



The Steel Company of Canada

Stelco Holdings Inc. Reports Fourth Quarter and Full Year 2022 Results

SECOND CONSECUTIVE YEAR LEADING THE NORTH AMERICAN STEEL INDUSTRY WITH ADJUSTED EBITDA MARGIN OF 34%

NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

Stelco Holdings Inc. fourth quarter highlights include:

- Revenue of \$674 million for the quarter, down 43% from Q4 2021 and 20% from Q3 2022
- Operating income of \$47 million for the quarter, down 93% from Q4 2021 and 78% from Q3 2022, representing a 7% margin
- Adjusted EBITDA* of \$82 million, down 88% from Q4 2021 and 67% from Q3 2022, representing a 12% margin
- Adjusted Net Income* of \$32 million and Adjusted Net Income* per share of \$0.55, down 94% from Q4 2021 and 80% from Q3 2022
- Shipping Volume* of 670,000 tons, up 7% from Q4 2021 and down 2% from Q3 2022
- Average Selling Price* per net ton of \$963, down 48% from Q4 2021 and 17% from Q3 2022
- Declared quarterly dividend of \$0.42 per share payable on March 9, 2023
- Plans to commence NCIB to purchase up to 3,344,284 common shares

HAMILTON, ONTARIO--(BUSINESS WIRE)-- Stelco Holdings Inc. ("**Stelco Holdings**" or the "**Company**"), (TSX: STLC), a low cost, integrated and independent steelmaker with one of the newest and most technologically advanced integrated steelmaking facilities in North America, today announced financial results of the Company for the three months and year ended December 31, 2022. Stelco Holdings is the 100% owner of Stelco Inc. ("**Stelco**"), the operating company.

Selected Financial Information

(in millions Canadian dollars, except volume, per share and net tons (nt) figures)	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>Change</u>	<u>Q3 2022</u>	<u>Change</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenue (\$)	674	1,186	(43%)	846	(20) %	3,463	4,123	(16%)
Operating income (\$)	47	653	(93%)	217	(78) %	1,085	1,983	(45%)
Net income (\$)	23	513	(96%)	158	(85) %	997	1,609	(38%)
Adjusted Net Income (\$) *	32	525	(94%)	163	(80) %	819	1,709	(52%)
Net income per common share (diluted) (\$)	0.39	6.64	(94%)	2.33	(83) %	14.64	19.08	(23%)
Adjusted Net Income per common share (diluted) (\$) *	0.55	6.79	(92%)	2.40	(77) %	12.02	20.26	(41%)
Average Selling Price per nt (\$) *	963	1,845	(48%)	1,162	(17) %	1,261	1,473	(14%)
Shipping Volume (in thousands of nt) *	670	626	7%	686	(2) %	2,627	2,690	(2%)
Adjusted EBITDA (\$) *	82	673	(88%)	245	(67) %	1,193	2,055	(42%)
Adjusted EBITDA per nt (\$) *	122	1,075	(89%)	357	(66) %	454	764	(41%)

* See "Non-IFRS measures" for a description of certain Non-IFRS measures used in this Press Release and "Non-IFRS Measures Reconciliation" below.

"In 2022, Stelco delivered, once again, the highest Adjusted EBITDA margin in the North American steel industry while delivering outstanding and unprecedented capital returns to our shareholders by retiring 29% of our outstanding common shares and paying cash dividends in excess of 10% of the share price at the start of 2022," stated Alan Kestenbaum, Executive Chairman and Chief Executive Officer."

"The fourth quarter was challenged by lower sales prices, shorter lead times and higher costs primarily due to increased input costs, a 'triple whammy'," continued Kestenbaum. "Now, however, we are seeing a reversal of all of these factors with rising steel prices, as demonstrated by the CRU HRC benchmark having already increased by more than 37% from its early-December low, lengthening lead times, and input costs dropping significantly, all which should be reflected in the performance of the coming quarters."

"As we noted through our guidance in Q3 of 2022, the fourth quarter was impacted by inflationary pressures on many of our key inputs, and the continuation of lower pricing and shorter lead times than we experienced earlier in 2022," said Paul Scherzer, Chief Financial Officer. "We achieved an Adjusted EBITDA of \$82 million and an Adjusted EBITDA margin of 12%, which is down from 29% in the previous quarter, but we did see some stabilization in pricing late in the fourth quarter which will start to be reflected in our Q1 performance. For the full year, our Adjusted EBITDA margin of 34% handily beat our industry peers."

"Testament to the overall success of our business and our ability to generate cash throughout this recent period of volatility, I am pleased to announce that we are again paying a quarterly cash dividend of \$0.42 per share, which we raised last quarter" continued Scherzer. "We were able to end the fiscal year with over \$800 million in cash and preserved the strength of our balance sheet. This level of liquidity will provide our business with both optionality and opportunity to explore opportunities to deploy our capital in a manner that strengthens our business and maximizes value for our shareholders."

Fourth Quarter 2022 Financial Review

Compared to Q4 2021

Q4 2022 revenue decreased \$512 million, or 43%, from \$1,186 million in Q4 2021, primarily due to a 48% decrease in Average Selling Price per net ton and lower non-steel sales of \$2 million, partly offset by a 7% increase in Shipping Volume. The Average Selling Price per net ton of our steel products decreased from \$1,845 per nt in Q4 2021 to \$963 per nt in Q4 2022. Our Shipping Volume increased 44 thousand nt to 670 thousand nt from 626 thousand nt in Q4 2021.

The Company realized operating income of \$47 million for the quarter, compared to \$653 million in Q4 2021, a decrease of \$606 million consisting of a decline in revenue of \$512 million, an increase in cost of goods sold of \$88 million, and higher selling, general and administrative expenses of \$6 million.

Finance costs decreased by \$7 million, from \$33 million in Q4 2021 to \$26 million in Q4 2022, due to the following: \$15 million gross remeasurement impact from our employee benefit commitment obligation and \$3 million lower accretion expense associated with our employee benefit commitment obligation, partly offset by \$7 million higher accretion expense related to lease and other related obligations and a \$4 million increase in interest on loans and borrowing.

The Company realized net income of \$23 million for the quarter, compared to \$513 million in the fourth quarter of 2021, a decrease of \$490 million primarily due to the following: \$606 million decrease in operating income and a \$54 million change in deferred taxes, partly offset by a \$153 million decrease in current tax expense, \$10 million increase in finance income and other losses, and \$7 million in lower finance costs. Adjusted Net Income totaled \$32 million in Q4 2022, a change of \$493 million from \$525 million in Q4 2021.

Adjusted EBITDA in Q4 2022 totaled \$82 million, a decrease of \$591 million from \$673 million in Q4 2021,

which mostly reflects a decrease in Average Selling Price per net ton and higher cost of goods sold.

Compared to Q3 2022

Q4 2022 revenue decreased \$172 million, or 20%, from \$846 million in Q3 2022, primarily due to 17% lower Average Selling Price per net ton and a 2% decrease in Shipping Volume. The Average Selling Price per net ton of our steel products declined from \$1,162 per nt in Q3 2022 to \$963 per nt in Q4 2022. Our Shipping Volume decreased from 686 thousand nt in Q3 2022 to 670 thousand nt in Q4 2022. Non-steel sales declined by \$20 million, from \$49 million in Q3 2022 to \$29 million during Q4 2022.

The Company realized operating income of \$47 million in Q4 2022 compared to \$217 million in Q3 2022, and Adjusted EBITDA of \$82 million compared to \$245 million during Q3 2022, which mostly reflects lower Average Selling Price per net ton, a decrease in Shipping Volume, and a decrease in non-steel sales, partly offset by a decrease in cost of goods sold.

Full Year 2022 Financial Review

Revenue for 2022 decreased \$660 million, or 16%, to \$3,463 million in 2022 from \$4,123 million in 2021, primarily due to a 14% decrease in Average Selling Price per net ton and a 2% decrease in Shipping Volumes. Shipping Volume decreased from 2,690 thousand nt in 2021 to 2,627 thousand nt in 2022. The Average Selling Price per net ton for our steel products decreased from \$1,473/nt in 2021 to \$1,261/nt in 2022. Non-steel sales decreased \$10 million, from \$160 million in 2021 to \$150 million in 2022.

Operating income for the year decreased \$898 million, from \$1,983 million in 2021 to \$1,085 million in 2022, consisting of a decrease in revenue of \$660 million, higher cost of goods sold of \$221 million and higher selling, general and administrative expenses of \$17 million during 2022.

Finance costs decreased \$84 million, from \$162 million in 2021, due to the following: \$93 million related to the gross remeasurement impact from our employee benefit commitment, \$10 million related to the period-over-period impact of foreign exchange translation on U.S. dollar denominated working capital, and \$2 million lower accretion expense associated with our employee benefit commitment, partly offset by \$15 million increase in accretion expense related to lease and other related obligations and \$5 million higher interest on loans and borrowings.

Net income for the year was \$997 million, compared to \$1,609 million in 2021, a change of \$612 million primarily due to the following: \$898 million in lower operating income, \$171 million change in deferred taxes, and \$8 million increase in other costs, partly offset by \$260 million gain on sale of land and buildings, \$84 million in lower finance costs, \$81 million decrease in current income tax expense and \$39 million change in finance income and other losses. Adjusted Net Income decreased \$890 million period-over-period, from \$1,709 million in 2021 to \$819 million in 2022.

Adjusted EBITDA in 2022 totaled \$1,193 million, a decrease of \$862 million, from \$2,055 million in 2021, which primarily reflects the decreases in Average Selling Price per net ton and Shipping Volume, and the higher cost of goods sold during the period.

Summary of Net Tons Shipped by Product

(in thousands of nt)

Tons Shipped by Product	<u>Q4 2022</u>	<u>Q4 2021</u>	<u>Change</u>	<u>Q3 2022</u>	<u>Change</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Hot-rolled	480	474	1 %	502	(4)%	1,881	1,973	(5)%
Coated	112	93	20 %	115	(3)%	455	498	(9)%
Cold-rolled	23	11	109 %	20	15 %	82	63	30 %
Other ^a	55	48	15 %	49	12 %	209	156	34 %
Total	670	626	7 %	686	(2)%	2,627	2,690	(2)%
Shipments by Product (%)								
Hot-rolled	72 %	76 %		73 %		72 %	73 %	
Coated	17 %	15 %		17 %		17 %	19 %	
Cold-rolled	3 %	2 %		3 %		3 %	2 %	
Other ^a	8 %	7 %		7 %		8 %	6 %	
Total	100 %	100 %		100 %		100 %	100 %	

^a Includes other steel products: pig iron and non-prime steel sales.

Statement of Financial Position and Liquidity

On a consolidated basis, the Company ended the period with

As at **December 31, 2022** December 31, 2021

ASSETS

Cash	809	955
Trade and other receivables	147	412
Inventories	789	617
Total current assets	1,796	2,015
Property, plant and equipment, net	1,199	1,008
Deferred tax asset	2	78
Total non-current assets	1,335	1,222
Total assets	3,131	3,237

LIABILITIES

Trade and other payables	663	717
Other liabilities	83	62
Asset-based lending facility	15	15
Income taxes payable	2	252
Obligations to independent employee trusts	143	212
Total current liabilities	906	1,258
Other liabilities	404	71
Asset-based lending facility	54	69
Deferred tax liability	18	—
Obligations to independent employee trusts	315	383
Total non-current liabilities	820	541
Total liabilities	1,726	1,799
Total equity	1,405	1,438

Stelco Holdings and its subsidiaries ended Q4 2022 with current assets of \$1,796 million, which exceeded current liabilities of \$906 million by \$890 million. Non-current assets include the derivative asset representing the fair value of Stelco's option to purchase a 25% ownership interest in the Minntac mine. Stelco Holdings' liabilities include \$458 million of obligations to independent pension and OPEB trusts, which includes \$352 million of employee benefit commitments and \$106 million under a mortgage note payable associated with the June 2018 land purchase. Non-current liabilities of \$820 million as at December 31, 2022 include \$315 million of the aforementioned obligations to independent pension and OPEB trusts, as well as property and power generating equipment leases and other related liabilities. Stelco Holdings' consolidated equity totaled \$1,405 million at December 31, 2022. Total equity is after giving effect to over \$1 billion of capital returned to shareholders via \$251 million of common share dividends paid and \$783 million of share repurchases, partly offset by comprehensive income for the year ended December 31, 2022.

Normal Course Issuer Bid

The Company has received approval from the Toronto Stock Exchange ("**TSX**") to commence a normal course issuer bid ("**NCIB**"). Stelco Holdings intends to purchase up to 3,344,284 common shares pursuant to the NCIB. The NCIB will commence on February 28, 2023 and end on February 27, 2024, or such earlier date as Stelco may complete its purchases pursuant to the notice of intention filed with the TSX.

The maximum number of common shares that may be repurchased for cancellation under the NCIB represents approximately 10% of the Company's public float as of February 21, 2023, as calculated in accordance with the rules of the TSX. As of February 21, 2023, the Company had 55,128,694 common shares issued and outstanding. The average daily trading volume for the six months ended January 31, 2023 ("**ADTV**"), calculated in accordance with the rules of the TSX for purposes of the NCIB, was 392,905 common shares. Under the rules of the TSX, Stelco is entitled to repurchase, during each trading day, up to 25% of the ADTV, or 98,226 common shares (excluding purchases made pursuant to the block purchase exception), through the TSX.

The board of directors of the Company believes that the underlying value of the Company may not be reflected in the market price of the common shares from time to time and that, accordingly, the purchase of common shares will increase the proportionate interest in the Company of, and be advantageous to, all remaining shareholders of Stelco Holdings.

Repurchases will be made through the facilities of the TSX as well as through other designated exchanges and alternative trading systems in Canada in accordance with applicable regulatory requirements. The price paid for such repurchased shares will be the market price of such shares at the time of acquisition or such other price as may be permitted by the TSX. All common shares repurchased under the NCIB will be cancelled. The actual number of shares and timing of the repurchases under the NCIB will be determined by the Company.

The Company's most recently completed normal course issuer bid (the "**2022 NCIB**") commenced on February 28, 2022. Stelco Holdings was entitled to purchase up to 4,353,418 common shares pursuant to the 2022 NCIB, which commenced on February 28, 2022 and was completed on July 21, 2022 when the aggregate repurchases under the 2022 NCIB reached the permitted amount. Repurchases were made through the facilities of the TSX as well as through other designated exchanges and alternative trading systems in Canada in accordance with applicable regulatory requirements. Stelco Holdings purchased and cancelled 4,353,418 common shares at an average price of \$34.09 per share under the 2022 NCIB, for a total purchase price of approximately \$148 million.

Declaration of Quarterly Dividend

Stelco Holdings' Board of Directors approved the payment of a regular quarterly dividend of \$0.42 per share which will be paid on March 9, 2023, to shareholders of record as of the close of business on March 3, 2023.

The regular quarterly dividend has been designated as an "eligible dividend" for purposes of the Income Tax Act (Canada).

Quarterly Results Conference Call

Stelco management will host a conference call to discuss its results tomorrow, Thursday, February 23, 2023, at 9:00 a.m. ET. To access the call, please dial 1 (833) 950-0062 or 1 (226) 828-7575 and use access code 327902. The conference call will also be webcasted live on the Investor Relations section of Stelco's web site at <https://investors.stelco.com>. A presentation that will accompany the conference call will also be available on the website prior to the conference call. Following the conclusion of the live call, a replay of the webcast will be available on the Investor Relations section of the Company's website for at least 90 days. A telephonic replay of the conference call will also be available from 12:00 p.m. ET on February 23, 2023 until 11:59 p.m. ET on March 9, 2023 by dialing 1 (866) 813-9403 and using the access code 811674.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's consolidated financial statements for the year ended December 31, 2022, and Management's Discussion & Analysis thereon are available under the Company's profile on SEDAR at www.sedar.com.

About Stelco

Stelco is a low cost, integrated and independent steelmaker with one of the newest and most technologically advanced integrated steelmaking facilities in North America. Stelco produces flat-rolled value-added steels, including premium-quality coated, cold-rolled and hot-rolled steel products, as well as pig iron and metallurgical coke. With first-rate gauge, crown, and shape control, as well as uniform through-coil mechanical properties, our steel products are supplied to customers in the construction, automotive, energy, appliance, and pipe and tube industries across Canada and the United States as well as to a variety of steel service centres, which are distributors of steel products. At Stelco, we understand the importance of our business reflecting the communities we serve and are committed to diversity and inclusion as a core part of our workplace culture, in part, through active participation in the BlackNorth Initiative.

Non-IFRS Measures

This news release refers to certain non-IFRS measures that are not recognized under International Financial Reporting Standards ("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 common share", "Adjusted EBITDA", "Adjusted EBITDA per nt", "Average 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 year ended December 31, 2022 available under the Company's profile on SEDAR at www.sedar.com.

Forward-Looking Information

This release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, acquisitions, opportunities, budgets, operations, financial results, taxes, dividend policy, plans and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "goal", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances may be forward looking statements. Forward-looking statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. The forward-looking statements contained herein are presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes.

Forward-looking information in this news release includes: statements regarding current markets trends in respect of steel prices, lead times and input costs; expectations that the Company will benefit from current market trends; expectations that the Company's current level of liquidity will provide our business with both optionality and opportunity to explore opportunities to deploy our capital in a manner that strengthens our business and maximizes value for our shareholders; statements regarding the NCIB and that any purchase of common shares by the Company thereunder will result in a proportionate interest in the Company of, and be advantageous to, all remaining shareholders.

Undue reliance should not be placed on forward-looking information. The forward-looking information in this press release is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of: our ability to 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 iron ore pellet supply agreement providing us with competitively priced iron ore pellets during the term of the agreement; our facilities operating at design capacity; 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 ongoing impact of the COVID-19 pandemic on our business, operations, employees, customers, suppliers and the economy overall; 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; relaxation of inflationary input costs; stabilization of the rising interest rate environment; and growth in steel markets and industry trends, as well as those set out in this press release, are material factors made in preparing the forward-looking information and management's expectations contained in this press release.

There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information, which speaks only as of the date made. The forward-looking information contained in this press release represents our expectations as of the date of this news release and are subject to change after such date. Stelco Holdings disclaims any intention or obligation or undertaking to update publicly or revise any forward-looking statements, whether written or oral, whether as a result of new information, future events or otherwise, except as required by law.

For Further Information

For investor enquiries: Paul D. Scherzer, Chief Financial Officer, (905) 577-4432,
paul.scherzer@stelco.com

For media enquiries: Trevor Harris, Vice-President, Corporate Affairs, (905) 577-4447,
trevor.harris@stelco.com

Selected Financial Information

The following includes financial information prepared by management in accordance with IFRS. This financial information does not contain all disclosures required by IFRS, and accordingly should be read in conjunction with Stelco Holdings Inc.'s Consolidated Financial Statements and MD&A for the year ended December 31, 2022, which is available on the Company's website and on SEDAR (www.sedar.com).

Stelco Holdings Inc.

Consolidated Statements of Income

(millions of Canadian dollars)	Three months ended December 31,		Years ended December 31,	
	2022	2021	2022	2021
Revenue from sale of goods	\$ 674	\$ 1,186	\$ 3,463	\$ 4,123
Cost of goods sold	601	513	2,303	2,082
Gross profit	73	673	1,160	2,041
Selling, general and administrative expenses	26	20	75	58
Operating income	47	653	1,085	1,983
Finance costs	(26)	(33)	(78)	(162)
Other costs	(3)	(3)	(15)	(7)
Finance and other income (loss)	10	—	7	(32)
Share of income from joint ventures	—	—	1	—
Gain on sale of land and buildings	—	—	260	—
Income before income taxes	28	617	1,260	1,782
Current income tax expense (recovery)	(26)	127	171	252
Deferred income tax expense (recovery)	31	(23)	92	(79)
Net income	\$ 23	\$ 513	\$ 997	\$ 1,609

Stelco Holdings Inc.
Consolidated Balance Sheets
(In millions of Canadian dollars)

As at	December 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 809	\$ 955
Restricted cash	9	20
Trade and other receivables	147	412
Inventories	789	617
Prepaid expenses and deposits	42	11
Total current assets	\$ 1,796	\$ 2,015
Non-current assets		
Derivative asset	108	126
Property, plant and equipment, net	1,199	1,008
Intangible assets	8	8
Investment in joint ventures	18	2
Deferred tax asset	2	78
Total non-current assets	\$ 1,335	\$ 1,222
Total assets	\$ 3,131	\$ 3,237
LIABILITIES		
Current liabilities		
Trade and other payables	\$ 663	\$ 717
Other liabilities	83	62
Asset-based lending facility	15	15
Income taxes payable	2	252
Obligations to independent employee trusts	143	212
Total current liabilities	\$ 906	\$ 1,258
Non-current liabilities		
Provisions	18	7
Pension benefits	11	11
Other liabilities	404	71
Asset-based lending facility	54	69
Deferred tax liability	18	—
Obligations to independent employee trusts	315	383
Total non-current liabilities	\$ 820	\$ 541
Total liabilities	\$ 1,726	\$ 1,799
EQUITY		
Common shares	318	446
Retained earnings	1,087	992
Total equity	\$ 1,405	\$ 1,438
Total liabilities and equity	\$ 3,131	\$ 3,237

Non-IFRS Measures Reconciliation

The following table provides a reconciliation of net income to Adjusted Net Income for the periods indicated:

(millions of Canadian dollars)	Three months ended December 31,		Years ended December 31,	
	2022	2021	2022	2021
Net income	\$ 23	\$ 513	\$ 997	1,609
Add back/(Deduct) following items:				
Gain on sale of land and buildings	—	—	(260)	—
Loss on derivative asset	3	1	18	7
Other costs ¹	3	3	15	7
Share-based compensation ²	7	—	13	—
Transaction-based and other corporate-related costs	2	1	4	2
Remeasurement of employee benefit commitment ³	(3)	12	(2)	91
Loss from commodity-based swaps	—	—	—	27
Total adjusted items before tax	12	17	(212)	134
Tax impact of above items	(3)	(5)	34	(34)
Total adjusted items after tax	9	12	(178)	100
Adjusted Net Income	\$ 32	\$ 525	\$ 819	1,709

¹ Other costs primarily includes the write-down of certain capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco, and demolition costs for certain buildings (and other assets) not connected to the Company's ongoing operations.

² Share-based compensation represents costs in connection with the Company's Total Shareholder Return Incentive Program which commenced during the first quarter of 2022.

³ Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.

The following table provides a reconciliation of net income to Adjusted EBITDA for the periods indicated:

(millions of Canadian dollars, except where otherwise noted)	Three months ended December 31,		Years ended December 31,	
	2022	2021	2022	2021
Net income	\$ 23	\$ 513	\$ 997	1,609
Add back/(Deduct) following items:				
Gain on sale of land and buildings	—	—	(260)	—
Income tax expense (recovery):				
Current	(26)	127	171	252
Deferred	31	(23)	92	(79)
Depreciation	26	19	90	69
Finance costs	26	33	78	162
Finance income and other	(13)	(1)	(25)	(1)
Loss on derivative asset	3	1	18	7
Other costs ¹	3	3	15	7
Share-based compensation ²	7	—	13	—
Transaction-based and other corporate-related costs	2	1	4	2
Loss from commodity-based swaps	—	—	—	27
Adjusted EBITDA	\$ 82	\$ 673	\$ 1,193	2,055
Adjusted EBITDA as a percentage of total revenue	12 %	57 %	34 %	50 %

¹ Other costs primarily includes the write-down of certain capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco, and demolition costs for certain buildings (and other assets) not connected to the Company's ongoing operations.

² Share-based compensation represents costs in connection with the Company's Total Shareholder Return Incentive Program which commenced during the first quarter of 2022.