Stelco Holdings Inc. Reports Second Quarter 2019 Results

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Stelco Holdings Inc. second quarter 2019 highlights include:

- *Q2 2019 revenue of $431 million*
- *Q2 2019 operating income of $3 million*
- *Q2 2019 adjusted EBITDA* of $32 million and adjusted EBITDA per net ton* of $59*
- *Q2 2019 steel shipping volumes* of 545 thousand net tons*
- *Company declares a regular quarterly dividend of $0.10 per share payable on August 30, 2019 to shareholders of record as of the close of business on August 23, 2019*
- *Balance sheet continues to strengthen, with total liquidity of $515 million** at the end of Q2 2019, and current cash balance of $455 million** in August 2019*

HAMILTON, ONTARIO, August 13, 2019 - Stelco Holdings Inc. ("**Stelco Holdings**" or the "**Company**"), (TSX: STLC), a low cost, integrated and independent steelmaker with one of the newest and most technologically advanced integrated steelmaking facilities in North America, today announced financial results of the Company for the three months ended June 30, 2019. Stelco Holdings is the 100% owner of Stelco Inc. (**"Stelco"**), the operating company.

Selected Financial Information:

(in millions except volume, per share and nt figures)	**Q2 2019**	Q2 2018	Change	Q1 2019	Change	**YTD 2019**	YTD 2018	Change
Revenue ($)	**431**	711	(39)%	517	(17)%	**948**	1,193	(21)%
Operating income ($)	**3**	162	(98)%	44	(93)%	**47**	220	(79)%
Net income (loss) ($)	**1**	(11)	NM	43	(98)%	**44**	18	144 %
Adjusted net income ($)*	**6**	165	(96)%	60	(90)%	**66**	215	(69)%
Net income (loss) per common share (diluted) ($)	**0.01**	(0.12)	NM	0.48	(98)%	**0.50**	0.20	150%
Adjusted net income per common share (diluted) ($)*	**0.07**	1.86	(96)%	0.68	(90)%	**0.74**	2.42	(69)%
Average selling price per nt ($)*	**761**	898	(15)%	827	(8)%	**796**	837	(5)%
Shipping volume* (in thousands of nt)	**545**	748	(27)%	612	(11)%	**1,157**	1,361	(15)%
Adjusted EBITDA ($)*	**32**	185	(83)%	76	(58)%	**108**	254	(57)%
Adjusted EBITDA per nt ($)*	**59**	247	(76)%	124	(52)%	**93**	187	(50)%

* During Q2 2019, with the repeal of tariffs on US bound sales of steel, we have amended the definitions of Adjusted Net Income and Adjusted EBTIDA to remove tariff related costs, and have restated the prior periods to reflect this change in presentation. See "Non-IFRS measures" for a description of certain Non-IFRS measures used in this Press Release and "Non-IFRS Measures Reconciliation" below.

** June 30, 2019, total liquidity of $515 million includes $277 million of cash and $238 million of capacity under Stelco's ABL revolver. Current cash position of $455 million represents cash in the Company's bank accounts at the close of business on August 12, 2019 (US dollar balances translated to Canadian dollars at an exchange rate of 1.3234).

“I am very proud of our organization and our results this quarter. We faced a number of strong headwinds, including: destocking, falling market prices and continued 232 tariffs, that impacted us throughout the quarter,” said David Cheney, Stelco Holdings' Chief Executive Officer. "Despite these headwinds, we lowered our cost per ton, we remained profitable, and we generated positive cash flow. Further, as the quarter concluded many of the previously mentioned headwinds ceased and were replaced with tailwinds: customer demand is strong, reflected in a robust order book and extended lead times; steel prices have rallied; 232 tariffs have been eliminated; and we are aggressively pursuing further cost reductions. Looking forward, starting with the third quarter, we expect volumes should be more closely aligned with our historical customer demand, and we are targeting a further annualized $25-50 million of cost reductions in the second half of the year.”

“In June 2019, Stelco accomplished two important goals that it committed to since our IPO less than two years ago. First, we completed the construction of a state-of-the-art batch annealing facility and commenced shipments of fully processed, annealed, cold-rolled steel sheet during the period. The restart of a modernized and upgraded temper mill, along with installation of new annealing furnaces, will allow Stelco to add a full range of up to 200,000 net tons of fully processed cold-rolled steel to its product mix. With completion of this project, Stelco will now be able to increase service to markets that demand these high-quality products such as, the automotive, appliance, and service centre markets, as well as the pre-painted steel market for architectural applications. These products have historically realized higher prices than the full-hard cold-rolled products that we continue to offer, and represent a continued expansion of product capabilities to enhance tactical flexibility and meet the needs of our customers. Second, we announced a strategic partnership with DTE Energy to advance our co-generation power plant project at Lake Erie. We expect this project will require a relatively limited capital investment by Stelco and, upon completion, we expect to save at least $20 million annually through lower power costs.

“We also continue to return value to our shareholders as our Board has approved the regular quarterly dividend of $0.10 per share. We ended the quarter with no financial debt, $277 million in cash, and $515 million in total liquidity. Since the end of the quarter, our current cash has grown to $455 million. Overall, we are optimistic for the future as Stelco is extremely well positioned to deliver attractive organic and inorganic growth,” continued Cheney.

“On the land, we executed a lease on a 125,000 square foot building with a net present value in excess of $20 million, with one of our key customers. We continue to be actively engaged with potential tenants for additional unused buildings at attractive market rents. Activity in the Greater Toronto and Hamilton Area (GTHA) remains robust and we will continue to build shareholder value as we extract value from this important asset.

“In closing, we have continued to build our liquidity and cash in anticipation of exceptional emerging market opportunities to grow our business inorganically at attractive acquisition costs. We are excited to be in a uniquely strong position to execute on this aspect of our business plan, and to deliver excellent returns to our shareholders,” concluded Cheney.

[1] See "Non-IFRS measures" for a description of certain Non-IFRS measures used in this Press Release and “Non-IFRS Measures Reconciliation” below.

Second Quarter 2019 Financial Review:

Compared to Q2 2018

Q2 2019 revenue decreased $280 million, or 39%, from $711 million in Q2 2018, primarily due a 27% decrease in steel shipping volumes,15% decrease in average steel selling prices, and lower non-steel sales of $23 million. Shipping volumes decreased 203 thousand nt, from 748 thousand nt in Q2 2018 to 545 thousand nt in Q2 2019. The average selling price of our steel products decreased from $898/nt in Q2 2018 to $761/nt in Q2 2019.

Operating income decreased by $159 million, or 98%, from $162 million in Q2 2018, mainly due to lower revenue of $280 million, partly offset by lower cost of sales of $118 million and selling, general and administrative expenses of $3 million during Q2 2019. Cost of sales includes raw material and conversion costs, depreciation, freight and tariffs associated with inventory sold during the period.

Finance costs decreased by $167 million, or 98%, from $170 million in Q2 2018, due to a $166 million gross remeasurement recovery on our employee benefit commitment and $5 million related to the period-over-period impact of foreign exchange translation on U.S. dollar denominated working capital, partly offset by $3 million increase in interest on loans and borrowings and $1 million higher accretion expense associated with our employee benefit commitment obligation.

During the second quarter of 2018, Stelco incurred a remeasurement charge of $157 million in connection with an amended other post-employment benefit funding agreement that reduced Stelco's exposure to future variable funding requirements and provided the independent employee life and health trusts established as part of Stelco *Companies' Creditors Arrangement Act* (CCAA) reorganization, with an increased fixed funding commitment over a 25-year term.

Net income for the quarter was $1 million, an improvement from a net loss of $11 million in the second quarter of 2018, which benefited from $167 million lower finance costs, $2 million gross increase in finance and other income, $2 million less restructuring costs and lower selling, general and administrative expenses of $3 million, partly offset by lower gross profit of $162 million. Adjusted net income[1] decreased $159 million year-over-year, from $165 million in Q2 2018 to an adjusted net income of $6 million in Q2 2019.

Adjusted EBITDA in Q2 2019 totaled $32 million, a decrease of $153 million from adjusted EBITDA of $185 million in Q2 2018, which reflects the decrease in revenue from lower market average price of steel and shipping volumes as well as less non-steel sales, partly offset by lower cost of sales.

Compared to Q1 2019

Revenue decreased 17%, from $517 million in Q1 2019 to $431 million in Q2 2019, which reflects an 11% decrease in steel shipping volumes, from 612 thousand nt in Q1 2019 to 545 thousand nt in Q2 2019 and an 8% decrease in average selling price, from $827/nt in Q1 2019 to $761/nt in Q2 2019, partly offset by higher non-steel sales. Operating income decreased to $3 million in Q2 2019, down 93% from Q1 2019 operating income of $44 million. Adjusted EBITDA decreased to $32 million, down 58% from Q1 2019 adjusted EBITDA of $76 million, primarily due to lower average selling prices and shipping volumes realized, partially offset by lower cost of sales and higher non-steel sales.

[1] See "Non-IFRS measures" for a description of certain Non-IFRS measures used in this Press Release and "Non-IFRS Measures Reconciliation" below.

Summary of Net Tons Shipped by Product:

(in thousands of nt)

Tons Shipped by Product	**Q2 2019**	Q2 2018	Change	Q1 2019	Change	**YTD 2019**	YTD 2018	Change
Hot-rolled	**375**	590	(36)%	517	(27)%	**892**	1,081	(17)%
Coated	**67**	93	(28)%	66	2 %	**133**	177	(25)%
Cold-rolled	**19**	33	(42)%	4	375 %	**23**	48	(52)%
Other [1]	**84**	32	163 %	25	236 %	**109**	55	98 %
Total	**545**	748	(27)%	612	(11)%	**1,157**	1,361	(15)%
Shipments by Product (%)								
Hot-rolled	**69%**	79%		84%		**77%**	79%	
Coated	**12%**	12%		11%		**11%**	13%	
Cold-rolled	**4%**	5%		1%		**2%**	4%	
Other [1]	**15%**	4%		4%		**10%**	4%	
Total	**100%**	100%		100%		**100%**	100%	

[1] Includes other steel products: slabs, painted steel products and non-prime steel inventory.

Statement of Financial Position and Liquidity:

On a consolidated basis, Stelco Holdings ended Q2 2019 with cash and cash equivalents of $277 million and $238 million of capacity under ABL revolver which remains completely undrawn. The following table shows selected information regarding the Stelco Holdings' consolidated balance sheet as at the noted dates:

(millions of Canadian dollars)

As at	**June 30, 2019**	**December 31, 2018**
ASSETS		
Cash and cash equivalents	277	438
Trade and other receivables	170	252
Inventories	466	468
Total current assets	**933**	**1,194**
Total assets	**1,513**	**1,655**
LIABILITIES		
Trade and other payables	401	436
Total current liabilities	**521**	**579**
Total non-current liabilities	**498**	**508**
Total liabilities	**1,019**	**1,087**
Total equity	**494**	**568**

Stelco Holdings and its subsidiaries ended Q2 2019 with current assets of $933 million, which exceeded current liabilities of $521 million by $412 million. Stelco Holdings' liabilities include $552 million of obligations to independent pension and OPEB trusts, which includes $439 million of employee benefit commitments and $113 million under a mortgage note payable associated with the June 2018 land purchase. Long term liabilities of $498 million as at June 30, 2019 include $470 million of obligations to independent pension and OPEB trusts. Stelco Holdings' consolidated equity totaled $494 million as at June 30, 2019.

[1] See "Non-IFRS measures" for a description of certain Non-IFRS measures used in this Press Release and “Non-IFRS Measures Reconciliation” below.

Receivables Purchase Agreement (RPA)

During June 2019, Stelco entered into a Receivables Purchase Agreement (RPA) with a Schedule II bank (the Purchaser), enabling Stelco Inc. from time to time, to sell certain customers' trade receivables to the Purchaser on a non-recourse, uncommitted revolving basis. Under the terms of the RPA, the aggregate maximum purchase limit under this arrangement is $108 million and requires that Stelco continue to administer and process in the collection of receivables and remit those collections to the Purchaser. Stelco has derecognized the trade receivables sold under the RPA from the Consolidated Balance Sheet as substantially all of the risks and rewards have been transferred to the Purchaser.

Acquisition of Land and Buildings

On May 8, 2019, Stelco completed the acquisition of certain land parcels and buildings (collectively the Remaining Lands) adjacent to Stelco's Hamilton Works operation for total cash consideration of $21 million, which includes $0.5 million in transaction costs. The acquisition of the Remaining Lands completes the Company's repurchase of all Hamilton Works lands which were previously sold to Legacy Lands Limited Partnership prior to Stelco emergence from the *Companies' Creditors Arrangement Act* (CCAA) reorganization on June 30, 2017.

The Company continues to receive the benefit of the environmental release in respect of the Hamilton Works lands that was granted by the Ministry of the Environment, Conservation and Parks on closing of the CCAA reorganization.

Declaration of Quarterly Dividend

Stelco Holding's Board of Directors approved the payment of a regular quarterly dividend of $0.10 per share, which will be paid on August 30, 2019, to shareholders of record as of the close of business on August 23, 2019.

The regular quarterly dividend has been designated as an "eligible dividend" for purposes of the Income Tax Act (Canada).

Quarterly Results Conference Call

Stelco management will host a conference call to discuss its results tomorrow, Wednesday, August 14, 2019, at 9:00 a.m. ET. To access the call, please dial 1- 888 390 0605 or 1- 416 764 8609 and reference "Stelco". The conference call will also be webcasted live on the Investor Relations section of Stelco's web site at https://www.stelco.com/investors. A presentation that will accompany the conference call will also be available on the website prior to the conference call.

Following the conclusion of the live call, a replay of the webcast will be available on the Investor Relations section of the Company's website for at least 90 days. A telephonic replay of the conference call will also be available from 12:00 p.m. ET on August 14, 2019 until 11:59 p.m. ET on August 28, 2019 by dialing 1- 888 390 0541 or 1- 416 764 8677 and using the pin number 299077#.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited interim condensed consolidated financial statements for the period ended June 30, 2019, and Management's Discussion & Analysis thereon are available under the Company's profile on SEDAR at www.sedar.com.

About Stelco

Stelco is a low cost, integrated and independent steelmaker with one of the newest and most technologically advanced integrated steelmaking facilities in North America. Stelco produces flat-rolled value-added steels, including premium-quality coated, cold-rolled and hot-rolled steel products. With first-rate gauge, crown, and shape control, as well as reliable uniformity of mechanical properties, our steel products are supplied to customers in the construction, automotive and energy industries across Canada and the United States as well as to a variety of steel services centres, which are regional distributers of steel products.

Non-IFRS Measures

This news release refers to certain non-IFRS measures that are not recognized under International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "adjusted net income", "adjusted net income per share", "adjusted EBITDA", "adjusted EBITDA per nt", "selling price per nt", and "shipping volume" to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management uses these non-IFRS financial measures to facilitate operating performance comparisons from period-to-period, to prepare annual operating budgets and forecasts, and drive performance through our management compensation program. For a reconciliation of these non-IFRS measures, refer to the Company's "Non-IFRS Measures Reconciliation" section below. For a definition of these non-IFRS measures, refer to the Company's MD&A for the period ended June 30, 2019 available under the Company's profile on SEDAR at www.sedar.com.

Forward-Looking Information

This release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances may be forward looking statements. Forward-looking statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. The forward-looking statements contained herein are presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes.

Key Assumptions Underlying Our Shipping Volume Estimates

The estimates with respect to our future shipping volumes included in this press release are based on a number of assumptions, including, but not limited to, the following material assumptions; the Company's ability to continue to access the U.S. market without any adverse trade restrictions; no significant additional legal or regulatory developments, changes in economic conditions, or macro changes in the competitive environment affecting our business activities; upgrades to existing facilities remaining on schedule and on budget and their anticipated effect on revenue and costs; the Company's ability to attract new customers and further develop and maintain existing customers; currency exchange and interest rates; the impact of competition; and growth in steel markets and industry trends. We note that: (i) potential further changes to trade regulations in the United States; (ii) a failure by Canada or the U.S. to ratify the Canada-U.S.-Mexico-Agreement on North American trade; and/or (iii) the outcome of trade deliberations between the U.S. and China could materially alter underlying assumptions around anticipated shipping volumes and the steel market, generally.

Key Assumptions Underlying Our Cost Reduction Estimates

The estimates with respect to anticipated results from our ongoing cost reduction initiatives included in this press release are based on a number of assumptions, including, but not limited to, the following material assumptions: the successful execution of the Company's cost reduction strategy by management; cost savings initiatives will be implemented in a manner that does not adversely affect the Company's ability to operate safely and sustainably and without impacting the Company's ability to ship products to customers as required; no unforeseen additional costs will be incurred by the Company in connection with implementing such cost savings items; there will be no change in governmental or industry regulations, including environmental regulations, trade matters, taxes or other regulatory initiatives that would result in increased costs on a net ton basis; the existing costs incurred by the Company in connection with the production and manufacture of steel products that are not targeted for cost-reduction will remain flat; the Company's anticipated growth and maintenance capital expenditures will not increase; the ability of the Company's suppliers and/or customers to accept price reductions or price increases, as applicable; upgrades to existing facilities remaining on schedule and on budget and their anticipated effect on revenue and costs; the Company's ability to reduce its reliance on contractors in a sustainable manner; improving production yields; enhancing utilization of secondary materials; maintaining positive employee and labour relations; currency exchange and interest rates; and growth in steel markets and industry trends.

Key Assumptions Underlying the Cogeneration Plant Project

The estimated annual cost savings resulting from the potential construction of a cogeneration power plant to serve our Lake Erie facility referenced in this press release are based on a number of assumptions, including, but not limited to, the following material assumptions: the Company's ability to enter into a definitive agreement with DTE to engineer, procure and design a cogeneration power plant at our Lake Erie facility on terms acceptable to the Company; the Company's ability to obtain the applicable regulatory approvals required to develop a cogeneration facility at our Lake Erie facility; the Company's ability to secure publicly available grant funding on terms acceptable to the Company; expectations regarding the current and future prices of electricity in the Province of Ontario; expectations regarding the Company's current and future production levels at our Lake Erie facility; and expectations regarding the actual cost of constructing the cogeneration power plant and the annual costs associated with maintaining the plant being within the range currently estimated by management of the Company.

Forward-looking information in this news release includes our advancement of strategic initiatives, expectations concerning the Company's expectations on increased margins, reduction of tariff costs, the expected results from the Company's participation in higher margin segments of the steel industry, expectations in respect of shipment volumes being more closely aligned with historically customer demands, expectations concerning mergers and acquisition opportunities, expectations regarding the declaration of a dividend, expectations regarding annualized cost reductions, statements with respect to the development of the cogeneration power plant at Lake Erie, the expected capital cost of the project and anticipated cost savings that would be realized upon completion of project, and the emergence of exceptional market opportunities to grow our business inorganically at attractive acquisition costs. Undue reliance should not be placed on forward-looking information. The forward-looking information in this press release is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to source raw materials and other inputs; our ability to supply to new customers and markets; our ability to effectively manage costs; our ability to attract and retain key personnel and skilled labour; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes in laws, rule, and regulations, including international trade regulations; our ability to continue to access the U.S. market without any adverse trade restrictions; upgrades to existing facilities remaining on schedule and on budget and their anticipated effect on revenue and costs; and growth in steel markets and industry trends, as well as those set out in this press release, are material factors made in preparing the forward-looking information and management's expectations contained in this press release.

Such forward-looking information is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including: North American and global steel overcapacity; imports and trade remedies; competition from other producers, imports or alternative materials; and the availability and cost of inputs placing downward pressure on steel prices or increasing our costs; as well as those described in the Company's annual information form dated February 15, 2019 and the Company's MD&A for the period ended June 30, 2019 available under the Company's profile on SEDAR at www.sedar.com.

There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information, which speaks only as of the date made. The forward-looking information contained in this press release represents our expectations as of the date of this news release, and are subject to change after such date. Stelco Holdings disclaims any intention or obligation or undertaking to update publicly or revise any forward-looking statements, whether written or oral, whether as a result of new information, future events or otherwise, except as required by law.

For Further Information

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Selected Financial Information

The following includes financial information prepared by management in accordance with IFRS. This financial information does not contain all disclosures required by IFRS, and accordingly should be read in conjunction with Stelco Holdings Inc.'s Consolidated Financial Statements and MD&A for the period ended June 30, 2019, which is available on the Company's website and on SEDAR (www.sedar.com).

Stelco Holdings Inc.

Consolidated statements of income

(unaudited)

(millions of Canadian dollars)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue from sale of goods	**$ 431**	$ 711	**$ 948**	$ 1,193
Cost of goods sold	**416**	534	**875**	946
Gross profit	**15**	177	**73**	247
Selling, general and administrative expenses	**12**	15	**26**	27
Operating income	**3**	162	**47**	220
Other income (loss) and (expenses)				
Finance costs	**(3)**	(170)	**(6)**	(186)
Finance and other income (loss)	**2**	—	**5**	(10)
Restructuring and other costs	**—**	(2)	**—**	(5)
Share of loss from joint ventures	**(1)**	(1)	**(2)**	(1)
Income (loss) before income taxes	**1**	(11)	**44**	18
Income tax expense	**—**	—	**—**	—
Net income (loss)	**$ 1**	$ (11)	**$ 44**	$ 18

Stelco Holdings Inc.
Consolidated balance sheets
(unaudited)

As at		June 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	**$**	**277** $	438
Restricted cash		**10**	8
Trade and other receivables		**170**	252
Inventories		**466**	468
Prepaid expenses		**10**	28
Total current assets	**$**	**933** $	1,194
Non-current assets			
Property, plant and equipment, net		**569**	448
Intangible assets		**7**	7
Investment in joint ventures		**4**	6
Total non-current assets	**$**	**580** $	461
Total assets	**$**	**1,513** $	1,655
LIABILITIES			
Current liabilities			
Trade and other payables	**$**	**401** $	436
Other liabilities		**38**	40
Obligations to independent employee trusts		**82**	103
Total current liabilities	**$**	**521** $	579
Non-current liabilities			
Provisions		**5**	5
Pension benefits		**4**	2
Other liabilities		**19**	13
Obligations to independent employee trusts		**470**	488
Total non-current liabilities	**$**	**498** $	508
Total liabilities	**$**	**1,019** $	1,087
EQUITY			
Common shares		**512**	512
Treasury shares		**—**	(1)
Retained earnings (deficit)		**(18)**	57
Total equity	**$**	**494** $	568
Total liabilities and equity	**$**	**1,513** $	1,655

Non-IFRS Measures Results

The following table provides a reconciliation of net income (loss) to adjusted net income for the period indicated:

	Three months ended June 30,		Six months ended June 30,	
(millions of Canadian dollars, except where otherwise noted)	**2019**	2018	**2019**	2018
Net income (loss)	**$ 1**	$ (11)	**$ 44**	$ 18
Add back/(Deduct):				
Remeasurement of employee benefit commitment [1]	**(9)**	157	**(16)**	161
Tariff related costs [2]	**7**	11	**20**	11
Separation costs related to USS support services [3]	**2**	6	**7**	10
Carbon tax expense [4]	**—**	—	**3**	—
Restructuring and other costs [5]	**2**	2	**2**	5
Share-based compensation [6]	**1**	—	**3**	—
Property related idle costs included in cost of goods sold [7]	**1**	—	**2**	—
Batch annealing facility startup related costs [8]	**1**	—	**1**	—
Loss from commodity-based swaps	**—**	—	**—**	10
Adjusted net income	**$ 6**	$ 165	**$ 66**	$ 215

1 Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.

2 Includes tariff and tariff related costs associated with U.S. bound steel shipments. In connection with the US administration announcing effective May 20, 2019, the elimination of all tariffs imposed under Section 232 on imports of aluminum and steel products from Canada, the Company has modified the definition of Adjusted Net Income and Adjusted Net Income per common share to include tariff and tariff related costs as a non-recurring item adjustment from earnings. The prior periods have been restated to reflect the change in presentation. Refer to *'Non-IFRS Performance Measures'* section in the MD&A for further details.

3 Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.

4 Represents a non-cash carbon tax provision for the period, connected to Stelco's estimated requirements under the Greenhouse Gas Pollution Pricing Act (Federal Backstop) for industrial facilities with greenhouse gas emissions. Actual cash payments related to the carbon taxes, if any, are not expected to occur until the year 2020 at the earliest.

5 Restructuring and other costs includes certain non-routine items that include, but are not limited to, building demolition costs, professional fees and travel related expenses. For 2018, restructuring costs include legal fees and other costs connected to Stelco's emergence from CCAA proceedings.

6 Share-based compensation consists of costs connected with share options awarded to certain members of the Company's executive senior leadership team during the period.

7 Includes utility costs incurred by Stelco for non-operating and idled assets acquired from the Land Vehicle on June 5, 2018.

8 Represents incremental employee training and other costs connected with Stelco's new batch annealing facility that was completed during Q2 2019 and commenced operations during June 2019. Refer to *'Results of Operations'* section of the MD&A for further details.

The following table provides a reconciliation of net income (loss) to adjusted EBITDA periods indicated:

(millions of Canadian dollars, except where otherwise noted)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Net income (loss)	**$ 1**	$ (11)	**$ 44**	$ 18
Add back/(Deduct):				
Finance income	**(1)**	—	**(3)**	—
Depreciation	**15**	7	**23**	14
Tariff related costs [1]	**7**	11	**20**	11
Separation costs related to USS support services [2]	**2**	6	**7**	10
Finance costs	**3**	170	**6**	186
Share-based compensation [3]	**1**	—	**3**	—
Carbon tax expense [4]	**—**	—	**3**	—
Restructuring and other costs [5]	**2**	2	**2**	5
Property related idle costs included in cost of goods sold [6]	**1**	—	**2**	—
Batch annealing facility startup related costs [7]	**1**	—	**1**	—
Loss from commodity-based swaps	**—**	—	**—**	10
Adjusted EBITDA	**$ 32**	$ 185	**$ 108**	**$ 254**
Adjusted EBITDA as a percentage of total revenue	**7%**	26%	**11%**	**21%**

1 Includes tariff and tariff related costs associated with U.S. bound steel shipments. In connection with the US administration announcing effective May 20, 2019, the elimination of all tariffs imposed under Section 232 on imports of aluminum and steel products from Canada, we have modified the definition of Adjusted EBTIDA and Adjusted EBITDA per nt to include tariff and tariff related costs as a non-recurring item adjustment from earnings. The prior periods have been restated to reflect the change in presentation. Refer to *'Non-IFRS Performance Measures'* section in the MD&A for further details.

2 Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.

3 Share-based compensation consists of costs connected with share options awarded to certain members of the Company's executive senior leadership team during the period.

4 Represents a non-cash carbon tax provision for the period, connected to Stelco's estimated requirements under the Greenhouse Gas Pollution Pricing Act (Federal Backstop) for industrial facilities with greenhouse gas emissions. Actual cash payments related to the carbon taxes, if any, are not expected to occur until the year 2020 at the earliest.

5 Restructuring and other costs includes certain non-routine items that include, but are not limited to, building demolition costs, professional fees and travel related expenses. For 2018, restructuring costs include legal fees and other costs connected to Stelco's emergence from CCAA proceedings.

6 Includes utility costs incurred by Stelco for non-operating and idled assets acquired from the Land Vehicle on June 5, 2018.

7 Represents incremental employee training and other costs connected with Stelco's new batch annealing facility that was completed during Q2 2019 and commenced operations during June 2019. Refer to *'Results of Operations'* section of the MD&A for further details.