

May 05, 2006

Dear Stelco Pensioner,

As I know you're aware, Stelco has emerged successfully from the restructuring process. We have a new organizational structure, a new board of directors, and new securities listed on the Toronto Stock Exchange. Most important, Stelco has a new opportunity to compete and to succeed. I believe the shared goal among all stakeholders is to return Stelco to profitability, which in turn will create a viable and stable business for the long term.

As part of the process to return the company to profitability, I initiated a comprehensive review of benefits for the Company's salaried employees and salaried pensioners. Our goal is to ensure that we have programs that are competitive in the marketplace and that are affordable in the face of ever-increasing health costs.

The process of review and reform is an ongoing one in any responsible company.

Why the need for review and reform

The Company has stated on many occasions in recent years that the cost of its benefits programs would have to be addressed. Those costs were very high, were growing at a rapid rate, and could not be sustained over the long term. That remains true today.

Staying competitive, ensuring a sustainable plan

The review we conducted was driven by a number of key considerations, including: how do we stay competitive, both in terms of our operating business and in the kind of benefits we provide; how do we maintain benefits that we can afford, and how do we preserve a program that is sustainable for the long term.

The research and careful decision making process we've conducted has resulted in the reforms we're announcing today. These measures reflect trends and standards elsewhere, and address the above-noted issues. A number of reforms have been made for salaried employees, which do not affect pensioners. One area of these reforms will apply to Stelco salaried pensioners, as outlined below.

Measures applicable to existing Stelco salaried pensioners

The following reforms come into effect on July 1, 2006, and apply to both salaried retirees and salaried employees.

The cost of prescription drugs makes up almost 85% of our total health care costs. The following reforms are being put in place with a view to better managing these costs over the long term.

Dispensing fees: Until now, the plan paid whatever fee was charged by a pharmacist for dispensing prescriptions. There has been no cap to the benefit plan's cost in that regard. Under the reforms announced today, we will introduce a \$7 cap to the dispensing fee that will be reimbursed to plan members. This cap is at the same level as the one set by the Province of Ontario under the Ontario Drug Benefits Plan. There are a number of pharmacies in the marketplace that have dispensing fees in the \$7 range. They include Zellers, Wal Mart, A&P pharmacies, Supercentre, and Hy and Zels.

Generic drug substitutions: Until now, the plan has made no specific reference to generic alternatives to the more expensive brand name prescription drugs. An increasing number of quality and lower cost generic products are now available. Under the reforms announced today, the plan coverage will reflect generic substitution of prescription medications. Generic substitution means your plan will cover the value of the generic equivalent, if available, of a drug regardless of what has been prescribed.

Reimbursement for over-the-counter medicines: Until now, the plan has reimbursed members for prescribed medicines that can be obtained over-the-counter without a prescription. These include, among other things, aspirins, cold remedies and skin preparations. Under the reforms announced today, the plan will cover only those medicines that legally require prescriptions.

Hospital accommodation: Until now, the plan's hospital accommodation coverage included coverage for private or semi private rooms even though in many instances these accommodations were not available. Under the reforms announced today, this coverage will be discontinued.

Orthotic inserts: Until now, the plan has provided coverage for orthotic inserts and orthopedic shoes. Under the reforms announced today, this coverage will be limited to customized orthopedic shoes.

Dental recall examinations: Until now, the plan has provided coverage for a recall examination every six months. Under the reforms announced today, the plan will be adjusted to cover recall examinations every nine months.

We plan to continue the longstanding \$70,000 lifetime maximum for health care benefits under the plan.

Managing responsibly for sustainable benefits and a viable company

I urge you to review this letter thoroughly and to contact the Human Resources Department to ask questions. Please feel free to call 905 577 4488 with any questions you have about today's announcement.

The decisions announced today were not taken lightly or made in haste. They reflect a careful analysis of developments in the employee/pensioner benefit plan community, the reforms that have been introduced elsewhere, and what we can afford. The reforms announced today reflect those factors. They also address the goals and realities I noted at the beginning of this letter.

The Stelco management team and employees have a shared responsibility to manage the new Stelco responsibly. This means ensuring that we have a cost structure that enables our companies to compete. It also means ensuring that we have more affordable and sustainable benefit plan. Our goal is to have plans that treat people fairly, and that will be there for you when needed.

Sincerely,



Rodney B. Mott
President and Chief Executive Officer