

Unaudited Interim Condensed Consolidated Financial Statements

**Stelco Holdings Inc.**

Three and Nine Months Ended September 30, 2019 and 2018

**STELCO HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions of Canadian dollars) (Unaudited)

As at	Note	September 30, 2019	December 31, 2018
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 349	\$ 438
Restricted cash		15	8
Trade and other receivables	3	136	252
Inventories		508	468
Prepaid expenses		10	28
<b>Total current assets</b>		<b>\$ 1,018</b>	<b>\$ 1,194</b>
Non-current assets			
Property, plant and equipment, net	4	636	448
Intangible assets		7	7
Investment in joint ventures		4	6
<b>Total non-current assets</b>		<b>\$ 647</b>	<b>\$ 461</b>
<b>Total assets</b>		<b>\$ 1,665</b>	<b>\$ 1,655</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	5	\$ 544	\$ 436
Other liabilities	6	38	40
Obligations to independent employee trusts	8	71	103
<b>Total current liabilities</b>		<b>\$ 653</b>	<b>\$ 579</b>
Non-current liabilities			
Provisions		5	5
Pension benefits		5	2
Other liabilities	6	46	13
Obligations to independent employee trusts	8	471	488
<b>Total non-current liabilities</b>		<b>\$ 527</b>	<b>\$ 508</b>
<b>Total liabilities</b>		<b>\$ 1,180</b>	<b>\$ 1,087</b>
<b>Equity</b>			
Common shares	9	512	512
Treasury shares	9	—	(1)
Retained earnings (deficit)		(27)	57
<b>Total equity</b>		<b>\$ 485</b>	<b>\$ 568</b>
<b>Total liabilities and equity</b>		<b>\$ 1,665</b>	<b>\$ 1,655</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**STELCO HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In millions of Canadian dollars, except per share amounts) (Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2019	2018	2019	2018
Revenue from sale of goods	11	\$ 475	\$ 619	\$ 1,423	\$ 1,812
Cost of goods sold	12	457	468	1,332	1,414
<b>Gross profit</b>		<b>\$ 18</b>	<b>\$ 151</b>	<b>\$ 91</b>	<b>398</b>
Selling, general and administrative expenses	13	9	13	35	40
<b>Operating income</b>		<b>\$ 9</b>	<b>\$ 138</b>	<b>\$ 56</b>	<b>358</b>
<b>Other income (loss) and (expenses)</b>					
Finance costs	14	(9)	(12)	(15)	(198)
Finance and other income (loss)	15	1	3	6	(7)
Share of loss from joint ventures		—	(1)	(2)	(2)
Restructuring and other costs		(1)	(3)	(1)	(8)
<b>Income before income taxes</b>		<b>\$ —</b>	<b>\$ 125</b>	<b>\$ 44</b>	<b>143</b>
Income tax expense	16	—	—	—	—
<b>Net income</b>		<b>\$ —</b>	<b>\$ 125</b>	<b>\$ 44</b>	<b>143</b>
<b>Net income per common share</b>					
Basic	18	\$ —	\$ 1.41	\$ 0.50	1.61
Diluted	18	\$ —	\$ 1.41	\$ 0.50	1.61

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**STELCO HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions of Canadian dollars) (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Net income</b>	\$ —	\$ 125	\$ 44	\$ 143
<b>Other comprehensive income:</b>				
Items that are not recycled or reclassified to income:				
Remeasurement gain on defined benefit pension obligation of equity accounted investment	—	—	—	3
<b>Other comprehensive income, net of income taxes</b>	\$ —	\$ —	\$ —	\$ 3
<b>Comprehensive income, net of income taxes</b>	\$ —	\$ 125	\$ 44	\$ 146

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**STELCO HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In millions of Canadian dollars, except for number of shares) (Unaudited)

	Note	Number of common shares (in thousands)	Common shares	Treasury shares	Retained earnings (deficit)	Total equity
Balance, December 31, 2017		88,814	\$ 512	\$ —	\$ (15)	497
Changes during the period:						
Net income		—	—	—	143	143
Other comprehensive income		—	—	—	3	3
Dividends to common shareholders		—	—	—	(177)	(177)
Balance, September 30, 2018		88,814	\$ 512	\$ —	\$ (46)	466
Balance, December 31, 2018		88,757	\$ 512	\$ (1)	\$ 57	568
Changes during the period:						
Net income		—	—	—	44	44
Common shares purchased and cancelled	9	(28)	—	—	—	—
Treasury shares cancelled	9	—	—	1	(1)	—
Dividends to common shareholders	9	—	—	—	(127)	(127)
<b>Balance, September 30, 2019</b>		<b>88,729</b>	<b>\$ 512</b>	<b>\$ —</b>	<b>\$ (27)</b>	<b>485</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**STELCO HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions of Canadian dollars) (Unaudited)

Nine months ended September 30,	Note	2019	2018
<b>Operating activities</b>			
Net income		\$ 44	\$ 143
Items not affecting cash:			
Depreciation		38	22
Share-based compensation	10	1	—
Share of loss from joint ventures		2	2
Provision for doubtful accounts (recovery)		—	(2)
Employee benefit commitment:			
Accretion expense		32	31
Remeasurement costs (recovery)	8	(27)	159
Change in non-cash working capital and other operating items	17	32	(65)
<b>Cash provided by operating activities</b>		<b>\$ 122</b>	<b>\$ 290</b>
<b>Investing activities</b>			
Capital expenditures on property, plant and equipment	17	(171)	(55)
Change in restricted cash		(7)	3
<b>Cash used in investing activities</b>		<b>\$ (178)</b>	<b>\$ (52)</b>
<b>Financing activities</b>			
Advances from asset-based lending facility, net of transaction costs		51	52
Repayment of asset-based lending facility		(51)	(53)
Repayment of mortgage principal		(1)	(1)
Lease obligation principal payments		(6)	—
Proceeds from the inventory monetization arrangement, net	5	101	38
Dividends paid to common shareholders	9	(127)	(177)
<b>Cash used in financing activities</b>		<b>\$ (33)</b>	<b>\$ (141)</b>
Net (decrease) increase in cash and cash equivalents		(89)	97
Cash and cash equivalents, beginning of period		438	250
<b>Cash and cash equivalents, end of period</b>		<b>\$ 349</b>	<b>\$ 347</b>
Cash flows provided by operating activities include:			
Interest paid		14	9
Interest received		4	2

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To facilitate a better understanding of Stelco Holdings' unaudited interim condensed consolidated financial statements, significant accounting policies and related disclosures, a listing of all the notes is provided below:

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# STELCO HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

### 1. CORPORATE INFORMATION

Stelco Holdings Inc. (Stelco Holdings) was incorporated on September 25, 2017 under the *Canada Business Corporations Act* and was formed for the purposes of completing an initial public offering (IPO) of its common shares. On November 10, 2017, Stelco Holdings completed its IPO, listing its common shares on the Toronto Stock Exchange (TSX) under the symbol 'STLC'.

On November 10, 2017, Stelco Holdings acquired all of the issued and outstanding shares of Stelco Inc. (Stelco). Stelco (formerly known as U. S. Steel Canada Inc.) is principally engaged in the production and sale of steel products. Stelco is an integrated steel producer with facilities in two locations, Hamilton and Nanticoke, Ontario, which produces a variety of steel products for customers in the steel service centre, appliance, automotive, energy, construction, pipe and tube industries in North America.

Bedrock Industries L.P. (Bedrock), which indirectly owns approximately 46.4% of the common shares of Stelco Holdings through Bedrock Industries B.V., is Stelco Holdings' largest shareholder. The principal limited partners of Bedrock are LG Bedrock Holdings LP (LG Bedrock), a Delaware limited partnership; and AK Bedrock LLC, a Delaware limited liability company wholly owned by Alan Kestenbaum. The General Partner of Bedrock is Bedrock Industries GP LLC, a Delaware limited liability company whose sole member is LG Bedrock. LG Bedrock's general partner is LG Bedrock Holdings GP LLC, a Delaware limited liability company.

Stelco Holdings' registered and head offices are located at 386 Wilcox Street, Hamilton, Ontario, Canada.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Stelco Holdings' unaudited interim condensed consolidated financial statements (Consolidated Financial Statements) have been prepared by management in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements comprise the financial statements of Stelco Holdings and its subsidiaries (collectively, the Company). Under International Financial Reporting Standards (IFRS), additional disclosures are required in the annual financial statements and therefore, these Consolidated Financial Statements and accompanying notes should be read in conjunction with the notes to the Company's audited Consolidated Financial Statements for the year ended December 31, 2018 (2018 Annual Financial Statements).

These Consolidated Financial Statements have been prepared using consistent accounting policies and methods used in the preparation of the Company's 2018 Annual Financial Statements, with the exception of the accounting policies impacted by the adoption of new standards and interpretations effective January 1, 2019, as noted below. Certain comparative information has been reclassified to conform to the current period's presentation.

These Consolidated Financial Statements were authorized for issue on November 13, 2019 in accordance with a resolution of the board of directors (Board of Directors) of Stelco Holdings.

#### Changes in accounting policies

Stelco Holdings has adopted each of the standards and policies noted below on January 1, 2019:

##### a) IFRS 16, *Leases* (IFRS 16)

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains substantially unchanged, such that lessors continue to classify leases as finance or operating leases. IFRS 16 replaces the following: IAS 17, *Leases*; IFRIC 4, *Determining Whether an Arrangement Contains a Lease* (IFRIC 4); SIC-15, *Operating Leases - Incentives*; and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company adopted IFRS 16 using the modified retrospective application of comparative information, by applying the following:

- a single discount rate for a portfolio of leases with reasonably similar characteristics and excluding short-term and low-value leases
- applying a practical expedient to 'grandfather' the Company's previous assessment of which existing contracts are, or contain, leases

On January 1, 2019, in connection with the adoption of IFRS 16, the Company recorded a \$9 million increase to property, plant and equipment and other liabilities on the Consolidated Balance Sheet, respectively, relating to certain equipment leases that were previously classified as operating leases and disclosed as off-balance sheet commitments as at December 31, 2018. Refer to notes 4 and 6, respectively, for further details on the impact of the transition to IFRS 16 on property, plant and equipment, and other liabilities.



## STELCO HOLDINGS INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

#### b) IFRIC 23, *Uncertainty over Income Tax Treatments* (IFRIC 23)

In June 2017, the IASB issued IFRIC 23 to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. The adoption of this standard did not have an impact on the Consolidated Financial Statements.

### 3. TRADE AND OTHER RECEIVABLES

As at	September 30, 2019	December 31, 2018
Trade receivables <sup>1</sup>	\$ 132	\$ 249
Other receivables	4	3
<b>Total trade and other receivables</b>	<b>\$ 136</b>	<b>\$ 252</b>

<sup>1</sup> Net of allowance for doubtful accounts of nil (December 31, 2018 - nil).

#### Receivables Purchase Agreement (RPA)

During June 2019, Stelco entered into a 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 an uncommitted revolving basis. Under the terms of the RPA, the aggregate maximum purchase limit under this arrangement is \$108 million (which includes a USD\$12.5 million limit on certain customers' trade receivables) and requires that Stelco administer and process in the collection of receivables and remit those collections to the Purchaser. The Company 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.

Proceeds received by Stelco under the RPA are recorded within cash flows from operations on the Consolidated Statement of Cash Flows. For the three and nine months ended September 30, 2019, the Company recorded \$0.5 million and \$0.7 million, respectively, in bank fees in connection with the RPA within finance costs on the Consolidated Statement of Income.

### 4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Machinery and equipment	Vehicles	Assets under leases	Construction in progress	Total
As at December 31, 2018	\$ 93	\$ 26	\$ 298	\$ 8	\$ 8	\$ 61	\$ 494
Additions	17	4	8	—	37	143	209
Transfers	—	9	86	1	—	(96)	—
Disposals and other	—	—	(4)	—	(6)	—	(10)
Spare parts reclassified as equipment <sup>1</sup>	—	—	11	—	—	—	11
IFRS 16 adjustment	—	—	—	—	9	—	9
<b>As at September 30, 2019</b>	<b>\$ 110</b>	<b>\$ 39</b>	<b>\$ 399</b>	<b>\$ 9</b>	<b>\$ 48</b>	<b>\$ 108</b>	<b>\$ 713</b>

<sup>1</sup> Represents machinery spare parts that contain capital attributes including, but not limited to, future benefit to the Company for a period greater than 12 months. On January 1, 2019, these items were reclassified from spare parts inventory to equipment.

Accumulated depreciation	Land	Buildings	Machinery and equipment	Vehicles	Assets under leases	Construction in progress	Total
As at December 31, 2018	\$ —	\$ —	\$ 44	\$ 1	\$ 1	\$ —	\$ 46
Depreciation	—	—	32	—	6	—	38
Disposals and other	—	—	(4)	—	(3)	—	(7)
<b>As at September 30, 2019</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 72</b>	<b>\$ 1</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ 77</b>

#### Net book value

<b>As at September 30, 2019</b>	<b>\$ 110</b>	<b>\$ 39</b>	<b>\$ 327</b>	<b>\$ 8</b>	<b>\$ 44</b>	<b>\$ 108</b>	<b>\$ 636</b>
As at December 31, 2018	\$ 93	\$ 26	\$ 254	\$ 7	\$ 7	\$ 61	\$ 448

#### 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.

## STELCO HOLDINGS INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

#### THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

The acquisition of the Remaining Lands completes Stelco's repurchase of all Hamilton Works lands which were previously sold to Legacy Lands Limited Partnership prior to Stelco's 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 and the Remaining Lands that was granted by the Ministry of the Environment, Conservation and Parks on closing of the CCAA reorganization.

#### Assets under leases

Included in property, plant and equipment are certain buildings, infrastructure and equipment acquired under lease arrangements.

During September 2019, Stelco entered into a 126 month term extended lease arrangement with a third-party service provider, for the 'right to use' specific steel and by-products processing assets, which also included a buy-out option for certain on-site building, machinery and equipment. The Company recorded approximately \$30 million in connection with these assets under lease additions, with a corresponding lease obligation recorded in other liabilities on the Consolidated Balance Sheet, and a \$6 million disposal and \$3 million in accumulated depreciation write-off in connection with the early extinguishment of Company's previous lease commitment with the same third-party service provider.

As at September 30, 2019, the net carrying amount of assets under leases was \$44 million (December 31, 2018 - \$7 million), which also includes an IFRS 16 adjustment of \$9 million. Refer to note 2 for details pertaining to the adoption of IFRS 16 and adjustments to the Consolidated Financial Statements.

#### 5. TRADE AND OTHER PAYABLES

As at	September 30, 2019	December 31, 2018
Trade payables <sup>1</sup>	\$ 232	\$ 219
Inventory monetization arrangement	311	216
Payables to related parties <sup>2</sup>	1	1
<b>Total trade and other payables</b>	<b>\$ 544</b>	<b>\$ 436</b>

<sup>1</sup> Includes \$6 million of restricted cash payable to the Purchaser in connection with the RPA for receivables collected by the Company. Refer to note 3 for details.

<sup>2</sup> Refer to note 22 for details.

#### Inventory monetization arrangement

The weighted average finance rate for the inventory monetization arrangement for the three and nine months ended September 30, 2019 was 5.21% and 5.09%, (three and nine months ended September 30, 2018 - 5.80% and 5.62%), respectively, and is recorded in finance costs on the Consolidated Statements of Income. This financing arrangement is secured by inventory with a carrying value of \$382 million (December 31, 2018 - \$225 million) serving as collateral.

On August 6, 2019, Stelco entered into an amended inventory monetization arrangement for which terms have remained substantially similar to the previous inventory monetization arrangement. Amendments include, but are not limited to the following: i) the inclusion of metallurgical coke and prime slab inventory as eligible products under the monetization arrangement, ii) market pricing adjustment mechanism for certain items such as changes in product quality, freight costs, tariffs or similar trade regulations, iii) increased reporting and settlement frequency, iv) Stelco to maintain a minimum liquidity balance of at least \$50 million, which includes cash and cash equivalents of \$30 million, v) finance rate of LIBOR plus a margin of 3.00% (previously LIBOR plus a margin of 2.50%), and vi) an option for Stelco to terminate the arrangement early on either April 30, 2020 or May 29, 2020. Unless otherwise amended or renewed, amounts advanced under the amended inventory monetization arrangement are required to be repaid when the facility expires on June 30, 2020.

## STELCO HOLDINGS INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

#### 6. OTHER LIABILITIES

As at	September 30, 2019	December 31, 2018
Lease obligations	\$ 45	\$ 8
Salaries and benefits payable	26	33
Post-employment benefits	7	7
Share-based compensation <sup>1</sup>	2	—
Interest payable	1	2
Other liabilities	3	3
<b>Total other liabilities</b>	<b>\$ 84</b>	<b>\$ 53</b>
<b>Total current other liabilities</b>	<b>\$ 38</b>	<b>\$ 40</b>
<b>Total non-current other liabilities</b>	<b>\$ 46</b>	<b>\$ 13</b>

<sup>1</sup> Refer to note 10 for details.

#### Lease obligations

During September 2019, Stelco entered into a 126 month term extended lease arrangement with a third-party service provider, for the 'right to use' specific steel and by-products processing assets, which also included a buy-out option for certain on-site building, machinery and equipment. Refer to note 4 for details.

As at September 30, 2019, the Company has equipment lease obligations with a carrying value of \$45 million (December 31, 2018 - \$8 million), which includes an IFRS 16 adjustment of \$9 million. Refer to note 2 for details pertaining to the adoption of IFRS 16 and adjustments to the Consolidated Financial Statements.

#### Other liabilities

Included in other liabilities at September 30, 2019 is a carbon tax provision of \$1 million connected to Stelco's estimated amounts payable under the *Greenhouse Gas Pollution Pricing Act* (Federal Backstop) for industrial facilities with greenhouse gas emissions. The carbon tax provision was calculated using an output-based pricing system as regulated by the Federal Backstop, including the Company's estimated excess annual green house gas emissions under the Federal Backstop, prorated for the nine months ended September 30, 2019.

#### 7. ASSET-BASED LENDING FACILITY (ABL)

On June 30, 2017, Stelco entered into an ABL agreement with a syndicate of lenders for a maximum revolver amount of \$375 million. The amount available to be drawn under the ABL credit facility will vary from time to time, based upon a borrowing base determined with reference to eligible trade receivables and inventory, and excludes certain trade receivables that have been sold under the RPA and inventory that has been monetized under the amended inventory monetization arrangement discussed further in note 5 to the Consolidated Financial Statements. At September 30, 2019, the available borrowing base was \$115 million (December 31, 2018 - \$303 million).

During the nine months ended September 30, 2019, Stelco's borrowing and repayment activity on the ABL facility resulted in a nil outstanding balance as at September 30, 2019 (December 31, 2018 - nil). The weighted average finance rate for amounts drawn under this facility for the three and nine months ended September 30, 2019, was 5.13% and 5.84%, respectively. The Company's ABL finance rate includes the following components: i) the financing rate is the Canadian/US prime rate plus 0.25% - 0.75%, ii) the option to index the interest rate to CDOR/LIBOR plus a margin of 1.25% - 1.75%, and iii) the letter of credit fee is a range of 1.25% - 1.75%.

In addition, Stelco's outstanding letters of credit under this ABL were \$54 million at September 30, 2019 (December 31, 2018 - \$41 million) and the Company was in compliance with the financial covenants pursuant to the ABL agreement during the three and nine months ended September 30, 2019.

Effective November 4, 2019, Stelco amended its ABL agreement. Amendments to the arrangement include, but are not limited to the following: i) addition of a \$100 million non-revolver term loan with a maturity date of August 16, 2023, secured by certain machinery and equipment wholly-owned by the Company, ii) term loan interest rate of either: a) Canadian prime rate plus 1.25% - 1.75%, or b) CDOR/LIBOR plus a margin of 2.25% - 2.75%, and iii) the requirement that Stelco maintain minimum excess availability under the ABL at least \$50 million through December 31, 2020, and \$75 million thereafter while the term loan is outstanding. The ABL's maximum borrowing capacity remains at \$375 million (subject to available eligible accounts receivable, inventory, machinery and equipment), less the outstanding principal of the \$100 million non-revolver term loan. The other terms of the ABL agreement have remained substantially similar to the original agreement.

**STELCO HOLDINGS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018****8. OBLIGATIONS TO INDEPENDENT EMPLOYEE TRUSTS**

As at	September 30, 2019	December 31, 2018
Employee benefit commitment	\$ 430	\$ 478
Mortgage payable	112	113
<b>Obligations to independent employee trusts</b>	<b>542</b>	<b>591</b>
Current	71	103
Non-current	\$ 471	\$ 488

The Company's obligations to independent employee trusts consists of multiple arrangements that contain future funding requirements to certain pension and independent employee health and life trusts. These funding requirements include both fixed scheduled payments and estimated variable contributions based on Stelco's future operating performance and the utilization of specific tax attributes.

**Employee benefit commitment**

Future employee benefit commitment payments are estimated as follows:

As at	September 30, 2019
2019 <sup>1</sup>	\$ 44
2020	33
2021	37
2022	64
2023	58
Thereafter	636
<b>Total estimated employee benefit commitment payments</b>	<b>\$ 872</b>
Less: amounts representing future finance costs	(442)
<b>Present value of employee benefit commitment</b>	<b>\$ 430</b>

<sup>1</sup> Represents remaining three months of 2019.

This financial liability was initially recorded at its fair value using a discounted cash flow analysis and subsequently accounted for at amortized cost using the effective interest method. The determination of fair value at initial recognition involved making various assumptions, including the determination of the expected cash flows and discount rate. Estimates of expected cash flows are revisited at the end of each Consolidated Balance Sheet date to determine amortized cost. Due to the nature of the underlying assumptions and long-term estimates, the employee benefit commitment is highly sensitive to changes in these assumptions. Refer to note 14 for remeasurement of the employee benefit commitment recorded in finance costs on the Consolidated Statements of Income, as a result of changes in estimates and assumptions during the three and nine months ended September 30, 2019, related to this obligation.

**Mortgage payable**

Future payments of the Company's mortgage payable by year are as follows:

As at	September 30, 2019
2019 <sup>1</sup>	\$ 3
2020	11
2021	11
2022	11
2023	11
Thereafter	206
<b>Total future mortgage payments</b>	<b>\$ 253</b>
Less: amounts representing future finance costs	(141)
<b>Carrying amount of mortgage payable</b>	<b>\$ 112</b>

<sup>1</sup> Represents remaining three months of 2019.

## STELCO HOLDINGS INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

#### THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

The Company's land and buildings serve as security for the mortgage payable and certain obligations in respect of the employee benefit commitment.

#### 9. SHARE CAPITAL

Stelco Holdings' authorized share capital includes an unlimited number of common shares with no par value and an unlimited number of preferred shares, issuable in series. No preferred shares have been issued to date. The common shares are entitled to dividends, as and when declared by the Board of Directors. The following common shares were issued and outstanding at each respective date:

As at	September 30, 2019	December 31, 2018
Common shares		
Outstanding (in thousands)	88,729	88,757
Carrying amount	\$ 512	\$ 512
Treasury shares		
Outstanding (in thousands)	—	57
Carrying amount	\$ —	\$ 1

#### *Dividends to common shareholders*

Common share dividends declared and paid during the nine months ended September 30, 2019 were as follows:

Record date	Payment date	Cash dividend per common share	Total common share dividends
March 13, 2019	March 20, 2019	\$ 1.13	\$ 100
March 13, 2019	March 22, 2019	0.10	9
May 27, 2019	May 31, 2019	0.10	9
August 23, 2019	August 30, 2019	0.10	9

Subsequent to September 30, 2019, the Board of Directors declared a dividend of \$0.10 per common share, payable on November 29, 2019 to shareholders of record as of November 25, 2019.

#### *Normal Course Issuer Bid (NCIB)*

During February 2019, Stelco Holdings canceled 56,600 common shares (previously classified as treasury shares at December 31, 2018) at a weighted average price of \$15.24 per common share for a total cost of \$0.9 million. The excess of the purchase price over the carrying amount of the common shares purchased, was recorded as a reduction to retained earnings amounting to \$0.5 million.

During the three months ended September 30, 2019, 28,387 common shares were repurchased and canceled by Stelco Holdings under the NCIB at a weighted average price of \$8.83 per common share for a total cost of \$0.2 million.

#### 10. SHARE-BASED COMPENSATION

##### Long-term incentive plan

During 2018, Stelco Holdings established an amended and restated long-term incentive plan (LTIP), which was approved by common shareholders at the annual general and special meeting of common shareholders held on June 28, 2018. The LTIP was designed to promote the alignment of senior management, employees and consultants of the Company with shareholder interests and the creation of sustainable shareholder value, and facilitate recruitment, motivation and retention of executives and key talent.

Under the terms of the LTIP, the maximum number of common shares that may be subject to awards under the LTIP or any other share-based compensation arrangements adopted by Stelco Holdings is 2.5 million common shares. No participant may be granted, in any calendar year, share-based awards with respect to more than 5% of the issued and outstanding common shares of Stelco Holdings.

For the three and nine months ended September 30, 2019, the Company recorded a net share-based compensation recovery of \$2 million and expense of \$1 million, respectively, in selling, general and administrative expenses on the Consolidated Statements of Income related to the vesting of the long-term incentive plan.

## STELCO HOLDINGS INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

#### THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

##### *Restricted Share Units*

Under the terms of the LTIP, Restricted Share Units (RSU) may be issued to eligible participants as may be designated by the Board of Directors from time-to-time. Stelco Holdings is obligated to pay in cash, an amount equal to the number of RSUs multiplied by the fair market value of one common share of Stelco Holdings on the distribution date to the participant in respect of vested RSUs within thirty (30) days of the vesting date. Dividends declared on common shares accrue to the RSU holder in the form of additional RSUs.

On December 31, 2018, 34,528 RSUs were granted to certain employees, including to members of the Company's Executive Senior Leadership Team (ESLT), with a grant date fair value of \$15.05 per RSU. These RSUs are cash-settled awards with one-third of the RSUs vesting on the first vesting date, February 21, 2019, and the remaining two-thirds vesting on the first and second anniversary, respectively, of the initial vesting date.

On February 22, 2019, 58,167 RSUs were granted to certain members of the Company's ESLT, with a grant date fair value of \$18.39 per RSU. These RSUs are cash-settled awards with the RSUs vesting as to one-third of the total grant amount on each of the first three anniversaries of the grant date.

(RSUs in total)

Balance, as at January 1, 2019	34,528
Granted	64,680
Cash-settled	(17,625)
Balance, as at September 30, 2019	<b>81,583</b>

The cost of these share-based payments is measured at fair value and expensed over the vesting period with the recognition of a corresponding liability recorded in other liabilities on the Consolidated Balance Sheets. The liability is remeasured at fair value at each reporting period date with the changes in fair value recorded in the Consolidated Statements of Income.

##### *Share options*

Under the terms of the LTIP, share options (Options) may be issued to eligible participants as may be designated by the Board of Directors from time to time. Options are share-based payments measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and are expensed on a graded vesting basis over the vesting period, based on Stelco Holdings' estimate of the Options that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Vested Options may be exercised to purchase common shares of Stelco Holdings or surrendered for cash at the election of the Option holder. Given the alternative settlement options at the election of the participants, the Company has accounted for these Options as cash-settled awards which are remeasured at fair value at each reporting period date with the changes in fair value recorded in the Consolidated Statements of Income.

In accordance with the terms of the LTIP, the exercise price of each Option may not be less than the fair market value of the common shares of Stelco Holdings on the grant date. Options are granted at the discretion of the Board of Directors. Other terms and conditions of the LTIP in respect of Options include a maximum 7-year life and immediate vesting under certain change of control provisions. The consideration paid by employees for the purchase of common shares upon exercise of Options is added to share capital.

On January 10, 2019, 1,500,000 Options were granted and issued to certain members of the ESLT with an exercise price of \$14.59. Two-thirds of the Options vest on January 10, 2020, with the remaining one-third vesting on January 10, 2021. As at September 30, 2019, there were 1,500,000 unvested and outstanding Options.

The Company accounts for Options by estimating the fair value of each tranche of an award at the grant date and subsequently recognizing the compensation expense over the vesting period. The Black-Scholes option-pricing model assumptions used to estimate the fair value of the Options at the grant date were as follows:

Options granted (in total)		1,500,000
Option exercise price (per Option)	\$	14.59
Expected risk-free interest rate		1.9%
Expected distribution yield		2.7%
Expected unit price volatility		38%
Expected Option life (years)		4.5
Fair value of Options granted (per Option)	\$	4.36

The estimated fair value of the Options outstanding as at September 30, 2019, is \$1.17 per Option.

## STELCO HOLDINGS INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

#### THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

##### Deferred share unit plan

Stelco Holdings has a deferred share unit (DSU) plan for the independent members of its Board of Directors which provides that each independent director receives, on each date that the director retainer fees are payable, an amount of DSUs which the director has elected relative to their respective fee entitlement. Each independent director can elect annually to receive a specified percentage of their respective direct retainer fee entitlement as DSUs. The number of DSUs granted to an independent director is based on the closing price of the common shares of Stelco Holdings on the TSX on the grant date. Dividends declared on common shares accrue to the DSU holder in the form of additional DSUs. At such time as an independent director ceases to be a director of the Company, Stelco Holdings will make a cash payment to the applicable director in respect of the total amount of the issued and outstanding DSUs held by such director based on the fair market value of the common shares of Stelco Holdings at such time. As at September 30, 2019, there were 27,733 DSUs outstanding, for which the Company recognized a liability of \$0.3 million.

##### 11. REVENUE FROM SALE OF GOODS

Revenue from steel and non-steel product sales are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Steel products	\$ 461	\$ 574	\$ 1,382	\$ 1,713
Non-steel products	14	45	41	99
<b>Total</b>	<b>\$ 475</b>	<b>\$ 619</b>	<b>\$ 1,423</b>	<b>\$ 1,812</b>

Revenue by geographical location is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Canada	\$ 302	\$ 439	\$ 1,107	\$ 1,319
United States & Other Foreign Countries	173	180	316	493
<b>Total</b>	<b>\$ 475</b>	<b>\$ 619</b>	<b>\$ 1,423</b>	<b>\$ 1,812</b>

##### 12. COST OF GOODS SOLD

Cost of goods sold is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cost of inventories:				
Steel products	\$ 417	\$ 409	\$ 1,221	\$ 1,264
Non-steel products	10	26	26	61
Fixed overhead and other costs <sup>1</sup>	15	25	47	67
Depreciation	15	8	38	22
<b>Total</b>	<b>\$ 457</b>	<b>\$ 468</b>	<b>\$ 1,332</b>	<b>\$ 1,414</b>

<sup>1</sup> Primarily includes corporate and administrative employee salaries and benefits, certain employees' pension and other benefits, shared service agreement fees and other indirect costs associated with the production of inventory.

**STELCO HOLDINGS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018****13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Employee salary and benefits expense	\$ 5	\$ 4	\$ 13	\$ 12
Enterprise resource planning system <sup>1</sup>	1	4	5	14
Professional, consulting and legal fees	1	1	5	6
Management fees <sup>2</sup>	2	2	5	4
Share-based compensation (recovery) <sup>3</sup>	(2)	—	1	—
Other <sup>4</sup>	2	2	6	4
<b>Total</b>	<b>\$ 9</b>	<b>\$ 13</b>	<b>\$ 35</b>	<b>\$ 40</b>

<sup>1</sup> Costs relate to the establishment of a new cloud based Enterprise Resource Planning system that do not qualify as a software intangible because the arrangement is a cloud-based hosting license.

<sup>2</sup> Refer to note 22 for details.

<sup>3</sup> Refer to note 10 for details.

<sup>4</sup> Includes corporate, public company and travel related expenses.

**14. FINANCE COSTS**

Finance costs are comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Accretion of employee benefit commitment	\$ 10	\$ 12	\$ 32	\$ 31
Interest on loans and borrowings	7	5	17	9
Remeasurement of employee benefit commitment <sup>1</sup>	(11)	(2)	(27)	159
Foreign exchange loss (gain)	2	(2)	(8)	(1)
Accretion expense related to lease obligations	1	—	1	1
Other	—	(1)	—	(1)
<b>Total</b>	<b>\$ 9</b>	<b>\$ 12</b>	<b>\$ 15</b>	<b>\$ 198</b>

<sup>1</sup> Remeasurement of employee benefit commitment for change in the timing and magnitude of estimated cash flows and future funding requirements. Refer to note 8 for further details.

**15. FINANCE AND OTHER INCOME (LOSS)**

Finance and other income (loss) is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Finance income	\$ 1	\$ 2	\$ 4	\$ 2
Loss on commodity-based swaps	—	—	—	(10)
Other income	—	1	2	1
<b>Total</b>	<b>\$ 1</b>	<b>\$ 3</b>	<b>\$ 6</b>	<b>(7)</b>

*Commodity-based swaps*

During March 2018, Stelco entered into commodity-based swaps as part of a strategy to mitigate Stelco's exposure to hot-rolled coil steel market price fluctuations in anticipation of certain slab purchases from a third party, which did not occur. These swap contracts matured and settled during May 2018, with the Company realizing a loss of \$10 million. Stelco did not enter these contracts for trading or speculative purposes.



**STELCO HOLDINGS INC.**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018**
**16. INCOME TAXES**

The major components of income tax expense for the three and six months ended September 30, 2019 and 2018 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Deferred income tax:</b>				
Origination and reversal of temporary differences	\$ —	\$ 31	\$ 11	\$ 36
Previously unrecognized deferred tax assets	—	(31)	(11)	(36)
<b>Income tax expense</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

**Reconciliation of Effective Tax Rate:**

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Income (loss) before income taxes	\$ —	\$ 125	\$ 44	\$ 143
Combined Canadian federal and provincial income tax rate	25%	25%	25%	25%
<b>Income tax expense based on statutory rate</b>	<b>—</b>	<b>31</b>	<b>11</b>	<b>36</b>
<b>Increase (decrease) in income taxes resulting from non-taxable items or adjustments of prior period taxes:</b>				
Unrecognized deferred tax assets	—	(31)	(11)	(36)
<b>Income tax expense</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

**Deferred tax**

Reconciliation of movements in the deferred tax asset as at:

As at	September 30, 2019	Movement	December 31, 2018
Non-capital and capital loss carry-forwards	\$ 87	\$ (8)	\$ 95
Employee benefit commitment	110	(12)	122
Deductible SRED expenditures	9	—	9
Financing fee	3	—	3
Provisions	2	2	—
Impairment provision of investment in subsidiaries	2	—	2
Plant and equipment	12	6	6
Deferred tax assets not recognized	(225)	12	(237)
<b>Net deferred tax asset</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

**Non-capital loss carry forwards:**

As at	September 30, 2019	December 31, 2018
2034	102	136
2035	238	238
2036	—	—
2037	2	2
2038	4	4
2039	3	—
<b>Total</b>	<b>\$ 349</b>	<b>\$ 380</b>

**STELCO HOLDINGS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018****Other tax attributes**

As at September 30, 2019, the Company has other tax attributes available for future use as deductions from taxable income, including but not limited to, undepreciated capital cost (UCC) of \$554 million and scientific research and experimental development (SRED) deductions of \$36 million.

The use of any remaining tax attributes is subject to the tax savings agreement entered into on completion of Stelco's CCAA reorganization on June 30, 2017, and dependent on realizing sufficient future taxable income within the carry forward period and satisfying applicable legislative provisions of the *Income Tax Act* (Canada) and associated regulations.

**17. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in non-cash working capital and other operating activities comprise the following:

Nine months ended September 30,	2019	2018
Changes in non-cash operating working capital:		
Trade and other receivables	\$ 116	\$ 23
Inventories	(51)	(27)
Prepaid expenses	18	4
Trade and other payables	13	(25)
Other liabilities	(7)	3
	\$ 89	\$ (22)
Changes in other operating items:		
Provisions	\$ —	\$ 1
Pension benefits	3	2
Employee benefit commitment	(53)	(46)
Foreign exchange and other	(7)	—
	\$ (57)	\$ (43)
Change in non-cash operating working capital and other operating items	\$ 32	\$ (65)

Capital expenditures on property, plant and equipment comprise the following:

Nine months ended September 30,	2019	2018
Capital expenditures on property, plant and equipment:		
Plant and equipment additions	\$ 188	\$ 155
Property additions	21	—
Total additions	209	155
Additions not affecting cash:		
Land	—	(85)
Finance leases - infrastructure and equipment	(37)	(7)
Change in trade and other payables and other liabilities relating to construction in progress and other capital additions	(1)	(8)
Capital expenditures on property, plant and equipment	\$ 171	\$ 55

**STELCO HOLDINGS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018****18. NET INCOME PER SHARE**

The following table sets forth the computation of basic and diluted net income per common share:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Weighted average common shares outstanding (in thousands):				
Basic	88,757	88,814	88,757	88,814
Dilutive effect of outstanding common share options <sup>1</sup>	—	—	—	—
Diluted	88,757	88,814	88,757	88,814
Net income per common share:				
Basic	\$ —	\$ 1.41	\$ 0.50	\$ 1.61
Diluted	\$ —	\$ 1.41	\$ 0.50	\$ 1.61

<sup>1</sup> The dilutive effect of the Company's Option awards were calculated using the treasury stock method. The calculation of diluted weighted average common shares outstanding excludes 1.5 million Options for the three and nine month periods ended September 30, 2019, as the exercise price of these Options was greater than the average market price of the Company's common shares for the respective periods.

**19. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table provides the carrying values and fair values of financial instruments:

As at	September 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 349	\$ 349	\$ 438	\$ 438
Restricted cash	15	15	8	8
Trade and other receivables	136	136	252	252
Financial liabilities:				
Trade and other payables	\$ 544	\$ 544	\$ 436	\$ 436
Other liabilities	84	84	53	53
Obligations to independent employee trusts:				
Employee benefit commitment	430	428	478	469
Mortgage payable	112	111	113	107

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables as well as interest-bearing loans and borrowings approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the lease liability is estimated by discounting the future contractual cash flows at the cost of borrowing to the Company, which approximates its carrying value.

The fair value of the mortgage payable is an estimate made at a specific point in time, based on relevant market information. This estimate is based on quoted market prices for the same or similar issues or on the current rates offered to the Company for similar financial instruments subject to similar risk and maturities. Fair value measurements of these instruments were estimated using Level 2 inputs.

The fair value of the employee benefit commitment is estimated based on a discounted cash flow analysis of expected cash flows, including fixed and variable payments, to be paid in future periods to the pension and OPEB trusts. The contractually fixed payments are discounted using a rate that is reflective of the Company's cost of borrowing and similar senior unsecured debt for companies in the same sector that are of a similar size. The estimated variable payments are discounted using a rate consistent with a market rate of return of the Company. Fair value measurements of these instruments were estimated using Level 2 inputs.

The Company has no level 3 financial instruments. There were no transfers between level 1, level 2 or level 3 during the nine months ended September 30, 2019.

## STELCO HOLDINGS INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

#### 20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may from time to time adjust its capital spending to manage its current and projected debt levels.

The Company monitors capital by preparing annual budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. The Company's share capital is not subject to externally imposed restrictions.

The Company defines its capital to include amounts drawn and available under existing financing arrangements including the ABL facility, inventory monetization arrangement, as well as all components of equity and is comprised as follows:

As at	September 30, 2019	December 31, 2018
Amounts drawn under inventory monetization arrangement	\$ 311	\$ 216
Amounts available under ABL facility	115	303
Total	\$ 426	\$ 519
Total equity	485	568
<b>Total capital</b>	<b>\$ 911</b>	<b>\$ 1,087</b>

#### 21. COMMITMENTS AND CONTINGENCIES

##### Claims and litigation

The Company is involved in claims and litigation arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such proceedings and actions will not have a material impact on the Company's Consolidated Balance Sheets, Statements of Income, Statements of Comprehensive Income or Statements of Cash Flows.

##### Purchase commitments

At September 30, 2019, the Company had future commitments of approximately \$49 million in capital expenditures, of which \$17 million is expected to be paid within 2019.

##### Innovation, Science and Economic Development Canada funding commitment

On August 13, 2019, the Government of Canada announced that Stelco received a funding commitment from Innovation, Science and Economic Development Canada (ISED Canada) of up to \$49.9 million (the Contribution). The Contribution is being made available to the Company under the Strategic Innovation Fund, which was designed by the Government of Canada to, among other things, encourage research and development in Canada, facilitate growth and expansion of firms, and advance industrial research and technology. The ultimate amount of Contribution funding the Company will receive is dependent upon qualified expenditures made by the Company in certain capital projects, as agreed with ISED Canada. Subject to the terms of the funding agreement, fifty percent (50%) of the Contribution is non-refundable and the remainder is a non-interest-bearing loan, which is repayable over an eight-year period beginning January 1, 2024.

**STELCO HOLDINGS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Canadian dollars, tabular amounts in millions, except where otherwise noted) (Unaudited)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018****22. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control, jointly control or exercise significant influence over the other party in making financial or operating decisions. The definition includes subsidiaries, joint ventures, investments in associates, directors, key management personnel, among other entities and persons.

The following table provides the total amount of transactions that have been entered into with related parties and outstanding balances with related parties for the relevant financial periods:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Purchases of services</b>				
Joint ventures	\$ 3	\$ 5	\$ 13	13
Bedrock Industries B.V. and its affiliates	2	2	5	4
<b>As at</b>				
			<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Amounts payable to related parties</b>				
Bedrock Industries B.V. and its affiliates		\$	—	\$ 1
Joint ventures			1	—

**Subsidiaries**

Transactions between Stelco Holdings and its subsidiaries meet the definition of related party transactions. These transactions are eliminated on consolidation and are not disclosed in these Consolidated Financial Statements.

**Key management personnel**

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the ESLT and the Board of Directors. The ESLT is comprised of the Executive Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and General Counsel & Corporate Secretary of the Company.

For the three and nine months ended September 30, 2019, the Company recorded a recovery of \$1 million and expense of \$4 million (three and nine months ended September 30, 2018 - expenses of \$1 million and \$3 million), respectively, during the periods related to key management personnel salaries and benefits, share-based compensation, director fees, post-employment pension and medical and termination benefits.