STELCO

The Steel Company of Canada

Second Quarter 2021 Earnings Call

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August 11, 2021

Disclaimer

Caution Regarding Forward-Looking Statements and Key Assumptions

This presentation 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, shipment volumes, 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 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 or otherwise referenced 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 presentation includes: expectations regarding shipments in the second quarter of 2021; expectations regarding the rehabilitation and upgrade of the LEW coke battery and that, upon completion of such construction, the LEW coke battery will operate with improved cost-efficiency and performance; expectations regarding the Company’s Adjusted EBITDA results for the whole of 2021; and estimates regarding the average scrap selling prices in the third quarter of 2021.

Undue reliance should not be placed on forward-looking information. The forward-looking information in this presentation 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 complete new capital projects on schedule and within budget and their anticipated effect on revenue and costs; our ability to obtain all applicable regulatory approvals required in connection with new facilities; our ability to source necessary volumes of raw materials and other inputs at competitive prices; our facilities operating at design capacity; the market demand for iron units continuing to face increased pressure; our ability to supply to new customers and markets; our ability to effectively manage costs; our ability to attract and retain key personnel and skilled labour; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes in laws, rule, and regulations, including international trade regulations; our ability to continue to access the U.S. market without any adverse trade restrictions; upgrades to existing facilities remaining on schedule and on budget and their anticipated effect on revenue and costs; expectations regarding the Company’s ability to proceed with planned projects and ongoing steel sales without facing a significant interruption from the COVID-19 pandemic; and growth in steel markets and industry trends, as well as those set out in this presentation, are material factors made in preparing the forward-looking information and management's expectations contained in this presentation.

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: COVID-19; North American and global steel overcapacity; imports and trade remedies; competition from other producers, imports or alternative materials; and the availability and cost of inputs placing downward pressure on steel prices or increasing our costs; as well as those described in the Company's annual information form dated February 17, 2021 and the Company's MD&A for the period ended December 31, 2020 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 presentation represents our expectations as of the date of this presentation 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.

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

Non-IFRS Measures

This presentation 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, 2021 available under the Company’s profile on SEDAR at www.sedar.com.

Q2 Highlights

Financial

- Revenue was $918 million in Q2 2021, up 38% sequentially from $665 million in Q1 2021, and higher by 123% year-over-year from $411 million in Q2 2020
    - Average selling price was $1,292/nt[1] in Q2 2021, up 35% sequentially from $959/nt[1] in Q1 2021, and higher by 85% from $700/nt[1] in Q2 2020
    - Shipping volume of 679 thousand nt [1] in Q2 2021, up 1% sequentially from 675 thousand nt[1] Q1 2021, and higher by 18% from 576 thousand nt[1] in Q2 2020
- Adjusted EBITDA of $410 million[1] in Q2 2021, up sequentially from $185 million[1] in Q1 2021, and up from $34 million[1] in Q2 2020
- Paid down revolving portion of our asset-based loan and ended the quarter with $247 million of available cash

Operational

- Q2 2021 shipments maintained at high level – up 18% over Q2 2020
- Maintained growth in high value-added coated and cold-rolled markets – 22% of all shipments went to these strategic market segments
- Continued strategic rehabilitation and upgrade of our LEW coke battery that will result in improved cost and performance
- Advanced work on new electricity cogeneration facility that will reduce energy costs and further reduce our CO_2 emissions

Second consecutive quarter of record results highlighted by 1,106% increase in Adjusted EBITDA margin over Q2 2020, and doubling our quarterly dividend to $0.20 per share

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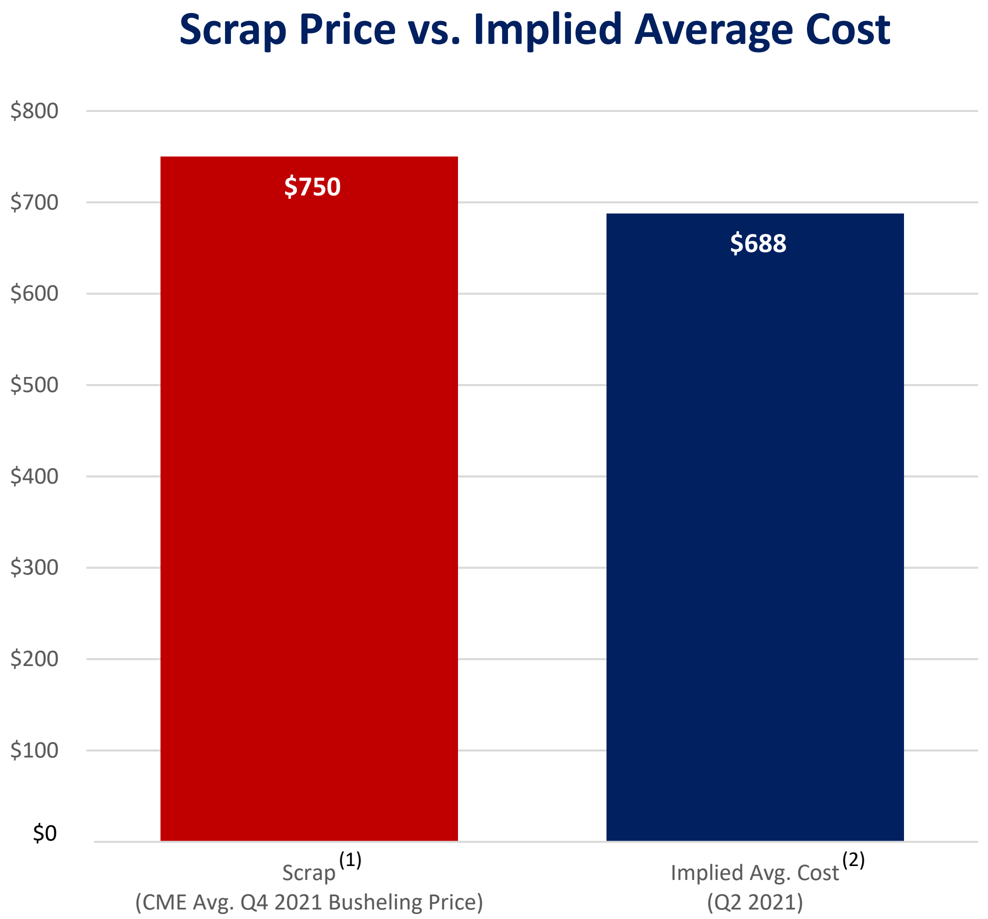
(1) See “Non-IFRS Measures” as outlined in Management’s Discussion & Analysis for the periods ended June 30, 2021, March 31, 2021 and June 30, 2020.

Total Costs Across All Products Below Price of Scrap



- $1,292/nt ASP[3] less $604 Adjusted EBITDA/nt[3] = $688/nt (US$546/nt at current exchange rate) implied average cost across entire product mix
- Current CRU index price for HRC is US$1,863/nt
    - Value-added products even higher

(1) Source: CME Group (https://www.cmegroup.com/trading/metals/ferrous/us-midwest-busheling-ferrous-scrap.html) average Q4 2021 prices converted from US$/long tons into net tons and converted to Canadian dollars (C$1.26=US$1.00).
(2) Implied Average Cost = Average Sale Price less Adjusted EBITDA/nt for Q2 2021.
(3) See "Non-IFRS Measures" as outlined in Management's Discussion & Analysis for the period ended June 30, 2021.

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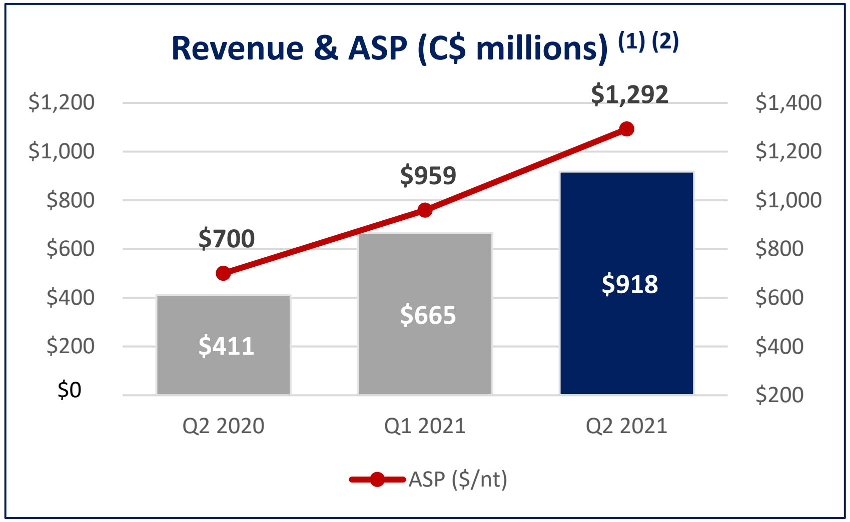
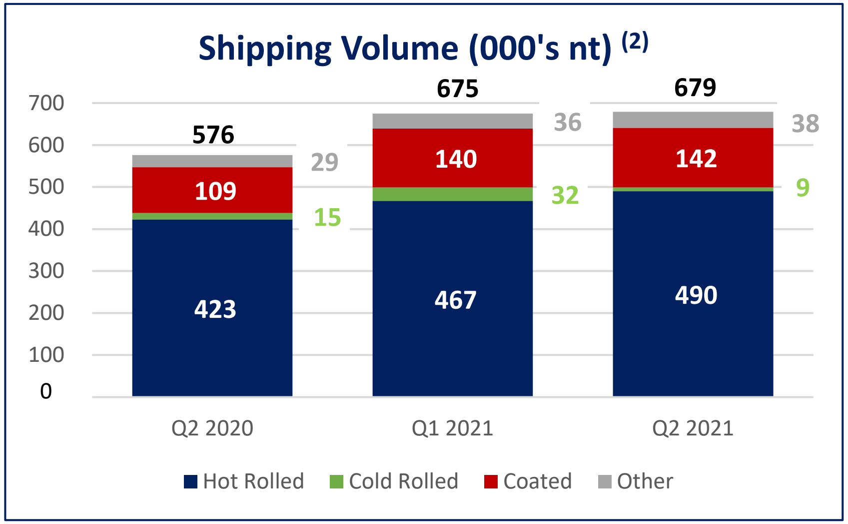
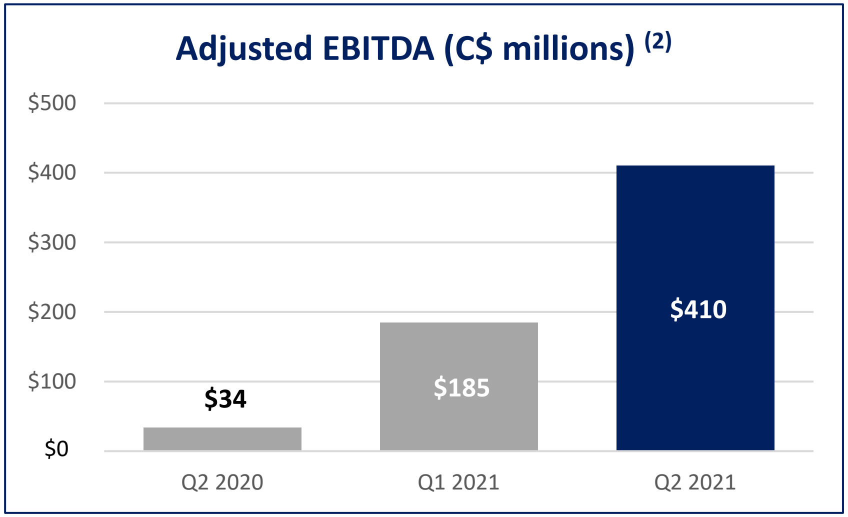
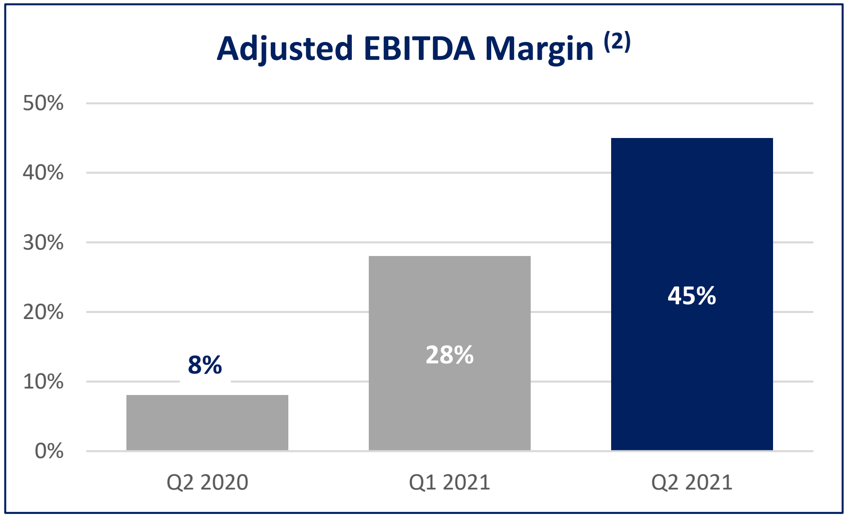
Key Financial Results – Stronger Q2









(1) Average selling price (ASP) calculated as steel-related revenue divided by tons of steel shipped and recognized as revenue in the period.
(2) See "Non-IFRS Measures" as outlined in Management's Discussion & Analysis for the periods ended June 30, 2021, March 31, 2021, and June 30, 2020.

Key Financial Results – Quarterly

(C$ millions, except volume and per nt figures)

	Year-over-Year			Prior Quarter	
	Q2 2021	Q2 2020	Change	Q1 2021	Change
Revenue	**918**	411	**123%**	665	**38%**
Operating income	**393**	16	**2,356%**	167	**135%**
Net income	**363**	-	**NM**	119	**205%**
Average selling price per nt [(1)]	**1,292**	700	**85%**	959	**35%**
Shipping volume (in thousands of nt) [(1)]	**679**	576	**18%**	675	**1%**
Adjusted net income [(1)]	**380**	10	**3,700%**	155	**145%**
Adjusted EBITDA [(1)]	**410**	34	**1,106%**	185	**122%**
Adjusted EBITDA margin [(1)]	**45%**	8%	**37%**	28%	**17%**
Adjusted EBITDA per nt [(1)]	**604**	59	**924%**	274	**120%**

(1) See “Non-IFRS Measures” as outlined in Management’s Discussion & Analysis for the periods ended June 30, 2021, March 31, 2021 and June 30, 2020.
NM = Not Meaningful

Key Financial Results - FY

(C$ millions, except volume and per nt figures)

	Six months ended June 30,			Trailing twelve months ended June 30,		
	2021	2020	Change	2021	2020	Change
Revenue	**1,583**	856	**85%**	**2,244**	1,755	**28%**
Operating income	**560**	23	**2,335%**	**530**	26	**1,938%**
Net income (loss)	**482**	(24)	**NM**	**347**	(48)	**NM**
Average selling price per nt (1)	**1,126**	703	**60%**	**968**	688	**41%**
Shipping volume (in thousands of nt) (1)	**1,354**	1,197	**13%**	**2,177**	2,484	**(12)%**
Adjusted net income (loss) (1)	**535**	(16)	**NM**	**499**	(40)	**NM**
Adjusted EBITDA (1)	**595**	54	**1,002%**	**616**	87	**608%**
Adjusted EBITDA margin (1)	**38%**	6%	**32%**	**27%**	5%	**22%**
Adjusted EBITDA per nt (1)	**439**	45	**876%**	**283**	35	**709%**

(1) See “Non-IFRS Measures” as outlined in Management’s Discussion & Analysis for the periods ended June 30, 2021, March 31, 2021 and June 30, 2020.
NM = Not Meaningful

Financial Position (selected items)

(C$ millions)

As at	June 30, 2021	Dec. 31, 2020	June 30, 2020
Cash	247	59	168
Restricted cash	8	8	10
Trade and other receivables	329	183	163
Inventories	420	509	436
Derivative asset	140	133	55
Property, plant & equipment, net	928	845	757
Deferred tax asset	45	—	—
Trade and other payables	586	668	454
Derivative liabilities	—	84	—
Other liabilities	123	103	85
Pension benefits	12	11	9
Asset-based lending facility	91	128	126
Obligations to independent employee trusts	572	498	508
Total equity	745	281	417

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Non-IFRS Measures

EBITDA – Adjustments (Quarterly)

(C$ millions)

For three months ended	June 30, 2021	Dec. 31, 2020	June 30, 2020
Net income	**363**	**119**	**—**
Add back / (deduct)			
Finance costs	37	66	12
Depreciation	17	16	12
Deferred tax recovery	(10)	(35)	—
Loss (gain) on derivative asset [1]	2	(9)	—
Other costs	1	—	5
Loss from commodity-based swaps	—	27	—
Transaction-based and other corporate-related costs	—	1	2
Realized gain from commodity-based swaps	—	—	2
Other	—	—	1
Adjusted EBITDA	**410**	**185**	**34**
Adjusted EBITDA as a percentage of total revenue	**45%**	**28%**	**8%**

(1) Refer to note 6 on the Consolidated Financial Statements for further details.

EBITDA – Adjustments (Trailing Twelve Months)

(C$ millions)

Trailing twelve months ended June 30,	2021	2020
Net income (loss)	**347**	**(48)**
Add back / (deduct)		
Loss from commodity-based swaps	117	—
Finance costs	109	67
Depreciation	74	53
Deferred tax recovery	(45)	—
Transaction-based and other corporate-related costs [1]	10	7
Restructuring and other costs [2]	8	12
Gain on derivative asset [3]	(7)	—
Finance income	(1)	(4)
Other	4	(1)
Property related idle costs included in cost of goods sold	—	3
Carbon tax recovery	—	(3)
Separation costs related to USS support services	—	2
Tariff related recovery	—	(1)
Adjusted EBITDA	**616**	**87**
Adjusted EBITDA as a percentage of total revenue	**27%**	**5%**

(1) Represents certain non-routine items that include, but are not limited to, professional and consulting fees in connection with the cyberattack and acquisition of the Option during 2020, and Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.
(2) Restructuring and other costs primarily includes the write-down of certain strategic capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco and certain employee termination benefits, consulting and demolition costs.
(3) Refer to note 6 on the Consolidated Financial Statements for further details.

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EBITDA – Adjustments (YTD)

(C$ millions)

Six months ended June 30,	2021	2020
Net income (loss)	**482**	**(24)**
Add back / (deduct)		
Finance costs	103	45
Deferred tax recovery	(45)	—
Depreciation	33	25
Loss from commodity-based swaps	27	—
Gain on derivative asset [1]	(7)	—
Other costs	1	6
Transaction-based and other corporate-related costs	1	3
Finance income	—	(1)
Adjusted EBITDA	**595**	**54**
Adjusted EBITDA as a percentage of total revenue	**38%**	**6%**

(1) Refer to note 6 on the Consolidated Financial Statements for further details.

Net Income – Adjustments (Quarterly)

(C$ millions)

For three months ended	June 30, 2021	Dec. 31, 2020	June 30, 2020
Net income	**363**	**119**	**—**
Add back / (deduct)			
Remeasurement of employee benefit commitment [1]	24	52	—
Deferred tax recovery	(10)	(35)	—
Loss (gain) on derivative asset [2]	2	(9)	—
Other costs	1	—	5
Loss from commodity-based swaps	—	27	—
Transaction-based and other corporate-related costs	—	1	2
Realized gain from commodity-based swaps	—	—	2
Other	—	—	1
Adjusted net income	**380**	**155**	**10**

(1) Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
(2) Refer to note 6 on the Consolidated Financial Statements for further details.

Net Income – Adjustments (Trailing Twelve Months)

(C$ millions)

Trailing twelve months ended June 30,	2021	2020
Net income (loss)	**347**	**(48)**
Add back / (deduct)		
Loss from commodity-based swaps	117	—
Remeasurement of employee benefit commitment [1]	65	(11)
Deferred tax recovery	(45)	—
Transaction-based and other corporate-related costs [2]	10	7
Restructuring and other costs [3]	8	12
Gain on derivative asset [4]	(7)	—
Other	4	(1)
Property related idle costs included in cost of goods sold	—	3
Carbon tax recovery	—	(3)
Separation costs related to USS support services	—	2
Tariff related recovery	—	(1)
Adjusted net income (loss)	**499**	**(40)**

(1) Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
(2) Represents certain non-routine items that include, but are not limited to, professional and consulting fees in connection with the cyberattack and acquisition of the Option during 2020, and Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.
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Net Income – Adjustments (YTD)

(C$ millions)

Six months ended June 30,	2021	2020
Net income (loss)	**482**	**(24)**
Add back / (deduct)		
Remeasurement of employee benefit commitment [1]	76	(1)
Deferred tax recovery	(45)	—
Loss from commodity-based swaps	27	—
Gain on derivative asset [2]	(7)	—
Other costs	1	6
Transaction-based and other corporate-related costs	1	3
Adjusted net income (loss)	**535**	**(16)**

(1) Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
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The Steel Company of Canada