- Powerlasers, a manufacturer of laser-welded automotive blanks and related components, with operations in Pioneer, Ohio, and Concord and Kitchener, Ontario
- Dofasco de Mexico, a tube mill and processing facility in Monterrey, Mexico
- Dofasco Marion, two tube mills and a processing facility in Marion, Ohio

Subsidiary companies have policies and practices that adhere to Dofasco's high standards of integrity in dealing with stakeholders. The financial performance of these companies is not segmented as their results are reported as part of Dofasco's Steel Operations. Below are the highlights of their environmental and social well-being performance in 2003.

Powerlasers



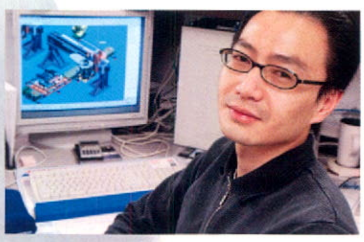


During 2003, the company's Pioneer operation was audited to the new ISO TS 16949 quality systems certification. It also completed its first-year registration of its ISO 14001 environmental certification without any non-conformances. The Pioneer operation is a member of several key community groups and provided financial support to several others. Notably, it initiated and awarded a scholarship program and work term for local high school students pursuing careers in engineering or manufacturing.

Powerlasers celebrated significant health and safety milestones in 2003. In April, Pioneer employees celebrated 12 consecutive months without a lost-time injury. Concord employees celebrated a year without a lost-time injury in 2003. And, for the fourth year in a row, the Advanced Technology Centre in Kitchener had no lost-time injuries and was honoured by the Industrial Accident Prevention Association for a non-compensable, injury-free workplace.

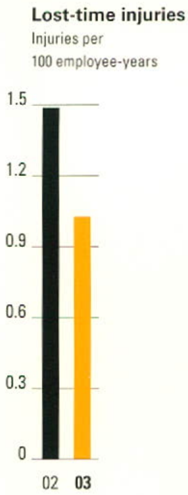
The Concord operation grew to accommodate new business in 2003. It added 25,000 square feet to install new equipment in 2004 capable of producing curved welds.

Employees and their families at the different operations enjoyed a number of employee events including barbeques, golf tournaments and family Christmas celebrations.



(left to right) Steve Benyik (Concord operation), Trevor Shih (Kitchener) and Amy Smith (Pioneer) contributed to Powerlasers' success in 2003.

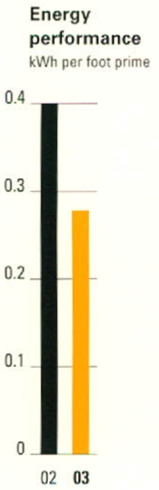
Dofasco Marion

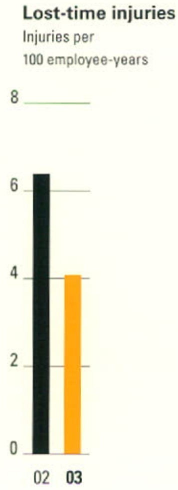


Dofasco Marion began the ISO 14001 registration process in 2003 and expects to achieve the designation in 2004. Energy conservation initiatives around natural gas and electricity use have significantly reduced energy consumption. Natural gas consumption for facility heating was reduced by 35%. Electricity efficiency was improved by 10% on the 10 most significant controllable uses. Employees coach various sport teams and volunteer in local organizations. The company achieved a reduction in lost-time injuries compared to 2002. It also provided fitness discounts for employees and hosted its first annual employee and family Christmas party.

In 2003, Dofasco Marion created a Corporate Community Responsibility policy, made several local donations and supported key community groups, including the United Way.

Dofasco de Mexico





The Mexican Secretary of Work and Social Provision designated Dofasco de Mexico as a "Safe Company" for achieving 100% compliance on all local government health and safety measures plant-wide. Due to the nature of its operations, Dofasco de Mexico does not have any significant environmental risks or impacts, but through conservation efforts, reduced water usage by 15% from 2002. In 2003, during only its second year of operations, the company achieved ISO 14001 environmental certification and ISO TS 16949 quality systems certification. A record 550 employees and family members attended the company's third annual Christmas party. Results of Dofasco de Mexico's second annual employee satisfaction survey showed a positive improvement. This was reflected in a turnover rate of less than 2%, which is significantly better than its regional competitor group. Together with the Canadian Chamber of Commerce, the company was a sponsor of the Monterrey Terry Fox Run. The company's employees continue to volunteer at a number of local organizations, including a local school for children with special needs.

In 2003, Dofasco de Mexico employees including (left to right) Alfredo Santiago, Sonia Ortega and Antonio Tamez achieved a 50% production increase while significantly reducing lost-time injuries.

joint ventures

Dofasco holds interests in a number of joint venture companies. These companies are run by their own management teams and boards of directors and follow their own reporting requirements. Key environment, energy, and health and safety data are neither amalgamated nor reported with Dofasco's.

However, as a partner in these companies, Dofasco expects joint venture companies to operate responsibly. A summary table of key environmental and health and safety performance indicators is below.

Health and safety

COMPANY	FACILITY	KEY PERFORMANCE INDICATOR	2001	2002	2003	2004 GOAL
Baycoat	Hamilton	Lost-time injury – frequency*	0.9	0.8	**0.4**	0
		Severity**	40.2	99.2	**29.7**	0
Gallatin Steel	Kentucky	OSHA recordables*	9.55	5.45	**7.45**	4.9
Quebec Cartier Mining Company	All facilities	Lost-time injury – frequency*	2.7	2.1	**2.0**	n/a
		Severity**	31.2	22.2	**28.1**	n/a
DJ Galvanizing	Windsor	All reported injuries	19	15	**12**	n/a
		Compensable injuries	10	9	**5**	n/a
		Lost-time injuries	0	2	**2**	n/a
		Days lost	0	9	**10**	n/a
Sorevco	Coteau-du-Lac	Lost-time injuries	4	4	**0**	0
		Recordable injuries	2	3	**3**	4
Wabush Mines	Scully	Reportable injury frequency*	1.92	3.39	**3.51**	2.00
	Pointe Noire	Reportable injury frequency*	14.0	9.2	**4.7**	2.4

* per 100 employee-years ** days lost per 100 employee-years

Environment and energy

COMPANY	FACILITY	KEY PERFORMANCE INDICATOR	2001	2002	2003	2004 GOAL
Baycoat	Hamilton	**Air** Odour complaints	0	0	**0**	0
		Water Compliance with sanitary sewer use by-laws (# of exceedances)	1	1	**1**	0
Gallatin Steel	Kentucky	**Air** # of times above CO and NO_x limits at EAF	n/a	0	**0**	0
		Water # of higher-than-normal discharges	18	20	**18**	0
Quebec Cartier Mining Company	All facilities	**Reportable spills**	13	11	**21**	0
		Notices of infractions	0*	0	**0**	0
	Mont-Wright	**Water regulations** % compliance with Guideline 019 % compliance with MMER	98.3 n/a	99.3 100	**90.1** **99.6**	100 100
		Energy Electricity (kWh per ton of concentrate)	31.5	32.9	**31.4**	31
	Pellet Plant	**Water regulations** % compliance with Guideline 019	100	100	**100**	100

Environment and energy (cont'd)

COMPANY	FACILITY	KEY PERFORMANCE INDICATOR	2001	2002	2003	2004 GOAL
Quebec Cartier Mining Company (cont'd)	Pellet Plant (cont'd)	**Energy** Bunker C + Coke Breeze (MJ per ton produced)	725.5	758.1	**776.1**	750.0
		Electricity (kWh per ton produced)	67.30	69.9	**65.3**	67.0
	Railroad	**Energy** Diesel fuel (litres per 1000 tons-km)	2.73	2.67*	**2.40**	2.47
	Port	**Energy** Bunker C (kL)	5,550*	5,775*	**6,021**	5,250
		Electricity (MWh)	42.6	47.2*	**45.97**	47.1
DJ Galvanizing	Windsor	**Hydrogen** (m^3 per ton)	1.02	1.21	**1.51**	1.32
		Utilities Water (m^3 per ton)	0.79	0.81	**0.87**	0.96
		Utilities Electricity (kWh per ton)	123	134	**143**	132
		Utilities Natural gas (m^3 per ton)	35.2	37.9	**39.7**	40.5
Sorevco	Coteau-du-Lac	**Regulations** (# of exceedances per year)	1	0	**0**	0
		Hydrogen (m^3 per ton)	2.87	2.87	**2.50**	2.25
		Utilities Electricity (kWh per ton)	79	72	**70**	n/a
		Utilities Natural gas (m^3 per ton)	35	31	**35**	n/a
Wabush Mines	Scully	**Ambient air** % compliance	100	99.9	**99**	100
		Number of reportable spills	14	3	**38**†	31
		Energy consumption Electricity (kWh per ton of product)	145	105	**95**	90
		Bunker C (gallons per ton of product)	1	0.97	**0.98**	0.97
		Hazardous waste (tons per year)	102	104	**76**	75
	Pointe Noire	**Ambient air** % compliance	80	72	**60**	80
		Number of reportable spills	8	5	**6**	5
		Energy consumption Electricity (kWh per ton of product)	76	75.5	**73.4**	72.5
		Bunker C (gallons per ton of product)	2.5	2.4	**2.2**	2.1
		Hazardous waste (tons per year)	102	125	**140**	140

† under new effluent regulations, reporting requirements were broadened significantly

* restated

management's discussion and analysis

Management's discussion and analysis contains certain forward-looking statements with respect to Dofasco's operations and future financial results that are subject to risks and uncertainties that may cause the results or events predicted in this discussion to differ materially from actual results or events.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the accompanying notes. Additional information about Dofasco is available on the Corporation's Annual Information Form, which can be accessed from SEDAR at www.sedar.com.

contents

overview of the business

Corporate overview

Dofasco Inc. is one of North America's most progressive and consistently profitable steelmakers, and a market leader in an industry that continues to be a cornerstone of the Canadian manufacturing economy.

The Corporation manufactures flat rolled steels – hot rolled, cold rolled, galvanized and tinplate – as well as tubular products, laser-welded blanks and Zyplex™, a proprietary laminate. Dofasco supplies these products to the automotive, construction, packaging, manufacturing, pipe and tube and steel distribution markets.

The foundation of Dofasco's success, and a key competitive advantage, is its workforce of over 7,500 highly skilled and motivated employees who implement the Corporation's customer-focused *Solutions in Steel*™ strategy.

Strategy

Dofasco's unique *Solutions in Steel*™ strategy focuses on creating long-term sustainable growth by providing value-added products to its customers. This is accomplished through a focus on customer intimacy, technology and innovation, and operational excellence. The strategy is enabled by the abilities of Dofasco employees and the Corporation's prudent financial management.

Solutions in Steel™ was developed in the early 1990s in response to globalization, falling steel prices and increased competition. Dofasco's approach is to pursue strategic business opportunities that earn a return above its cost of capital and allow the Corporation to maintain its leadership position in the North American steel industry. The strategy continues to differentiate Dofasco from its competitors, giving it a competitive advantage in the markets it serves.

During the past decade, *Solutions in Steel*™ has increasingly transformed Dofasco from a manufacturer of steel to a high-tech producer of innovative, value-added products that meet the immediate and future needs of its customers.

Core businesses

Dofasco's key operating segments, described below, are Steel Operations, Gallatin Steel and Quebec Cartier Mining (QCM):

Steel Operations

Hamilton operations: Dofasco's operations hub is its 750-acre steelmaking complex and head office in Hamilton, Ontario. The state-of-the-art facilities are some of the most efficient, flexible and technologically advanced in North America. These include three coke plants, two operating blast furnaces, a basic oxygen steelmaking furnace, an electric arc furnace, two slab casters, a hot strip rolling mill, pickling lines, cold rolling mills, annealing and tempering facilities, galvanizing lines, Canada's only electrolytic tinning lines and two tube mills.

Subsidiaries: Dofasco de Mexico (Monterrey, Mexico), Dofasco Marion (Marion, Ohio) and Dofasco's two tube mills in Hamilton operate as a business unit supplying specialized tubing for hydroformed applications to automotive and other customers across the continent. Another wholly-owned subsidiary, Powerlasers (operations in Ontario and Ohio), manufactures laser-welded blanks for the automotive industry and operates an advanced technology centre.

Joint ventures: Dofasco accesses leading-edge technologies through its joint ventures, product licences and process technology agreements with several key players in the global steel industry. For instance, the Corporation has entered into joint venture arrangements and technology agreements with two of the world's largest steelmakers, Arcelor (at DoSol Galva) and JFE (at DJ Galvanizing), to manufacture high value-added galvanized steel for North American automotive customers. Other joint ventures are Wabush Mines (iron ore mining), Baycoat (steel coil coating) and Sorevco (hot dip galvanizing).

Gallatin Steel

Dofasco owns 50% of Gallatin Steel, a low-cost minimill in Kentucky that produces flat rolled steel for the construction, pipe and tube and distribution markets in the mid-west United States.

Gallatin's state-of-the-art, Compact Strip Production facility features a twin-shell electric arc furnace, a ladle metallurgy facility, a thin-slab continuous caster and a six-strand hot finishing mill, with an annual production capacity of approximately 1.5 million tons.

Quebec Cartier Mining

On December 31, 2003, Dofasco disposed of its common share investment in QCM, its former joint venture iron ore mining operation. Details of the transaction are provided later in this discussion. Going forward, QCM will no longer be reported as a segment.

Capability to deliver results

Dofasco is well-positioned to deliver continued strong performance due to its financial strength, its ongoing investments in technology and innovation, its highly skilled and flexible workforce, its global partnerships and its sound corporate governance.

Because of its strong financial position and consistent track record of generating cash from operations, Dofasco has the capability to satisfy future cash requirements and take advantage of strategic growth opportunities. The Corporation has access to additional sources of capital through its unused credit facilities or by issuing equity or low-cost debt made possible by its high credit ratings.

Dofasco continues to invest in technology and innovation. During the past decade, the Corporation has invested more than $2 billion to build state-of-the-art, world-class facilities. In 2003, the Corporation began the $384 million first phase of its five-year, $700 million Finishing Division Improvement Program at its Hamilton operations.

The Corporation has a highly skilled and well-trained mostly non-union workforce motivated by a competitive, performance-based compensation plan. Annually, Dofasco invests more than $25 million in training and development for employees and in apprenticeship programs.

Dofasco continues to forge partnerships with global steelmakers that allow it to share leading steelmaking technologies. Through these partnerships, Dofasco leverages its strategic abilities to deliver added value to its customers.

Dofasco's leading corporate governance practices form the foundation for the systems and processes that enable it to execute strategy, manage risk and provide reliable disclosure to capital markets. The Corporation has been recognized for its corporate governance practices by Institutional Shareholder Services Inc., a world-leading provider of proxy voting and corporate governance services.

results of operations

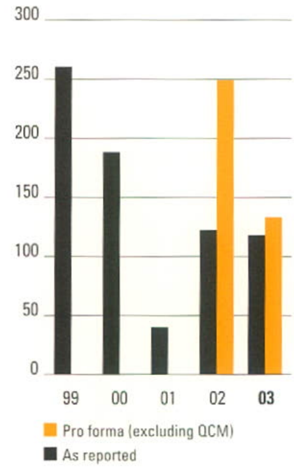
Consolidated financial results

Dofasco posted solid results in 2003 and was the most profitable steel producer in North America. This performance was achieved despite recording a non-cash charge on the disposal of the Corporation's investment in QCM and challenging business conditions. These conditions included a significant increase in scrap prices, a strengthening Canadian dollar, high energy costs and a major electric power interruption in August that disrupted production in Hamilton. In response to these conditions, Dofasco successfully implemented initiatives to increase revenue and reduce costs.

for the years ended December 31 (in millions, except shipments and per share amounts)	2003	2002	Change	% Change
Steel shipments (000s net tons)	**4,833**	4,827	6	0%
Net sales	**$ 3,554.9**	$ 3,583.7	$ (28.8)	(1%)
Gross income	**$ 559.7**	$ 647.2	$ (87.5)	(14%)
Net income	**$ 118.4**	$ 122.8	$ (4.4)	(4%)
Basic earnings per share	**$ 1.56**	$ 1.63	$ (0.07)	(4%)

Consolidated net income declined slightly from 2002. Results for 2002 also included a non-cash charge for Dofasco's proportionate share of QCM's loss on impairment of long-lived assets.

Consolidated net income
millions of dollars



Pro forma results (excluding QCM)

The capital restructuring of QCM was finalized on December 31, 2003. This resulted in the disposition of all the common shares of QCM owned by Dofasco for nominal consideration and the exchange of the Corporation's notes receivable from QCM for non-voting preferred shares. As the Corporation has no remaining common equity in QCM, the preferred share investment is accounted for on a cost basis effective December 31, 2003 and thereafter.

Excluding the loss on disposal and QCM's results of operations, pro forma net income in 2003 was $133.9 million ($1.78 per share). This compares to pro forma net income of $249.7 million ($3.32 per share) in 2002, which, excluding the non-cash charge for impairment, was one of the most profitable years in Dofasco's history.

Pro forma net income and earnings per share (EPS) are presented to provide more useful and comparable information on the continuing operations of the Corporation. The following table reconciles pro forma net income to net income reported in accordance with generally accepted accounting principles.

for the years ended December 31 (in millions, except per share amounts)	2003	2002
Net income, as reported	**$ 118.4**	$ 122.8
Add: Loss on disposal of QCM		
Common share equity investment	**27.4**	—
Selling costs	**0.5**	—
Loss on disposal of QCM	**27.9**	—
Less: QCM's net income (loss)	**12.4**	(126.9)
Pro forma net income	**$ 133.9**	$ 249.7
Pro forma EPS	**$ 1.78**	$ 3.32

Gross income by business segment

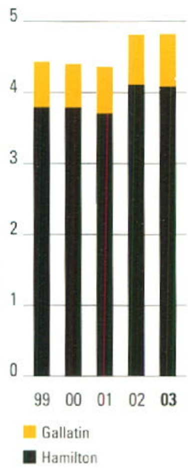
Consolidated gross income in 2003 was $559.7 million compared to the near-record $647.2 million reported in 2002. This decline was largely due to the impact of difficult business conditions on the Steel Operations and Gallatin Steel segments, partially offset by an improvement in operating results at QCM.

for the years ended December 31 (in millions)	2003	2002	Change	% Change
Steel Operations	**$ 497.6**	$ 585.7	$ (88.1)	(15%)
Gallatin Steel	**26.0**	71.5	(45.5)	(64%)
Quebec Cartier Mining	**28.5**	(15.1)	43.6	n/a
Intersegment eliminations	**7.6**	5.1	2.5	49%
Consolidated gross income	**$ 559.7**	$ 647.2	$ (87.5)	(14%)

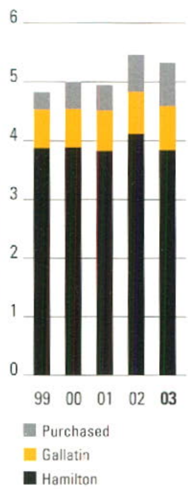
Note 19 to the consolidated financial statements provides additional financial information on the reporting segments.

Average revenue and cost per ton
Hamilton operations
dollars per net ton

Steel shipments
millions of net tons



Raw steel production
millions of net tons



Steel Operations gross income

Dofasco's Steel Operations segment posted solid results in 2003, despite a 15% decline in gross income from 2002, one of its most successful years ever. As in previous years, the results of the Steel Operations segment are largely driven by the Corporation's Hamilton operations.

for the years ended December 31 (in millions, except where noted)	2003	2002	Change	% Change
Steel shipments (000s net tons)	4,092	4,116	(24)	(1%)
Raw steel production[1] (000s net tons)	4,588	4,757	(169)	(4%)
Net sales	$ 3,079.9	$ 3,138.7	$ (58.8)	(2%)
Cost of sales	2,582.3	2,553.0	29.3	1%
Gross income	$ 497.6	$ 585.7	$ (88.1)	(15%)

[1] Raw steel production includes purchased semi-finished steel

Sales decreased slightly from 2002 due to the marginally lower shipments and lower average realized revenue per ton. Shipments from Hamilton decreased by 24,000 tons from the record 2002 levels, mainly due to weaker market demand in the first eight months of the year.

Hamilton operations' average revenue per ton shipped declined by $1 per ton in 2003 due to the lower pricing resulting from the weaker U.S. dollar and lower average spot market prices. This was partially mitigated by a higher-value product mix, which included higher shipments of galvanized and tubular products to the automotive market.

Hamilton operations' average cost per ton increased by $24 compared to 2002, largely due to higher scrap and energy costs and lower production levels. The decrease in production was primarily attributable to the weaker market demand and the August electricity outage and subsequent week-long constrained electricity supply. Also contributing to the higher costs was a significant increase in the cost and use of purchased slabs in 2003 resulting from the shutdown of the oxygen steelmaking facility to replace the vessel (December 8, 2002 to January 11, 2003).

Gallatin Steel gross income

Gallatin Steel had excellent operating performance in 2003, resulting in record production and shipments. However, lower selling prices and significantly higher scrap costs led to a decrease in gross income from the record results in 2002.

for the years ended December 31 (in millions, except where noted)	2003	2002	Change	% Change
Steel shipments (000s net tons)	1,481	1,422	59	4%
Raw steel production (000s net tons)	1,490	1,426	64	4%
Net sales	$ 300.6	$ 334.2	$ (33.6)	(10%)
Cost of sales	274.6	262.7	11.9	5%
Gross income	$ 26.0	$ 71.5	$ (45.5)	(64%)

Average realized revenue per ton declined by US$11 per ton year over year, reflecting lower hot band spot market selling prices. Despite record steel production, average cost per ton increased by US$30 compared to 2002 due to higher energy costs and significantly higher scrap prices. Increased global demand for scrap, primarily from Asia, drove North American scrap prices sharply higher in 2003.

Quebec Cartier Mining (QCM) gross income

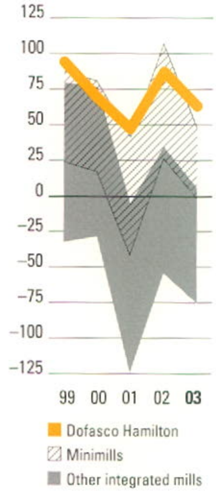
Dofasco's share of QCM's gross income in 2003 was $28.5 million, compared to a loss of $15.1 million in 2002. The improvement reflects increased shipments and higher U.S. dollar pricing, which were partially offset by the impact of the weaker U.S. dollar.

Other income statement items

The following table outlines the changes in the consolidated income statement line items below gross income compared to the prior year.

for the years ended December 31 (in millions)	2003	2002	Change	% Change
Gross income	**$ 559.7**	$ 647.2	$ (87.5)	(14%)
Depreciation and amortization	**251.8**	274.8	(23.0)	(8%)
Impairment of long-lived assets	**—**	118.5	(118.5)	n/a
Operating income	**307.9**	253.9	54.0	21%
Interest on long-term debt	**48.6**	57.4	(8.8)	(15%)
Investment and other income	**(6.1)**	(6.9)	0.8	(12%)
Foreign exchange loss	**32.4**	4.1	28.3	690%
Loss on disposal of QCM	**27.9**	—	27.9	n/a
Income before income taxes	**205.1**	199.3	5.8	3%
Income tax expense	**85.7**	69.1	16.6	24%
	119.4	130.2	(10.8)	(8%)
Minority interest	**1.0**	7.4	(6.4)	(86%)
Net income	**$ 118.4**	$ 122.8	$ (4.4)	(4%)

Earnings before interest and taxes per shipped ton
dollars



Depreciation and amortization

Depreciation decreased by $23.0 million mainly due to the impact of the asset impairment write-down at QCM in the fourth quarter of 2002 and the accelerated depreciation of the oxygen steelmaking vessel in the second half of 2002.

Impairment of long-lived assets

Dofasco's consolidated results for 2002 included a $118.5 million non-cash charge for its share of QCM's impairment of long-lived assets. At the end of 2002, an assessment of the recoverability of the carrying amount of QCM's long-lived assets was conducted. The assessment was required in light of a revised mining plan which included a reduction in annual mine production and changes to other key assumptions.

Interest on long-term debt

Interest on long-term debt decreased by $8.8 million reflecting lower outstanding debt in 2003 due to scheduled debt repayments at Hamilton, QCM and DJ Galvanizing throughout 2002 and 2003.

Investment and other income

Investment and other income declined slightly due to a non-cash write-down of the Corporation's less than 1% investment in NewView Technologies, formerly e-Steel, acquired in 1999. The $2.9 million non-cash charge reflects the redemption value of the investment offered as part of NewView's capital restructuring plan executed in 2003. Excluding this charge, investment and other income was $2.1 million higher in 2003 mainly due to interest earned on the higher average short-term investment balance.

Foreign exchange

The foreign exchange loss of $32.4 million in 2003 was primarily due to the impact of the significant weakening of the U.S. dollar on the value of Dofasco's net U.S. dollar working capital. During 2003, the U.S. dollar weakened against the Canadian dollar by 18%, from $1.58 on January 1 to $1.29 on December 31.

Loss on disposal of QCM

A non-cash charge of $27.9 million was recorded in 2003 relating to the disposition of the common share investment in QCM on December 31, 2003 for nominal consideration. The loss consists of the balance of the common share equity of $27.4 million and related selling costs of $0.5 million. The disposition of QCM is discussed in further detail below under the heading "QCM capital restructuring."

Income taxes

The effective tax rate of 41.8% in 2003 was significantly higher than the Corporation's Canadian manufacturing and processing effective statutory rate of 34%. The Corporation did not record a net tax recovery on the loss on disposal of QCM, resulting in an increase in the effective tax rate. In addition, future tax liabilities were increased by $5.9 million as a result of the repeal by the new Ontario government of the scheduled provincial tax rate reduction enacted in 2001.

The Corporation's effective tax rate for 2002 was 34.7%, consistent with the statutory rate, and was impacted by two offsetting items. The effect of not fully tax-effecting the QCM asset impairment write-down was offset by the effect of not recording a tax expense on income from U.S. operations.

Minority interest

Minority interest decreased by $6.4 million reflecting lower earnings at the 80%-owned DoSol Galva Limited Partnership, the results of which are consolidated in the Steel Operations business segment discussed above.

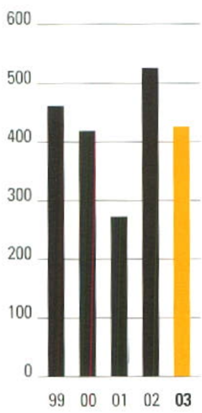
liquidity and capital resources

Statement of cash flows

The consolidated cash flows include Dofasco's proportionate share of QCM's cash flows for all of 2002 and 2003 since the disposition occurred on December 31, 2003. However, the consolidated balance sheet at December 31, 2003 does not include any share of QCM's assets or liabilities (see Note 5 to the consolidated financial statements).

for the years ended December 31 (in millions)	2003	2002	Change	% Change
Net income	**$ 118.4**	$ 122.8	$ (4.4)	(4%)
Cash provided from operations before changes in working capital	**$ 427.4**	$ 526.9	$ (99.5)	(19%)
Cash provided from operating activities	**$ 370.4**	$ 559.3	$ (188.9)	(34%)
Cash used for investment activities	**$ 159.4**	$ 210.3	$ (50.9)	(24%)
Cash used for financing activities	**$ 193.2**	$ 183.4	$ 9.8	5%

Cash provided from operations before changes in working capital
millions of dollars



Cash provided from operating activities

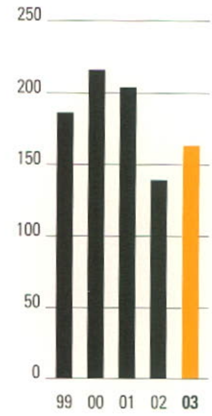
Dofasco's history of generating strong cash flows from operating activities has contributed to its current strong financial position. In 2003, cash provided from operations before changes in non-cash working capital of $427.4 million was lower than in 2002, reflecting lower gross income. Changes in non-cash working capital resulted in a use of $57.0 million, primarily attributable to a decrease in income and other taxes and an increase in accounts receivable, partially offset by a reduction in inventories. The decrease in income taxes payable is due to a significantly higher final instalment payable at the end of 2002. The increase in accounts receivable was mainly due to higher sales in December 2003 compared to December 2002. The decrease in inventories was mainly due to a reduction in purchased slabs inventory from the high 2002 levels required for the shutdown of the oxygen steelmaking facility and a drawdown of finished goods.

Cash used for investing activities

Consolidated capital expenditures in 2003 were $163.1 million compared to $139.0 million in 2002. The increase in capital expenditures is mainly due to the start of two major capital projects in 2003: the #2 Blast Furnace rebuild and the first phase of the Finishing Division Improvement Program in Hamilton. As part of the first phase, the upgrade of the #1 Coupled Pickle Line Cold Mill was completed in December. Capital expenditures are expected to more than double in 2004 to approximately $375 million as spending on these projects accelerates.

Short-term investments decreased by $13.4 million in 2003, compared to an increase of $67.9 million in 2002, reflecting a change in the mix of short-term deposits and cash. Other investment activities resulted in a use of $9.7 million in 2003 compared to a use of $3.4 million last year.

Capital expenditures
millions of dollars



Cash used for financing activities

Cash flows for financing activities increased in 2003 relative to last year. Scheduled debt repayments at Hamilton, QCM and DJ Galvanizing resulted in a use of $112.0 million in 2003, compared to $90.9 million last year. Total consolidated long-term debt decreased by $146.2 million in 2003 due to these repayments and to the fact that QCM's long-term debt is not proportionately consolidated at December 31, 2003.

Dofasco paid $88.7 million in dividends in 2003, compared to $81.6 million in 2002. The increase reflects the 11% increase in the common share dividend from $1.08 to $1.20 per share, effective April 1, 2003.

Dofasco's proportionate share of QCM's and Gallatin's repayments of bank borrowings was $15.0 million in 2003. This compares with $15.8 million of repayments in 2002, mainly at Gallatin. Bank borrowings on the balance sheet decreased by $36.0 million in 2003 due to these repayments and because QCM's bank borrowings are not proportionately consolidated at December 31, 2003.

Cash proceeds of $22.7 million were received on the exercise of 936,800 common share stock options, compared to proceeds of $5.2 million in 2002.

As at February 20, 2004, there were 76,150,311 common shares outstanding.

Cash requirements for long-term commitments

The following table summarizes contractual obligations and other cash payments required over the next five years and in total.

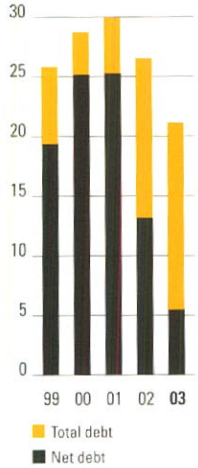
for the years ended December 31 (in millions)	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt	$ 53.8	$ 219.2	$ 43.9	$ 43.6	$ 133.3	$ 4.6	$ 498.4
Operating leases	27.7	25.0	21.5	19.2	17.1	20.2	130.7
Long-term purchase contracts	295.6	165.4	131.9	125.8	123.3	970.0	1,812.0
Total cash requirements	$ 377.1	$ 409.6	$ 197.3	$ 188.6	$ 273.7	$ 994.8	$2,441.1

Dofasco's scheduled payments under long-term debt agreements summarized above include $175 million of 7.5% medium-term notes maturing in 2005 and $125 million of 7.55% medium-term notes maturing in 2008.

Long-term purchase contracts include contracts for fixed or minimum quantities of raw materials such as iron ore and coal, as well as natural gas, electricity and other utilities.

In addition, at December 31, 2003, $486.9 million was required to complete authorized capital projects, the majority of which will be incurred in the next two years.

Debt to debt plus equity ratio
% as at December 31



Guarantees and other commitments

Dofasco continues to provide $30.9 million in letters of credit in support of QCM's credit facility and equipment leases. The amount of these guarantees will be reduced over the next four years as QCM's underlying obligations are repaid.

Pursuant to the capital restructuring of QCM, the Corporation may be required to provide continuing support of future mine development at QCM, to a maximum of $34.5 million between 2004 and 2010.

Capital resources

Dofasco's capital resources at December 31, 2003 included cash and cash equivalents and short-term investments amounting to $400.6 million, compared to $402.6 million at the end of 2002. This solid cash position, together with ongoing strong cash flow from operations, is expected to enable the Corporation to satisfy the anticipated cash requirements. In addition, Dofasco has unused credit facilities totalling $250 million and an additional $25.2 million available to its joint ventures under existing credit lines at December 31, 2003.

Dofasco's financial position strengthened in 2003, as evidenced by a decrease in the ratio of debt to debt plus equity due to scheduled debt repayments at Hamilton and DJ Galvanizing and due to the disposal of QCM on December 31, 2003. This strong financial position and consistent ability to generate cash has led Standard & Poor's and Dominion Bond Rating Service to rate the Corporation's debt "A-" and "A(low)", respectively. Dofasco remains one of only three steel companies in the world at December 31, 2003 with debt ratings of category "A". This high credit rating provides Dofasco the opportunity to issue new debt at a comparatively low cost.

Off-balance sheet arrangements

Dofasco does not engage in off-balance sheet accounting to structure any of its financial arrangements. Off-balance sheet activities are limited to matters such as guarantees, which are discussed above.

QCM capital restructuring

In December 2002, Dofasco and CAEMI of Brazil, each 50% shareholders of QCM, reached an Agreement in Principle with the Quebec government and related agencies to undertake a capital restructuring of QCM. This restructuring will allow QCM to undertake a $350 million capital program necessary to further develop the mine and execute a multi-year mining plan. Discussions continued during 2003 and, effective December 31, 2003, the restructuring of QCM was completed through the finalization of agreements among Dofasco, Investissement Quebec, CAEMI and QCM.

The restructuring resulted in the disposition of all the common shares of QCM owned by Dofasco to an independent third party for nominal consideration and the exchange of Dofasco's $20 million of notes receivable from QCM for non-voting, non-participating preferred shares of QCM with a 4% cumulative dividend from and after January 1, 2011. In addition, Dofasco may be required to contribute a maximum of $34.5 million between 2004 and 2010 with an annual maximum ranging from $5 million to $7 million, based on a defined formula, in order to provide continuing support of future mine development at QCM. The disposition of the common shares resulted in a charge to income of $27.9 million. The preferred shares have been recorded in investments and other assets at their estimated fair value of $20 million.

As the Corporation has no common equity ownership in QCM effective December 31, 2003, the preferred share investment in QCM is accounted for on a cost basis. Accordingly, the balance sheet at December 31, 2003 does not reflect the Corporation's proportionate share of the assets and liabilities of QCM. However, the Corporation has proportionately consolidated

QCM's statements of income and cash flows for 2003 as the disposition does not qualify for treatment as a discontinued operation under the new CICA Handbook Section 3475 "Disposal of Long-lived Assets and Discontinued Operations," effective for disposals after May 1, 2003.

accounting change in 2004

Asset retirement obligations

Effective January 1, 2004, the Corporation will adopt new CICA Handbook Section 3110 "Asset Retirement Obligations" as a change in accounting policy. The new standard applies to Dofasco's Wabush Mines joint venture on a retroactive basis, which will result in the restatement of the 2003 financial statements. Upon adoption, the long-term liability for asset retirement obligations and the related long-lived asset will increase by $13.4 million and $0.3 million, respectively, at January 1, 2004. The cumulative effect of the change will be reflected as an $8.9 million reduction in retained earnings and a $4.2 million increase in future income tax assets. In addition, the accounting change will result in a charge to net income of approximately $0.7 million in 2004, consisting of the accretion of the liability and the amortization of the related asset.

critical accounting estimates

Dofasco's significant accounting policies are described in Note 1 to the consolidated financial statements. Some of these accounting policies involve estimates that require management's judgment in the use of assumptions about matters that are uncertain at the time the estimate is made. Different estimates, with respect to key variables used for the calculations, or changes to estimates, could potentially have a material impact on Dofasco's financial position or results of operations. In its review of major accounting policies with the Corporation's Audit Committee and independent auditors, management has discussed the development and selection of the critical accounting estimates described below.

Valuation of income tax assets

In preparing the consolidated financial statements, the Corporation is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These temporary differences, together with the net operating loss carryforwards from its U.S. operations, result in future income tax assets and liabilities, which are recorded on the balance sheet. The Corporation assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and, to the extent that recovery is not "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated income statement.

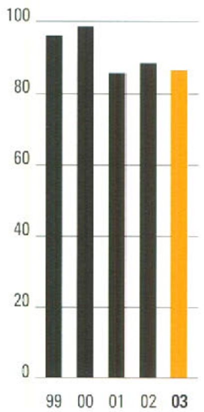
Judgment is required in determining the amounts of future income tax assets and liabilities and the related valuation allowance recorded against the net future income tax assets. In assessing the potential realization of future income tax assets, management considers whether it is "more likely than not" that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the Corporation generating sufficient future taxable income from its U.S. operations during the period in which the future income tax assets are recoverable. Management expects to realize all the future income tax assets. However, some uncertainty exists surrounding the Corporation's ability to generate sufficient taxable income from its U.S. operations before the expiration of the foreign net operating loss carryforwards. To reflect this uncertainty, the Corporation has provided a valuation allowance of $11.0 million against the long-term future income tax assets of $47.8 million as at December 31, 2003.

Employee future benefits

The Corporation provides pensions and post-retirement benefits including medical benefits, dental care, life insurance and certain compensated absences to employees. The determination of the obligation and expense for defined benefit pensions and post-retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are disclosed in Note 15 to the Corporation's consolidated financial statements, the most significant of which are the discount rate, the expected long-term rate of return on plan assets, the rates of increase in compensation costs and the rates of increase in the cost of health care and dental benefits. The significant actuarial assumptions adopted are internally consistent and reflect the long-term nature of employee future benefits. Significant changes in assumptions could materially affect the Corporation's employee benefit obligations and future expense.

business conditions and outlook

North American flat rolled steel demand
millions of net tons



2003 business conditions

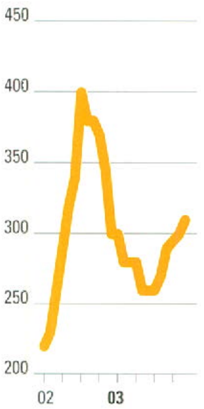
During 2003, the Canadian economy grew by about 1.5%, significantly dampened by the rapid rise of the Canadian dollar against the U.S. dollar. Economic activity was also restrained by unusual factors including a decline in travel and tourism as a result of SARS, a decline in beef exports as a result of BSE and by a major power outage in Ontario.

The U.S. economy saw annual growth of about 3%, with a stronger second-half performance. This was driven mainly by increased consumer spending supported by historically low interest rates.

North American demand for flat rolled steel decreased by approximately 2.5% during 2003 due to reduced consumption of steel by the automotive and construction markets and inventory reductions in some steel-consuming sectors.

U.S. spot market selling prices for hot band steel, a benchmark for flat rolled pricing, continued to be volatile over the past two years. In 2002, reduced supply due to facility closures and the Section 201 trade initiative that resulted in reduced imports into the U.S. led to a strong recovery in hot band spot market selling prices which peaked in the third quarter of the year. At that time, pricing started to decline as some previously idled facilities restarted production. After reaching a low in June 2003, pricing recovered gradually through the second half of the year as North American economic growth accelerated.

U.S. Midwest hot rolled spot price
U.S. dollars per ton



2004 economic outlook

The Canadian economy is expected to grow by approximately 3% during 2004 driven largely by improving consumer spending and business investment supported by rising personal incomes and growth in corporate profits. As a result, demand for steel is expected to improve in the automotive and construction markets.

The U.S. economy is expected to grow by more than 4% in 2004 led by continuing low interest rates and strong consumer spending fuelled by personal income tax cuts. Improving corporate profits and the positive effects of the declining U.S. dollar are also expected to support a healthy rebound in U.S. economic activity. The automotive and construction markets are expected to benefit from rising domestic demand and the increased competitiveness of domestic manufacturers compared to offshore producers.

The rapid growth of the steel market in China is expected to continue to push raw material costs to record levels. As well, higher energy costs and the continuing escalation of scrap prices to unprecedented levels are expected to continue to drive costs higher. These costs are being absorbed through the value chain, and Dofasco continues to work with its customers to re-calibrate for this global shift, which includes implementing a raw material surcharge.

Overall, flat rolled steel demand in North America is expected to grow by 5% in 2004 driven by increased automotive production, construction and manufacturing activity and some rebuilding of steel inventories in the supply chain.

Market segments

Automotive

In 2003, North American vehicle production decreased by almost 2% from strong 2002 levels. In 2004, production is expected to rise 1% to 2% given improved consumer spending and continuing low interest rates. This anticipated growth should have a positive impact on Dofasco's results as the largest proportion of Hamilton's shipments are directly to the North American auto industry.

Distribution

Canadian service centre steel purchases were lower in 2003 as they reduced their inventories. A recovery is expected in 2004 in line with end-user growth in the automotive, construction and manufacturing sectors and some rebuilding of service centre inventories.

Construction

Canadian non-residential construction activity is expected to rebound from a 1% decline in 2003 to post a robust 10% gain in 2004. Improved corporate profits, low interest rates and an improving U.S. economy are key factors. Residential construction is expected to remain above the long-term trend, but soften compared to 2003.

Packaging

The packaging industry is expected to continue its modest growth trend of less than 1% per year. As the only producer of tinplate in Canada and one of only six in North America, Dofasco's shipments to this segment are expected to follow a similar trend.

Manufacturing

In 2003, the Canadian manufacturing sector was held back by the strengthening Canadian dollar that impacted export sales. In 2004, the sector is anticipated to grow by 2%, reflecting the increased demand for appliances and electrical machinery.

Pipe and tube

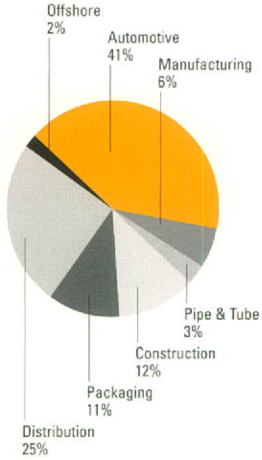
Dofasco supplies flat rolled steel for use in oil country tubular goods. Tubing for automotive applications is included in Dofasco's automotive market segment. Pipe and tube production in Canada grew by approximately 8% in 2003 and is expected to increase by 5% in 2004.

2004 outlook for Dofasco

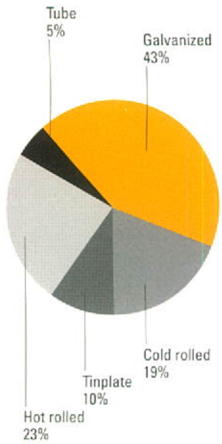
Another solid year of shipments is expected at Dofasco's Steel Operations segment, driven largely by Hamilton operations. Revenue per ton is expected to increase as a result of a higher-value product mix and improved pricing. With about two-thirds of its business sold under contracts of one year or longer, Hamilton's revenue improvement will be influenced by the timing of new contract negotiations as well as by spot market increases. Costs are anticipated to increase primarily due to escalating scrap prices as well as higher costs of other raw materials and natural gas. A higher-value product mix will also contribute to higher average costs. Overall, the Steel Operations segment results are expected to improve during the year.

Gallatin is expected to continue its excellent operating performance in 2004. Shipments are anticipated to be similar to 2003. Revenue per ton is expected to increase due to higher spot selling prices in the U.S. Costs are anticipated to increase, driven by escalating scrap prices. Overall, Gallatin's results are expected to improve in 2004. Starting in 2004, a tax expense will be recorded on earnings from Gallatin and Dofasco's other U.S. operations.

2003 market mix
Hamilton operations



2003 product mix
Hamilton operations



risks and risk management

The Corporation's performance may be affected by a number of risk factors. Dofasco senior management monitors, manages and mitigates key risks and reviews Dofasco's Risk Management Policy with the Audit Committee annually.

Economic cycles

The North American steel industry experiences supply and demand cycles relative to the general economic environment. The industry is also impacted by the level of manufacturing activity in several key industries such as automotive, construction, packaging, consumer goods, and oil and gas. The financial performance of North American steel companies, including Dofasco, is impacted by the effects of these cycles.

Dofasco mitigates the adverse impact of economic cycles by maintaining a diversified mix of contract and spot business, a high-value product mix, and by delivering industry-leading quality and customer service. This approach is consistent with Dofasco's long-term focus on earning a return above its cost of capital over the business cycle.

Foreign exchange rates

Dofasco is exposed to foreign exchange risk due to the impact of rate fluctuations on U.S. dollar-denominated sales and purchases, and Canadian transactions influenced by U.S. pricing. In addition, the Corporation is exposed to foreign exchange rate risk on the translation of its U.S. dollar working capital and its net investments in U.S. and Mexican operations.

Dofasco has both sales and purchases denominated in U.S. dollars, which are relatively in balance at this time. However, over the longer term, Dofasco's revenue per ton reflects U.S. dollar pricing, thereby increasing the Corporation's exposure to currency fluctuations.

Periodically, the Corporation has entered into forward purchase contracts for some of its U.S. dollar-denominated purchases, such as slabs or major capital expenses. The Corporation does not hold or issue derivative financial instruments for trading or for speculative purposes.

Flat rolled steel imports
% of demand

Steel industry competition

The nature of competition is undergoing fundamental change in North America. During 2002 and 2003, several flat rolled steelmakers in North America emerged from the restructuring process with lower cost structures. To maintain its performance advantage and improve productivity, Dofasco continues to invest in its facilities to lower its operating costs and improve its product mix.

Success in the steel industry is dependent on a company's ability to differentiate itself in the market, often by developing or accessing technological innovations. Dofasco's ability to innovate, its long-standing relationships with other recognized industry leaders and its financial strength have enabled it to continue to develop and access world-class technology.

Steel trade

High volumes of steel imports have historically entered North American markets, often in surges that tend to destabilize and disrupt markets. Dofasco relies on the application of Canadian trade laws to prevent imports of "dumped" steel – steel sold in a foreign market at a price below either the cost of production or the selling price in the producer's home market – from injuring Canadian steel producers. Without timely and appropriate application of trade laws, Dofasco faces the risk of injury due to the pricing impact of steel traded in violation of international trade rules.

Dofasco is conducting ongoing discussions to address steel trade issues on three fronts: globally, North America-wide and within Canada.

Globally, Dofasco continues to participate with the Organization for Economic Cooperation and Development (OECD) in discussions geared to reach an agreement to reduce government subsidies that distort competition and perpetuate steel overcapacity worldwide.

Within the North American context, Dofasco is involved with industry and government representatives from the U.S., Canada and Mexico to address the issues related to low-priced steel imports sold into North American markets. In 2003, Dofasco representatives met with North American government and industry representatives to forge an agenda for the future of the new North American Steel Trade Committee.

In the United States, where Dofasco has been subject to a dumping action on corrosion resistant steel since 1993, Dofasco continues to participate in the reviews conducted by the Department of Commerce. Dofasco has challenged the findings of the latest review to the U.S. Court of International Trade.

In Canada, Dofasco is preparing for five-year sunset reviews of anti-dumping decisions made by the Canadian International Trade Tribunal in 1999 on imports of hot rolled, galvanized and cold rolled steel from several countries. Dofasco continues to argue the need to sustain these anti-dumping decisions.

Concentration in specific industry sectors

The automotive industry is the Corporation's largest market segment. In 2003, Hamilton's shipments to the automotive segment accounted for 41%, excluding indirect shipments via the distribution segment. Dofasco's focus on customer relationships and its continuous investment in the latest technology through global partnerships make it a supplier of choice in this segment.

Dofasco's position as a leading automotive steel supplier is maintained and enhanced through investments in value-added products. Dofasco is also well diversified across the automotive sector by customer and by auto platform. Because of its low cost structure, Dofasco is able to competitively access other market segments when automotive demand falls.

Energy

Dofasco's steelmaking operations in Hamilton and at Gallatin Steel consume large quantities of energy, primarily electricity and natural gas.

To ease the impact of price changes in these commodities, Dofasco uses risk management approaches including improving energy efficiency, maintaining an appropriate portfolio of fixed price contracts and spot price exposure, as well as operating strategies responsive to electricity market conditions. The Corporation also manages its price and availability risk through a portfolio of short- and long-term supply agreements and by utilizing multiple sources of supply. Dofasco reduces the amount of fuel it purchases by recycling by-product fuels from internal manufacturing processes.

Like many major power users in Ontario, Dofasco is subject to the possibility of constrained electricity supply during times of peak seasonal demand. Dofasco is actively involved in the process to create a reliable Ontario electricity market that is competitive with other North American markets.

Commodities

Dofasco's largest raw material requirements are iron ore, scrap steel and coal. The Corporation has procurement strategies to ensure security of supply, price competitiveness and quality assurance of raw materials. Dofasco has a long-term secure source of iron ore primarily from QCM and Wabush Mines, in which it has an ownership interest. Dofasco's Hamilton operations and Gallatin Steel have reliable sources of steel scrap, which is subject to spot market pricing. The Corporation has long-term relationships with a variety of North American coal suppliers, subject to market prices set annually.

Operational

Dofasco is subject to operational risks from major unplanned failures of equipment, technology, people processes or due to other external events.

The Corporation manages operational risks in a number of ways. Dofasco maintains and enhances its world-class plant and facilities through ongoing capital investment. To support technology and business continuity and recovery, it operates multiple back-up facilities. Effective controls and systems are in place and are managed by trained and capable people, helping to ensure reliability. Dofasco maintains a robust, formal and cross-functional crisis-response process to minimize the adverse impact of unplanned events. In addition, the Corporation protects itself from these and other operational risks with insurance coverage.

Environmental

Due to its manufacturing and mining activities, the Corporation is subject to risk of penalties from non-compliance with environmental laws and regulations. In support of its compliance with all environmental laws and regulations, the Corporation collaborates with government and industry to develop standards, and voluntarily and aggressively addresses emissions to air and water. It meets all its commitments under its voluntary Environmental Management Agreement with the Canadian and Ontario governments. Dofasco actively manages and recycles its secondary materials to reduce costs and to reduce the volume of waste sent to landfill.

Dofasco's environmental management systems at its Hamilton manufacturing facilities and those at Powerlasers' manufacturing divisions, DJ Galvanizing and Dofasco de Mexico are registered to the ISO 14001 standard. Dofasco Marion is pursuing registration this year.

labour relations

Dofasco's positive labour relations history is based on treating people fairly and with respect. Employees throughout the organization share in the Corporation's financial success through participation in various forms of performance-based compensation plans.

Dofasco respects the right of all employees to choose or refuse union representation, although its preference is to deal directly with employees rather than through a third party. Employees at the Corporation's Hamilton operations and at Baycoat, DJ Galvanizing, Gallatin Steel and Powerlasers are not unionized while most hourly employees at Dofasco Marion, Dofasco de Mexico, Sorevco and Wabush Mines are represented by labour unions.

SUMMARY OF QUARTERLY RESULTS

(unaudited; in millions of dollars except shipments and per share amounts)					2003 Quarters
	First	Second	Third	Fourth	Annual
Steel shipments (000s of net tons)	1,182	1,211	1,174	1,266	4,833
Net sales	$ 902.9	$ 932.2	$ 857.6	$ 871.2	$ 3,554.9
Gross income	$ 157.8	$ 148.1	$ 119.6	$ 134.2	$ 559.7
Net income	$ 47.1	$ 38.8	$ 29.9	$ 2.6	$ 118.4
Earnings per common share:					
Basic	$ 0.62	$ 0.51	$ 0.39	$ 0.03	$ 1.56
Diluted	$ 0.62	$ 0.51	$ 0.39	$ 0.03	$ 1.56

(unaudited; in millions of dollars except shipments and per share amounts)					2002 Quarters
	First	Second	Third	Fourth	Annual
Steel shipments (000s of net tons)	1,156	1,295	1,209	1,167	4,827
Net sales	$ 799.2	$ 922.7	$ 930.8	$ 931.0	$ 3,583.7
Gross income	$ 108.9	$ 186.4	$ 207.2	$ 144.7	$ 647.2
Net income	$ 16.4	$ 69.7	$ 93.2	$ (56.5)	$ 122.8
Earnings (loss) per common share:					
Basic	$ 0.22	$ 0.93	$ 1.24	$ (0.75)	$ 1.63
Diluted	$ 0.22	$ 0.93	$ 1.23	$ (0.75)	$ 1.62

SELECTED ANNUAL FINANCIAL INFORMATION

for the years ended December 31 (in millions of dollars except shipments and per share amounts)	2003	2002	2001
Steel shipments (000s of net tons)	4,833	4,827	4,375
Net sales	$ 3,554.9	$ 3,583.7	$ 2,962.5
Gross income	$ 559.7	$ 647.2	$ 381.6
Net income	$ 118.4	$ 122.8	$ 40.3
Earnings per common share:			
Basic	$ 1.56	$ 1.63	$ 0.53
Diluted	$ 1.56	$ 1.62	$ 0.53
Dividends declared per share:			
Common	$ 1.20	$ 1.08	$ 1.08
Preferred	$ 4.75	$ 4.75	$ 4.75
Total assets	$ 3,258.9	$ 3,585.1	$ 3,524.1
Total long-term liabilities	$ 897.0	$ 993.8	$ 1,160.7

To the Shareholders of Dofasco Inc.

We have audited the consolidated balance sheets of Dofasco Inc. as at December 31, 2003 and 2002 and the consolidated statements of income and 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 Dofasco Inc. as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
CHARTERED ACCOUNTANTS
TORONTO, CANADA

February 5, 2004

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Dofasco Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the financial information presented throughout the annual report is consistent with the financial statements.

Dofasco Inc. maintains systems of internal accounting and administrative controls which are of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are outside directors. The Committee meets periodically with management, as well as with internal and external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee has reported its findings to the Board which has approved the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the shareholders by the external auditors, Ernst & Young LLP, in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has full and free access to the Audit Committee.

W Bilenki

Walter W. Bilenki VICE PRESIDENT – FINANCE

February 5, 2004

Donald A. Pether PRESIDENT AND CHIEF EXECUTIVE OFFICER

for the years ended December 31 (in millions except per share amounts)	2003	2002
Income		
Sales	$ 3,554.9	$ 3,583.7
Cost of sales (before the following item)	2,962.3	2,885.8
Employees' profit sharing (note 14)	32.9	50.7
	2,995.2	2,936.5
Gross income	559.7	647.2
Depreciation and amortization	251.8	274.8
Impairment of long-lived assets (note 5)	—	118.5
Operating income	307.9	253.9
Interest on long-term debt	48.6	57.4
Investment and other income	(6.1)	(6.9)
Foreign exchange loss	32.4	4.1
Loss on disposal of QCM (note 5)	27.9	—
Income before income taxes	205.1	199.3
Income tax expense (note 13)	85.7	69.1
	119.4	130.2
Minority interest	1.0	7.4
Net income	$ 118.4	$ 122.8
Earnings per common share (note 10)		
Basic	$ 1.56	$ 1.63
Diluted	$ 1.56	$ 1.62
Dividends declared per common share	$ 1.20	$ 1.08
Retained earnings		
Opening balance	$ 1,053.9	$ 1,012.8
Net income	118.4	122.8
	1,172.3	1,135.6
Dividends declared:		
Preferred shares	0.6	0.6
Common shares	90.6	81.1
	91.2	81.7
Ending balance	$ 1,081.1	$ 1,053.9

See accompanying notes to consolidated financial statements.

December 31 (in millions)	2003	2002
Current assets		
Cash and cash equivalents	$ 346.1	$ 334.7
Short-term investments	54.5	67.9
Accounts receivable (net of allowance for doubtful accounts of $17.7; 2002 – $22.1)	354.3	351.8
Inventories (note 3)	816.3	934.5
Future income tax assets (note 13)	6.9	4.1
	1,578.1	1,693.0
Fixed and other assets		
Fixed assets (note 4)	1,579.1	1,758.8
Future income tax assets (note 13)	36.8	44.9
Accrued pension benefit (note 15)	31.0	38.3
Investments and other assets (note 6)	33.9	50.1
	1,680.8	1,892.1
Total assets	$ 3,258.9	$ 3,585.1
Current liabilities		
Bank borrowings of joint ventures (note 8)	$ 12.2	$ 48.2
Accounts payable and accrued liabilities	337.6	379.8
Income and other taxes payable	1.3	56.9
Dividends payable	22.9	20.4
Current requirements on long-term debt (note 8)	53.8	145.4
	427.8	650.7
Long-term liabilities		
Long-term debt (note 8)	444.6	499.2
Future income tax liabilities (note 13)	70.3	96.9
Employee future benefits (note 15)	376.6	378.9
Other long-term liabilities	5.5	18.8
	897.0	993.8
Minority interest	30.7	29.7
Shareholders' equity		
Preferred shares (note 9)	11.4	11.6
Common shares (note 9)	821.3	798.6
Contributed surplus (note 9)	7.7	2.7
Retained earnings	1,081.1	1,053.9
Currency translation adjustment (note 16)	(18.1)	44.1
	1,903.4	1,910.9
Total liabilities and shareholders' equity	$ 3,258.9	$ 3,585.1

Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Brian MacNeill

Brian F. MacNeill DIRECTOR

D.A. Pether

Donald A. Pether DIRECTOR

for the years ended December 31 (in millions)	2003	2002
Cash provided from (used for):		
Operating activities		
Net income	$ 118.4	$ 122.8
Add (deduct) items not affecting cash		
Depreciation and amortization	251.8	274.8
Impairment of long-lived assets	—	118.5
Future income taxes	(20.3)	(65.2)
Employee future benefits	32.0	51.5
Stock-based compensation	9.6	9.1
Loss on disposal of QCM	27.9	—
Other	8.0	15.4
	427.4	526.9
Add (deduct) changes in non-cash components of working capital		
Accounts receivable	(45.4)	(38.7)
Inventories	66.4	(86.2)
Accounts payable and accrued liabilities	(13.7)	77.6
Income and other taxes	(64.3)	79.7
	370.4	559.3
Investment activities		
Capital expenditures	(163.1)	(139.0)
Decrease (increase) in short-term investments	13.4	(67.9)
Other	(9.7)	(3.4)
	(159.4)	(210.3)
Financing activities		
Decrease in bank borrowings of joint ventures	(15.0)	(15.8)
Repayment of long-term debt	(112.0)	(90.9)
Redemption of preferred shares	(0.2)	(0.3)
Common shares issued	22.7	5.2
Dividends paid	(88.7)	(81.6)
	(193.2)	(183.4)
Effect of exchange rate changes on cash and cash equivalents	(6.4)	0.2
Cash and cash equivalents		
Increase in year	11.4	165.8
Balance at beginning of year	334.7	168.9
Balance at end of year	$ 346.1	$ 334.7
Cash payments made for		
Interest	$ 51.7	$ 62.1
Income taxes	$ 181.1	$ 57.0

See accompanying notes to consolidated financial statements.

1. Significant accounting policies

The consolidated financial statements for 2003 and 2002 have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles and are within the framework of the accounting policies summarized below:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, its subsidiaries and the proportionate share of the assets, liabilities and results of operations of its joint venture activities. The remaining long-term investments are carried at cost.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on deposit and term deposits with remaining maturities of less than three months at acquisition, and are valued at cost plus accrued interest, which approximates fair value. Term deposits with remaining maturities greater than three months at acquisition are classified as short-term investments.

(c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

(d) Fixed assets

Fixed assets are recorded at their historical cost. Interest incurred during the construction of capital projects is not capitalized.

Depreciation is computed generally by the straight-line method applied to the cost of assets in service at annual rates based on their estimated useful lives, as follows:

Buildings	2.5 to 5%
Equipment and machinery	5 to 25%

(e) Impairment of long-lived assets

On an annual basis, the Corporation reviews whether there are any indicators of impairment of its long-lived assets. If such indicators are present, the Corporation assesses the recoverability of the long-lived assets or group of assets by determining whether the carrying value of such assets can be recovered through undiscounted future cash flows. If the sum of undiscounted future cash flows is less than the carrying amount, the excess of the carrying amount over the estimated fair value, based on using discounted future cash flows, is recorded as a charge to net income.

(f) Goodwill

Goodwill is not subject to amortization but is subject to an annual review for impairment, which consists of the comparison of the fair value of the reporting unit to the underlying carrying value of the reporting unit's net assets. Any excess of carrying value over fair value would be recorded as a charge to net income.

(g) Revenue recognition

Revenue from the sale of manufactured products is recognized when the price is fixed or determinable, collectability is reasonably assured, and upon acceptance by and shipment to customers.

(h) Research, development and pre-operating costs

Research costs are expensed as incurred. Development costs are also expensed unless technical feasibility has been established and all criteria for deferral under generally accepted accounting principles have been met. To date, no development costs have been deferred.

All pre-operating costs related to facilities prior to the commencement of commercial operations are expensed as incurred.

(i) Income taxes

The Corporation follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

(j) Translation of foreign currencies

Foreign currency monetary assets and liabilities of domestic operations are translated at year-end exchange rates while foreign currency revenues and expenses are translated at average exchange rates prevailing during the year.

Dofasco de Mexico, Dofasco USA and Dofasco Marion are classified as integrated foreign operations. Consequently, their monetary assets and liabilities have been converted to Canadian dollars using the exchange rate in effect at the balance sheet date. All other assets and liabilities are converted at historical rates. Revenues and expenses are translated at the average exchange rates for the year except depreciation, which is translated at the historical rate applicable to the related asset.

Dofasco's other foreign operations are classified as self-sustaining. Consequently, their assets and liabilities are translated to Canadian dollars using the year-end exchange rates. Revenues and expenses are translated at the average rates during the year. Exchange gains or losses on translation of the Corporation's net investment in the operations are deferred as a separate component of shareholders' equity (currency translation adjustment).

The appropriate amounts of exchange gains or losses accumulated in the separate component of shareholders' equity are reflected in income when there is a reduction, as a result of capital transactions, in the Corporation's net investment in the operations that gave rise to such exchange gains and losses.

(k) Derivative financial instruments

Dofasco utilizes derivative financial instruments in its management of exposures to fluctuations in commodity prices, foreign currency exchange rates and interest rates as described in Note 18. Hedge accounting is used as there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Gains and losses are recognized in the same period as the hedged item and are recorded in the Consolidated Statement of Income in the same manner as the hedged item. If correlation ceases, hedge accounting is terminated and future changes in the market value of the derivative instruments are recognized as gains or losses in the period of change. The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm commitments or forecasted transactions.

(l) Employee benefit plans

The cost of pension and post-employment benefits (including medical benefits, dental care, life insurance and certain compensated absences) related to employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method prorated on service and management's best estimates of investment yields, salary escalation and other factors. Pension plan assets are valued at fair value for purposes of calculating the expected return on plan assets. Past service costs resulting from plan amendments are amortized over the remaining average service life of active employees. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service period of active employees.

(m) Stock-based compensation plans

Stock options without attached stock appreciation rights granted after January 1, 2002 are accounted for under the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and recognized over the vesting period with a corresponding credit to contributed surplus. Stock options granted prior to January 1, 2002 continue to be accounted for using the intrinsic value method which does not give rise to compensation expense.

Stock options with attached stock appreciation rights give the holder the right to elect to either receive cash in an amount equal to the excess of the quoted market price over the option price or to receive a common share by making a cash payment equal to the option price. For stock options with stock appreciation rights and other awards to be settled in cash, compensation expense is calculated as the amount by which the quoted market price exceeds the option price with ongoing re-measurement of the outstanding liability. If the holder elects to purchase common shares, the liability is credited to contributed surplus.

(n) Earnings per common share

Earnings per common share is calculated on the basis of net income for the year, less preferred dividends, divided by the monthly weighted average number of common shares outstanding during the year.

Diluted earnings per common share reflect the assumed conversion of all dilutive securities using the treasury stock method. Under the treasury stock method the exercise of options is assumed to be at the beginning of the period (or at the time of issuance, if later). The proceeds from the assumed exercise of options are used to purchase common shares at the average price during the period. The incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted earnings per share computation.

(o) Use of estimates

The preparation of the Corporation's consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts reported and disclosed in the consolidated financial statements. Actual results could differ from those estimates.

2. Accounting change to be adopted in 2004

Asset retirement obligations

In 2003, the CICA issued Section 3110 "Asset Retirement Obligations," which will be effective for the Corporation's fiscal year beginning January 1, 2004. The new section establishes standards for the recognition, measurement and disclosure of the legal obligations for the retirement of tangible long-lived assets. The standard requires that the fair value of the liabilities relating to the asset retirement be recognized in the period in which they are incurred.

On January 1, 2004, the Corporation will adopt the new standard as a change in accounting policy, to be applied to its Wabush Mines joint venture on a retroactive basis, which will result in the restatement of the consolidated financial statements of prior periods. Upon adoption, the long-term liability for asset retirement obligations and the related long-lived asset will increase by $13.4 million and $0.3 million, respectively, at January 1, 2004. The cumulative effect of the change will be reflected as an $8.9 million reduction in retained earnings and a $4.2 million increase in future income tax assets. In addition, the change in accounting policy will result in a charge to net income of approximately $0.7 million in 2004, consisting of the accretion of the liability and the amortization of the related asset.

3. Inventories

(in millions)	2003	2002
Raw materials and other inventories	**$ 284.6**	$ 354.7
Semi-finished and finished steel products	**531.7**	579.8
	$ 816.3	$ 934.5

4. Fixed assets

(in millions)	2003		2002	
	Cost	**Accumulated Depreciation**	Cost	Accumulated Depreciation
Land	**$ 46.3**	**$ —**	$ 46.8	$ —
Buildings	**678.6**	**417.7**	764.8	472.6
Equipment and machinery	**4,211.3**	**3,065.6**	4,655.7	3,300.4
Construction in progress	**126.2**	**—**	64.5	—
	$ 5,062.4	**$ 3,483.3**	$ 5,531.8	$ 3,773.0
Net book value		**$ 1,579.1**		$ 1,758.8

The authorized amount required to complete capital projects is $486.9 million at December 31, 2003. The majority of these expenditures will be incurred in the next two years.

5. Investment in Quebec Cartier Mining Company (QCM)

(a) Capital restructuring

In December 2002, the Corporation and CAEMI of Brazil, each 50% shareholders of QCM, reached an Agreement in Principle with the Quebec government and related agencies, to undertake a significant capital restructuring of QCM. This restructuring was designed to fund the further development of the mine and allow QCM to execute a multi-year mining plan. Discussions continued during 2003 and, effective December 31, 2003, the restructuring of QCM was completed through the finalization of agreements between the Corporation, Investissement Quebec, CAEMI and QCM.

The restructuring resulted in the sale of all the common shares of QCM owned by the Corporation to an independent third party for nominal consideration and the exchange of the Corporation's $20 million of notes receivable from QCM for non-voting, non-participating preferred shares of QCM with a 4% cumulative dividend from and after January 1, 2011. In addition, the Corporation may be required to contribute a maximum of $34.5 million between 2004 and 2010 with an annual maximum ranging from $5 million to $7 million, based on a defined formula, in order to provide continuing support of future mine development at QCM. The sale of the common shares resulted in a charge to income of $27.9 million. The preferred shares have been recorded in investments and other assets at their estimated fair value of $20 million.

As the Corporation has no common equity ownership in QCM effective December 31, the preferred share investment in QCM is accounted for on a cost basis. Accordingly, the balance sheet at December 31, 2003 does not reflect the Corporation's proportionate share of the assets and liabilities of QCM. However, the Corporation has proportionately consolidated QCM's statements of income and cash flows for 2003 as the disposition does not qualify for treatment as a discontinued operation under the new CICA Handbook Section 3475 "Disposal of Long-lived Assets and Discontinued Operations," effective for disposals after May 1, 2003, because of the nature of the Corporation's continuing involvement in the operations of QCM.

The Corporation's proportionate share of the major components of QCM's financial statements is summarized below:

(in millions)	2003	2002
Balance sheets		
Working capital	$ —	$ (17.9)
Fixed assets	—	60.5
Other assets	—	32.3
Long-term liabilities	—	39.9
Net assets	$ —	$ 35.0
Statements of income		
Sales	$ 183.3	$ 138.7
Impairment of long-lived assets	—	118.5
Income (loss) before income taxes	12.9	(166.2)
Income tax (expense) recovery	(0.5)	39.3
Net income (loss)	12.4	(126.9)
Statements of cash flows		
Cash provided from (used for):		
Operating activities	29.2	23.1
Investment activities	8.9	(10.7)
Financing activities	(23.8)	(10.6)
Net increase in cash	$ 14.3	$ 1.8

(b) Impairment of long-lived assets

In 2002, the Corporation recorded its proportionate share of the loss on impairment of QCM's long-lived assets of $118.5 million and the related future income taxes. The impairment was required as a result of the implementation of a new mining plan at the end of 2002 and changes in certain key assumptions. The fair value was determined using discounted future cash flows and a probability-weighted approach in considering the likelihood of possible outcomes. The Corporation also wrote off the deferred expenses of $25 million and related future income tax liability relating to QCM's pension plans as a result of significant losses incurred by QCM and in light of the then impending capital restructuring at the end of 2002.

6. Investments and other assets

(in millions)	2003	2002
Investment in preferred shares of QCM	$ 20.0	$ —
Pre-production, development and stripping expenditures	—	19.4
Other investments	2.6	11.0
Goodwill	6.0	6.3
Other	5.3	13.4
	$ 33.9	$ 50.1

7. Joint ventures

The Corporation has a 50% interest (except Wabush Mines – 28.6%) in the following operations:

Baycoat (partnership) – a steel coil coating operation

DJ Galvanizing Limited Partnership (formerly DNN Galvanizing Limited Partnership) – a galvanizing operation

Gallatin Steel Company (partnership) – a minimill thin slab casting facility

Sorevco and Company, Limited (partnership) – a galvanizing operation

Wabush Mines – an iron ore mining operation

QCM – an iron ore mining operation (disposed on December 31, 2003 – see note 5)

The Corporation's proportionate share of the major components of its joint ventures are summarized below (before eliminations and including related income taxes):

(in millions)	2003	2002
Statements of income		
Revenues	$ 726.3	$ 725.4
Expenses	(711.5)	(682.4)
Impairment of QCM's long-lived assets	—	(118.5)
Net income	$ 14.8	$ (75.5)
Balance sheets		
Working capital	$ 35.8	$ 7.0
Fixed and other assets	264.7	410.7
Future income tax assets	36.6	44.7
	337.1	462.4
Long-term liabilities	48.3	116.1
Future income tax liabilities	6.7	6.7
	55.0	122.8
Net investment	$ 282.1	$ 339.6
Statements of cash flows		
Cash provided from (used for):		
Operating activities	$ 67.5	$ 103.7
Investment activities	(5.8)	(21.9)
Financing activities	(36.3)	(32.1)
Effect of exchange rate changes on cash	(0.1)	(6.5)
Net increase in cash	$ 25.3	$ 43.2

8. Long-term debt

(in millions)	2003	2002
Dofasco		
Medium-term notes		
– 7.5% maturing 2005	$ 175.0	$ 175.0
– 7.55% maturing 2008	125.0	125.0
Notes – 9.95%	—	47.8
– 9.81% maturing 2007	140.0	175.0
	440.0	522.8
DoSol Galva Limited Partnership		
Notes – variable rates maturing 2004	9.0	17.0
Joint ventures and subsidiaries		
QCM – LIBOR, denominated in U.S. funds	—	45.0
DJ Galvanizing – 6.4% maturing 2008	40.4	48.5
Other	9.0	11.3
	49.4	104.8
Total long-term debt at December 31	498.4	644.6
Less current requirements	53.8	145.4
	$ 444.6	$ 499.2

Requirements for repayment of long-term debt are as follows:

(in millions)	
2004	$ 53.8
2005	219.2
2006	43.9
2007	43.6
2008	133.3
Thereafter	4.6
Total long-term debt at December 31	$ 498.4

(a) Dofasco

Dofasco has credit facilities comprised of a $100 million one-year revolving line expiring November 30, 2004 and a $150 million three-year revolving line expiring December 31, 2006. At any time during its term, Dofasco may request that the one-year facility be extended to its maximum term of one year. On any of its anniversaries, Dofasco may request that the three-year facility be extended for an additional year. As of December 31, 2003, Dofasco has not drawn on these operating lines.

(b) DoSol Galva Limited Partnership

The long-term debt of DoSol Galva is guaranteed by its minority partner and is non-recourse to Dofasco.

(c) Joint ventures and subsidiaries

Certain assets of some of the joint ventures and subsidiaries have been pledged as collateral for their respective loans, all of which are non-recourse to Dofasco except for a guarantee provided on the DJ Galvanizing debt.

At December 31, 2003, the joint ventures had lines of credit with a maximum availability of $37.4 million bearing interest at rates between prime and prime plus 1% of which $25.2 million was available.

9. Capital stock

(a) Preferred shares

Authorized – preferred shares issuable in series:

Class A preferred shares	500,000
Class B preferred shares	unlimited
Class C preferred shares	unlimited

Issued less redeemed at December 31:

	Shares (in thousands)		(in millions)	
	2003	2002	2003	2002
Class A*	114	116	$ 11.4	$ 11.6

* Class A preferred shares, 4 3/4% cumulative and redeemable, series A.

Class A preferred shares

Under the share provisions, the Corporation is to establish in each year an account equal to 2% of the amount paid up on all series A preferred shares outstanding in that year for the purchase of such shares to the extent available in that year at prices up to the issue price of $100 plus costs of purchase. During 2003, 2,400 shares were purchased for cancellation for $0.2 million (2002 – 2,400 shares for $0.3 million). The preferred shares are redeemable at the option of the Corporation at a price of $101 per share plus accrued and unpaid dividends. The annual purchase requirement and redemption rights are suspended when dividends are in arrears.

(b) Common shares

Authorized – unlimited

Changes in the outstanding common shares during each of the past two years are summarized below:

	Shares (in thousands)	(in millions)
Outstanding at December 31, 2001	74,955	$ 793.5
Shares issued for cash under the employee stock option plans	233	5.1
Outstanding at December 31, 2002	75,188	798.6
Shares issued for cash under the employee stock option plans	936	22.7
Outstanding at December 31, 2003	76,124	$ 821.3

In May 2003, the Corporation filed a normal course issuer bid which entitles the Corporation to acquire up to 6,400,000 of its common shares between May 23, 2003 and May 22, 2004. The purchases are made on the open market at the market price at the time of any particular transaction. No common shares have been repurchased under this program in 2003.

(c) Contributed surplus

(in millions)	2003	2002
Opening balance	$ 2.7	$ —
Amortization of fair value of stock options	2.3	0.8
Settlement of liability for stock options with attached stock appreciation rights where the holder elected to purchase shares	2.7	1.9
Balance at December 31	$ 7.7	$ 2.7

10. Basic and diluted earnings per common share

The reconciliation of the numerator and denominator for the calculation of basic and diluted earnings per share is as follows:

(in millions, except number of shares and per share amounts)	2003	2002
Net income	$ 118.4	$ 122.8
Less: Preferred share dividends	(0.6)	(0.6)
Income available to common shareholders	$ 117.8	$ 122.2
Basic earnings per share		
Weighted average number of shares outstanding (000s)	75,416	75,107
Basic earnings per share	$ 1.56	$ 1.63
Diluted earnings per share		
Weighted average number of shares outstanding (000s)	75,416	75,107
Dilutive effect of stock options (000s)	350	430
Adjusted weighted average number of shares outstanding (000s)	75,766	75,537
Diluted earnings per share	$ 1.56	$ 1.62

11. Stock-based compensation plans

At December 31, 2003, the Corporation has four stock-based compensation plans, which are described below. The Corporation accounts for its grants under those plans in accordance with the fair value based method of accounting for stock-based compensation. The compensation charge recognized for these awards for the year ended December 31, 2003 was an expense of $9.6 million (2002 – $9.1 million).

(a) Stock options without attached stock appreciation rights

The Corporation is authorized to grant common share stock options to certain executive officers and employees. The exercise price of the options may not be less than the market value of the common shares on the date of the grant. Options vest equally on the first, second and third anniversary date of the grant and have a term not to exceed ten years.

In June 2003, the Corporation granted 909,900 options (2002 – 703,350 options) to purchase common shares with an exercise price of $25.50 per share (2002 – $30.45). The estimated fair value of the options has been determined using the widely used Black-Scholes option pricing model. The estimated fair values and assumptions are as follows:

	2003	2002
Estimated fair value per option	$ 5.02	$ 6.54
Risk-free interest rate	3.75%	5%
Expected time until exercise	5 years	5 years
Expected volatility in stock price	29%	29%
Expected annual dividend yield	4.35%	4.35%

The Black-Scholes model used by the Corporation to determine fair values was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future stock price volatility and expected time until exercise. The Corporation's outstanding stock options have characteristics which are significantly different from those of traded options, and changes in any of the assumptions can materially affect the fair value estimate.

(b) Stock options with attached stock appreciation rights

Stock options granted prior to January 1, 2000 have attached stock appreciation rights. As at December 31, 2003 there were 149,000 of these options outstanding and exercisable (2002 – 1,069,200), with exercise prices ranging from $17.375 to $24.75 per share (2002 – $14.75 to $25.95), a weighted average exercise price of $23.73 per share (2002 – $23.11) and a weighted average remaining contractual life of 4.09 years (2002 – 4.73 years).

A summary of the status of all of the Corporation's stock option compensation plans as of December 31, 2002 and 2003 and changes during the year is as follows:

	Options	Weighted Average Exercise Price
Balance outstanding at December 31, 2001	2,737,300	$ 23.47
Authorized	703,350	30.45
Exercised	(646,800)	22.25
Balance outstanding at December 31, 2002	**2,793,850**	**25.51**
Authorized	**909,900**	**25.50**
Exercised	**(1,448,400)**	**23.64**
Forfeited/expired	**(5,250)**	**27.08**
Balance outstanding at December 31, 2003	**2,250,100**	**$ 26.71**

The following table summarizes information on stock options outstanding at December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding at December 31, 2003	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at December 31, 2003	Weighted Average Exercise Price
$17.375 – $21.45	14,200	1.61	$ 20.49	14,200	$ 20.49
$23.05 – $25.50	1,538,500	8.28	$ 25.08	445,500	$ 24.51
$30.45	697,400	8.49	$ 30.45	228,500	$ 30.45
	2,250,100	8.31	$ 26.71	688,200	$ 26.40

(c) Long Term Incentive Plan

The Corporation is authorized to grant deferred share units (DSUs) to certain executive officers and employees under the Long Term Incentive Plan (LTIP). DSUs generally vest three years after the date of their award. Cash payouts, which are made only upon retirement, employment termination or death of the participant, are based on the number of DSUs held by the participant multiplied by the quoted market price of a common share at that time. On each dividend payment date, participants will receive a number of additional DSUs equivalent to the number of common shares that could have been acquired on that date by notional dividend reinvestment. A summary of DSUs under the LTIP outstanding at December 31, 2002 and 2003 and changes during the year is as follows:

	DSUs Outstanding
Balance at December 31, 2001	37,249
Authorized	70,892
Balance at December 31, 2002	**108,141**
Authorized	**98,121**
Exercised	**(125,175)**
Balance at December 31, 2003	**81,087**

Of the DSUs outstanding as at December 31, 2003 and December 31, 2002, none had vested.

(d) Directors' deferred share plan

The Corporation is authorized to grant DSUs, as an alternative to cash payments, to members of the Board of Directors which may be converted to cash or common shares only upon retirement from the Board. On each dividend payment date, participants will receive a number of additional DSUs equivalent to the number of common shares that could have been acquired on that date by notional dividend reinvestment. At December 31, 2003 there were 6,154 DSUs outstanding (December 31, 2002 – 6,151).

12. Shareholder rights plan

On May 4, 2001, the shareholders of the Corporation approved a new shareholder rights plan (the "New Plan") which is a successor to similar plans which have been in place since 1989. One right (a "Right") was issued under the New Plan for each outstanding common share and one Right will be issued in respect of each common share issued prior to the expiry of the New Plan. No consideration is payable by a shareholder upon issuance of the Rights. The New Plan will terminate at the close of the annual general meeting of shareholders in 2004, if not terminated earlier.

The New Plan is intended to ensure that, in the event of a bid for control of the Corporation, shareholders will receive full and fair value for their shares and will not be subject to abusive or coercive take-over strategies and that the Board of Directors will have sufficient time to evaluate the bid, negotiate with the bidder, seek out alternative bidders and explore other ways of maximizing shareholder value.

Rights are not exercisable until certain events occur. If anyone (an "Acquiring Person") wishes to acquire 20% or more of the Corporation's voting shares, it may (i) negotiate terms which the Board of Directors of the Corporation approve as being fair to all shareholders or, alternatively (ii) without Board approval, make a "permitted bid" which must contain provisions specified in the New Plan and be accepted by independent shareholders holding more than 50% of the then outstanding voting shares. If the Acquiring Person acquires 20% or more of the Corporation's voting shares other than as described above (subject to certain exceptions), the Rights will become exercisable, automatically allowing holders (other than the Acquiring Person) to purchase common shares at a 50% discount. The Board of Directors may, in certain circumstances, redeem the then outstanding Rights at a redemption price of $0.001 per Right.

13. Income taxes

The income tax expense is comprised of:

(in millions)	2003	2002
Current	**$ 106.0**	$ 134.3
Future	**(20.3)**	(65.2)
	$ 85.7	$ 69.1

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)	2003	2002
Income before income taxes	**$ 205.1**	$ 199.3
Income tax expense computed using statutory income tax rates	**$ 85.3**	$ 82.9
Add (deduct):		
Manufacturing and processing credit	**(19.5)**	(29.0)
Loss on disposal of investments	**31.2**	—
Increase (decrease) in valuation allowance: Domestic	**(16.8)**	28.3
Foreign	**(6.7)**	(16.5)
Mining duties	**0.1**	(21.4)
Resource allowance	**(0.5)**	12.6
Effect of different rates in foreign jurisdictions	**(1.0)**	5.0
Minimum taxes	**2.8**	2.1
Net future income tax expense resulting from changes in tax rates	**5.9**	0.5
Other	**4.9**	4.6
	0.4	(13.8)
Income tax expense	**$ 85.7**	$ 69.1

Components of future income taxes by jurisdiction are summarized as follows:

(in millions)	2003	2002
Canada		
Current assets:		
Accounting provisions not currently deductible for tax purposes	**$ 15.5**	$ 11.4
Inventory of production rolls	**(8.6)**	(7.3)
Future income tax assets	**$ 6.9**	$ 4.1
Liabilities:		
Tax depreciation in excess of book depreciation	**$ 193.2**	$ 189.1
Accounting provisions not currently deductible for tax purposes	**(119.1)**	(121.5)
Net capital loss carryforward	**(11.5)**	—
Other	**(3.8)**	1.0
	58.8	68.6
Valuation allowance	**11.5**	28.3
Future income tax liabilities	**$ 70.3**	$ 96.9

The net capital loss carryforward, for which a valuation allowance has been provided, can be carried forward indefinitely. The 2002 future income tax liabilities were net of QCM's future tax assets of $28.3 million for which a valuation allowance was provided.

(in millions)	2003	2002
Foreign		
Assets:		
Net operating loss carryforward	**$ 96.8**	$ 129.1
Tax depreciation in excess of book depreciation	**(46.5)**	(61.0)
Other	**(2.5)**	(5.5)
	47.8	62.6
Valuation allowance	**(11.0)**	(17.7)
Future income tax assets	**$ 36.8**	$ 44.9

Foreign net operating losses, for which a tax benefit has been recognized, expire between 2010 and 2021.

14. Employees' profit sharing on Hamilton steelmaking operations

The Corporation allocates 14% of its Hamilton steelmaking profits before income taxes, or a minimum payment of three times the contributions made by members, to the Dofasco Employees' Savings and Profit Sharing Funds and the Dofasco Employees' Deferred Profit Sharing Plan, to be shared equally among Hamilton steelmaking employees. A portion of the annual profit sharing allocation is funded through the defined contribution component within the Dofasco Supplementary Retirement Income Plan (Note 15).

15. Employee future benefits

The Corporation has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to substantially all of the employees.

(a) Defined contribution plans

The total expense for the Corporation's defined contribution plans was $3.9 million (2002 – $3.6 million). Total assets and obligations for these plans at December 31 amounted to $925.8 million (2002 – $835.7 million).

(b) Defined benefit plans

The Corporation's defined benefit plans cover payments for pensions, health care, dental care, life insurance and certain compensated absences.

The following table summarizes the changes in benefit obligation and plan assets of the Corporation's defined benefit plans, in aggregate:

	Pensions		Other Benefit Plans	
(in millions)	2003	2002	2003	2002
Change in benefit obligation				
Benefit obligation – beginning of year	**$ 983.5**	$ 918.1	**$ 463.3**	$ 411.1
Disposal of QCM	**(170.5)**	—	**(14.3)**	—
Increased ownership interest in joint ventures	**—**	7.2	**—**	1.2
Current service cost (employer)	**35.3**	45.8	**8.3**	8.1
Interest cost	**60.4**	61.3	**30.1**	29.1
Plan amendments	**15.4**	8.3	**—**	—
Benefits paid	**(41.7)**	(47.5)	**(15.7)**	(15.5)
Actuarial (gain) loss	**85.1**	(10.6)	**13.7**	29.3
Other	**0.3**	0.9	**—**	—
Benefit obligation – end of year	**$ 967.8**	$ 983.5	**$ 485.4**	$ 463.3
Change in plan assets				
Market value of plan assets – beginning of year	**$ 1,031.9**	$ 1,032.7	**$ 0.6**	$ 0.8
Disposal of QCM	**(116.1)**	—	**—**	—
Increased ownership interest in joint ventures	**—**	7.0	**—**	0.2
Actual return on plan assets	**128.1**	28.4	**—**	—
Employer contributions	**5.0**	11.8	**16.1**	15.1
Benefits paid	**(41.7)**	(47.5)	**(15.7)**	(15.5)
Actual plan expenses	**(0.3)**	(0.5)	**—**	—
Market value of plan assets – end of year	**$ 1,006.9**	$ 1,031.9	**$ 1.0**	$ 0.6
Reconciliation of funded status				
Funded status – surplus (deficit)	**$ 39.1**	$ 48.4	**$ (484.4)**	$ (462.7)
Employer contributions after measurement date	**1.7**	1.3	**3.9**	3.7
Unamortized transitional asset	**(197.4)**	(214.1)	**—**	—
Unamortized past service costs	**38.5**	28.6	**5.5**	5.7
Unamortized net actuarial loss	**149.1**	159.6	**76.4**	69.0
Accrued benefit asset (liability)	**$ 31.0**	$ 23.8	**$ (398.6)**	$ (384.3)

The net accrued benefit asset (liability) is reflected in the Consolidated Balance Sheets as follows:

(in millions)	Pensions 2003	Pensions 2002	Other Benefit Plans 2003	Other Benefit Plans 2002
Accrued pension benefit	$ 31.0	$ 38.3	$ —	$ —
Accounts payable and accrued liabilities	—	—	(22.0)	(19.9)
Employee future benefits	—	(14.5)	(376.6)	(364.4)
Total	$ 31.0	$ 23.8	$ (398.6)	$ (384.3)

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

(in millions)	Pensions 2003	Pensions 2002	Other Benefit Plans 2003	Other Benefit Plans 2002
Benefit obligation	$ 129.6	$ 279.4	$ 485.4	$ 463.3
Market value of plan assets	67.9	177.2	1.0	0.6
Funded status – deficit	$ 61.7	$ 102.2	$ 484.4	$ 462.7

The 2002 net deficit balances include the Corporation's proportionate share of QCM's pensions of $54.5 million and other benefit plans of $14.3 million.

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations represent management's best estimates reflecting the long-term nature of employee future benefits and are as follows (weighted-average assumptions as of September 30 – actual results could differ):

(in millions)	Pensions 2003	Pensions 2002	Other Benefit Plans 2003	Other Benefit Plans 2002
Discount rate	6.75%	6.75%	6.75%	6.75%
Expected long-term rate of return on plan assets	7.50%	8.00%	—	—
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

For measurement purposes, a 4.0% – 8.8% annual rate of increase in the per capita cost of covered health care and dental benefits was assumed for 2003 (2002 – 4.0% – 8.8%).

The components of the Corporation's net benefit cost are as follows:

(in millions)	Pensions 2003	Pensions 2002	Other Benefit Plans 2003	Other Benefit Plans 2002
Current service cost	$ 35.3	$ 45.8	$ 8.3	$ 8.2
Interest cost	60.4	61.3	30.1	29.1
Expected return on plan assets	(72.3)	(78.4)	—	(0.1)
Amortization of transitional asset	(16.7)	10.3	—	—
Amortization of past service costs	3.7	2.1	0.2	0.7
Amortization of net actuarial loss	2.4	0.9	3.0	0.4
Other	0.8	0.9	—	—
Net benefit cost	$ 13.6	$ 42.9	$ 41.6	$ 38.3

The 2003 net benefit cost does not include the Corporation's proportionate share of QCM's net benefit cost for pensions of $9.7 million and other benefit plans of $1.5 million.

The market value of plan assets invested in common shares of the Corporation was as follows:

(in millions)	2003	2002
Defined benefit plans	$ 8.7	$ 6.4
Defined contribution plans	$ 7.8	$ 5.8

16. Currency translation adjustment

Unrealized currency translation adjustments, which arise on the translation to Canadian dollars of assets and liabilities of the Corporation's self-sustaining foreign operations, resulted in an unrealized currency translation loss of $62.2 million for the year ended December 31, 2003. The unrealized loss resulted primarily from the strengthening of the Canadian dollar against the U.S. dollar during the year.

17. Commitments and contingencies

(a) Operating leases

The following table summarizes the minimum payments on operating leases:

(in millions)

2004	$ 27.7
2005	25.0
2006	21.5
2007	19.2
2008	17.1
Thereafter	20.2
Total	$ 130.7

See also Notes 4, 8 and 18 for discussion of commitments for authorized capital expenditures, long-term debt and financial instruments, respectively.

(b) Guarantees

The Corporation continues to provide $30.9 million in letters of credit in support of QCM's credit facility and equipment leases. The amount of these guarantees will be reduced over the next four years as QCM's underlying credit facilities are repaid.

(c) Commitment to fund QCM mine development

Pursuant to the capital restructuring of QCM, the Corporation may be required to contribute a maximum of $34.5 million between 2004 and 2010 with an annual maximum ranging from $5 million to $7 million, based on a defined formula, in order to provide continuing support of future mine development at QCM.

(d) Contingencies

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential claims, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Corporation.

18. Financial instruments

(a) Fair value of financial instruments

The estimated fair value of financial instruments and hedge-related derivative instruments is based on market values of similarly traded instruments with similar features or other appropriate valuation methodologies. The carrying value of cash and cash equivalents, accounts receivable and short-term obligations approximates their fair value because of the near-term maturity of those instruments. Stock-based compensation awards to be settled in cash are recorded at fair value as the mark-to-market method of accounting is used to value those amounts. The fair value of the Corporation's long-term debt, estimated based on current rates for debt with similar terms, maturities and credit ratings, is $540.4 million, compared to the carrying value of $498.4 million. The fair values of the Corporation's derivative financial instruments are provided below.

(b) Foreign exchange rate risk

In order to manage the risk associated with fluctuations in foreign exchange rates, the Corporation has entered into foreign exchange forward purchase contracts for an aggregate amount of euro 2.0 million as at December 31, 2003 (2002 – US$50.0 million). These contracts mature at the latest on November 15, 2004 at exchange rates varying between Cdn. $1.6122 and Cdn. $1.6346. There was no significant unrealized gain or loss on these contracts at December 31, 2003.

(c) Commodity price risk

Commodity price swap contracts are used to hedge the cost of certain raw materials. As at December 31, 2003, the aggregate notional amount of all contracts outstanding was US$0.9 million (2002 – US$7.6 million) expiring at various dates through to September 30, 2004. There was no significant unrealized gain or loss on these contracts at December 31, 2003.

(d) Interest rate risk

The Corporation uses both fixed- and variable-rate debt to finance its operations. Variable-rate debt exposes the Corporation to changes in interest payments due to fluctuations in interest rates, while fixed-rate debt exposes the Corporation to changes in the fair value of debt if it were to be refinanced at current interest rates.

(e) Credit risk

The Corporation is exposed to normal industry credit risk from its customers in the normal course of business, which is mitigated by the Corporation's credit management policies. The Corporation is not subject to significant concentration of credit risk.

The Corporation is also exposed to credit risk from potential default by any of its counterparties on its foreign exchange forward contracts. The Corporation manages this credit risk by dealing with counterparties with high credit ratings.

19. Segmented information

During 2003, the Corporation had three reportable segments as follows:

Steel Operations – includes Hamilton operations, Dofasco USA, Powerlasers, DoSol Galva, Dofasco de Mexico, Dofasco Marion and Dofasco's share of Baycoat, DJ Galvanizing, Sorevco and Wabush, which are primarily engaged in flat rolled steel production and sales.

Gallatin Steel – joint venture minimill in the U.S. which produces and sells hot rolled steel.

QCM – iron ore production and sales (not a reportable segment after December 31, 2003 – see Note 5).

Inter-segment sales are recorded at market value.

(in millions)					**2003**
	Steel Operations	**Gallatin Steel**	**QCM**	**Intercompany Elimination**	**Consolidated Total**
Sales to external customers	**$ 3,079.9**	**$ 291.7**	**$ 183.3**	**$ —**	**$ 3,554.9**
Inter-segment sales	**—**	**8.9**	**77.3**	**(86.2)**	**—**
Total sales	**3,079.9**	**300.6**	**260.6**	**(86.2)**	**3,554.9**
Gross income	**497.6**	**26.0**	**28.5**	**7.6**	**559.7**
Depreciation and amortization	**215.4**	**22.5**	**13.9**	**—**	**251.8**
Interest on long-term debt	**46.0**	**0.3**	**2.3**	**—**	**48.6**
Investment and other income	**(5.5)**	**—**	**(0.6)**	**—**	**(6.1)**
Foreign exchange loss	**32.1**	**0.3**	**—**	**—**	**32.4**
Loss on disposal of QCM	**27.9**	**—**	**—**	**—**	**27.9**
Income before income taxes	**181.7**	**2.9**	**12.9**	**7.6**	**205.1**
Segment assets	**3,222.9**	**263.0**	**—**	**(227.0)**	**3,258.9**
Capital expenditures	**150.9**	**6.4**	**5.8**	**—**	**163.1**

(in millions)					2002
	Steel Operations	Gallatin Steel	QCM	Intercompany Elimination	Consolidated Total
Sales to external customers	$ 3,138.7	$ 306.3	$ 138.7	$ —	$ 3,583.7
Inter-segment sales	—	27.9	102.9	(130.8)	—
Total sales	3,138.7	334.2	241.6	(130.8)	3,583.7
Gross income (loss)	585.7	71.5	(15.1)	5.1	647.2
Depreciation and amortization	220.2	24.7	29.9	—	274.8
Impairment of long-lived assets	—	—	118.5	—	118.5
Interest on long-term debt	53.8	0.3	3.3	—	57.4
Investment and other income	(6.3)	—	(0.6)	—	(6.9)
Foreign exchange loss (gain)	4.2	(0.1)	—	—	4.1
Income (loss) before income taxes	313.8	46.6	(166.2)	5.1	199.3
Segment assets	3,091.1	323.7	178.3	(8.0)	3,585.1
Capital expenditures	122.0	9.4	7.6	—	139.0

Geographic information

(in millions)		**2003**		2002
	Sales	**Fixed Assets**	Sales	Fixed Assets
Canada	**$ 2,340.6**	**$ 1,323.5**	$ 2,464.9	$ 1,439.7
United States	**934.7**	**206.2**	882.3	263.0
Other countries	**279.6**	**49.4**	236.5	56.1
Total	**$ 3,554.9**	**$ 1,579.1**	$ 3,583.7	$ 1,758.8

Sales are attributed to countries based on the location of the customer, and fixed assets are based on the country in which they are located.

Customer segments
There were no customers that accounted for 10% or more of consolidated sales in 2003 or 2002.

20. Comparative figures

Certain other comparative amounts have been reclassified to conform to the current year's presentation.

	2003	2002	2001[1]
Statement of income data*			
Net sales	$ 3,554.9	3,583.7	2,962.5
Cost of sales (before the following item)	$ 2,962.3	2,885.8	2,562.3
Employees' profit sharing plan	$ 32.9	50.7	18.6
Gross income	$ 559.7	647.2	381.6
Depreciation and amortization	$ 251.8	274.8	254.7
Impairment of long-lived assets	$ —	118.5	—
Operating income	$ 307.9	253.9	126.9
Interest on long-term debt	$ 48.6	57.4	59.3
Investment and other income	$ (6.1)	(6.9)	(5.7)
Foreign exchange loss (gain)[2]	$ 32.4	4.1	(0.4)
Loss on disposal of QCM	$ 27.9	—	—
Income before unusual items and income taxes	$ 205.1	199.3	73.7
Unusual items	$ —	—	—
Income tax expense (recovery)	$ 85.7	69.1	33.1
Minority interest	$ 1.0	7.4	0.3
Loss from equity investments	$ —	—	—
Net income for the year	$ 118.4	122.8	40.3
Net income attributable to common shares†	$ 117.8	122.2	39.7
Financial position data*			
Current assets	$ 1,578.1	1,693.0	1,353.8
Fixed assets – land, buildings and equipment, at cost	$ 5,062.4	5,531.8	5,400.8
– accumulated depreciation	$ 3,483.3	3,773.0	3,416.5
Other assets	$ 101.7	133.3	186.0
Total assets	$ 3,258.9	3,585.1	3,524.1
Current liabilities	$ 427.8	650.7	473.2
Long-term liabilities	$ 897.0	993.8	1,160.7
Minority interest	$ 30.7	29.7	22.3
Shareholders' equity	$ 1,903.4	1,910.9	1,867.9
Statistical data			
Raw steel production and purchased semi-finished steel processed (thousands of net tons)	5,333	5,470	4,955
Steel shipments (thousands of net tons)	4,833	4,827	4,375
Earnings per common share†	$ 1.56	1.63	0.53
Net income – percent of sales†	3.3%	3.4%	1.3%
Net income after adding back interest on long-term debt (after taxes) – percent of average capital**	6.1%	6.3%	3.1%
Net income – percent of average common shareholders' equity†	6.2%	6.5%	2.1%
Net book value per common share	$ 24.85	25.26	24.76
Dividends declared – per common share	$ 1.20	1.08	1.08
– per Class A preferred share	$ 4.75	4.75	4.75
– per Class C, $2.60 preferred share	$ —	—	—
Earnings reinvested in (withdrawn from) the business*	$ 27.2	41.1	(41.2)
Capital expenditures*	$ 163.1	139.0	203.9
Total dividends declared* – preferred	$ 0.6	0.6	0.6
– common	$ 90.6	81.1	80.9
Average number of common shares outstanding (thousands)	75,416	75,107	74,944

* in millions
** capital = shareholders' equity plus long-term debt (including current portion)
† after preferred dividends
1 restated to reflect changes in accounting related to blast furnace relines
2 reclassified on a prospective basis as of 2001 to comply with CICA recommendations
3 restated to reflect changes in accounting related to income taxes and post-employment benefits
Dofasco has reported its 50% interest in Quebec Cartier Mining Company using the proportionate consolidation method from 1994 until its disposal on December 31, 2003

2000	1999	1998[3]	1997	1996	1995	1994	1993
3,201.1	3,142.3	2,982.2	3,070.4	2,942.0	2,635.9	2,424.8	2,102.9
2,601.8	2,426.0	2,359.6	2,439.9	2,317.0	2,047.1	1,936.2	1,778.2
38.8	53.3	38.1	34.2	40.8	45.7	23.6	7.1
560.5	663.0	584.5	596.3	584.2	543.1	465.0	317.6
254.1	256.0	248.3	252.7	228.2	207.8	211.1	179.8
—	—	—	—	—	—	—	—
306.4	407.0	336.2	343.6	356.0	335.3	253.9	137.8
61.7	60.8	69.8	75.8	79.3	86.0	88.0	89.2
(15.9)	(10.2)	(20.0)	(25.9)	(26.8)	(40.1)	(28.3)	(17.3)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
260.6	356.4	286.4	293.7	303.5	289.4	194.2	65.9
—	31.8	—	—	—	—	67.0	74.8
78.2	133.3	112.5	100.5	96.2	93.6	40.3	(2.7)
(6.3)	(5.9)	(0.3)	—	—	—	—	—
—	—	—	—	—	—	—	(4.8)
188.7	260.8	174.2	193.2	207.3	195.8	220.9	138.6
188.1	260.2	173.6	181.7	181.2	169.4	194.2	111.9

1,355.0	1,362.2	1,246.3	1,372.1	1,511.5	1,599.7	1,533.0	1,158.1
5,184.7	4,947.1	4,786.0	4,568.5	4,585.4	4,352.5	4,139.1	3,685.2
3,181.1	2,960.3	2,731.8	2,534.3	2,387.8	2,218.1	2,029.0	1,768.5
165.0	133.8	118.2	69.6	65.4	65.9	69.3	132.3
3,523.6	3,482.8	3,418.7	3,475.9	3,774.5	3,800.0	3,712.4	3,207.1
512.1	585.7	459.4	554.1	474.4	546.1	411.9	295.3
1,138.6	1,063.0	1,139.6	1,166.5	1,329.9	1,379.5	1,536.1	1,429.2
20.4	21.6	22.7	—	—	—	—	—
1,852.5	1,812.5	1,797.0	1,755.3	1,970.2	1,874.4	1,764.4	1,482.6

5,009	4,833	4,794	4,621	4,274	3,746	3,507	3,884
4,416	4,449	4,056	4,131	3,985	3,181	3,076	3,350
2.47	3.16	2.02	2.12	2.12	1.98	2.33	1.41
5.9%	8.3%	5.8%	5.9%	6.2%	6.4%	8.0%	5.3%
9.2%	12.2%	8.7%	9.0%	9.4%	9.3%	10.8%	8.4%
10.3%	14.5%	9.8%	10.7%	11.4%	11.4%	15.1%	10.3%
24.56	22.90	20.97	20.27	19.16	18.00	16.80	14.39
1.06	1.00	1.00	1.00	0.85	0.80	0.30	—
4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
—	—	—	1.11	2.60	2.60	2.60	2.60
52.1	83.3	80.7	95.9	95.7	97.9	168.8	111.9
216.0	186.0	265.7	119.6	293.7	230.1	192.8	89.8
0.6	0.6	0.6	11.5	26.1	26.4	26.7	26.7
80.6	82.2	85.7	85.8	72.7	68.4	25.4	—
76,293	82,296	85,748	85,799	85,615	85,525	83,433	79,394

Dofasco's Board of Directors serves the best interests of the company's shareholders by governing the company with the highest ethical and professional standards. To promote Dofasco's long-term best interests, the board pursues good corporate citizenship, including fair treatment of employees, customers, suppliers and host communities. The board strives to maintain investor trust, confidence and loyalty by following highly disciplined and sound governance practices.

To continually improve its corporate governance practices and maintain high performance, Dofasco's board reviews, monitors and considers the evolving governance expectations of the investor community, including groups like the Canadian Coalition for Good Governance. The board also fully complies with or surpasses the corporate governance practices recommended by the TSX.

Board terms of reference/mandate

Approach to corporate governance

The Governance Committee develops Dofasco's approach to governance for board approval. It has developed, and reviews annually, a detailed, 29-point, seven-page publication, *Board Guidelines on Corporate Governance Issues,* which is disclosed in the "Investors" section of the company's website at www.dofasco.ca under "Corporate Information."

Board independence and director status

Each year, the Governance Committee determines whether or not each director is an unrelated director. It analyzes the relationships of the directors with the company and its subsidiaries to assess their independence from management and the existence of any possible conflicts of interest. An unrelated director is defined as:

- Not a company manager and free from any interest or relationship that could reasonably be perceived to interfere with the director's ability to act in the best interests of the company;
- Not currently, nor within the last three years, an officer or employee of a material service provider to the company or its subsidiaries; and
- Not a director, officer, employee or significant shareholder of a firm that has a material business relationship with the company.

In 2003, the Committee determined that nine of Dofasco's 10 directors were unrelated with only Dofasco's President and CEO, Don Pether, being a related, inside director. Dofasco does not have a significant shareholder with the ability to exercise the majority of the votes cast for electing the Board of Directors.

Board independence of management

The board has adopted a policy favouring an independent, non-executive Chair of the Board and this is the case in Mr. Brian MacNeill who has been Chair since May 2003.

While the directors encourage and value the participation and input of management in board discussions and deliberations, the board also conducts private discussions at each of its meetings without members of management present. In addition, the non-management directors have regular sessions without any management directors present. These practices foster open and constructive communication and debate with management, while retaining board independence.

Stewardship

To oversee operations, supervise management and maximize shareholder value, Dofasco's board:

- Reviews and decides on key strategic issues
- Receives and discusses management reports monitoring results against Dofasco's business plan
- Approves significant investments and capital expenditures
- Reviews and decides on recommendations in reports submitted by committees
- Assesses steel industry and other issues with potential impact on Dofasco

Dofasco's Code of Business Conduct, established 20 years ago, includes enduring principles and philosophies. The Code:

- Was updated during 2003 to more clearly identify Dofasco's responsibilities to its different stakeholder groups
- Directs that Dofasco maintain the highest standards of honesty and integrity in its business affairs and applies to all Dofasco directors, officers and employees
- Can be found on Dofasco's website at www.dofasco.ca in the "Investors" section

Committees

The board has appointed four committees: an Audit Committee, a Governance Committee, a Human Resources Committee and an Environment, Health and Safety Committee.

All committee members are outside and unrelated directors. For details on committee membership, please see the "Directors"and "Officers" pages 72 and 73 of this annual report.

Following is a summary of committee mandates – the full mandates are at www.dofasco.ca in the "Investors" section.

Audit Committee

The committee reviews the annual and interim financial statements and the management's discussion and analysis. It makes recommendations to the board regarding the appointment of independent auditors and their remuneration. The committee also reviews the nature, scope and results of the internal and external audits, and oversees risk management. All Audit Committee members have accounting or financial expertise or certification and can critically evaluate financial statements, reports and controls.

Governance Committee

The committee develops Dofasco's approach to governance for board approval and recommends the size, composition and remuneration of the board.

Each year, the committee reviews the board size and composition and makes recommendations to the board when it believes a change would be in Dofasco's best interests. The committee strives to maintain a collective mix of director expertise and experience to support Dofasco's strategic direction and operating needs on a forward-looking basis. To identify potential new board members, the committee identifies skills and expertise of specific interest to the company, analyzes Dofasco's strategic direction and canvasses the board and management for suitable candidates whose qualifications, skills, attributes and competencies match Dofasco's needs.

The committee also recommends the mandates, membership and chairs of committees and oversees the process to assess the overall performance of the board, its committees, individual directors and the Chair. To assess performance, it solicits input from every director and senior manager who regularly attends board meetings. Directors are also assessed individually every year through self-evaluation questionnaires or private discussions with the Chair of the Board.

Human Resources Committee

The board has approved position descriptions for the directors, the Chair of the Board and the Chief Executive Officer. Annually, the committee evaluates the performance of the Chief Executive Officer and Chief Operating Officer. It oversees Dofasco's human resources policies and practices. The committee reviews the organization structure, appointments, succession planning and compensation for senior management.

Environment, Health and Safety Committee

The committee reviews and recommends policies and goals, monitors management and reporting systems, reviews performance annually, monitors legal and regulatory changes and Dofasco's compliance and receives reports from management on significant issues.

Outside advisors

With the Chair's approval, individual directors and board committees can engage external advisors with respect to Dofasco's affairs, at Dofasco's expense. During 2003, the Human Resources Committee engaged compensation consultants to provide independent advice and guidance.

Board responsibilities

Strategic planning

The board devotes a significant portion of each regular meeting to discuss key strategic initiatives. Periodically, it also holds special sessions to discuss Dofasco's long-term strategic direction with management. Management reports progress, and must obtain board input and approval, before proceeding with any significant action that impacts the strategic plan.

Risk management

Each year, the Audit Committee devotes one full meeting to oversee risk management and control issues such as foreign exchange rates, trade and availability and costs of energy and raw materials.

Dofasco's Risk Oversight Committee, comprised of company management, annually provides its detailed report and recommendations to the Audit Committee.

Internal control

The board, through the Audit Committee, reviews the effectiveness of internal control processes. The Audit Committee meets independently with the internal auditors, external auditors and management to review the adequacy of Dofasco's management reporting and internal accounting control procedures and systems.

Dofasco's internal auditors submit an annual report to the Audit Committee on the quality of the company's internal control processes and management information systems audited during the year.

Succession planning

The board's Human Resources Committee is responsible for a succession plan that includes President and CEO and senior management succession. The plan also includes appointment of senior management and monitoring of their performance.

The Committee reviews management's recommendation on succession planning and reports to the board annually.

Communications

The board approves and supports Dofasco's Communications Policy stating that communications with its stakeholders will reflect, support and advance the company's values and business plan. The full policy is on Dofasco's website at www.dofasco.ca in the "Investors" section.

The board, either directly or through the Audit Committee, approves major shareholder communications including:

- Annual and Interim Reports to Shareholders
- Management Proxy Circular
- Annual Information Form
- Earnings-related news releases

Dofasco's Disclosure Policy Committee provides an annual report to the Audit Committee confirming the company's compliance with timely and continuous disclosure requirements.

Director orientation and compensation

Orientation and education for new and existing board members

New directors are provided with a package of information and a tailored orientation program developed by the Corporate Secretary's department that includes information on:

- Duties and obligations of directors
- Dofasco's by-laws, organizational structure and business
- Mandates of the board and board committees
- Board policies and corporate governance guidelines

New directors also have meetings and ongoing discussions with senior management and with other directors and tour Dofasco's operations.

Directors access Dofasco's secure directors' website to obtain resources and information that assist in their duties. They are invited to attend educational seminars on corporate governance and participate with employees in experiential leadership training. The board also encourages senior management to pursue professional development.

Director compensation

The Governance Committee regularly reviews directors' compensation in relation to the:

- Practices of comparable Canadian public companies
- Time commitment expected of Dofasco's directors
- Responsibilities assumed by the directors

To align their interests with those of the shareholders, Dofasco requires all non-employee directors to allocate at least 25% of their annual board and committee retainer fees to the purchase of Dofasco shares.

Dofasco's Management Proxy Circular provides details of directors' compensation, including board and committee retainers and meeting fees. It can be found on the Dofasco website at www.dofasco.ca in the "Investors" section.

LEFT TO RIGHT: DEZSÖ J. HORVÁTH, WILLIAM E. COYNE, BRIAN F. MACNEILL, PETER C. MAURICE, ROGER G. DOE, DONALD A. PETHER, THOMAS C. O'NEILL, WILLIAM A. ETHERINGTON, SYLVIA D. CHROMINSKA, FRANK H. LOGAN

Sylvia D. Chrominska [1, 2]
Executive Vice-President,
Human Resources
The Bank of Nova Scotia
Toronto, Ontario

William E. Coyne [2, 4]
Corporate Director
Naples, Florida

Roger G. Doe [2, 3]
Corporate Director
Port Perry, Ontario

William A. Etherington [2, 4]
Corporate Director
Toronto, Ontario

Dezsö J. Horváth [1, 4]
Dean & Tanna H. Schulich
Chair in Strategic Management
Schulich School of Business
York University
Toronto, Ontario

Frank H. Logan [1, 3]
Corporate Director
Toronto, Ontario

Brian F. MacNeill [1, 2, 3, 4]
Chairman
Petro-Canada
Calgary, Alberta

Peter C. Maurice [1, 3]
Corporate Director
London, Ontario

Thomas C. O'Neill [1, 4]
Corporate Director
Toronto, Ontario

Donald A. Pether
President and
Chief Executive Officer
Dofasco Inc.
Dundas, Ontario

1 Member of the Audit Committee

2 Member of the Human Resources Committee

3 Member of the Governance Committee

4 Member of the Environment, Health and Safety Committee

LEFT TO RIGHT: DAVID S. BORSELLINO, WALTER W. BILENKI, J. NORMAN LOCKINGTON, DONALD A. PETHER, BRIAN E. ARANHA, JOAN M. H. WEPPLER, L. ALLEN ROOT

Donald A. Pether
President and
Chief Executive Officer

L. Allen Root
Executive Vice President and
Chief Operating Officer

Brian E. Aranha
Vice President –
Commercial

Walter W. Bilenki
Vice President –
Finance

David S. Borsellino
Vice President –
Manufacturing

J. Norman Lockington
Vice President –
Technology

Joan M. H. Weppler
Vice President –
Corporate Administration and
General Counsel

NOT PICTURED:

Raymond P. d'Andrade
Treasurer

Urmas Soomet
Secretary and Director,
Legal Services

Robert W. Nuttall
Comptroller

Subsidiaries

Dofasco USA Inc. Southfield, Michigan	100%	Storage and processing of steel and by-products
Dofasco de Mexico S.A. de C.V. Monterrey, Mexico	100%	Tube mill and steel processing facility
Dofasco Marion Inc. Marion, Ohio	100%	Tube mills and steel processing facility
Powerlasers Limited Kitchener and Concord, Ontario; Pioneer, Ohio	100%	Laser-welded automotive blanks and related components

Mining and related ventures

Wabush Mines Wabush, Newfoundland; Pointe Noire, Quebec	28.6%	Iron ore pellets

Joint ventures

Baycoat Hamilton, Ontario	50%	Pre-painted flat rolled steels
DJ Galvanizing Limited Partnership (formerly DNN Galvanizing Limited Partnership) Windsor, Ontario	50%	Hot dip galvanized flat rolled steels
DoSol Galva Limited Partnership Hamilton, Ontario	80%	Hot dip galvanized flat rolled steels
Gallatin Steel Company Gallatin County, Kentucky	50%	Hot rolled steels
Sorevco and Company Limited Coteau-du-Lac, Quebec	50%	Hot dip galvanized flat rolled steels

Investments

Ivara Corporation Burlington, Ontario	29.8%	Plant maintenance software and services

STOCK MARKET INFORMATION

Common shares

Year	High*	Low*	Shares Traded
2003	**$ 36.21**	**$ 25.21**	**61,497,307**
2002	$ 33.10	$ 25.80	71,134,027
2001	$ 27.35	$ 20.00	54,814,758
2000	$ 30.60	$ 19.05	64,471,944
1999	$ 29.50	$ 17.75	67,927,146

* Based on board lots traded

Valuation day prices

December 22, 1971:
Common – $25.00 (after giving effect to the 3:1 stock split in 1984, $8.33)
4¾% Class A Preferred – $74.00

Closing price on February 22, 1994:
Common – $24.125
4¾% Class A Preferred – $64.00

Stock exchange listings

Common Shares
Stock Symbol: DFS
CUSIP No.: 256900-70-5
Listed: The TSX

4¾% Cumulative Redeemable Preferred Shares, Series A
Stock Symbol: DFS.PR.A
CUSIP No.: 256900-30-9
Listed: The TSX

Corporate Headquarters

Dofasco Inc.
1330 Burlington Street East
Hamilton, Ontario L8N 3J5
Canada

Annual Meeting

The Annual Meeting of Shareholders will be held on **Friday, May 7, 2004**. The meeting will take place at the Dofasco Centre for the Arts (formerly the du Maurier Ltd. Centre) 190 King William Street, Hamilton, Ontario, at 12:00 noon.

Stock Transfer Agent and Registrars

CIBC Mellon Trust Company
Toronto, Montreal, Vancouver, Calgary

The Bank of Nova Scotia Trust Company
New York, New York

For more information concerning share ownership or dividends, please contact:

CIBC Mellon Trust Company
320 Bay Street
P.O. Box 1
Toronto, Ontario M5H 4A6
Answerline: (416) 643-5500
Toll Free: 1-800-387-0825
Email: inquiries@cibcmellon.ca

Dividend Reinvestment and Share Purchase Plan

Dofasco's Dividend Reinvestment and Share Purchase Plan allows Canadian residents who are registered shareholders of Dofasco common and preferred shares to purchase additional common shares by reinvesting their cash dividends, and to invest up to $50,000 each fiscal year to purchase additional Dofasco common shares at market value.

Qualified shareholders interested in participating in the Dividend Reinvestment and Share Purchase Plan should complete and mail an authorization form to:

CIBC Mellon Trust Company
Dividend Reinvestment Department
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9

Authorization forms are available from the Transfer Agent, from Dofasco's Corporate Secretary and from the "Investors" section of the Dofasco website at www.dofasco.ca.

Electronic Delivery and Electronic Voting

Dofasco shareholders may elect to receive Dofasco corporate documents (such as Quarterly and Annual Reports, and the Management Proxy Circular) in electronic form on the Internet rather than in paper copy through the mail.

Shareholders may also choose to send proxy voting instructions on the Internet rather than by voting by telephone, facsimile, or mail.

To take advantage of these convenient services, registered shareholders should contact the Transfer Agent. Beneficial shareholders should contact the broker or financial intermediary that manages the investment account within which the Dofasco shares are held.

Inquiries

The Corporate Secretary
Dofasco Inc.
P.O. Box 2460
1330 Burlington Street East
Hamilton, Ontario L8N 3J5
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corpsec@dofasco.ca
www.dofasco.ca

Version française du rapport

On pourra se procurer le texte français de ce rapport annuel en s'adressant au secrétaire de la Société.

04
Member of Dow Jones Sustainability Indexes
DJSI

Please send us your comments on this report by emailing
general@dofasco.ca

www.dofasco.ca