Stelco Reports Second Quarter 2018 Results

Revenue up 67% to $711 Million; Adjusted EBITDA up 130% to $175 million; Adjusted EBITDA Margin of 25%

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Second quarter 2018 highlights include:

- *Revenue of $711 million, up 67% year-over-year and up 48% sequentially*
- *Operating income of $161 million, up 544% year-over-year and up 182% sequentially*
- *Adjusted EBITDA of $175 million, up 130% year-over-year, up 150% sequentially, and above top end of guidance*
- *Adjusted EBITDA margin of 25%, up from 15% in Q1 2018 and from 18% in Q2 2017*
- *Steel shipping volumes up 49% year-over-year and 22% sequentially, and steel ASPs up 18% from Q1 2018*
- *Company declares special cash dividend of $150 million ($1.69 per share) in addition to regular quarterly dividend of $0.10 per share*

HAMILTON, ONTARIO, July 31, 2018 - 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 and that of Stelco Inc. ("**Stelco**" or "**Stelco Inc.**") for the three months ended June 30, 2018. Stelco Holdings is the 100% owner of Stelco, the operating company.

Stelco Inc. Highlights:

Selected Financial Information:

(in millions except volume and per nt figures)	**Q2 2018**	Q2 2017	Change	Q1 2018	Change	**YTD 2018**	YTD 2017	Change
Revenue ($)	**711**	427	67%	482	48%	**1,193**	813	47%
Operating profit ($)	**161**	25	544%	57	182%	**218**	61	257%
Net income (loss) ($)*	**(12)**	3,593	NM	28	N/A	**16**	3,576	NM
Adjusted EBITDA ($)*	**175**	76	130%	70	150%	**245**	140	75%
Adjusted net income ($)*	**153**	(3)	NM	49	212%	**202**	5	NM
Average selling price per nt ($)*	**898**	828	8%	762	18%	**837**	795	5%
Shipping volume* (in thousands of nt)	**748**	501	49%	613	22%	**1,361**	1,000	36%

* See "Non-IFRS measures" for a description of Non-IFRS measures used in this Press Release and "Non-IFRS Measures Reconciliation" below. Per ton figures are now presented for steel shipments only and prior period per ton metrics have been restated.

“Our second quarter results substantially exceeded the high-end of our previously issued guidance range, with adjusted EBITDA of $175 million, representing a 25% adjusted EBITDA margin despite incurring approximately $11 million of tariff related costs,” said Alan Kestenbaum, the Company’s Executive Chairman and Chief Executive Officer. ”Our second quarter performance reflects shipping volume at nearly three million tons annually and an average selling price of $898/nt, which is still below current market prices. We achieved this as a direct result of the successful implementation of enhanced shipping logistics including our newly repurposed dock and newly leased railcars that have reduced our dependency on trucks. The sharp improvement in our financial results year-over-year and sequentially reflects the improved efficiency of our operations, continuous efforts to drive down costs, strong demand throughout North America, and higher steel prices.

“Consistent with our core strategy to unlock value in all assets, we sold more than 70 thousand tons of coke related products in the second quarter and generated approximately $39 million in non-steel sales at healthy profit margins. We will continue to seek to extract more value from other underutilized assets. Our acquisition of 3,000 acres of land under and around our facilities during the second quarter should enable us to achieve at least three tangible benefits: (i) position us to extract additional value from our operating assets by enhancing operating flexibility previously unavailable to us, (ii) lowering our costs, and (iii) creating significant and previously unrealizable value for our shareholders through development of excess land and port facilities in the very strong Greater Toronto Area (“GTA”) property constrained Industrial market.

“We generated $165 million of cash flow from operations and $145 million of free cash flow during the quarter which drove our quarter end cash balance to $421 million,” Kestenbaum added. “We have a strong balance sheet, a healthy cash position, and a $375 million revolver that is completely undrawn. As a result, and consistent with our strategy to relentlessly focus on generating exceptional total shareholder returns, we are pleased to announce that we are declaring a special cash dividend of $150 million ($1.69 per share), in addition to our regular quarterly dividend of $0.10 per share. In parallel, we are maintaining significant liquidity, financial strength, and flexibility to drive both inorganic and organic growth through accretive transactions and growth initiatives in our core steel business.”

Second Quarter 2018 Financial Review:

Sequential Performance (Q2 2018 versus Q1 2018):

On a sequential basis, financial performance improved significantly in Q2 2018 over Q1 2018 as a result of higher sales shipping volumes, increased average selling price for our steel products, increased sales of non-steel products, operating leverage, and cost management. Revenue increased 48%, from $482 million in Q1 2018 to $711 million in Q2 2018. The increase in revenue reflects a 22% increase in steel shipping volumes, from 613 thousand nt in Q1 2018 to 748 thousand nt in Q2 2018, and an 18% increase in average selling price, which increased from $762/nt in Q1 2018 to $898/nt in Q2 2018. Investments in logistics capabilities, including rail and barge shipping, significantly increased our capacity to ship products to our customers, and was an important driver in achieving our Q2 2018 shipping volumes. In Q2 2018, non-steel revenue increased $24 million quarter-over-quarter due primarily to the sale of coke related products. Operating income improved to $161 million in Q2 2018, up 182% from Q1 2018 operating income of $57 million. Adjusted EBITDA also improved significantly in Q2 2018, increasing 150% from $70 million in Q1 to $175 million in Q2, reflecting higher revenue and stable costs, partly offset by approximately $11 million of tariff related costs during the second quarter. A positive outcome from the Q2 2018 growth in shipping volumes, improved pricing, and stable costs was the 25% adjusted EBITDA margin in the quarter, up from the 15% adjusted EBITDA margin in Q1 2018.

Year-Over-Year Performance:

Q2 2018 revenue increased $284 million, or 67%, from revenue of $427 million in Q2 2017. The year-over-year revenue increase was due primarily to a 49% increase in steel shipping volumes and an 8% increase in average selling price. Shipping volumes increased from 501 thousand nt in Q2 2017 to 748 thousand nt in Q2 2018. Average selling price increased from $828/nt in Q2 2017 to $898/nt in Q2 2018.

Finance costs increased by $99 million, from $71 million Q2 2017 to $170 million in Q2 2018, primarily due to $167 million of remeasurement and accretion expenses associated with our employee benefit commitment (“EBC”) obligations in Q2 2018, partially offset by a $61 million decrease in interest on loans and borrowings related to the extinguishment of $1.8 billion of debt through the CCAA process, and $7 million related to the gross impact period-over-period of foreign exchange translation on U.S. dollar denominated working capital. The Q2 2018 remeasurement charge was due to amendment of EBC agreements which impacted projected future funding over the term of those commitments, which end in 2043.

Net loss for the quarter was $12 million, down from a net income of $3,593 million in the second quarter of 2017, which benefitted from a $3,665 million gain related to the emergence from CCAA, partially offset by higher costs for separation from USS support services, restructuring costs, acquisition-related costs, and provision on pension and OPEB costs. Adjusted net income increased $156 million year-over-year, from an adjusted net loss of $3 million in Q2 2017 to adjusted net income of $153 million in Q2 2018. The improvement was largely due to higher revenue and lower finance costs, excluding the adjustment for remeasurement charges related to the employee benefit commitments.

Adjusted EBITDA in Q2 2018 totaled $175 million, an increase of $99 million from adjusted EBITDA of $76 million in Q2 2017. The year-over-year improvement reflects the increase in revenue from increased shipping volumes and an improvement in the market price of steel.

Summary of Net Tons Shipped by Product:

(in thousands of nt)

Tons Shipped by Product	Q2 2018	Q2 2017	Change	Q1 2018	Change	YTD 2018	YTD 2017	Change
Hot-rolled	**590**	359	64%	491	20%	**1,081**	699	55%
Coated	**93**	103	-10%	84	11%	**177**	224	-21%
Cold-rolled	**33**	17	94%	15	120%	**48**	31	55%
Other	**32**	22	45%	23	39%	**55**	46	20%
Total	**748**	501	49%	613	22%	**1,361**	1,000	36%
Shipments by Product (%)								
Hot-rolled	**79%**	72%		80%		**79%**	70%	
Coated	**12%**	21%		14%		**13%**	22%	
Cold-rolled	**4%**	3%		2%		**4%**	3%	
Other	**4%**	4%		4%		**4%**	5%	
Total	**100%**	100%		100%		**100%**	100%	

Stelco Holdings Highlights:

Stelco Holdings’ consolidated statement of income for the three and six months ended June 30, 2018, which primarily includes Stelco’s financial results for the period. The following is a financial summary of Stelco Holdings' results for the second quarter and first half of 2018:

Selected Financial Information

(in millions, except volume and per nt figures)	Q2 2018	Q1 2018	Change	YTD 2018
Revenue ($)	**711**	482	48%	**1,193**
Operating income ($)	**162**	58	179%	**220**
Net income (loss) ($)	**(11)**	29	-138%	**18**
Net income (loss) per share ($)	**(0.12)**	0.32	-138%	**0.20**
Adjusted net income* ($)	**154**	50	208%	**204**
Adjusted net income per share* ($)	**1.73**	0.57	204%	**2.30**
Adjusted EBITDA* ($)	**174**	69	152%	**243**
Average selling price per nt* ($)	**898**	762	18%	**837**
Adjusted EBITDA per nt* ($)	**233**	113	106%	**179**
Shipping volume* (in thousands of nt)	**748**	613	22%	**1,361**

* See "Non-IFRS measures" for a description of Non-IFRS measures used in this Press Release and “Non-IFRS

Measures Reconciliation" below. Per ton figures are now presented for steel shipments only and prior period per ton metrics have been restated.

Stelco Holdings' SG&A expenses for the first half of 2018 include employee salary and benefits, enterprise resource planning ("ERP") implementation expenses relating to the separation from USS and professional, consulting and legal fees. The incremental SG&A incurred by Stelco Holdings in the second quarter of $1 million ($14 million of the Stelco Holdings' SG&A was incurred directly by Stelco Inc.), relates to audit and legal fees, insurance costs, as well as director and regulatory fees.

Land Purchase and Employee Benefit Commitment Amendments

During the second quarter, Stelco announced the purchase of the land, and related buildings, on which Stelco conducts its operations (the "Lands"), as well as other developable lands and port facilities from Legacy Land Limited Partnership (the "Land Vehicle"). The purchase price was $114 million and was financed with a 25-year mortgage payable to the Land Vehicle. Prior to the Lands purchase, Stelco was leasing from the Land Vehicle portions of the Lands that were ultimately purchased. That lease was cancelled as a result of the purchase of the Lands. As with the original lease, Stelco's quarterly mortgage payments are to be distributed by the Land Vehicle to various pension and other post-employment benefit ("OPEBs") trusts for the benefit of certain active and retired Stelco employees.

The Company believes that this transaction could enable it to extract additional value from currently non-operating steel making assets by enhancing flexibility previously unavailable to it, to reduce costs, and to extract significant and previously unrealizable value for our shareholders from development of the excess land.

In addition to purchasing the land and buildings, Stelco amended the OPEB funding agreement in Q2 2018, reducing its exposure to potential future variable funding requirements, including future excess free cash flow contributions, in exchange for a more fixed funding commitment, which also provides greater certainty to our employees as to deposits into the trusts.

Statement of Financial Position and Liquidity:

On a consolidated basis, Stelco Holdings ended Q2 2018 with cash and cash equivalents of $421 million. Additionally, as at June 30, 2018, Stelco's $375 million ABL revolver 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, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	421	250
Trade and other receivables	263	204
Inventories	380	448
Total current assets	**1,096**	**932**
Total assets	**1,492**	**1,223**
LIABILITIES		
Trade and other payables	332	309
Total current liabilities	**484**	**374**
Total non-current liabilities	**508**	**352**
Total liabilities	**992**	**726**
Equity	**500**	**497**

Stelco Holdings and its subsidiaries ended Q2 2018 with current assets of $1,096 million, which exceeded current liabilities of $484 million by $612 million. Stelco Holdings liabilities include $606 million of obligations to independent pension and OPEB trusts, which include $492 million of employee benefit commitments and $114 million under a mortgage note payable associated the land purchase discussed above. Long term liabilities of $508 million as at June 30, 2018 include $489 million of obligations to independent pension and OPEB trusts. Stelco Holdings consolidated equity totaled $500 million as at June 30, 2018.

Declaration of Special and Regular Quarterly Dividend

Stelco's Board of Directors approved the payment of a special cash dividend of $150 million ($1.69 per share), in addition to the regular quarterly cash dividend of $0.10 per share. The special dividend of $1.69 per share will be paid on August 15, 2018 and the regular quarterly dividend of $.10 per share will be paid on August 17, 2018 to shareholders of record as of the close of business on August 10, 2018. The special dividend and the regular quarterly dividend have 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 1, 2018 at 9 a.m. EST. To access the call, please dial 1-866-548-4713 (U.S. and Canada) or 1-323-794-2093 (international) and reference conference ID 5678595. 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 p.m. ET on August 1, 2018 until 11:59 p.m. ET on August 14, 2018 by dialing 1-844-512-2921 (United States) or 1-412-317-6671 (international) and using the pin number 5678595.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's (including both Stelco Holdings Inc. and Stelco Inc.) unaudited interim condensed consolidated financial statements for the period ended June 30, 2018, 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, 2018 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.

Forward-looking information in this news release includes our advancement of strategic initiatives, annualized shipping volumes, enhancing value from underutilized assets, and the declaration of a dividend. 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; 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 and the Company's MD&A for the period ended June 30, 2018 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 and Stelco Inc.'s Consolidated Financial Statements and MD&A for the period ended June 30, 2018, which is available on the Company's website and on SEDAR (www.sedar.com).

Stelco Inc.

Consolidated statements of income (loss)
(unaudited)

(millions of Canadian dollars)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue from sale of goods	**$ 711**	$ 427	**$ 1,193**	$ 813
Cost of goods sold	**536**	362	**950**	702
Gross profit	**175**	65	**243**	111
Selling, general and administrative expenses	**14**	40	**25**	50
Operating income	**161**	25	**218**	61
Other income (loss) and (expenses)				
Finance costs	**(170)**	(71)	**(186)**	(121)
Finance and other income (loss)	**-**	(1)	**(10)**	4
Restructuring costs	**(2)**	(24)	**(5)**	(32)
Share of loss of joint ventures	**(1)**	(1)	**(1)**	(1)
Gain on emergence from CCAA	**-**	3,665	**-**	3,665
Income (loss) before income taxes	**(12)**	3,593	**16**	3,576
Income tax expense	**-**	-	**-**	-
Net income (loss)	**$ (12)**	$ 3,593	**$ 16**	$ 3,576

Stelco Holdings Inc.

Consolidated statements of income (loss)
(unaudited)

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

Stelco Inc.
Consolidated balance sheets
(unaudited)

As at		**June 30, 2018**		December 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**233**	$	45
Restricted cash		**10**		12
Trade and other receivables		**263**		203
Inventories		**380**		448
Prepaid expenses		**21**		18
Total current assets	**$**	**907**	$	726
Non-current assets				
Property, plant and equipment, net		**404**		305
Investment in joint ventures		**6**		4
Total non-current assets	**$**	**410**	$	309
Total assets	**$**	**1,317**	$	1,035
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**329**	$	310
Other liabilities		**35**		33
Obligations to independent employee trusts		**117**		32
Total current liabilities	**$**	**481**	$	375
Non-current liabilities				
Provisions		**6**		5
Pension benefits		**1**		—
Other liabilities		**12**		34
Obligations to independent employee trusts		**489**		312
Total non-current liabilities	**$**	**508**	$	351
Total liabilities	**$**	**989**	$	726
EQUITY				
Common shares		**2,325**		2,325
Contributed surplus		**500**		500
Retained deficit		**(2,497)**		(2,516)
Total equity	**$**	**328**	$	309
Total liabilities and equity	**$**	**1,317**	$	1,035

Stelco Holdings Inc.
Consolidated balance sheets
(unaudited)

As at		**June 30, 2018**		December 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**421**	$	250
Restricted cash		**10**		12
Trade and other receivables		**263**		204
Inventories		**380**		448
Prepaid expenses		**22**		18
Total current assets	**$**	**1,096**	$	932
Non-current assets				
Property, plant and equipment, net		**382**		279
Intangible assets		**7**		7
Investment in joint ventures		**7**		5
Total non-current assets	**$**	**396**	$	291
Total assets	**$**	**1,492**	$	1,223
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**332**	$	309
Other liabilities		**35**		33
Obligations to independent employee trusts		**117**		32
Total current liabilities	**$**	**484**	$	374
Non-current liabilities				
Provisions		**6**		5
Pension benefits		**1**		—
Other liabilities		**12**		35
Obligations to independent employee trusts		**489**		312
Total non-current liabilities	**$**	**508**	$	352
Total liabilities	**$**	**992**	$	726
EQUITY				
Common shares		**512**		512
Retained deficit		**(12)**		(15)
Total equity	**$**	**500**	$	497
Total liabilities and equity	**$**	**1,492**	$	1,223

Non-IFRS Measures Results

The following tables provide a reconciliation of net income (loss) to adjusted net income (loss) for the periods indicated:

Stelco Inc.

(millions of Canadian dollars, except where otherwise noted)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Net income (loss)	**$ (12)**	$ 3,593	**$ 16**	$ 3,576
Add back/(Deduct):				0
Remeasurement of employee benefit commitment[1]	**157**	-	**161**	-
Separation costs related to USS support services[2]	**6**	16	**10**	20
Restructuring costs[3]	**2**	24	**5**	32
Realized loss from commodity based swaps	**-**	-	**10**	-
Acquisition related costs[4]	**-**	18	**-**	18
Provision on pension and other post-employment benefits[5]	**-**	11	**-**	24
Gain related to emergence from CCAA[6]	**-**	(3,665)	**-**	(3,665)
Adjusted net income (loss)	**$ 153**	$ (3)	**$ 202**	$ 5

1. Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
2. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
3. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees, financial advisor fees, court-appointed monitor fees, interim financing fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.
4. Acquisition costs related to the purchase of Stelco Inc. by Bedrock.
5. Represents difference between total cash funding obligation for pensions and OPEBs.
6. Represents the gain from the implementation of the CCAA plan on June 30, 2017.

Stelco Holdings Inc.

(millions of Canadian dollars, except where otherwise noted)	Three months ended June 30, 2018	Six months ended June 30, 2018
Net income (loss)	**$ (11)**	**$ 18**
Add back/(Deduct):		
Remeasurement of employee benefit commitment[1]	**157**	**161**
Separation costs related to USS support services[2]	**6**	**10**
Restructuring costs[3]	**2**	**5**
Realized loss from commodity based swaps	**-**	**10**
Adjusted net income	**$ 154**	**$ 204**

1. Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
2. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
3. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.

The following tables provide a reconciliation of net income (loss) to adjusted EBITDA for the periods indicated:

Stelco Inc.

(millions of Canadian dollars, except where otherwise noted)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net income (loss)	**$ (12)**	$ 3,593	**$ 16**	$ 3,576
Add back/(Deduct):				
Finance costs	**170**	71	**186**	121
Depreciation	**9**	8	**18**	15
Separation costs related to USS support services[1]	**6**	16	**10**	20
Restructuring costs[2]	**2**	24	**5**	32
Realized loss from commodity based swaps	**-**	-	**10**	-
Finance income	**-**	-	**-**	(1)
Acquisition related costs	**-**	18	**-**	18
Provision on pension and other post-employment benefits[3]	**-**	11	**-**	24
Gain related to emergence from CCAA[4]	**-**	(3,665)	**-**	(3,665)
Adjusted EBITDA	**$ 175**	$ 76	**$ 245**	$ 140
Adjusted EBITDA as a percentage of total revenue	**25%**	18%	**21%**	17%

1. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
2. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees, financial advisor fees, court-appointed monitor fees, interim financing fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.
3. Represents difference between total cash funding obligation for pensions and OPEBs and amount already reflected in EBITDA.
4. Represents the gain from the implementation of the CCAA plan on June 30, 2017.

Stelco Holdings Inc.

(millions of Canadian dollars, except where otherwise noted)	Three months ended June 30, 2018	Six months ended June 30, 2018
Net income (loss)	**$ (11)**	**$ 18**
Add back/(Deduct):		
Finance costs	**170**	**186**
Depreciation	**7**	**14**
Separation costs related to USS support services[1]	**6**	**10**
Restructuring costs[2]	**2**	**5**
Realized loss from commodity based swaps	**-**	**10**
Adjusted EBITDA	**$ 174**	**$ 243**
Adjusted EBITDA as a percentage of total revenue	**24%**	**20%**

1. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
2. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.