



Tree Island Steel Announces Q2 2018 Results

Q2 2018 Financial Highlights¹

Revenues increased by 10.8% to \$68.1 million
 Gross profit amounted to \$8.5 million
 EBITDA earned was \$5.4 million

YTD 2018 Financial Highlights

Revenues increased by 8.1% to \$134.6 million
 Gross profit amounted to \$15.2 million
 EBITDA totalled \$8.9 million

VANCOUVER, British Columbia, Aug. 02, 2018 -- **Tree Island Steel Ltd.** ("Tree Island" or the "Company") (TSX:TSL) announced today its financial results for the three-month and six-month periods ended June 30, 2018.

For the three-month period ended June 30, 2018, revenues increased by 10.8% to \$68.1 million versus \$61.5 million during the corresponding period in 2017. The Company's commitment to cost management, increases in average selling prices, actions taken to date to mitigate the effects of the tariffs imposed, and improved product mix were key factors to the improved profitability during the second quarter. Gross profit for the three months amounted to \$8.5 million versus \$5.9 million during the same period in 2017. As a result, gross margin in the quarter was 12.5% compared to 9.7% in the same period last year. The higher gross profit resulted in EBITDA amounting to \$5.4 million versus \$2.4 million during the second quarter of 2017.

For the six-month period ended June 30, 2018, revenues increased by 8.1% to \$134.6 million versus \$124.5 million during the corresponding period in 2017 on increased pricing and improved product mix. Gross profit for the six months of 2018 amounted to \$15.2 million versus \$13.4 million during the same period in 2017. The gross margin for the six-month period was 11.3% compared to 10.8% in the same period last year. EBITDA for the first six months amounted to \$8.9 million compared to \$6.6 million during the same period in 2017.

With regards to the recent US tariffs on certain steel rod and wire, the imposition of these tariffs are being charged through to the end customers. Going forward, the implemented and potential trade actions on steel and other products will continue to create a moderate degree of uncertainty and business challenges. Management is monitoring events closely and will continue to adapt to any necessary changes to help mitigate any negative impacts.

"Overall, during the second quarter as well as the first half of the year, despite the challenging business environment, we were able to realize a higher gross profit than in the prior year by maintaining price discipline to pass on the rising inflationary raw material costs, by proactively managing our costs and impacts of the tariffs, and by improving product mix to deliver higher profitability," said Dale R. MacLean, President and CEO. "The overall demand in Tree Island's end markets were stable in the quarter. As we move into the second half of the year, we face the imposition of the trade actions in the US and Canada, and we will continue to adapt to changes in our business environment to address the challenges imposed by the tariffs and any rising steel costs."

"We are encouraged by the improvement in the results but remain sensitive to the need to adapt to the evolving business environment," said Amar S. Doman, Chairman of Tree Island Steel Ltd.

Summary of Results

(\$'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue	68,087	61,455	134,578	124,495
Cost of sales	(58,715)	(54,694)	(117,684)	(109,422)
Depreciation	(867)	(818)	(1,686)	(1,634)
Gross profit	8,505	5,943	15,208	13,439
Selling, general and administrative expenses	(4,180)	(4,325)	(8,333)	(8,547)
Operating income	4,325	1,618	6,875	4,892

Foreign exchange gain (loss)	256	(61)	375	36
Gain (loss) on sale of property, plant and equipment	5	(27)	4	(74)
Other expenses	(39)	-	(65)	-
Changes in financial liabilities recognized at fair value	125	246	34	256
Financing expenses	(887)	(725)	(1,642)	(1,436)
Income before income taxes	3,785	1,051	5,581	3,674
Current Income tax (expense) recovery	-	239	-	(2)
Deferred Income tax (expense) recovery	(996)	(555)	(1,689)	(1,187)
Net income (loss)	2,789	735	3,892	2,485
Operating Income	4,325	1,618	6,875	4,892
Add back depreciation	867	818	1,686	1,634
Foreign exchange gain (loss)	256	(61)	375	36
EBITDA ²	5,448	2,375	8,936	6,562
Net income per share	0.09	0.02	0.13	0.08
Dividends per share	0.02	0.02	0.02	0.02
Sales volume (tons) ³	43,000	45,636	89,009	96,972
Gross profit per ton (\$/ton)	198	130	171	139
EBITDA per ton (\$/ton)	127	52	100	68

Financial Position as at:	June 30, 2018	December 31, 2017
Total Assets	153,081	133,681
Total non-current financial liabilities	18,912	18,356

About Tree Island Steel

Tree Island Steel, headquartered in Richmond, British Columbia, since 1964, through its four operating facilities in Canada and the United States, produces wire products for a diverse range of industrial, residential construction, commercial construction and agricultural applications. Its products include galvanized wire, bright wire; a broad array of fasteners, including packaged, collated and bulk nails; stucco reinforcing products; concrete reinforcing mesh; fencing and other fabricated wire products. The Company markets these products under the Tree Island®, Halsteel®, K-Lath®, TI Wire® and Tough Strand® brand names.

Forward-Looking Statements

This press release includes forward-looking information with respect to Tree Island including its business, operations and strategies, its dividend policy and the declaration and payment of dividends thereunder, as well as financial performance and conditions. The use of forward-looking words such as "may," "will," "expect" or similar variations generally identify such statements. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including risks and uncertainties discussed under the heading "Risk Factors" in Tree Island's most recent annual information form and management discussion and analysis.

The forward-looking statements contained herein reflect management's current beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available to management. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, prospective investors should specifically consider various factors, including the risks outlined in the Company's most recent annual information form and management discussion and analysis, which may cause actual results to differ materially from any forward-looking statement. Such risks and uncertainties include, but are not limited to: general economic, market and business conditions, the cyclical nature of our business and demand for our products, financial condition of our customers, competition, volume and price pressure from import competition, deterioration in the Company's liquidity, disruption in the supply of raw materials, volatility in the costs of raw materials, transportation costs, foreign exchange fluctuations, leverage and restrictive covenants, labour relations, trade actions, dependence on key personnel and skilled workers, intellectual property risks, energy costs, un-insured loss, credit risk, operating risk, management of growth, changes in tax, environmental and other legislation, and other risks and uncertainties set forth in our publicly filed materials.

This press release has been reviewed by the Company's Board of Directors and its Audit Committee, and contains information that is current as of the date of this press release, unless otherwise noted. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Readers are cautioned not to place undue reliance on this forward-looking information and management of the Company undertakes no obligation to update publicly or

revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities laws.

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¹ Please refer to our Q2 2018 MD&A for further information.

² See definition of EBITDA in Section 2 NON-IFRS MEASURES of the 2018 MD&A.

³ Sales volume exclude tons which were processed as part of tolling arrangements.