STELCO

The Steel Company of Canada

Second Quarter 2018 Earnings Call

Alan Kestenbaum
Executive Chairman and CEO

Don Newman
Chief Financial Officer

August 1, 2018

Disclaimer

Caution Regarding Forward-Looking Statements and Key Assumptions

From time to time, we make written or oral forward-looking statements within the meaning of applicable securities laws. We may make forward-looking statements in this presentation, in other filings with Canadian securities regulators, in other reports to shareholders and in other communications. In some cases, forward-looking statements 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 in this document 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.

This presentation includes forward-looking statements relating to, among other things: expectations concerning utilization and optimization of our land assets; expectations regarding the savings associated with the amended OPEB funding agreement and upgrades to our facilities and their effect on our revenue and costs.

Forward-looking statements are 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 statements, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the utilization of and access to our excess capacity; capital expenditures associated with accessing such excess capacity; upgrades to our facilities and equipment; our research and development activities associated with advanced steel grades; 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 are material factors made in preparing the forward-looking statements and management's expectations contained in this presentation. Forward-looking information includes estimates and projections related to the following items, some of which are non-IFRS measures, among others: adjusted EBITDA; shipments; net Income; deprecation; finance costs and unrealized loss from commodity-based swaps.

Undue reliance should not be placed on forward-looking statements. Whether actual results, achievements, or performance will conform to our expectations and predictions is subject to a number of known and unknown uncertainties and risks which could cause actual results to differ materially from our expectations. Such risks and uncertainties include and are not limited to: risks inherent in a cyclical and highly competitive industry; cash flow volatility; the strength of economies in North America, particularly the automotive sector; changes in the automotive market; global steel capacity growth; existing and new trade laws and regulations; competition from other producers, imports, or alternative materials; ability to secure commitments or future orders from new or existing customers; ability to realize higher margins on products we produce; changes in availability and cost of raw materials, electricity, and natural gas; contractual counterparty's exercise of termination option upon change of control or default; maintenance of proper inventory levels; disruption of operations due to unforeseen circumstances such as power outages, explosions, fires, floods, accidents, and severe weather conditions; the loss of leased property on which operating facilities are located; and other unforeseen conditions or events that could impact Stelco's business.

The preceding lists are not exhaustive of all opinions, estimates and assumptions underlying our forward-looking statements or of all possible risk factors and other factors could also adversely affect our results. Additional information on these and other factors that could affect our business, operations or financial results are included in reports on file with applicable securities regulatory authorities, including but not limited to the information under the headings "Risk Factors" in our management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2017 and Stelco Inc.'s management discussion and analysis of financial condition and results of operations for the year ended December 31, 2017, which may be accessed on Stelco's SEDAR profile at www.sedar.com. The forward-looking statements contained in this presentation are made as of the date hereof. Stelco undertakes no obligation 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.

Information contained in or otherwise accessible through the websites mentioned herein does not form part of this presentation.

Non-IFRS Measures

This presentation makes reference to non-IFRS measures, including "Adjusted EBITDA", "Adjusted net income", "Adjusted EBITDA per net ton", "Average Selling Price per net ton", and "Shipping Volume". 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. Reconciliations of IFRS to non-IFRS measures as well as the rationale for their use can be found starting on page 6 of Stelco Inc.'s Management Discussion and Analysis for the interim period ended June 30, 2018, which may be accessed on Stelco Holdings' SEDAR profile at www.sedar.com.

Earnings Call Agenda

Alan Kestenbaum
Executive Chairman & CEO

Don Newman
Chief Financial Officer

- **Highlights**
  - **Q2 performance**
  - **$150 million ($1.69/share) special cash dividend plus $0.10/share regular cash dividend**
  - **Land purchase transaction**
  - **Employee Benefit Commitments amendments**
- **Questions & Answers**

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Q2 Highlights

- **Stelco Inc. Second Quarter Highlights:**
  - Revenue was $711 million in Q2 2018, up 48% sequentially from $482 million in Q1 2018, and up 67% year-over-year from $427 million in Q2 2017
  - Adjusted EBITDA was $175 million in Q2 2018, up 150% sequentially from $70 million in Q1 2018, and up 130% year-over-year from $76 million in Q2 2017
  - *Q2 2018 adjusted EBITDA exceeds top end of previously reported estimate range of $120 million to $150 million by 17%*
  - Adjusted EBITDA margin was 25% in Q2 2018
  - Shipping volume of 748 thousand nt in Q2 2018, up 22% sequentially from 613 thousand nt Q1 2018, and up 49% from 501 thousand nt in Q2 2017
  - $689 million of liquidity as at June 30, 2018, with $421 million(2) of cash and cash equivalents, and $268 million of undrawn ABL revolver capacity (total ABL revolver facility capacity is $375 million)
- Completed purchase of lands at, and adjacent to, our Hamilton Works and Lake Erie Works and amended employee benefit commitments
- **Declaring a special cash dividend of $150 million ($1.69 per share), in addition to our regular quarterly dividend of $0.10 per share**
  - Record date for both dividends is August 10, 2018 and the payment dates will be August 15 for the special dividend and August 17 for the regular quarterly dividend

(1) See "Non-IFRS Measures" schedules herein for Stelco Holdings adjusted EBITDA figures for the noted periods. Differences between Stelco Holdings and Stelco Inc. adjusted EBITDA for a given period are due to certain holding company costs.
(2) Includes Stelco Holdings cash of $188 million and Stelco Inc. cash of $233 million.

Stelco Inc. – Quarterly Financial Metrics

(CA$ in millions, except volume and per nt figures)	Year-Over-Year			Prior Quarter	
	Q2 ’18	Q2 ’17	Change	Q1 ’18	Change
Revenue	711	427	**67%**	482	**48%**
Operating income	161	25	NM	57	**182%**
Net income (loss)	(12)	3,593	N/A	28	N/A
Adjusted EBITDA *	175	76	**130%**	70	**150%**
Adjusted EBITDA margin	25%	18%		15%	
Adjusted net income *	153	(3)	N/A	49	**212%**
Adjusted EBITDA per nt *	234	151	**55%**	114	**105%**
Average selling price per nt *	898	828	**8%**	762	**18%**
Shipping volume (in thousands of nt) *	748	501	**49%**	613	**22%**

Note: See “Non-IFRS Measures” schedules herein for Stelco Holdings adjusted EBITDA figures for the noted periods. Differences between Stelco Holdings and Stelco Inc. adjusted EBITDA for a given period are due to certain holding company costs..

** See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also “Non-IFRS Measures” as outlined in Stelco Inc.’s Management’s Discussion & Analysis for the periods ended June 30, 2018 and December 31, 2017.*

Stelco Inc. – YTD & TTM Financial Metrics

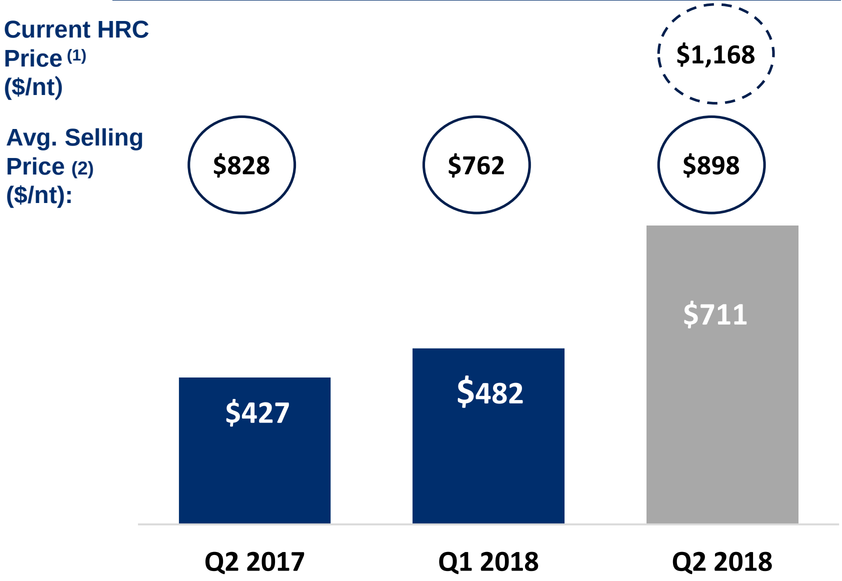
(CA$ in millions, except volume and per nt figures)	Six Months Ending June 30, 2018	2017	Change	TTM Ending June 30, 2018	2017	Change
Revenue	1,193	813	**47%**	1,981	1,498	**32%**
Operating income	218	61	**257%**	272	88	**209%**
Net income	16	3,576	NM	19	3,475	NM
Adjusted EBITDA *	245	140	**75%**	321	225	**43%**
Adjusted EBITDA margin	21%	17%		16%	15%	
Adjusted net income *	202	5	NM	242	(39)	NM
Adjusted EBITDA per nt *	180	140	**29%**	136	115	**18%**
Average selling price per nt *	837	795	**5%**	799	749	**7%**
Shipping volume (in thousands of nt) *	1,361	1,000	**36%**	2,364	1,961	**21%**

Note: See "Non-IFRS Financial Measures" schedules herein for Stelco Holdings adjusted EBITDA figures for the noted periods. Differences between Stelco Holdings and Stelco Inc. adjusted EBITDA for a given period are due to certain holding company costs.

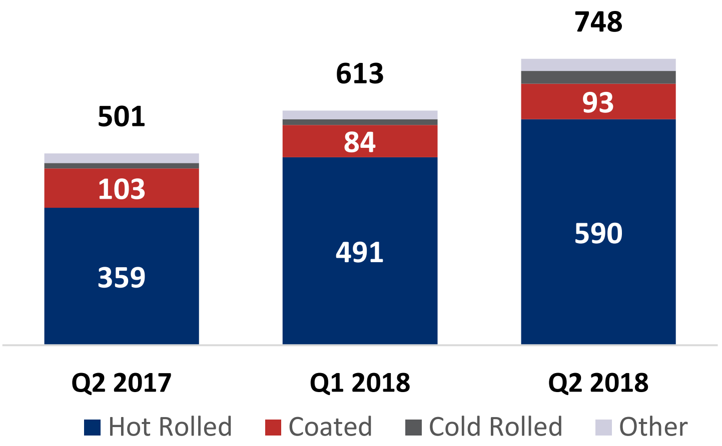
** See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also "Non-IFRS Measures" as outlined in Stelco Inc.'s Management's Discussion & Analysis for the periods ended June 30, 2018 and December 31, 2017.*

Stelco Inc. - Historical Financial Results

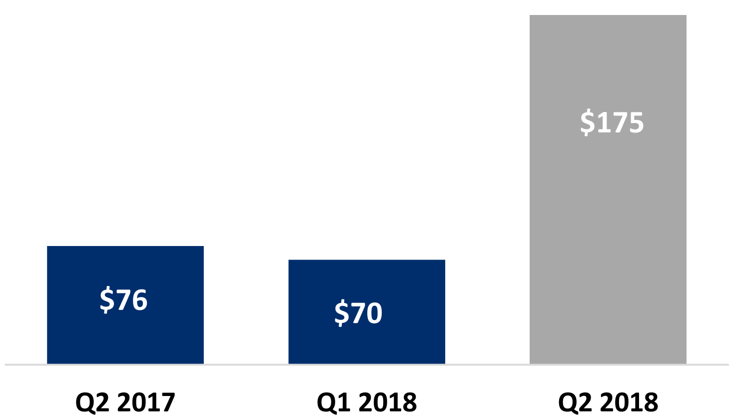
Sales (CA$ mm)



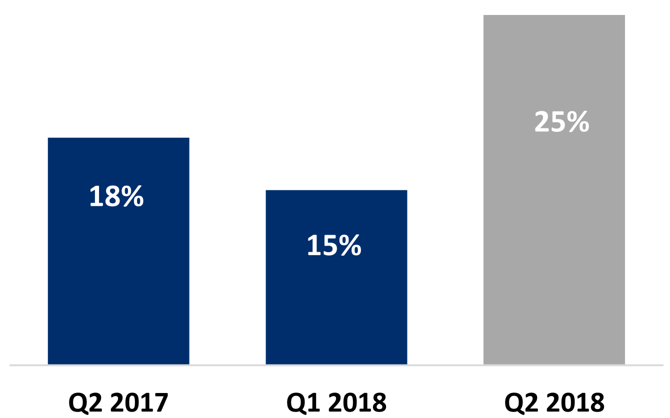
Shipping Volume (knt)



Adjusted EBITDA (CA$ mm)



Adjusted EBITDA Margin (%)



(1) Source: FactSet - Current HRC price based on US Midwest HRC steel price of US$891/nt (dated 25-July-18) converted at prevailing spot CAD/USD exchange rate of 1.31097

(2) Average selling price calculated as steel-related revenue divided by tons of steel shipped and recognized as revenue in the period.

Financial Position (selected items)
($ millions)

	Stelco Holdings		Stelco Inc.	
As at:	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Cash	$421	$250	$233	$45
Accounts receivable	$263	$204	$263	$203
Inventories	$380	$448	$380	$448
Property, plant & equipment	$382	$279	$404	$305
Trade and other payables	$332	$309	$329	$310
Other liabilities	$47	$68	$47	$67
Pension / OPEB	$1	$0	$1	$0
Obligations to employee independent trusts	$606	$344	$606	$344
Total equity	$500	$497	$328	$309

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Land Purchase Transaction

- In Q2, the Company acquired lands previously leased at and adjacent to Hamilton Works and Lake Erie Works (the “Lands”)
- The Lands were acquired from Legacy Land Limited Partnership (the “Land Vehicle”)
- The Lands include ~760 acres at our Hamilton site, which includes the Hamilton Works blast furnace and steelmaking operations, and ~2,300 acres at our Lake Erie site
- Purchase price was $114 million financed with a 25-year (8% interest rate per annum) mortgage payable to the Land Vehicle
    - Mortgage payments to the Land Vehicle will be remitted to pension and OPEB trusts for the benefit of certain current and retired Stelco employees
- Transaction provides Stelco with greater flexibility to utilize all of our assets to maximize steel production and potential for significant value creation for the shareholders through development of the unused land

Employee Benefit Commitments Amendments

- In Q2, Stelco entered into an amended OPEB funding agreement that reduced Stelco's exposure to future variable funding requirements in exchange for an increased fixed funding commitment over a 25-year term
- The amendment could save Stelco up to $87 million compared to the original OPEB funding agreement and eliminates Stelco's variable funding obligations tied to excess free cash flow that could have resulted in significant additional OPEB funding contributions
- Our participating employees and retirees directly benefit as this new arrangement will provide more certainty in terms of the funding to be provided by Stelco to support OPEBs
- As a result of the amendment, as well as, to a lesser degree, improved current and projected financial performance and accretion and payment activities, the employee benefit commitment carrying value increased from $331 million as at March 31, 2018 to $492 million as at June 30, 2018
    - Amendment deemed a significant modification under IFRS which resulted in a change in the discount rate applied in the present value calculation for accounting purposes from 11.1% to 9.72%

Non-IFRS Measures*

** For further information, see "Non-IFRS Measures" above.*

Stelco Inc. - Adjustments to EBITDA (Quarter)

(CA$ millions)

	Q2 2018	Q1 2018	Q2 2017
Net income (loss)	**(12)**	**28**	**3,593**
Add back/(Deduct):			
Depreciation	9	9	8
Finance costs	170	16	71
Realized loss from commodity based swaps	—	10	—
Provision on pension and other post-employment benefits[1]	—	—	11
Separation costs related to USS support services[2]	6	4	16
Restructuring costs[3]	2	3	24
Acquisition related costs	—	—	18
Gain related to emergence from CCAA[4]	—	—	(3,665)
Adjusted EBITDA	**175**	**70**	**76**
Adjusted EBITDA as a percentage of total revenue	**25%**	**15%**	**18%**

1. Represents difference between total cash funding obligation for pensions and OPEBs and amount already reflected in EBITDA.
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. Represents the gain from the implementation of the CCAA plan on June 30, 2017.

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Stelco Inc. - Adjustments to EBITDA (YTD)

(CA$ millions)

	Six months ended June 30, 2018	2017
Net income	**16**	**3,576**
Add back/(Deduct):		
Depreciation	18	15
Finance costs	186	121
Finance income	—	(1)
Realized loss from commodity based swaps	10	—
Provision on pension and other post-employment benefits[1]	—	24
Separation costs related to USS support services[2]	10	20
Restructuring costs[3]	5	32
Acquisition related costs	—	18
Gain related to emergence from CCAA[4]	—	(3,665)
Adjusted EBITDA	**245**	**140**
Adjusted EBITDA as a percentage of total revenue	**21%**	**17%**

1. Represents difference between total cash funding obligation for pensions and OPEBs and amount already reflected in EBITDA.
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. Represents the gain from the implementation of the CCAA plan on June 30, 2017.

Stelco Inc. - Adjustments to EBITDA (TTM)

(CA$ millions)

	Trailing twelve months ending June 30,	
	2018	2017
Net income	**19**	**3,475**
Add back/(Deduct):		
Depreciation	31	30
Finance costs	219	236
Finance income	—	(2)
Realized loss from commodity based swaps	10	—
Provision on pension and other post-employment benefits[1]	2	59
Separation costs related to USS support services[2]	17	23
Restructuring costs[3]	11	51
Acquisition related costs[4]	—	18
Gain related to emergence from CCAA[5]	12	(3,665)
Adjusted EBITDA	**321**	**225**

1. Represents difference between total cash funding obligation for pensions and OPEBs.
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 the gain from the implementation of the CCAA plan on June 30, 2017.

Stelco Holdings – Adjustments to EBITDA

(CA$ millions)

	Three months ended June 30, 2018	Six months ended June 30, 2018
Net income (loss)	**(11)**	**18**
Add back/(Deduct):		
Depreciation	7	14
Finance costs	170	186
Realized loss from commodity based swaps	—	10
Separation costs related to USS support services [1]	6	10
Restructuring costs [2]	2	5
Adjusted EBITDA	**174**	**243**

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.

Stelco Inc. - Adjustments to Net Income (Quarter)

(CA$ millions)

	Q2 2018	Q1 2018	Q2 2017
Net income (loss)	**(12)**	**28**	**3,593**
Add back/(Deduct):			
Realized loss from commodity based swaps	—	10	—
Remeasurement of employee benefit commitment[1]	157	4	—
Separation costs related to USS support services[2]	6	4	16
Restructuring costs[3]	2	3	24
Provision on pension and other post-employment benefits[4]	—	—	11
Acquisition related costs[5]	—	—	18
Gain related to emergence from CCAA[6]	—	—	(3,665)
Adjusted net income (loss)	**153**	**49**	**(3)**

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. Represents difference between total cash funding obligation for pensions and OPEBs.
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6. Represents the gain from the implementation of the CCAA plan on June 30, 2017.

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Stelco Inc. - Adjustments to Net Income (YTD)

(CA$ millions)

	Six months ended June 30,	
	2018	2017
Net income	**16**	**3,576**
Add back/(Deduct):		
Realized loss from commodity based swaps	10	—
Remeasurement of employee benefit commitment[1]	161	—
Separation costs related to USS support services[2]	10	20
Restructuring costs[3]	5	32
Provision on pension and other post-employment benefits[4]	—	24
Acquisition related costs[5]	—	18
Gain related to emergence from CCAA[6]	—	(3,665)
Adjusted net income	**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. Represents difference between total cash funding obligation for pensions and OPEBs.
5. Acquisition costs related to the purchase of Stelco Inc. by Bedrock.
6. Represents the gain from the implementation of the CCAA plan on June 30, 2017.

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Stelco Inc. - Adjustments to Net Income (TTM)

(CA$ millions)

	Trailing twelve months ending June 30,	
	2018	**2017**
Net income	**19**	**3,475**
Add back/(Deduct):		
Realized loss from commodity based swaps	10	—
Remeasurement of employee benefit commitment[1]	171	—
Separation costs related to USS support services[2]	17	23
Restructuring costs[3]	11	51
Provision on pension and other post-employment benefits[4]	2	59
Acquisition related costs[5]	—	18
Gain related to emergence from CCAA[6]	12	(3,665)
Adjusted net income (loss)	**242**	**(39)**

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.
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Stelco Holdings – Adjustments to Net Income

(CA$ millions)

	Three months ended June 30, 2018	Six months ended June 30, 2018
Net income (loss)	**(11)**	**18**
Add back/(Deduct):		
Realized loss from commodity-based swaps	—	10
Remeasurement of employee benefit commitment [1]	157	161
Separation costs related to USS support services [2]	6	10
Restructuring costs [3]	2	5
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, 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.

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