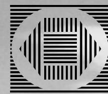
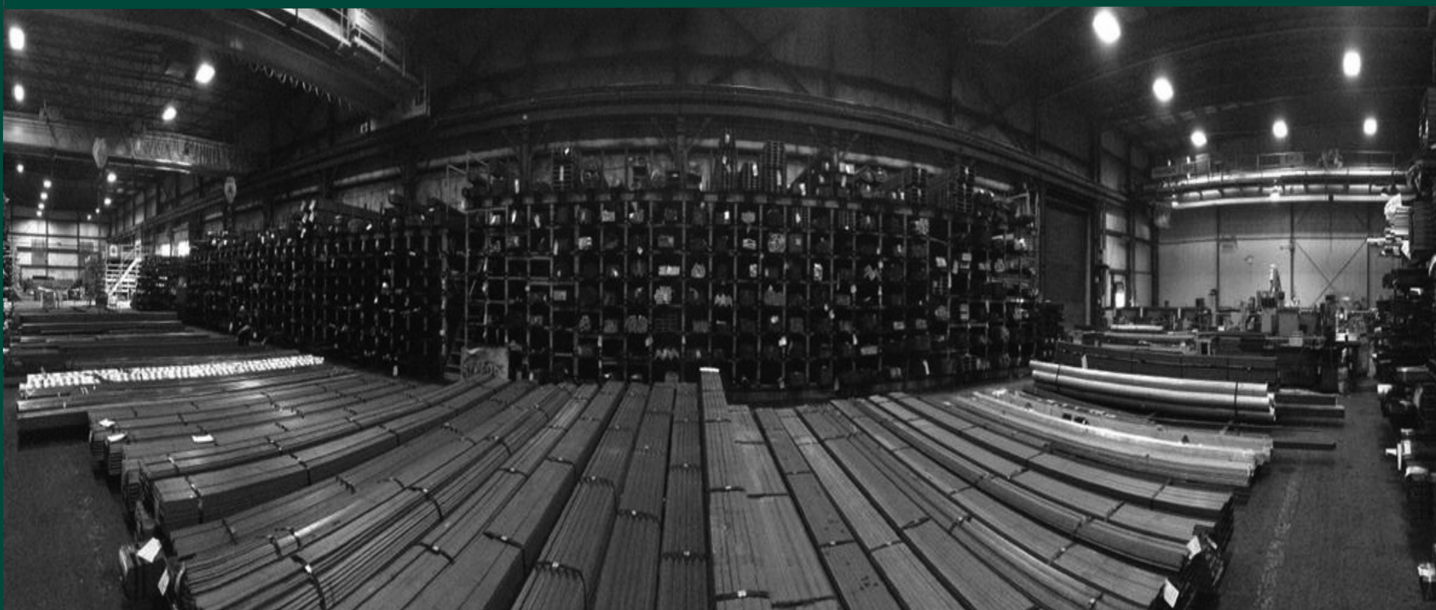


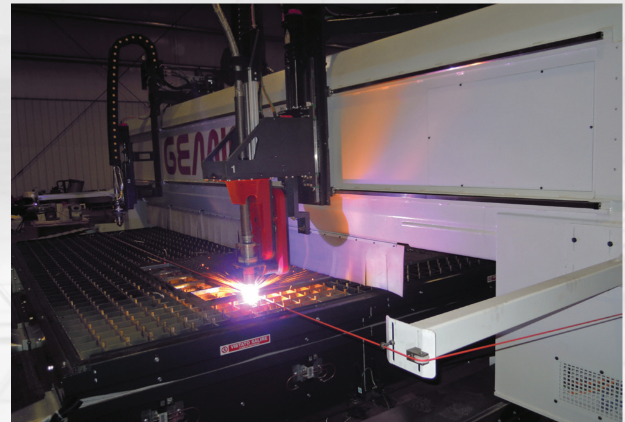
Russel Metals

2013 ANNUAL REPORT



GROWTH INITIATIVES:
AQUISITIONS - GREENFIELDS - ORGANIC - MODERNIZATION

METALS SERVICE CENTERS
Our network of metals service centers carries a broad line of metal products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular prooducts, stainless steel and aluminum. We purchase these products primarily from North American steel producers and package and sell them to end users in accordance with their specific needs. We service all major geographical regions of Canada and the Southeastern and Midwestern regions of the United States.



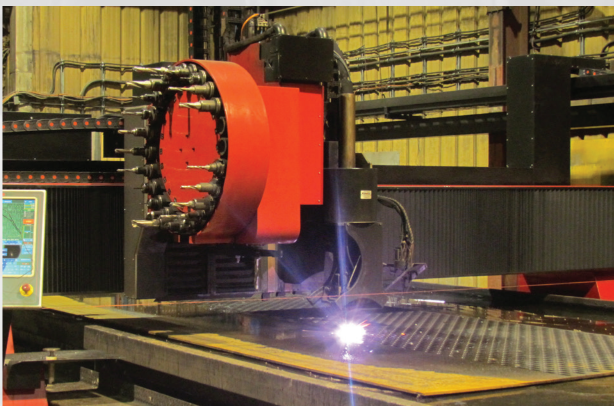
Organic Growth
High Definition Plasma Cutting & Machining - Saskatoon

Aquisitions / Greenfields
Apex Monarch / Apex Remington

ENERGY PRODUCTS
These operations distribute oil country tubular goods (OCTG), line pipe, tubes, valves and fittings in Canada and in the United States. We purchase these products either from the pipe division of North American steel mills or from independent manufacturers of pipe and pipe accessories.

STEEL DISTRIBUTORS
Our steel distributors act as master distributors, selling steel in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis. The main steel products sourced by this segment are carbon steel plate, beams, channel, flat rolled products, rails and pipe products.

Modernization
Stretcher Levellers - Winnipeg North & B&T Steel
Cut-To-Length Line - Arrow Steel



Organic Growth
High Definition Plasma Cutting & Machining - A.J. Forsyth

TABLE OF CONTENTS

A Message from our President & CEO 1
Four Year Financial Summary 3
Management's Responsibility for Financial Reporting 4
Management's Discussion & Analysis 5
Consolidated Financial Statements 20

A MESSAGE FROM OUR PRESIDENT AND CHIEF EXECUTIVE OFFICER

Brian R. Hedges

President & Chief Executive Officer

As illustrated by our cover this year, metals distribution is a basic, industrial, gritty business. 2013 was a difficult year as we navigated the uneven and rapidly changing economic conditions where margins were under pressure and every piece of business was hotly contested. Despite the challenging business conditions, we utilized our flexible and strong balance sheet to grow and enhance our operations and were well positioned to take advantage of opportunities that presented themselves. These growth initiatives included additional acquisitions and expansion of our processing capabilities at our metals service centers.

GROWTH

During 2013 we made three acquisitions that augmented our Apex Distribution operations - Keystone Oilfield in Manitoba, Northern Valve Services in northern British Columbia and, the largest one, Monarch Supply in Drayton Valley, Alberta. Apex Remington, the U.S. operation, also opened new store locations in Asherton and Midland, Texas.

Our capital expenditures for 2013 were $27 million and we expect to expand this to approximately $40 million per annum for the next couple of years as we invest in new equipment and open new locations. The new locations will primarily be located in the United States, with our metals service centers expanding their geographic footprint around their existing locations and Apex Remington opening new field stores in the fast growing shale energy plays in the United States. We also plan to expand and upgrade our existing Canadian metals service center facilities, starting with a new facility to replace our current multi-location operation in Edmonton, Alberta. In 2013, we upgraded our cut-to-length capabilities at Arrow Processing in Houston, added stretcher leveler capabilities in Winnipeg, Manitoba and Stoney Creek, Ontario and enhanced our plate processing capabilities with the addition of plasma cutting and machining equipment at our Saskatoon, Saskatchewan and Prince George, B.C. locations. In the future, we will continue to invest in industry-leading equipment to enhance our process capabilities.

OPERATIONS

In our 2012 Message to Shareholders, we predicted that “the economy would continue to lack direction for 2013 which will equate to flat volumes and steel prices that will be flat or slightly stronger”. Volumes were indeed flat but steel pricing was lower than 2012 leaving our reported earnings lower than last year. Operationally, I am pleased to report that Apex Distribution’s performance has met our expectations in all areas in light of the challenging economic conditions. We look forward to continued success.

GOVERNANCE

Following the Apex Distribution acquisition in late 2012, our primary focus was introducing Apex Distribution to the reporting and governance requirements of a public company, while maintaining the entrepreneurial culture that was a key driver in Apex Distribution’s success and made them such a desirable acquisition. I would like to thank Don White and his Apex Distribution team for the professional way they have addressed and implemented these requirements.

I would like to take this opportunity to personally thank our retiring Chair, Anthony (Tony) Griffiths. Tony became Chair almost 17 years ago on June 2, 1997 when our shares traded at $4.30 per share, we had not paid common share dividends since 1992 and our market capitalization was $220 million. During his tenure, we have returned almost $800 million to shareholders in the form of dividends, and our market capitalization is now $1.7 billion with the share price at $30. Tony provided the leadership that encouraged management to take a long term perspective on running the Company and at the same time provided the governance and moral compass that enabled one of the great Canadian turnaround stories to materialize and prosper. Tony, we thank you for your leadership and wise counsel during the past 17 years and please accept my personal appreciation for the mentorship that you have provided to me and the rest of our Russel Metals' team.

I would also like to welcome our newest Board member, John Tulloch, to our Board of Directors. John brings 40 years of experience in the steel industry primarily with IPSCO in various roles including Executive Vice President and Chief Commercial Officer.

MANAGEMENT

In our management ranks, I would like to welcome some key individuals who joined our management team in 2013. David Allan has joined us as General Manager of our Fedmet Tubular operation. John MacLean has joined us, with 33 years with of industry experience, and heads our Manitoba and Saskatchewan region of metals service centers. In addition, I would like to welcome the management teams from Keystone Oilfield, Northern Valve and Monarch Supply.

THE FUTURE

Looking forward to 2014, the influence of the shale-based energy fields has dramatically changed the landscape, providing potential energy self-sufficiency in North America; a situation that was previously unimagined. The products and services needed to service these markets have changed which has impacted our energy products segment. We have been and will continue to evaluate and adapt to this market.

In 2014, even though steel prices have started to recover, we believe the uncertainty for the last two years will continue but the overall tone should improve. We believe the signs of improvement in various manufacturing and construction markets will continue to strengthen and give an overall positive direction to the results.

Brian R. Hedges
President & Chief Executive Officer

Russel Metals Inc.

FINANCIAL HIGHLIGHTS

	<----Years ended----			-->
	2013	2012	2011	2010
OPERATING RESULTS (millions)				
Revenues	**$3,187.8**	$3,000.1	$2,693.3	$2,178.0
Net earnings	**83.3**	97.9 (2)	118.3	57.3
EBIT	**146.0**	175.3 (2)	197.5	110.8
Adjusted EBIT (Note)	**151.2** (1)	175.3 (2)	197.5	111.5 (1)
Adjusted EBIT as a % of revenue	**4.7%**	5.8%	7.3%	5.1%
Adjusted EBITDA (Note)	**184.8** (1)	200.8	221.0	136.8 (1)
EBITDA as a % of revenue	**5.8%**	6.7%	8.2%	6.3%
Basic earnings per common share ($)	**$1.37**	$1.63 (2)	$1.97	$0.96
BALANCE SHEET INFORMATION (millions)				
Metals				
Accounts receivable	**$455.9**	$455.6	$381.7	$300.5
Inventories	**766.3**	764.0	645.6	544.1
Prepaid expenses and other assets	**5.9**	7.1	4.3	2.9
Accounts payable and accruals	**(383.7)**	(381.5)	(343.6)	(259.8)
Net working capital - Metals	**844.4**	845.2	688.0	587.7
Fixed assets	**228.4**	225.3	184.1	187.2
Goodwill and intangibles	**218.7**	192.1	24.7	24.9
Net assets employed in metals operations	**1,291.5**	1,262.6	896.8	799.8
Other operating assets	**10.1**	16.0	17.1	17.6
Net income tax assets (liabilities)	**(11.3)**	(8.2)	(12.0)	(11.5)
Pension and benefit assets (liabilities)	**(23.1)**	(38.7)	(33.3)	(17.2)
Other corporate assets and liabilities	**(42.6)**	(47.3)	(22.1)	(11.9)
Total net assets employed	**$1,224.6**	$1,184.4	$846.5	$776.8
CAPITALIZATION (millions)				
Bank indebtedness, net of (cash)	**($116.2)**	($100.8)	($270.7)	($323.7)
Long-term debt (incl. current portion)	**458.4**	455.8	297.8	319.7
Total interest bearing debt, net of (cash)	**342.2**	355.0	27.1	(4.0)
Market capitalization	**1,913.1**	1,662.2	1,346.8	1,373.5
Total firm value	**$2,255.3**	$2,017.2	$1,373.9	$1,369.5
OTHER INFORMATION (Notes)				
Shareholders' equity (millions)	**$882.4**	$829.4	$819.4	$772.8
Book value per share ($)	**$14.48**	$13.78	$13.64	$12.88
Free cash flow (millions)	**$91.9**	$99.4	$129.5	$85.7
Capital expenditures (millions)	**$27.2**	$33.7	$18.1	$11.6
Depreciation and amortization (millions)	**$33.6**	$25.5	$23.5	$25.3
Earnings multiple	**22.9**	16.9	11.4	23.9
Firm value as a multiple of EBIT	**14.9**	11.5	7.0	12.3 (1)
Firm value as a multiple of EBITDA	**12.2**	10.0	6.2	10.0 (1)
Interest bearing debt/EBITDA	**2.5**	2.3	1.3	2.3 (1)
Debt as a % of capitalization	**34%**	35%	27%	29%
Market capitalization as a % of book value	**217%**	200%	164%	178%
Return on equity	**9%**	12%	14%	7%
Return on capital employed	**12%**	15%	23%	14% (1)
COMMON SHARE INFORMATION				
Ending outstanding common shares	**60,946,393**	60,204,636	60,071,698	59,978,173
Average outstanding common shares	**60,780,520**	60,128,534	60,043,222	59,717,629
Dividend yield	**4.5%**	5.1%	5.4%	4.8%
Dividend per share	**$1.40**	$1.40	$1.20	$1.10
Share price - High	**$31.62**	$28.97	$27.75	$23.94
Share price - Low	**$23.23**	$22.52	$18.90	$16.25
Share price - Ending	**$31.39**	$27.61	$22.42	$22.90

Notes:

(1) Adjusted EBIT excludes the asset impairment charge in 2013 of $5.2 million and the inventory reversal of $1.9 million and plant closure costs of $2.6 million in 2010.

(2) Restated due to adoption of IAS 19 (Amended 2011)

(3) This chart includes certain financial measures that are not prescribed by International Financial Reporting Standards (IFRS) or have standardized meanings, and thus, may not be comparable to similar measures presented by other companies, for example EBIT and EBITDA and Other Information. Management believes that EBIT and EBITDA may be useful in assessing our operating performance and as an indicator of our ability to service or incur indebtedness, make capital expenditures and finance working capital requirements. EBIT and EBITDA should not be considered in isolation or as an alternative to cash from operating activities or other combined income or cash flow data prepared in accordance with IFRS. EBIT, EBITDA and a number of the ratios provided under Other Information are used by debt and equity analysts to compare our performance against other public companies. This terminology is defined on the inside back cover. See financial statements for IFRS earnings.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, Management's Discussion and Analysis of Financial Condition and all information in the Annual Report have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements and Management's Discussion and Analysis of Financial Condition within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report with that contained in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company has developed, documented and maintained a system of internal controls in order to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared in accordance with International Financial Reporting Standards. In addition, the Company has developed and maintained a system of disclosure controls in order to provide reasonable assurance that the financial information is relevant, reliable and accurate. The Company has evaluated its internal and disclosure controls for the year ended December 31, 2013, and has disclosed the results of this evaluation in its Management Discussion and Analysis of Financial Condition.

The Company's Audit Committee is appointed annually by the Board of Directors. The Audit Committee, which is composed entirely of outside directors, meets with management to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the Management's Discussion and Analysis of Financial Condition. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements and the Management's Discussion and Analysis of Financial Condition for presentation to the shareholders.

The consolidated financial statements have been audited on behalf of the shareholders by the external auditors, Deloitte LLP, in accordance with Canadian generally accepted auditing standards. Deloitte LLP has full and free access to the Audit Committee.

February 19, 2014

B. R. Hedges
President and
Chief Executive Officer

M. E. Britton
Executive Vice President and
Chief Financial Officer

RUSSEL METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Russel Metals Inc. and its subsidiaries provides information to assist readers of our audited Consolidated Financial Statements for the year ended December 31, 2013, including the notes thereto and should be read in conjunction with these financial statements. All dollar references in our financial statements and in this report are in Canadian dollars unless otherwise stated.

Additional information related to Russel Metals Inc., including our Annual Information Form, may be obtained from SEDAR at www.sedar.com or on our website at www.russelmetals.com.

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of February 19, 2014.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements or information within the meaning of applicable securities laws, including statements as to our future capital expenditures, our outlook, the availability of future financing and our ability to pay dividends. Forward-looking statements relate to future events or our future performance. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us, inherently involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including the factors described below.

We are subject to a number of risks and uncertainties which could have a material adverse effect on our future profitability and financial position, including the risks and uncertainties listed below, which are important factors in our business and the metals distribution industry. Such risks and uncertainties include, but are not limited to: the current economic climate; volatility in metal prices; volatility in oil and natural gas prices; cyclicality of the metals industry and the industries that purchase our products; lack of credit availability that may limit the ability of our customers to obtain credit or expand their businesses; significant competition that could reduce our market share; the interruption in sources of metals supply; the integration of future acquisitions, including successfully adapting to a public company control environment and retaining key acquisition management personnel; failure to renegotiate any of our collective agreements and work stoppages; disruption in our customer or suppliers' operations due to labour disruptions or the existence of events or circumstances that cause a force majeure; environmental liabilities; environmental concerns or changes in government regulations in general, and those related to oil sands production, shale fracking or oil distribution in particular; changes in government regulations relating to workplace safety and worker health; currency exchange risk, particularly between the Canadian and U.S. dollar; the failure of our key computer-based systems, including our enterprise resource and planning systems; the failure to implement new technologies; the loss of key individuals; the inability to access affordable financing, capital or insurance; interest rate risk; dilution; and change of control.

While we believe that the expectations reflected in our forward-looking statements are reasonable, no assurance can be given that these expectations will prove to be correct, and our forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A and, except as required by law, we do not assume any obligation to update our forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements including as a result of the risk factors described above and under the heading "Risk" later in this MD&A, and in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com. Specific reference is made to our most recent Annual Information Form for a further discussion of some of the factors underlying our forward-looking statements.

NON-GAAP MEASURES

This MD&A includes a number of measures that are not prescribed by Canadian generally accepted accounting principles ("GAAP") and as such may not be comparable to similar measures presented by other companies. We believe these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and other interested parties to evaluate financial performance and our ability to incur and service debt to support our business activities. The measures we use are specifically defined where they are first used in this report.

While we believe that non-GAAP measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP.

OVERVIEW

We are one of the largest metals distribution companies in North America. We conduct business primarily in three metals distribution segments: metals service centers, energy products, and steel distributors.

We were again active in 2013 completing three acquisitions to complement our Apex Distribution operation in the energy products segment. The following summarizes these activities:

(i) On December 2, 2013, we completed the acquisition of Monarch Supply, a oilfield supply operation located in Drayton Valley, Alberta for a purchase price consisting of a cash payment of $32 million and future cash payments contingent on future earnings over the next five years ending December 31, 2018 estimated at $10 million.

(ii) On September 14, 2013, we completed the acquisition of Northern Valve Services, a valve service center with a store in Fort St. John, British Columbia.

(iii) On September 12, 2013, we completed the acquisition of Keystone Oilfield, an oilfield supply company with stores operating in Virden, Manitoba and Moosomin and Wawaota, Saskatchewan.

The purchase price for Northern Valve Services and Keystone Oilfield totaled $11 million.

Our 2013 revenues increased 6%, mainly due to the acquisition of Apex Distribution in November 2012 which generated revenues of $455 million in 2013. On a same store basis we experienced declining volumes and lower selling prices resulting in a decline in revenue. Gross margin dollars are up year over year due to revenue increases in our energy products segment. Operating expenses in our energy products segment increased due to volumes and our acquisitions in 2012 and 2013.

Earnings were negatively impacted by an asset impairment charge of $5 million at our Thunder Bay Terminal operation and inventory write-downs of $19 million at our energy products operations. We recorded finance income of $4 million related to a fair value adjustment reducing the Apex Distribution contingent consideration liability. This income included $10 million relating to a decrease in the expected payments offset by imputed interest on expected payments.

Our earnings for 2013 were $83 million compared to $98 million in 2012. Earnings per share were $1.37 for 2013 compared to $1.63 for 2012. Our return on equity was 9%.

SUMMARIZED FINANCIAL INFORMATION

The table discloses selected information related to revenues, earnings and common share information over the last eight quarters.

2013

(in millions, except per share data and volumes)	**Quarters Ended**				**Year Ended**
	Mar. 31	**June 30**	**Sept. 30**	**Dec. 31**	**Dec. 31**
Revenues	**$ 821.8**	**$ 758.1**	**$ 796.8**	**$ 811.1**	**$ 3,187.8**
Earnings from operations	**41.5**	**40.2**	**36.5**	**33.0**	**151.2**
Net earnings	**21.7**	**19.9**	**18.9**	**22.8**	**83.3**
Basic earnings per common share	**$ 0.36**	**$ 0.33**	**$ 0.31**	**$ 0.37**	**$ 1.37**
Diluted earnings per common share	**$ 0.36**	**$ 0.33**	**$ 0.31**	**$ 0.37**	**$ 1.37**
Market price of common shares					
High	**$ 29.59**	**$ 29.47**	**$ 28.25**	**$ 31.62**	**$ 31.62**
Low	**$ 27.86**	**$ 23.23**	**$ 23.91**	**$ 25.81**	**$ 23.23**
Shares outstanding end of quarter	**60,818,240**	**60,866,902**	**60,890,252**	**60,946,393**	**60,946,393**
Number of common shares traded	**9,940,048**	**12,806,749**	**7,978,646**	**9,523,684**	**40,249,127**

2012

(in millions, except per share data and volumes)	Quarters Ended (restated)				Year Ended
	Mar. 31	June 30	Sept. 30	Dec. 31	Dec. 31
Revenues	$ 802.9	$ 718.7	$ 712.6	$ 765.9	$ 3,000.1
Earnings from operations	52.8	46.0	40.2	36.0	175.0
Net earnings	32.9	22.5	22.4	20.1	97.9
Basic earnings per common share	$ 0.55	$ 0.37	$ 0.37	$ 0.34	$ 1.63
Diluted earnings per common share	$ 0.53	$ 0.37	$ 0.37	$ 0.34	$ 1.62
Market price of common shares					
High	$ 27.95	$ 27.92	$ 28.20	$ 28.97	$ 28.97
Low	$ 22.52	$ 23.61	$ 23.73	$ 25.90	$ 22.52
Shares outstanding end of quarter	60,102,823	60,129,973	60,155,948	60,204,636	60,204,636
Number of common shares traded	14,759,969	9,475,372	10,831,800	10,378,377	45,445,518

RESULTS OF OPERATIONS

The following table provides operating profits before interest, other finance income or expense, asset impairment and income taxes. The corporate expenses included are not allocated to specific operating segments. Gross margins (revenue minus cost of sales) as a percentage of revenues for the operating segments are also shown below. The table shows the segments as they are reported to management and are consistent with the segment reporting in our consolidated financial statements.

(in millions, except percentages)	**2013**	2012 (restated)	2013 Change as a % of 2012
Segment Revenues			
Metals service centers	**$ 1,455.6**	$ 1,581.1	**(8%)**
Energy products	**1,442.8**	1,060.2	**36%**
Steel distributors	**283.2**	351.1	**(19%)**
Other	**6.2**	7.7	
	$ 3,187.8	$ 3,000.1	**6%**
Segment Operating Profits			
Metals service centers	**$ 71.7**	$ 102.1	**(30%)**
Energy products	**79.3**	63.2	**25%**
Steel distributors	**19.0**	30.3	**(37%)**
Corporate expenses	**(17.8)**	(21.1)	**(16%)**
Other	**(1.0)**	0.5	
Operating profits	**$ 151.2**	$ 175.0	**(14%)**
Segment Gross Margin as a % of Revenues			
Metals service centers	**20.5%**	20.5%	
Energy products	**15.4%**	13.5%	
Steel distributors	**12.5%**	14.0%	
Total operations	**17.7%**	17.4%	
Segment Operating Profit as a % of Revenues			
Metals service centers	**4.9%**	6.5%	
Energy products	**5.5%**	6.0%	
Steel distributors	**6.7%**	8.6%	
Total operations	**4.7%**	5.8%	

Note: 2012 restatement relates to adoption of a new Employee Benefits standard. See Note 2 of our 2013 financial statements.

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 39,000 end users through a network of 53 Canadian locations and 12 U.S. locations. Our metals service centers carry a broad line of products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel and aluminum. We purchase these products primarily from steel producers in North America and process and package them in accordance with end user specifications. We service all major geographic regions of Canada and the Southeastern and Midwestern regions in the United States. Within Canada, our service centers operate under the names Russel Metals, Métaux Russel, A.J. Forsyth, Acier Leroux, Acier Loubier, Acier Richler, Alberta Industrial Metals, B&T Steel, Leroux Steel, Mégantic Métal, Russel Metals Specialty Products, Métaux Russel Produits Spécialisés, McCabe Steel, Siemens Laserworks and York-Ennis. Our U.S. service centers operate under the names Russel Metals Williams Bahcall, JMS Russel Metals, Norton Metals and Baldwin International.

b) Factors affecting results

The following is a general discussion of the significant factors affecting our metals service centers results. More specific information on how these factors impacted 2013 and 2012 is found in the section that follows.

Steel prices fluctuate significantly throughout the steel cycle. Steel prices are influenced by overall demand, trade sanctions, iron ore prices, scrap steel prices and product availability. Steel prices declined slightly during the first half of 2013 and stabilized in the third quarter of 2013. Supply side management, practiced by steel producers in North America, and international supply and demand, which impacts steel imports, affects product availability. Trade sanctions are initiated either by steel mills or by government agencies in North America.

Demand for our product is significantly affected by economic cycles. Revenues and operating profits fluctuate with the level of general business activity in the markets served. We are most impacted by the manufacturing, resource and construction segments of the North American economy.

Canadian service centers, which represent the majority of our metals service center operations, have operations in all regions of Canada and are affected by general regional economic conditions. Our large market share and our diverse customer base of approximately 22,000 customers mean that our results tend to mirror the performance of the regional economies of Canada. Our U.S. operations, which have approximately 17,000 customers, are impacted by the local economic conditions in the regions that they serve.

The change in the Canadian dollar in 2013 versus 2012 resulted in a less than 1% increase in revenues and profits for our U.S. operations translated to Canadian dollars. Revenues and profits of our U.S. operations reported for 2013 were converted at $1.0301 per US$1 compared to $0.9994 per US$1 for 2012. The exchange rate at December 31, 2013 used to translate the balance sheet was $1.0636 per US$1 versus $0.9949 per US$1 at December 31, 2012.

Our Canadian operations can be affected by the U.S. dollar exchange rate since some products are sourced outside of Canada and are priced in U.S. dollars. Movement in the Canadian dollar has a short-term impact on inventory prices.

c) Metals service centers segment results -- 2013 compared to 2012

Revenues for 2013 decreased 8% to $1.5 billion compared to 2012 revenues of $1.6 billion. The average selling price of metal for 2013 was approximately 7% lower than the average selling price for 2012. The lower average selling price was a result of the general economic slowdown which started in 2012 and lower metal prices. Tons shipped in metals service centers approximated the tons shipped in 2012. Tons shipped in 2013 compared to 2012 increased 3% in our U.S. metal service centers and decreased by 2% in our Canadian metals service centers. The Metals Service Center Institute reported an increase in tons shipped for the industry of less than 1% in the U.S. for 2013; however, for Canada they reported a decrease of 6%.

Gross margin dollars for 2013 were $25 million lower than 2012 due to lower selling prices. Gross margin as a percentage of revenues was 20.5% for 2013 and 2012.

Our average revenue per invoice for 2013 was approximately $1,635 compared to $1,806 for 2012, reflecting lower selling prices. We handled approximately 3,562 transactions per day in 2013 compared to 3,502 per day for 2012, an increase of 2%.

Operating expenses for 2013 increased $6 million or 3%, from 2012 mainly related to the effect of the decline in the Canadian dollar on the conversion of our U.S. operations and higher depreciation of $2 million due to investments in processing equipment. Operating expenses as a percentage of revenue increased from 14% for 2012 to 16% for 2013 due to lower revenues, but tons shipped compared to 2012 were consistent.

Metals service centers operating profits for 2013 decreased by 30% to $72 million from $102 million in 2012. The decrease was due to lower gross margin dollars and higher operating expenses.

ENERGY PRODUCTS

a) Description of operations

These operations distribute oil country tubular goods (OCTG), line pipe, tubes, valves and fittings, primarily to the energy industry in Western Canada and the United States. A significant portion of our business units are clustered in Alberta, Canada, and in the U.S., in Colorado and Texas. A large portion of our inventories are located in third party yards ready for distribution to customers throughout North America. In addition, we operate from 59 Canadian and 18 U.S. facilities mainly to support our valve and fitting operations. The majority of these facilities are oil field stores which form the Apex Distribution network. We purchase our products from the pipe division of North American steel mills, independent manufacturers of pipe, valves and fittings, international steel mills or other distributors. Our energy products segment operates under the names Apex Distribution, Apex Monarch, Apex Remington, Comco Pipe and Supply Company, Fedmet Tubulars, Triumph Tubular & Supply, Pioneer Pipe and Spartan Energy Tubulars.

b) Factors affecting results

The following is a general discussion of the factors affecting our energy products segment operations. More specific information on how these factors impacted 2013 and 2012 is found in the section that follows.

The price of natural gas and oil can impact rig count and drilling activities, particularly in Western Canada. Rig activity affects demand for our products. The price of oil softened during 2013 compared to the levels in 2012. Rig activity for 2013 approximated that of 2012. Activity in Western Canada is dependent on Canadian oil prices which are below U.S. oil prices due to additional refining requirements and a shortage of pipeline capacity. Natural gas prices are at very low levels and thus drilling activity related to gas is well below historical levels. Fracking technology, applied to horizontal drilling, enables producers to economically drill in oil and gas-rich shale fields and remains the focus of our OCTG sales efforts. The change to horizontal drilling as well as the reduction in gas drilling has required us to write-down inventory traditionally used in these areas. Sales of larger diameter pipe for use in mid-stream distribution feeder lines was a very active area for our U.S. operations in 2012 and early 2013 as new shale fields were developed and their output connected to existing pipelines.

Prices for pipe products are influenced by overall demand, trade sanctions and product availability. Trade sanctions are initiated either by steel mills or by government agencies in North America. Both the Canadian and U.S. governments have imposed duties on certain Chinese pipe, which remain in effect and reduce imports of these products. The U.S. government has also initiated a review of pipe from India, South Korea and number of other countries. Pricing of valves and fittings are not as sensitive to steel price fluctuations.

Our Canadian operations can be affected by the U.S. dollar exchange rate since some products are sourced outside of Canada and are priced in U.S. dollars. Movement in the Canadian dollar impacts the cost of inventory and cost of sales.

Drilling related to oil and natural gas in Western Canada historically peaks during the period from October to March.

c) Energy products segment results -- 2013 compared to 2012

Revenues increased to $1.4 billion for 2013, an increase of 36%, compared to 2012 primarily due to the Apex Distribution acquisition. On a same store basis revenues have decreased 7%, related to decreases at our Canadian operation servicing the oil sands and our U.S. line pipe operation, offset by increases at our operations servicing oil drilling activity in Canada.

Gross margin as a percentage of revenue was 15.4% for 2013 compared to 13.5% in 2012 due to higher margins at the Apex Distribution operations.

Operating expenses on a same store basis were consistent with 2012. Apex Distribution has higher operating expenses as a percentage of revenues.

Operating profits increased to $79 million for 2013 compared to $63 million for 2012, related to strong earnings from Apex Distribution offset by lower earnings at our other energy products operations triggered by inventory write-downs.

STEEL DISTRIBUTORS

a) Description of operations

Our steel distributors act as master distributors selling steel in large volumes to other steel service centers and equipment manufacturers mainly on an "as is" basis. Our U.S. operation has a cut-to-length facility in Houston, Texas where it processes coil for its customers. Our steel distributors source their steel both domestically and off shore.

The main steel products sourced by this segment are structural beam, plate, coils, pipe and tubing; however, product volumes vary based on the economy and trade actions in North America. Our steel distributors operate under the names Wirth Steel and Sunbelt Group. Arrow Steel, a division of Sunbelt Group, processes coils.

b) Factors affecting results

The following is a general discussion of the significant factors affecting our steel distributors. More specific information on how these factors impacted 2013 and 2012 is found in the section that follows.

Steel prices are influenced by overall demand, trade sanctions and product availability both domestically and worldwide. Trade sanctions are initiated either by steel mills or government agencies in North America. Trade actions currently exist on plate and pipe from specified countries. Steel imports are affected both by mill capacity by product line in North America, as well as international supply and demand. In addition, these factors significantly affect product availability in North America. During 2013, lead times for deliveries from North American mills remained short due to excess capacity which reduced demand for imports and increased price risk leading to decreased activity at steel distributors.

Demand for steel that is sourced off shore fluctuates significantly and is mainly driven by price and product availability in North America. Our steel distributors have a significant number of customers who buy product from them on a periodic basis which can result in large fluctuations in revenues reported from period to period.

Our Canadian operations source product outside of Canada that is priced in U.S. dollars and may be subject to movement in the Canadian dollar.

c) Steel distributors segment results -- 2013 compared to 2012

Steel distributors revenues decreased 19% to $283 million for 2013 compared to 2012 due to short lead times and availability from North American mills coupled with lower demand and cautious inventory stocking positions in the service center industry and at equipment manufacturers.

Gross margin as a percentage of revenues was 12.5% for 2013 compared to 14.0% for 2012. This decline related to compressed margins due to weaker demand for steel and lower prices in 2013.

Operating expenses for 2013 were $2 million lower than 2012 as a result of lower variable compensation.

Operating profits for 2013 were $19 million compared to $30 million in 2012. This decrease was mainly due to lower demand and lower gross margins.

CORPORATE EXPENSES -- 2013 COMPARED TO 2012

Corporate expenses were $17 million in 2013 compared to $21 million in 2012. Corporate expenses were lower mainly due to lower variable compensation as a result of lower earnings, and lower legal and consulting fees related to smaller acquisitions in 2013 compared to 2012.

CONSOLIDATED RESULTS -- 2013 COMPARED TO 2012

Operating profits from operations were $151 million in 2013 compared to $175 million in 2012 due to a reduction in selling prices at metals service centers, lower volumes at steel distributors and inventory losses at certain of our energy products operations. These decreases were offset by the positive contribution of Apex Distribution.

ASSET IMPAIRMENT

Our revenues and operating profits described as other in our reporting includes the operations of a bulk handling terminal in Thunder Bay, Ontario. This operation transfers coal, potash and other bulk products from rail to ship for movement on the Great Lakes. During 2013, volumes handled continued to deteriorate and expenses increased due to increased property taxes that we are currently challenging, resulting in operating losses. These changes were key indicators that led us to review the carrying value of these long-lived assets for impairment during the 2013 third quarter. This review resulted in a write-down of $5 million in the terminal's property, plant and equipment.

INTEREST EXPENSE AND INCOME

Net interest expense was $36 million for 2013 compared to $33 million for 2012, reflecting the higher debt outstanding after the issuance of our Canadian Senior Notes in April 2012 and utilization of available cash for our acquisitions.

OTHER FINANCE INCOME AND EXPENSE

Other finance income was $5 million for 2013 compared to an expense of $6 million for 2012. In 2013, we recorded income from a change in fair value of $4 million associated with the expected contingent consideration related to the Apex Distribution acquisition. This fair value adjustment is comprised of a reduction in the expected payment of $10 million offset by imputed interest on the expected future payments. The 2012 other finance expense primarily related to costs associated with the redemption of our U.S. Notes in 2012.

INCOME TAXES

We recorded a provision for income taxes of $32 million in 2013 compared to $39 million for 2012. Our effective income tax rate for 2013 was 27.6% compared to 28.4% for 2012. The effective income tax rate was lower due to the change in fair value of the contingent consideration related to the Apex Distribution acquisition which was not tax effected.

NET EARNINGS

Net earnings for 2013 were $83 million compared to $98 million in 2012. Basic earnings per share for 2013 were $1.37 per share compared to $1.63 per share in 2012.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for 2013 was 60,780,520 compared to 60,128,534 for 2012. The weighted average number of common shares outstanding has increased as a result of the exercise of options. Common shares outstanding at December 31, 2013 were 60,946,393 and at February 12, 2014 were 60,949,528.

We paid common share dividends of $85 million or $1.40 per share in 2013 compared to $81 million or $1.35 per share in 2012.

We have $175 million of 7.75% Convertible Unsecured Subordinated Debentures outstanding which mature on September 30, 2016. Each debenture is convertible into common shares at the option of the holder at any time on or prior to the business day immediately preceding (i) the maturity date, or (ii) the date specified for redemption of the Convertible Debentures, at a conversion price of $25.75 per share being a conversion rate of 38.8350 common shares per $1,000 principal amount of Convertible Debentures. During the year ended December 31, 2013, Convertible Debentures having a principal amount of $132,000 were converted into 5,124 common shares.

We issued $300 million 6.0% Senior Notes due April 19, 2022. The indenture for our Senior Notes has restrictions related to the payment of quarterly dividends in excess of $0.35 per share. We currently have a basket of approximately $157 million available for restricted payments, which is adjusted for 50% of our net earnings or losses on a quarterly basis. This basket would be available for increased dividend payments.

Under our syndicated bank facility, the payment of dividends is subject to excess borrowing base availability of not less than four times the declared dividend. We do not believe this requirement will restrict our ability to pay dividends as our borrowing base, which is based on percentages of accounts receivable and inventories, has traditionally been in excess of our borrowings plus four times the current dividend. In addition, we believe we would be able to finance our short-term cash requirements with alternate financing structures and pay the dividend.

EBITDA

The following table shows the reconciliation of net earnings to EBITDA:

(millions)	**2013**	2012 (restated)
Net earnings	**$ 83.3**	$ 97.9
Provision for income taxes	**31.8**	39.0
Interest and finance expense, net	**30.9**	38.1
Asset impairment charges	**5.2**	-
Adjusted earnings before interest, finance and income taxes	**151.2**	175.0
Depreciation and amortization	**33.6**	25.5
Adjusted earnings before interest, finance, income taxes, depreciation and amortization (adjusted EBITDA)	**$ 184.8**	$ 200.5

We believe that EBITDA, a non-GAAP measure, may be useful in assessing our operating performance and as an indicator of our ability to service or incur indebtedness, make capital expenditures and finance working capital requirements. The items excluded in determining adjusted EBITDA are significant in assessing our operating results and liquidity. Therefore, adjusted EBITDA should not be considered in isolation or as an alternative to cash from operating activities or other combined income or cash flow data prepared in accordance with GAAP.

Depreciation and amortization increased due to increased fixed assets and customer intangibles, primarily as a result of the acquisition of Apex Distribution.

CAPITAL EXPENDITURES

Capital expenditures were $27 million in 2013 compared to $34 million in 2012. Depreciation expense was $27 million in 2013 compared to $24 million in 2012. The increase in depreciation expense relates to acquisitions made in 2012 and additional processing equipment acquired. We expect capital expenditures to exceed depreciation in the short term due to the purchase of additional processing equipment, the relocation and expansion of service center locations and an upgrade of our computer systems.

LIQUIDITY

At December 31, 2013, we had cash of $116 million compared to $115 million at December 31, 2012.

We generated $119 million from operations during 2013 and $22 million from reduced working capital. We utilized $27 million investing in capital expenditures, utilized $43 million to complete three energy products segment acquisitions and returned $85 million to shareholders through dividends.

We experience significant swings in working capital which impact cash flow. Inventory and accounts receivable represent a large percentage of our total assets employed and vary throughout each cycle. Accounts receivable and inventory comprise our largest liquidity risks. Our customers are impacted by the economic climate and thus it is possible to experience bad debts and increased days outstanding for accounts receivable, which may affect the timing of collections.

Total assets were $1.8 billion at December 31, 2013 and 2012. At December 31, 2013 and 2012 current assets excluding cash represented 73% of our total assets excluding cash.

Reductions in inventory generated cash of $22 million in 2013. Inventories reported at December 31, 2013 are higher due to acquisitions and the decline in the Canadian dollar increasing the value of inventories located in the U.S. when translated to Canadian dollars. Inventories represented 42% of our total assets at December 31, 2013 and 2012.

Inventory by Segment *(millions)*	**Dec. 31 2013**	Sept. 30 2013	June 30 2013	Mar. 31 2013	Dec. 31 2012
Metals service centers	**$ 259**	$ 247	$ 255	$ 268	$ 274
Energy products	**433**	420	427	420	411
Steel distributors	**74**	67	88	84	79
Total	**$ 766**	$ 734	$ 770	$ 772	$ 764

	Quarters Ended				
Inventory Turns	**Dec. 31 2013**	Sept. 30 2013	June 30 2013	Mar. 31 2013	Dec. 31 2012
Metals service centers	**4.3**	4.7	4.7	4.2	3.9
Energy products	**3.0**	2.9	2.5	3.1	3.4
Steel distributors	**3.3**	3.9	2.6	3.1	3.6
Total	**3.5**	3.6	3.2	3.5	3.6

At December 31, 2013, our metals service centers inventories were approximately 4% lower based on tons and were priced at lower values compared to December 31, 2012. This segment had reduced inventory levels due to price uncertainty.

Our energy products operations had inventory at the end of 2013 higher than 2012 to support the anticipated stronger first quarter in 2014.

Our steel distributors segment had lower inventory levels at lower values compared to the end of 2012. Lower revenues compared to fourth quarter 2012 reduced turns.

Accounts receivable generated cash of $19 million due to strong collections at year end and represented 25% of our total assets at December 31, 2013 and 2012.

During 2013, we made income tax payments of $35 million compared to $60 million for 2012.

The balances disclosed in our consolidated cash flow statements are adjusted to remove the non-cash component related to foreign exchange rate fluctuations impacting inventory, accounts receivable, accounts payable and income tax balances of our U.S. operations.

FREE CASH FLOW

(millions)	**2013**	2012
Cash from operating activities before non-cash working capital	**$ 119.2**	$ 133.1
Purchase of property, plant and equipment	**(27.2)**	(33.7)
	$ 92.0	$ 99.4

We believe that free cash flow may be useful in assessing our ability to pay dividends, reduce outstanding debt and fund working capital growth. Free cash flow is a non-GAAP measure regularly used by investors and analysts to evaluate companies

CASH, DEBT AND CREDIT FACILITIES

Debt *As at December 31 (millions)*	**2013**	2012
Long-term debt		
6.0% $300 million Senior Notes due April 19, 2022	**$ 294**	$ 293
7.75% $175 million Convertible Debentures due September 30, 2016	**161**	158
Finance leases obligations, maturing 2014 to 2017	**3**	5
	458	456
Current portion	**(1)**	(2)
	$ 457	$ 454

Our Convertible Debentures have been split between debt and equity. The debt allocated to equity is accreted as a charge through interest expense over the life of the debentures. The amount allocated to equity represented the valuation of the holders' option to convert the Convertible Debentures into common shares. Based on current share prices we would expect the Convertible Debentures to be converted to equity at redemption or maturity which would result in 6,790,602 common shares being issued.

Cash and Bank Credit Facilities

As at December 31, 2013 (millions)	Russel Metals Facility	U.S. Subsidiary Facility	Total
Bank loans	$ -	$ -	$ -
Cash net of outstanding cheques	115	1	116
Net cash	115	1	116
Letters of credit	(24)	(4)	(28)
	$ 91	$ (3)	$ 88
Facilities			
Borrowings and letters of credit	$ 275	$ 21	$ 296
Letters of credit	50	-	50
Facilities availability	$ 325	$ 21	$ 346
Available line based on borrowing base	$ 325	$ 21	$ 346

We have a credit facility with a syndicate of Canadian and U.S. banks totaling $325 million which was amended and extended to June 24, 2017 during 2013. The new syndicated facility consists of availability of $275 million under Tranche I to be utilized for borrowings and letters of credit, and $50 million under Tranche II to be utilized only for letters of credit. Letters of credit are issued under Tranche II first and additional needs are issued under Tranche I. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of our eligible accounts receivable and inventories, to a maximum of $325 million. As of December 31, 2013, we were entitled to borrow and issue letters of credit totaling $325 million under this facility. At December 31, 2013, we had no borrowings and $24 million of letters of credit outstanding. At December 31, 2012 we had borrowings of $37 million and letters of credit of $37 million.

In July 2013, we renewed our U.S. subsidiary facility with an expiry of July 2014. The maximum borrowings under this facility, including letters of credit, are US$20 million. At December 31, 2013, our U.S. subsidiary had no borrowings under this facility and had letters of credit of US$4 million. At December 31, 2012, this subsidiary had no borrowings under this facility and had letters of credit of US$21 million.

With our cash, cash equivalents and our bank facilities we have access to approximately $409 million of cash based on our December 31, 2013 balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases. These lines may be used to support increased working capital needs when volumes and steel prices increase.

CONTRACTUAL OBLIGATIONS

As at December 31, 2013, we were contractually obligated to make payments as per the following table:

Contractual Obligations	Payments due in				
(millions)	2014	2015 and 2016	2017 and 2018	2019 and thereafter	Total
Accounts payable	$ 384.0	$ -	$ -	$ -	$ 384.0
Debt	-	174.8	-	300.0	474.8
Long-term debt interest	31.6	63.2	36.0	63.9	194.7
Finance lease obligations	1.5	1.5	0.4	-	3.4
Operating leases	21.4	35.1	22.5	32.6	111.6
Total	$ 438.5	$ 274.6	$ 58.9	$ 396.5	$ 1,168.5

As part of the purchase consideration for Apex Distribution we agreed to pay additional consideration during the five years ending 2017 based on earnings before interest and taxes and return on net assets. The fair value of this consideration was $38 million at December 31, 2013. The obligation was decreased by $4 million in 2013 related to the change in fair value. The change in fair value is comprised of a reduction of the expected payout of $10 million offset by an increase due to imputed interest of $5 million. The amount will be reviewed quarterly and adjusted through income for increases or decreases in the liability.

We have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 15 of our 2013 consolidated financial statements. During 2013, we contributed $6 million to these plans. We expect to contribute approximately $9 million to these plans during 2014. The defined benefit obligations reported in the financial statements use different assumptions than the going concern actuarial valuations prepared for funding. In addition, the actuarial valuations provide a solvency valuation, which is a valuation assuming the plan is wound up at the valuation date. Our funding obligations reported would increase by $6 million on a solvency basis and thus additional funding could be required based on solvency if the plans were wound up. We estimate the impact of a change in the discount rate on the solvency obligation would be similar to that disclosed in Note 15 of our 2013 consolidated financial statements.

We have disclosed our obligations related to environmental litigation, regulatory actions and remediation in our Annual Information Form. These obligations relate to previously divested or discontinued operations and do not relate to the metals distribution business. During the second quarter of 2013, an agreement was reached with the purchasers of one of these businesses whereby $2 million was paid into escrow to fund remediation activities in return for an indemnification for any remediation expense beyond that amount. These escrow funds were fully depleted during the 2013 third quarter.

OFF-BALANCE SHEET ARRANGEMENTS

Our off-balance sheet arrangements consist of the letters of credit disclosed in the bank credit facilities table and operating lease obligations disclosed in the contractual obligations table.

ACCOUNTING ESTIMATES

The preparation of our financial statements requires management to make estimates and judgements that affect the reported amounts. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventory net realizable value and obsolescence, useful lives of fixed assets, asset impairment, fair values, income taxes, pensions and benefits obligations, guarantees, decommissioning liabilities, contingencies, contingent consideration, litigation and assigned values on net assets acquired. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Our most significant assets are accounts receivable and inventories.

Accounts Receivable
An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of our customers to make required payments. Assessments are based on aging of receivables, legal issues (bankruptcy status), past collection experience, current financials, credit agency reports and the experience of our credit personnel. Accounts receivable which we determine to be uncollectible are reserved in the period in which the determination is made. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Our reserve for bad debts at December 31, 2013 approximates our reserve at December 31, 2012. Bad debt expense for 2013 as a percentage of revenue approximates that of 2012.

Inventories
We review our inventories to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. Our inventory reserve level at December 31, 2013 was $6 million higher than the level at December 31, 2012.

Other areas involving significant estimates and judgements include:

Income Taxes
We believe that we have adequately provided for income taxes based on all of the information that is currently available. The calculation of income taxes in many cases requires significant judgement in interpreting tax rules and regulations, which are constantly changing. Our tax filings are also subject to audits, which could materially change the amount of current and future income tax assets and liabilities. Any change would be recorded as a charge or reduction in income tax expense.

Business Combinations
We review the fair value of assets acquired for acquisitions. Where we deem it appropriate, we hire outside business valuators to assist in the assessment of the fair value of property, plant, equipment, intangibles and contingent consideration of acquired businesses. The assessment of fair values for contingent consideration requires significant judgement and is fair valued quarterly.

Employee Benefit Plans
Our actuaries perform a valuation, at least every three years, for each defined benefit plan to determine the actuarial present value of the benefits. The valuation uses management's assumptions for the interest rate, rate of compensation increase, rate of increase in government benefits and expected average remaining years of service of employees. While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect employee benefit obligations and future net benefit plan cost. We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance immediately in other comprehensive income.

We had approximately $93 million in plan assets at December 31, 2013, which is an increase of approximately $7 million from December 31, 2012. Due to a change in the discount rate used, our accrued benefit obligation decreased by $9 million to $116 million at December 31, 2013 compared to $125 million at December 31, 2012. The rate increased from 4% in 2012 to 4.75% in 2013 which reflects the current interest rate environment. An actuarial gain on employee future benefit plans of $11 million, net of tax, was credited to other comprehensive income in 2013 compared to a $5 million loss in 2012.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The purpose of internal controls over financial reporting as defined by the Canadian Securities Administrators is to provide reasonable assurance that:

(i) financial statements prepared for external purposes are in accordance with the Company's generally accepted accounting principles,

(ii) transactions are recorded as necessary to permit the preparation of financial statements, and records are maintained in reasonable detail,
(iii) receipts and expenditures of the Company are made only in accordance with authorizations of the Company's management and directors, and
(iv) unauthorized acquisitions, uses or dispositions of the Company's assets that could have a material effect on the financial statements will be prevented or detected in order to prevent material error in financial statements.

The President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer have caused management and other employees to design and document our disclosure controls and procedures and our internal controls over financial reporting. An evaluation of the design and operating effectiveness of the disclosure controls and internal controls over financial reporting was conducted as at December 31, 2013. The design and evaluation of internal controls utilized the framework and criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation, we have concluded that our disclosure controls and procedures and our internal controls over financial reporting were effective to provide reasonable assurance that information related to our consolidated results and decisions to be made on those results were appropriate.

VISION AND STRATEGY

The metals distribution business is a segment of a mature, cyclical industry. The use of service centers by both manufacturers and end users has grown over the last decade.

We strive to deal with the cyclical nature of the business by operating with the lowest possible net assets throughout the course of a cycle. This intensive asset management reduces borrowings and therefore interest expense in declining periods in the economic cycle. This in turn creates higher, more stable returns on net assets over the course of the cycle. Our conservative management approach creates relatively stronger trough earnings but could cause peak earnings to be somewhat muted. Management believes that this strategy will result in higher profits throughout a cycle and we will have average earnings over the full range of the cycle in the top deciles of the industry.

Growth from selective acquisitions is also part of our strategy. We focus on investment opportunities in metals businesses that have strong market niches or provide mass to our existing operations. New acquisitions could be either major stand-alone operations or ones that complement our existing operations. In 2013, we made three acquisition to add to our Apex Distribution operations. We continue to review opportunities for acquisitions.

We believe that the steel-based pricing cycle will continue to be short and volatile, and a management structure and philosophy that allows the fastest reaction to changes that affect the industry will be the most successful. We will continue to invest in our business systems to enable faster reaction times to changing business conditions. In addition, management believes the high level of service and flexibility provided by service centers will enable this distribution channel to capture an increasing percentage of the total metal market allowing for increased growth within the sector.

RISK

The timing and extent of future price changes from steel producers and their impact on the market cannot be predicted with any certainty due to the inherent cyclical nature of the steel industry and current low capacity utilization numbers for North American steel producers.

Our Apex Distribution acquisition in 2012 and our three acquisitions in 2013 were all similar and increase our exposure to the Western Canadian oil and gas segment. We believe that this continues to be an area of growth long term; however, our exposure to the cyclicality of oil and gas pricing has increased. Management believes the acquisition of Apex Distribution provides a more stable stream of revenues and earnings for the energy products segment.

For additional information on risk, see the "Forward-looking Statements" at the beginning of this document and our Annual Information Form which includes a description of each of these risks related to our business.

FOURTH QUARTER RESULTS

The following table provides operating profit before interest, taxes and other income or expense in a format consistent with our annual results.

	Quarters Ended December 31,		
(millions, except percentages)	**2013**	2012	2013 change as a % of 2012
Segment Revenues			
Metals service centers	**$ 351.9**	$ 338.5	4%
Energy products	**387.3**	344.4	12%
Steel distributors	**70.4**	81.3	(13%)
Other	**1.5**	1.7	
	$ 811.1	$ 765.9	6%
Segment Operating Profits			
Metals service centers	**$ 13.4**	$ 16.9	(21%)
Energy products	**21.5**	18.0	19%
Steel distributors	**4.3**	6.6	(35%)
Corporate expenses	**(5.5)**	(4.6)	(20%)
Other	**(0.7)**	(0.9)	
Operating profits	**$ 33.0**	$ 36.0	(8%)
Segment Gross Margin as a % of Revenues			
Metals service centers	**20.2%**	20.2%	
Energy products	**15.5%**	13.3%	
Steel distributors	**12.4%**	13.2%	
Total operations	**17.5%**	16.4%	
Segment Operating Profit as a % of Revenues			
Metals service centers	**3.8%**	5.0%	
Energy products	**5.6%**	5.2%	
Steel distributors	**6.1%**	8.0%	
Total operations	**4.1%**	4.7%	

Operating profits of $33 million for the fourth quarter 2013 were lower compared to the third quarter of 2013 and the fourth quarter of 2012. Tons shipped in the fourth quarter of 2013 for metals service centers were approximately 9% higher than for the fourth quarter of 2012 and selling prices were 5% lower than the fourth quarter of 2012. The energy products segment was positively impacted by Apex Distribution acquired on November 7, 2012 contributing to the full quarter in 2013. Steel distributors continued to experience lower volumes and prices consistent with the remainder of 2013. Net realizable value and obsolescence reserves of $9 million were recorded in the energy segment in the fourth quarter of 2013.

During the fourth quarter of 2013 we recorded finance income of $5 million related to contingent consideration on the Apex Distribution acquisition. Our earnings per share for the fourth quarter of 2013 were $0.37 compared to fourth quarter of 2012 of $0.34 and third quarter of 2013 of $0.31.

OUTLOOK

We believe all of our segments will continue to experience uneven demand as the economy struggles to recover further but the overall tone should improve. We believe steel prices will increase but will fluctuate with demand. We believe the signs of improvement in various manufacturing and construction markets will continue and give an overall positive direction to our results.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Russel Metals Inc.

We have audited the accompanying consolidated financial statements of Russel Metals Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Russel Metals Inc. as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

February 19, 2014
Toronto, Ontario

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per share data)	Years ended December 31 **2013**	 2012 (restated Note 4)
Revenues	**$ 3,187.8**	$ 3,000.1
Cost of materials (Note 8)	**2,624.6**	2,476.8
Employee expenses (Note 19)	**248.8**	216.5
Other operating expenses (Note 19)	**163.2**	131.8
Asset impairment (Note 9)	**5.2**	-
Earnings before interest, finance expense and provision for income taxes	**146.0**	175.0
Interest expense (Note 20)	**36.0**	34.2
Interest income (Note 20)	**(0.4)**	(1.7)
Other finance (income) expense (Note 20)	**(4.7)**	5.6
Earnings before provision for income taxes	**115.1**	136.9
Provision for income taxes (Note 21)	**31.8**	39.0
Net earnings for the year	**$ 83.3**	$ 97.9
Net earnings attributed to:		
Equity holders	**$ 83.2**	$ 97.9
Non-controlling interest	**0.1**	-
	$ 83.3	$ 97.9
Basic earnings per common share (Note 18)	**$ 1.37**	$ 1.63
Diluted earnings per common share (Note 18)	**$ 1.37**	$ 1.62

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)	Years ended December 31 **2013**	 2012 (restated Note 4)
Net earnings for the year	**$ 83.3**	$ 97.9
Other comprehensive income (loss) net of tax (Note 27)		
Items that may be reclassified to earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	**23.2**	(8.5)
Unrealized losses on items designated as net investment hedges	**-**	(0.9)
Losses on derivatives designated as cash flow hedges transferred to net earnings during the year	**-**	2.3
Total items that may be reclassified to earnings	**23.2**	(7.1)
Items that may be not reclassified to earnings		
Actuarial gains (losses) on pension and similar obligations	**11.3**	(5.1)
Other comprehensive income (loss)	**34.5**	(12.2)
Total comprehensive income	**$ 117.8**	$ 85.7

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31 *(in millions of Canadian dollars)*	**2013**	**2012** (restated Note 4)
ASSETS		
Current		
Cash and cash equivalents (Note 6)	**$ 116.2**	$ 115.1
Accounts receivable (Note 7)	**456.2**	456.2
Inventories (Note 8)	**766.3**	764.0
Prepaid expenses	**5.9**	7.1
Income taxes receivable	**6.3**	7.7
	1,350.9	1,350.1
Property, Plant and Equipment (Note 9)	**238.9**	241.8
Deferred Income Tax Assets (Note 21)	**3.0**	4.6
Pension and Benefits (Note 15)	**0.2**	-
Financial and Other Assets (Note 10)	**6.1**	6.5
Goodwill and Intangibles (Note 11)	**218.7**	192.1
	$ 1,817.8	$ 1,795.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (Note 12)	**$ -**	$ 14.3
Accounts payable and accrued liabilities (Note 13)	**384.1**	396.5
Income taxes payable	**0.2**	-
Current portion long-term debt (Note 14)	**1.2**	2.2
	385.5	413.0
Long-Term Debt (Note 14)	**457.2**	453.6
Pensions and Benefits (Note 15)	**23.3**	38.7
Deferred Income Tax Liabilities (Note 21)	**20.5**	20.5
Provisions and Other Non-Current Liabilities (Note 22)	**48.9**	39.9
	935.4	965.7
Shareholders' Equity (Note 16)		
Common shares	**509.5**	487.9
Retained earnings	**314.6**	305.3
Contributed surplus	**16.2**	17.3
Accumulated other comprehensive loss	**12.0**	(11.2)
Equity component of convertible debentures (Note 14)	**28.7**	28.7
Total Shareholders' Equity Attributable to Equity Holders	**881.0**	828.0
Non-controlling interest	**1.4**	1.4
Total Shareholders' Equity	**882.4**	829.4
Total Liabilities and Shareholders' Equity	**$ 1,817.8**	$ 1,795.1

ON BEHALF OF THE BOARD,

A. Laberge
Director

A. Benedetti
Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(in millions of Canadian dollars)	Years ended December 31 **2013**	2012 (restated Note 4)
Operating activities		
Net earnings for the year	**$ 83.3**	$ 97.9
Depreciation and amortization	**33.6**	25.5
Deferred income taxes	**(4.4)**	1.3
Gain on sale of property, plant and equipment	**(0.4)**	(1.2)
Stock-based compensation	**2.4**	2.1
Difference between pension expense and amount funded	**(0.1)**	(2.2)
Asset impairment	**5.2**	-
Debt accretion, amortization and other	**4.3**	9.2
Change in fair value of contingent consideration	**(4.7)**	0.5
Cash from operating activities before non-cash working capital	**119.2**	133.1
Changes in non-cash working capital items		
Accounts receivable	**18.7**	25.4
Inventories	**22.3**	(28.5)
Accounts payable and accrued liabilities	**(21.9)**	(34.3)
Income tax receivable/payable	**2.2**	(19.6)
Other	**1.2**	(0.1)
Change in non-cash working capital	**22.5**	(57.1)
Cash from operating activities	**141.7**	76.0
Financing activities		
(Decrease) increase in bank borrowings	**(14.3)**	14.6
Issue of common shares	**18.0**	2.0
Dividends on common shares	**(85.2)**	(81.2)
Issuance of long-term debt	**1.0**	300.0
Repayment of long-term debt	**(2.8)**	(142.4)
Deferred financing	**(1.3)**	(7.0)
Cash (used in) from financing activities	**(84.6)**	86.0
Investing activities		
Purchase of property, plant and equipment	**(27.2)**	(33.7)
Proceeds on sale of property, plant and equipment	**2.6**	1.8
Purchase of business	**(42.6)**	(281.3)
Cash used in investing activities	**(67.2)**	(313.2)
Effect of exchange rates on cash and cash equivalents	**11.2**	(4.4)
Increase (decrease) in cash and cash equivalents	**1.1**	(155.6)
Cash and cash equivalents, beginning of the year	**115.1**	270.7
Cash and cash equivalents, end of the year	**$ 116.2**	$ 115.1
Supplemental cash flow information:		
Income taxes paid	**$ 34.7**	$ 60.0
Interest paid (net)	**$ 36.0**	$ 31.2

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Equity Component of Convertible Debentures	Non-Controlling Interest	Total
Balance, January 1, 2013	$ 487.9	$ 305.3	$ 17.3	$ (11.2)	$ 28.7	$ 1.4	$ 829.4
Changed during the year	-	-	-	-	-	(0.1)	(0.1)
Payment of dividends	-	(85.2)	-	-	-	-	(85.2)
Net earnings for the year	-	83.2	-	-	-	0.1	83.3
Other comprehensive income for the year	-	-	-	34.5	-	-	34.5
Recognition of stock-based compensation	-	-	(1.1)	-	-	-	(1.1)
Stock options exercised	21.5	-	-	-	-	-	21.5
Conversion of debenture	0.1	-	-	-	-	-	0.1
Transfer of net actuarial gains on defined benefit plans	-	11.3	-	(11.3)	-	-	-
Balance, December 31, 2013	**$ 509.5**	**$ 314.6**	**$ 16.2**	**$ 12.0**	**$ 28.7**	**$ 1.4**	**$ 882.4**

(in millions of Canadian dollars)	Common Shares	Retained Earnings (restated)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) (restated)	Equity Component of Convertible Debentures	Non-Controlling Interest	Total (restated)
Balance, January 1, 2012	$ 485.4	$ 293.7	$ 15.7	$ (4.1)	$ 28.7	$ -	$ 819.4
Acquired during the year	-	-	-	-	-	1.4	1.4
Payment of dividends	-	(81.2)	-	-	-	-	(81.2)
Net earnings for the year	-	97.9	-	-	-	-	97.9
Other comprehensive loss for the year	-	-	-	(12.2)	-	-	(12.2)
Recognition of stock-based compensation	-	-	1.6	-	-	-	1.6
Stock options exercised	2.5	-	-	-	-	-	2.5
Transfer of net actuarial losses on defined benefit plans	-	(5.1)	-	5.1	-	-	-
Balance, December 31, 2012	$ 487.9	$ 305.3	$ 17.3	$ (11.2)	$ 28.7	$ 1.4	$ 829.4

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) General business description

Russel Metals Inc. (the "Company"), a Canadian corporation with common shares listed on the Toronto Stock Exchange ("TSX"), is a metals distribution company operating in various locations within North America. The Company's registered office is located at 1900 Minnesota Court, Suite 210, Mississauga, Ontario, L5N 3C9.

These consolidated financial statements were authorized for issue by the Board of Directors on February 19, 2014.

b) Statement of compliance and basis of presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through the statement of earnings. Historical cost is generally based on the fair value of the consideration given in exchange for assets at the time of the transaction.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

c) Basis of consolidation

The consolidated financial statements include the accounts of Russel Metals Inc. and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. Accounting policies for all subsidiaries are consistent with those of the parent and all intercompany transactions, balances, income and expenses are eliminated on consolidation.

d) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

(i) cost of consideration is measured as the fair value of the assets given, equity instruments issued, liabilities incurred or assumed and any non-controlling interest acquired at the acquisition date;

(ii) identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date;

(iii) the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;

(iv) if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any residual difference is recognized directly in net earnings;

(v) any costs directly attributable to the business combination are expensed as incurred; and

(vi) contingent consideration is measured at fair value at the acquisition date and changes in fair value are recognized in net earnings.

e) Cash and cash equivalents

Cash and cash equivalents include demand deposits, bank term deposits and short-term investments with a maturity of less than three months at time of purchase. The financial instrument designation for cash and cash equivalents is loans and receivables.

f) Trade receivables

Trade receivables are amounts due from customers from the sale of goods or rendering of services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. The financial instrument designation for trade receivables is loans and receivables.

The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within "Other operating expenses" in the statements of earnings.

g) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated not to be recoverable due to declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

h) Property, plant, equipment and depreciation

Property, plant, equipment and leasehold improvements are recorded at cost. Component accounting is used for both buildings and machinery and equipment. Components that make up a material portion of the original cost of the asset and have a significantly different estimated useful life than the parent asset are considered to be significant components. For buildings, roofs are the only significant component. For machinery and equipment there are various significant components depending on the asset. Depreciation starts when the asset or significant component is ready for use and is provided on a straight-line basis at rates that charge the original cost of such asset, less residual values, to operations over their estimated useful lives. Rates of depreciation are 15 to 25 years for roofs, 20 to 40 years for buildings, 3 to 10 years for machinery and equipment components, 10 to 25 years for machinery and equipment, and over the lease term for leasehold improvements. Depreciation ceases at the earlier of when the asset or component is derecognized, or when it is held for sale or included in a group that is classified as held for sale. Residual values and useful lives are reviewed at the end of each annual reporting period and whenever facts and circumstances indicate a reduction in residual value or useful life. Changes in the estimates of residual values and useful lives are reflected in earnings in the period of the change and future periods, as appropriate.

i) Deferred financing charges and amortization

Eligible costs incurred relating to the short-term revolving credit facility are deferred and amortized on a straight-line basis over the period of the related financing. Deferred financing charges are recorded at cost less accumulated amortization. Eligible costs related to long-term debt financing are capitalized to the carrying amount of the associated debt and amortized using the effective interest method.

j) Goodwill and intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. The Company reviews goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When testing goodwill, the carrying values of the cash-generating units (CGUs) or group of CGUs including goodwill are compared with their respective recoverable amounts (higher of fair value less costs to sell and value in use) and an impairment loss, if any, is recognized for the excess. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Intangibles

Intangible assets are comprised of customer relationships, trademarks and non-competition agreements. They are recorded at cost which for business acquisitions represents the fair value at the date of acquisition less accumulated amortization and accumulated impairment losses. Customer relationships are amortized on a straight line basis over their estimated useful life of 15 to 17 years. Non-competition agreements are amortized over the period of the agreement. Useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

Trademarks are not amortized as they have an indefinite life; however, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When testing indefinite life intangibles for impairment, the carrying values of related CGUs or group of CGUs excluding goodwill, are compared to their recoverable amounts.

k) Impairment of long lived non-financial assets

Non-financial tangible and definite life intangible assets (other than goodwill) are reviewed for an indication of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in net earnings for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

l) Employee future benefits

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected benefit method, prorated on service and is charged to expense as services are rendered. The determination of a benefit expense requires assumptions such as the discount rate to measure obligations, the expected mortality, the expected rate of future compensation increases and the expected healthcare cost trend rate.

The past service costs arising from plan amendments is recognized immediately in net earnings. The asset or liability recognized in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for asset ceiling limits. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in the statements of other comprehensive income. Net interest on the defined benefit liability (asset) represents the net defined benefit liability (asset), multiplied by the discount rate and is recorded in employee expenses in the consolidated statement of earnings. The net interest expense (income) on the net defined benefit liability (asset) is comprised of interest cost on the defined benefit obligation and interest income on plan assets. Any defined benefit asset resulting from this calculation is limited to the total of unrecognized net actuarial losses and the present value of any economic benefit in the form of refunds from the plan or reduction in future contributions to the plan. The Company contributes to certain multi-employer pension plans which are accounted for as defined contribution plans.

m) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of earnings except to the extent it relates to items recognized directly in equity in which case the related tax is recognized in equity.

Current income tax expense is based on the results for the period which is adjusted for items that are not taxable or not deductible for tax. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities

- generally recognized for all taxable temporary differences;
- recognized for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- not recognized on differences that arise from goodwill.

Deferred tax assets

- recognized to the extent it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax losses and credits can be utilized; and
- reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and after eliminating intercompany sales. Freight and shipping costs billed to customers are also included in revenue.

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, no longer retains control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

o) Share based payments

The Company accounts for stock based compensation at fair value, utilizing a Black-Scholes option pricing model.

Compensation expense is recognized for stock options on a graded vesting basis, where the fair value of each tranche is determined at the grant date based on the Company's estimate of equity instruments that will eventually vest and is recognized over its respective vesting period, except for employees who are eligible to retire during the vesting period whose options are expensed immediately. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognized in net earnings such that the cumulative expense reflects the revised estimate with a corresponding adjustment to contributed surplus.

Compensation expense for deferred share units is recognized when the units are issued and for changes in the quoted market price from the issue date to the reporting date until the units are redeemed. Compensation expense for restricted share units is recognized over the vesting period and for changes in the quoted market price from the issue date to the reporting period date until the units mature.

p) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognized in other finance expense.

q) Decommissioning, restoration and similar liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of the estimated future rehabilitation cost is capitalized to the related asset along with a corresponding increase in the provision in the period incurred. Pre-tax discount rates that reflect the time value of money are used to calculate the net present value.

The estimates of decommissioning costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset or net earnings with a corresponding adjustment to the provision. The estimates are reviewed annually for changes in regulatory requirements and changes in estimates. Changes in the net present value are recognized in net earnings.

r) Leases

Leases are classified as finance or operating depending on the terms and conditions of the contracts. Leases which transfer substantially all the risks and rewards of ownership are classified as finance leases. An asset held under a finance lease is initially recognized at the inception of the lease at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Subsequent to its initial recognition, the costs are depreciated in accordance with the accounting policy of the applicable asset. Obligations recorded under finance leases are reduced by lease payments, net of imputed interest. Interest expense is recognized in net earnings.

Leases that do not meet the criteria for finance leases are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

s) Earnings per share

Basic earnings per common share is calculated using the weighted average number of common shares outstanding. Diluted earnings per share is calculated using the treasury stock method.

t) Long-term debt

Long-term debt is recognized initially at fair value, net of transaction costs incurred. Long-term debt is subsequently recorded at amortized cost with any difference between the proceeds (net of transactions costs) and the redemption value recognized in net earnings over the term of the debt using the effective interest method.

Debt is classified as a current liability unless the Company has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

u) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

v) Operating segments

The Company's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which is the Chief Executive Officer.

w) Foreign currency

The accounts of foreign subsidiaries whose functional currency is the U.S. dollar are translated from U.S. dollars to Canadian dollars at the noon spot rate in effect at the statement of financial position date, which was $1.0636 per US$1 at December 31, 2013 (December 31, 2012: $0.9949 per US$1). Monetary items receivable or payable to a foreign subsidiary for which settlement is neither planned nor likely to occur form part of the net investment in the foreign subsidiary. Revenues and expenses are translated at the average rate of exchange during the period. For the year ended December 31, 2013, the average U.S. dollar published exchange rate was $1.0301 per US$1 (2012: $0.9994 per US$1). The resulting gains or losses from the translation of the foreign subsidiaries and those items forming part of the net investment are included in other comprehensive income.

Goodwill, intangibles and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and translated at the rate in effect at the statement of financial position date.

x) Financial Instruments

(i) Financial Assets

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the instruments have expired or have transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Financial assets at fair value through profit or loss

- Classification

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category include forward exchange contracts and embedded derivatives in inventory purchases.

- Recognition and measurement

Financial assets carried at fair value are initially recognized, and subsequently carried, at fair value with changes recognized in net earnings. Transaction costs are expensed.

Loans and receivables

- Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Assets in this category include cash and cash equivalents and accounts receivable and are classified as current assets in the statements of financial position.

- Recognition and measurement

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost, less impairment.

(ii) Impairment of financial assets

The Company, at each financial position date, assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. When impairment has occurred, the asset's carrying value is reduced with the loss recognized in net earnings.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

In a subsequent period, if the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net earnings. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

(iii) Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities

- Classification

Other financial liabilities include accounts payable and accrued liabilities, long-term debt and contingent consideration.

- Recognition and measurement

Short-term borrowings are recorded at the fair value of the proceeds received. Long-term debt is measured at amortized cost using the effective interest method, with interest expense recognized in net earnings. Eligible costs related to long-term debt financing are carried at amortized cost and amortized using the effective interest method over the period of the related financing. Contingent consideration is measured at fair value at the acquisition date and is subsequently re-measured at fair value, by applying the income approach using the probability weighted expected return on net assets with changes in fair value recognized in net earnings.

(iv) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Non-performance risk, including the Company's own credit risk, is considered when determining the fair value of financial instruments.

Derivatives that qualify for hedge accounting

The Company designates certain derivatives as either a cash flow hedge or net investment hedge as follows:

- Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in net earnings.

- Net investment hedge

The Company may designate certain financial instruments as a hedge of its net investment in foreign operations and these are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in net earnings.

Gains and losses on the hedging instrument relating to the effective portion of the hedge included in accumulated other comprehensive income are reclassified to net earnings when the foreign operations are disposed of or when control is lost.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of any derivatives that are not designated as hedges for accounting purposes are recognized within "Other finance expense" in the statements of earnings consistent with the underlying nature and purpose of the derivative instruments.

Embedded derivatives

An embedded derivative is a feature within a contract, where the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative. The Company has embedded foreign currency derivatives in certain purchase contracts where the currency of the contract is different from the functional or local currencies of the parties involved. These derivatives are accounted for as separate instruments and are measured at fair value and included in accounts payable and accrued liabilities at the end of the reporting period. Changes in their fair values are recognized within "Other operating expense" in the statements of earnings.

y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

z) Non-controlling interests

Non-controlling interest in the Company's subsidiaries are classified as a separate component of equity. Each period the net income or loss and the components of other comprehensive income or loss are attributed to the Company and non-controlling interest in proportion to their shareholdings.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make certain judgements and estimates about the future. Judgement is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities.

Allowance for Doubtful Accounts

The Company assesses the collectability of accounts receivable. An allowance for doubtful accounts is estimated based on customer creditworthiness, current economic trends and past experience.

Business Combinations

Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgement in determining the fair values assigned to property, plant and equipment and intangible assets acquired and liabilities including contingent consideration, assumed on acquisition. The determination of these fair values involves analysis including the use of discounted cash flow analysis, estimated future margins, future growth rates and estimated future customer attrition. There is measurement uncertainty inherent in this analysis, particularly in the fair value measurement of contingent consideration, and actual results could differ from estimates.

Property, Plant and Equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, and whenever events or circumstances indicate a change in useful life. Estimated useful lives of items of property, plant and equipment are based on a best estimate and the actual useful lives may be different.

Intangible Assets and Goodwill

Intangible assets and goodwill arise from business combinations. Upon acquisition, the Company identifies and attributes fair values and estimated useful lives of intangible assets with the residual value allocated to goodwill acquired. These determinations involve estimates and assumptions regarding cash flow projections, economic risk and the weighted average cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges.

Employee Future Benefits

The Company's determination of employee benefit expenses and obligations requires the use of assumptions such as the discount rate to measure obligations, expected mortality, the expected rate of increase of future compensation and the expected healthcare cost trend rate. Since the determination of the costs and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results could differ from estimated results.

Income Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense are finalized upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. Additionally, the estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. In interim periods, the income tax provision is based on an estimate of earnings in a full year by jurisdiction. The estimated average annual effective income tax rates are reviewed at each reporting date, based on full year projections of earnings. To the extent that forecasts differ from actual results, adjustments are recorded through earnings in subsequent periods.

Uncertain Income Tax Positions

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. It is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provision in the period in which such determination is made.

Other Estimates

The Company's management also makes estimates for net realizable value and obsolescence provisions relating to inventory, fair values, guarantees, asset impairment, decommissioning obligations, contingencies and litigation. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. FUTURE ACCOUNTING CHANGES

a) IFRS 9 Financial Instruments

This new standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS39, *Financial Instruments: Recognition and Measurement*. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. This new standard is effective for the Company's condensed and annual consolidated financial statements commencing January 1, 2015. The Company is currently evaluating the impact on the financial statements of adopting this new standard. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

b) Amendments to IAS 32

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation,* clarifying the requirement for offsetting financial assets and liabilities. The amendments will be effective for the Company after January 1, 2014. The adoption of this standards is not expected to have a significant impact on the Company's financial position or results of operations.

4. CHANGE IN ACCOUNTING POLICY

The Company adopted *IAS 19 Employee Benefits (amended 2011)* with a date of initial application of January 1, 2012 and changed its basis for determining the income or expense related to its defined benefits plan.

Impact of change in accounting policy

The change in accounting policy has been applied retrospectively. For the year ended December 31, 2012, the defined benefit expense recognized in the statement of earnings increased and the defined benefit plan re-measurement loss recognized in other comprehensive income decreased by $0.9 million, net of income taxes of $0.3 million.

The Company closes out actuarial gains and losses recognized in other comprehensive income (loss) into retained earnings at the end of each reporting period. For the year ended December 31, 2012, $18.1 million was reclassified from accumulated other comprehensive loss to retained earnings.

The following table summarizes the financial effects of the implementation of the new accounting policy:

(millions)	Employee Expenses	Provision for Income Taxes	Accumulated Other Comprehensive Loss
December 31, 2012 balance before restatement	$ 215.3	$ 39.3	$ (30.2)
Effect of adoption of IAS 19	1.2	(0.3)	0.9
Transfer of net actuarial loss	-	-	18.1
Restated balance as at December 31, 2012	$ 216.5	$ 39.0	$ (11.2)

The change in accounting policy had no impact on net assets as at January 1, 2012 and December 31, 2012.

5. BUSINESS ACQUISITIONS

2013 Acquisitions

The Company accounts for its acquisitions using the acquisition method whereby the assets acquired and the liabilities assumed are recorded at their estimated fair values with the surplus of the aggregate consideration relative to the fair value for the identifiable net assets recorded as goodwill.

a) On December 2, 2013, the Company completed its acquisition of certain operating assets of Monarch Supply ("Monarch"), an oilfield supply operation servicing the Drayton Valley, Alberta area. This operation is part of the Company's energy products segment. The following summarizes the preliminary allocation of the consideration for this acquisition:

(millions)	
Net working capital	$ 12.2
Property, plant and equipment	0.7
Deferred income tax liability	(0.9)
Intangibles	13.9
Goodwill	12.6
Net identifiable assets acquired	$ 38.5
Consideration:	
Cash	$ 32.3
Fair value of contingent consideration	6.2
	$ 38.5

The fair value of accounts receivables acquired is $9.5 million, which is included in net working capital. Any accounts receivable which are not collected will result in a reduction of the consideration.

The additional purchase price consideration of $6.2 million is uncapped and contingent on future earnings over the five year period ending December 31, 2018. The fair value of the contingent consideration was calculated by applying the income approach using the probability weighted expected contingent consideration and a discount rate of 16.1%. The undiscounted expected cash outflow relating to contingent consideration is estimated to be $9.9 million.

b) On September 12, 2013, the Company completed its acquisition of Keystone Oilfield ("Keystone") an oilfield supply company with stores operating in Virden, Manitoba and Moosomin and Wawaota, Saskatchewan; through a share purchase. These operations are part of the Company's energy products segment.

On September 14, 2013, the Company completed its acquisition of Northern Valve Services ("Northern") a valve service center with operations in Fort St. John, British Columbia, through a share purchase. This operation is part of the Company's energy products segment.

The combined preliminary purchase price allocation of the Keystone and Northern acquisitions is as follows:

(millions)		
Net working capital	$	5.5
Property, plant and equipment		1.8
Deferred income tax liability		(0.7)
Intangibles		1.8
Goodwill		2.2
Net identifiable assets acquired	$	10.6
Consideration:		
Cash	$	10.3
Fair value of contingent consideration		0.3
	$	10.6

The fair value of accounts receivable acquired is $2.7 million, which is included in net working capital. Any accounts receivable which are not collected will result in a reduction of the consideration.

c) These three acquisitions complement the Company's energy products segments and were conducted in order to expand the Company's geographical presence and to penetrate new markets. The amount of goodwill, of which $4.2 million is deductible for tax purposes, reflects the expected future growth potential due to the strategic locations of the operations acquired.

d) The allocations described above are preliminary and subject to change following the final settlement of various holdbacks which may impact net working capital.

The operating results of the acquired businesses, which are included in the statements of earnings of the Company for the year ended December 31, 2013, are as follows:

(millions)	Keystone	Northern	Monarch	**Total 2013**
Revenue	$ 3.5	$ 1.0	$ 2.7	**$ 7.2**
Earnings before interest, finance and income taxes	0.6	0.3	0.3	**1.2**

If the acquisitions had taken place at the beginning of the fiscal year 2013, the acquired businesses would have provided revenues of $60.7 million and earnings before interest, finance and provision for income tax of $4.7 million. The transaction costs for the three acquisitions were $0.3 million which were expensed.

2012 Acquisitions

a) On November 8, 2012, the Company completed its acquisition of Apex Distribution and its subsidiaries through the purchase of 100% of the shares. The following summarizes the allocation of the consideration for this acquisition:

(millions)	
Net working capital	$ 131.2
Property, plant and equipment	12.3
Investment and advances	3.3
Deferred income tax liability	(18.1)
Other non-current liabilities	(2.3)
Non-controlling interest	(1.4)
Intangibles	68.8
Goodwill	74.4
Net identifiable assets acquired	$ 268.2
Consideration:	
Cash	$ 226.8
Fair value of contingent consideration	41.4
	$ 268.2

The fair value of accounts receivable acquired is $91.4 million and is included in net working capital. Any accounts receivable which are not collected will result in a reduction of the consideration.

Apex Distribution is a leading Canadian oilfield supply company predominately servicing the Western Canadian and U.S. oil and gas industry. The addition of Apex Distribution complements the Company's existing energy products segment and provides a new channel of distribution. The Company views this as one of the fastest growing segments of the oil and gas industry. The amount of goodwill, none of which is deductible for tax purposes, reflects the expected future growth potential.

b) On May 1, 2012, the Company completed its acquisition of all the operating assets of Siemens Laserworks, a metals distribution and processing service center with operations in Saskatoon, Saskatchewan and Edmonton, Alberta for a total cash consideration of $27.0 million.

c) On May 28, 2012, the Company acquired the operating assets of Alberta Industrial Metals, a metals distribution and processing service center with a location in Red Deer, Alberta for a total cash consideration of $27.5 million.

The operating results of the acquired businesses, which are included in the statements of earnings of the Company for the year ended December 31, 2012, are as follows:

(millions)	Apex Distribution	Siemens Laserworks	Alberta Industrial Metals	Total 2012
Revenue	$ 66.0	$ 20.0	$ 10.3	$ 96.3
Earnings before interest, finance and income taxes	5.1	0.7	1.1	6.9

If the acquisitions had taken place at the beginning of the fiscal year 2012, the acquired businesses would have increased the Company's sales by $539.4 million and earnings before interest, finance and provision for income tax by an additional $42.8 million. The transaction costs for the three acquisitions were $1.4 million.

6. CASH

Cash includes cash on deposit in bank accounts, net of outstanding cheques. At December 31, 2013 and 2012, the Company did not hold any cash equivalents.

7. ACCOUNTS RECEIVABLE

(millions)	**2013**	2012
Trade receivables	**$ 447.7**	$ 449.9
Other receivables	**8.5**	6.3
	$ 456.2	$ 456.2

Trade and other receivables are classified as loans and receivables and measured at amortized cost, which approximates fair value.

In order to minimize the risk of uncollectability of trade receivables, the Company performs regular credit reviews for all customers with significant credit limits. Trade receivables are analyzed on a case by case basis taking into account a customer's past credit history as well as its current ability to pay and uncollectible amounts are recorded as an allowance for doubtful accounts.

The following is the continuity of the allowance for doubtful accounts:

(millions)	**2013**	2012
Allowance for Doubtful Accounts		
Balance, beginning of the year	**$ 3.1**	$ 3.3
Increases to reserve	**2.5**	1.4
Amounts written off	**(1.9)**	(1.7)
Adjustments	**0.1**	0.1
Balance, end of the year	**$ 3.8**	$ 3.1

At December 31, 2013 and 2012 the allowance was less than 1.0%, of the gross trade accounts receivable balance. An increase to the reserve of 1% of accounts receivable would decrease pre-tax earnings by approximately $4.5 million for the year ended December 31, 2013 (2012: $4.5 million).

As at December 31, 2013 *(millions)*	Current	Past Due 1-30 Days	Past Due 31-60 Days	Past Due Over 60 Days	Total Trade Receivables
Trade Receivables					
Gross trade receivables	$ 239.4	$ 155.0	$ 42.6	$ 14.5	$ 451.5
Allowance for doubtful accounts	-	(0.1)	(0.2)	(3.5)	(3.8)
Total net trade receivables	**$ 239.4**	**$ 154.9**	**$ 42.4**	**$ 11.0**	**$ 447.7**

As at December 31, 2012 *(millions)*	Current	Past Due 1-30 Days	Past Due 31-60 Days	Past Due Over 60 Days	Total Trade Receivables
Trade Receivables					
Gross trade receivables	$ 248.2	$ 150.4	$ 39.6	$ 14.8	$ 453.0
Allowance for doubtful accounts	-	-	-	(3.1)	(3.1)
Total net trade receivables	$ 248.2	$ 150.4	$ 39.6	$ 11.7	$ 449.9

8. INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis. During the year ended December 31, 2013, the Company recorded an inventory impairment charge of $18.4 million (2012: $5.0 million). Inventories of $2.6 billion (2012: $2.5 billion) were expensed in cost of materials. The Company did not have any reversals of previous inventory impairment charges taken during 2013 and 2012.

9. PROPERTY, PLANT AND EQUIPMENT

Cost *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2011	$ 188.6	$ 268.0	$ 27.0	$ 483.6
Business acquisition	9.0	21.7	1.3	32.0
Additions	14.8	18.5	0.4	33.7
Disposals	(0.8)	(9.3)	-	(10.1)
Effect of movements in exchange rates	(0.7)	(1.0)	-	(1.7)
Balance, December 31, 2012	210.9	297.9	28.7	537.5
Business acquisition (Note 5)	0.8	1.7	-	2.5
Additions	3.1	23.8	0.3	27.2
Disposals	(0.6)	(9.7)	(0.1)	(10.4)
Asset impairment	(0.1)	(0.6)	(4.5)	(5.2)
Effect of movements in exchange rates	2.3	2.2	-	4.5
Balance, December 31, 2013	**$ 216.4**	**$ 315.3**	**$ 24.4**	**$ 556.1**

Accumulated depreciation and impairment *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2011	$ 73.9	$ 188.8	$ 19.6	$ 282.3
Depreciation and amortization	6.7	15.9	1.0	23.6
Disposals	(0.5)	(9.0)	-	(9.5)
Effect of movements in exchange rates	(0.2)	(0.5)	-	(0.7)
Balance, December 31, 2012	79.9	195.2	20.6	295.7
Depreciation and amortization	7.1	19.8	0.5	27.4
Disposals	-	(8.1)	(0.1)	(8.2)
Effect of movements in exchange rates	0.7	1.6	-	2.3
Balance, December 31, 2013	**$ 87.7**	**$ 208.5**	**$ 21.0**	**$ 317.2**

Net Book Value *(millions)*	
December 31, 2012	$ 241.8
December 31, 2013	**$ 238.9**

All items of property, plant and equipment are recorded and held at cost.

Land, included in land and buildings, was $32.6 million (2012: $32.9 million).

Depreciation of $7.7 million was included in cost of materials (2012: $6.8 million) and depreciation of $19.7 million (2012: $16.8 million) was included in other operating expense.

Impairment of Assets

The Company reviews the carrying value of long-lived assets for impairment whenever there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. During 2013, the Company completed an impairment review on its Thunder Bay Terminal operation ("the terminal"). The revenues and financial performance of the terminal had deteriorated in the third quarter of 2013 due to reduced volumes from their existing customer base and the inability to secure replacement tonnage from alternative customers. The Company used a discounted cash flow technique to determine the value in use. Key assumptions used by management include forecasted cash flows, an assessment of expected growth rate in future earnings, before income taxes, and depreciation of 2% in line with expected inflation. The Company used a pre-tax weighted average cost of capital of 14.6% to calculate the present value of the projected cash flows. The recoverability was measured by comparing the carrying value of the assets to the estimated value in use. The estimated value in use was determined by measuring the pre-tax cash flows expected to be generated from the terminal's assets over their estimated useful life, discounted by the pre-tax discount rate.

The Company determined that the future expected discounted cash flows of this operation were insufficient to recover the carrying value of the long-lived assets, resulting in an asset impairment charge of $5.2 million.

This asset impairment charge is included in the statements of earnings and reduced the carrying value of the associated assets on a pro-rated basis.

10. FINANCIAL AND OTHER ASSETS

(millions)	**2013**	2012
Deferred charges on revolving credit facility	**$ 1.2**	$ 0.4
Investments and advances	**2.3**	3.6
Other	**2.6**	2.5
	$ 6.1	$ 6.5

Amortization of deferred financing charges was $0.5 million (2012: $0.4 million). Investments and advances were acquired in the acquisitions and have been initially recorded at fair value.

11. GOODWILL AND INTANGIBLES

(millions)	**2013**	2012
Goodwill	**$ 126.9**	$ 110.7
Trademarks	**5.0**	5.0
Intangibles	**86.8**	76.4
	$ 218.7	$ 192.1

a) *The Continuity of goodwill and trademarks*

Goodwill *(millions)*	Metals Service Centers	Energy Products	**Total 2013**	Total 2012
Balance, beginning of the year	$ 36.9	$ 73.8	**$ 110.7**	$ 18.4
Business acquisitions (Note 5)	-	15.5	**15.5**	92.5
Foreign exchange	0.7	-	**0.7**	(0.2)
Balance, end of the year	$ 37.6	$ 89.3	**$ 126.9**	$ 110.7

Trademarks *(millions)*	Metals Service Centers	Energy Products	**Total 2013**	Total 2012
Balance, beginning of the year	$ -	$ 5.0	**$ 5.0**	$ -
Business acquisitions (Note 5)	-	-	**-**	5.0
Balance, end of the year	$ -	$ 5.0	**$ 5.0**	$ 5.0

b) *Impairment of goodwill and trademarks*

In determining whether goodwill is impaired, the Company estimates the recoverable amount of CGUs or groups of CGUs to which goodwill is allocated. Management considers the regions/units below to be CGUs or groups of CGUs as they represent the lowest level at which goodwill is monitored for internal management purposes. Accordingly, goodwill is allocated to each CGU or group of CGUs as follows:

Allocation of Goodwill and Trademarks *(millions)*

Energy Products	
Apex	$ 89.3
Metals service centers	
U.S.	
Southeast	10.8
Canadian	
Alberta	11.0
Manitoba/Saskatchewan	7.7
Quebec/Atlantic	8.1
	$ 126.9

The Company uses a discounted cash flow technique to determine the value in use for the above noted CGUs or groups of CGUs. Key assumptions used by management include forecasted cash flows based on financial plans approved by management covering a five year period and expected growth in future earnings of 1 % to 2% in line with expected inflation and discount rates. The assumptions are based on historical data, industry cyclicality and expected market developments.

The Company uses a weighted average cost of capital (WACC) to calculate the present value of its projected cash flows. WACC reflects the current market assessment of the time value of money and the risks specific to that asset. This is an estimate of the overall required rate of return on an investment and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to each unit.

For 2013, the pre-tax weighted average cost of capital used was 14.6% (2012: 14.0%) for metals service centers and 19.4% for energy products. To monitor potential impairment exposure, the Company performs a sensitivity analysis. For 2013 and 2012 a 1% increase in the respective discount rate would not trigger a goodwill and trademarks impairment. The Company's management does not expect that a negative change in material assumptions will occur.

The Company performed goodwill impairment tests during the fourth quarter of 2013 and 2012. The estimated recoverable amount of all units exceeded their carrying values. As a result, no impairment was recorded.

c) Continuity of intangibles

The continuity of intangibles, which are comprised of customer relationships and non-competition agreements acquired through business combinations, within the metals service centers and energy products segments, are as follows:

Cost *(millions)*	Metals Service Centers	Energy Products	**Total 2013**	Total 2012
Balance, beginning of the year	$ 17.9	$ 63.8	**$ 81.7**	$ 10.1
Business acquisitions (Note 5)	-	15.7	**15.7**	71.7
Foreign exchange	0.4	-	**0.4**	(0.1)
Balance, end of the year	$ 18.3	$ 79.5	**$ 97.8**	$ 81.7

Accumulated amortization *(millions)*	Metals Service Centers	Energy Products	**Total 2013**	Total 2012
Balance, beginning of the year	$ (4.8)	$ (0.5)	**$ (5.3)**	$ (3.8)
Amortization	(1.1)	(4.6)	**(5.7)**	(1.5)
Balance, end of the year	$ (5.9)	$ (5.1)	**$ (11.0)**	$ (5.3)

Carrying amount *(millions)*

December 31, 2012	$	76.4
December 31, 2013	**$**	**86.8**

The carrying amount of intangible assets as at December 31, 2013 relates to customer relationships and non-competition agreements arising from the acquisition of JMS Metals Services, Norton Metal Products, Siemens Laserworks, Alberta Industrial Metals, Apex Distribution, Keystone, Northern and Monarch. The remaining amortization period for customer relationships is 9 to 16 years and for non-competition agreements is three years.

12. REVOLVING CREDIT FACILITIES

In August, 2013, the Company amended its credit agreement with a syndicate of banks which provides a credit facility of $275.0 million (2012: $202.5 million) available for borrowings and letters of credit and an additional $50.0 million (2012: $50.0 million) for letters of credit. Certain fees were reduced and the term extended to June 24, 2017. The new syndicated facility consists of availability of $275.0 million under Tranche I to be utilized for borrowings and letters of credit and $50.0 million under Tranche II to be utilized only for letters of credit. Letters of credit are issued under Tranche II first and additional needs are issued under Tranche I. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of the Company's eligible accounts receivable and inventories, to a maximum of $325.0 million. The obligations of the Company under this agreement are secured by a pledge of trade accounts receivable and inventories of a significant portion of the Company's operations.

The Company was in compliance with the financial covenants at December 31, 2013. At December 31, 2013, the Company had no borrowings (2012: $37 million) and letters of credit of $23.9 million (2012: $36.8 million) under this facility.

In July 2013, the Company renewed its U.S. subsidiary one year credit facility. The maximum credit available under this facility is US$20 million (2012: US$30 million). At December 31, 2013, this subsidiary had no borrowings (2012: $nil) and letters of credit of US$3.6 million (2012: US$20.6 million) under this facility.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(millions)		**2013**		2012
Trade accounts payable and accrued expenses	**$**	**373.0**	$	377.4
Contingent consideration (Note 22)		**4.0**		11.9
Accrued interest		**7.1**		7.2
	$	**384.1**	$	396.5

14. LONG-TERM DEBT

Long-term debt was comprised of the following:

(millions)		**2013**		2012
6.0% $300 million Senior Notes due April 19, 2022	**$**	**293.9**	$	293.4
7.75% $175 million Convertible Debentures due September 30, 2016		**161.6**		157.8
Finance lease obligations (Note 25)		**2.9**		4.6
Less: current portion		**(1.2)**		(2.2)
	$	**457.2**	$	453.6

a) On April 19, 2012, the Company issued through a private placement, $300 million 6.0% Senior Notes (the "Notes") due April 19, 2022, for total net proceeds of $293 million. Interest is due on April 19 and October 19 of each year.

The Company may redeem up to 35% of the Notes prior to April 19, 2014 with the net proceeds of certain equity offerings at the redemption price of 106% of their principal amount plus accrued and unpaid interest. Prior to April 19, 2017, the Company may redeem the Notes in whole or in part at an amount which is the greater of (a) the present value of future interest and principal payments based on Canada bond yield or (b) 101% of the principal amount plus accrued and unpaid interest. After April 19, 2017, the Company may redeem the Notes in whole or in part at any time at 103% of the principal amount declining rateably to 100% of the principal amount on or after April 19, 2020.

The Notes contain certain restrictions on the payment of common share dividends in excess of $0.35 per share per quarter. The Notes also contain certain covenants that limit the Company's ability to incur additional indebtedness. The Company was in compliance with these covenants at December 31, 2013. Fees associated with the issue of the debt are included in the carrying amount of debt and are amortized using the effective interest method.

b) In October 2009, the Company issued $175 million of 7.75% Convertible Unsecured Subordinated Debentures (the "Convertible Debentures") for net proceeds of $167.1 million. The Convertible Debentures mature on September 30, 2016, and interest is payable semi-annually on March 31 and September 30 in each year. Each debenture is convertible into common shares of the Company at the option of the holder at any time on or prior to the business day immediately preceding (i) maturity date; or (ii) the date specified for redemption of the Convertible Debentures, at a conversion price of $25.75 being a conversion rate of 38.8350 common shares per $1,000 principal amount of Convertible Debentures. During the year ended December 31, 2013, Convertible Debentures of $132,000 (2012: $10,000) principal were converted to 5,124 shares (2012: 388 shares).

15. PENSION AND BENEFITS

a) The Company maintains seven defined benefit pension plans in Canada. All plans except for one provide benefits on an average earnings basis. The other plan provides benefits on a flat rate per years of pensionable service basis. The Company also maintains executive plans, post-retirement benefit plans and defined contribution plans in Canada and 401(k) defined contribution plans in the United States. On January 1, 2013, the Company initiated a new defined contribution plan for most of its Canadian salaried employees. This plan replaced an existing defined contribution plan and the Company's group RRSP.

In addition, under three labour contracts, the Company participates in multi-employer pension plans established for the benefit of certain employees covered by collective bargaining contracts in both Canada and U.S. One of the multi-employer plans is a defined benefit plan; however, this is accounted for as a defined contribution plan as the Company has insufficient information to apply defined benefit plan accounting.

The defined benefit pension plans are administered by the Master Trust, which is legally separate from the Company and is monitored by a pension committee. The pension committee is responsible for policy setting. The pension plans expose the Company to actuarial risk, currency risk, interest rate risk and market risk.

Six of the Company's defined benefit pension plans had a valuation date of January 1, 2013, and one plan had a valuation date of January 1, 2011.

The components of the Company's pension and benefit expense recorded in net earnings included the following:

(millions)	**2013**	2012 (restated)
Defined benefit pension plans		
Current service cost	**$ 3.6**	$ 3.1
Net interest cost	**1.2**	1.1
Plan administration cost	**0.3**	0.2
Other	**0.5**	-
	5.6	4.4
Post-retirement benefits	**0.2**	0.2
Defined contribution plans	**6.4**	1.5
Pension and benefit expense	**$ 12.2**	$ 6.1

The components of the Company's pension and benefit changes recorded in other comprehensive income included the following:

(millions)		**2013**		2012 (restated)
Remeasurements on the net defined benefit liability				
Actuarial gains due to actuarial experience	**$**	**2.7**	$	0.5
Actuarial gains (losses) due to financial assumption changes		**13.1**		(9.2)
Actuarial (losses) due to demographic assumption changes		**(4.7)**		-
Return on plan assets greater than the discount rate		**4.4**		1.5
Remeasurments effects recognized in other comprehensive income	**$**	**15.5**	$	(7.2)
Cumulative actuarial losses relating to pensions and benefits				
Balance of actuarial losses at January 1	**$**	**(24.7)**	$	(17.5)
Net actuarial gains (losses) recognized in the year		**15.5**		(7.2)
Balance of actuarial losses at December 31	**$**	**(9.2)**	$	(24.7)

There were no adjustments related to asset ceiling limits in other comprehensive income for the years ended December 31, 2013 and 2012.

The actuarial determinations were based on the following assumptions:

	2013	2012
Assumed discount rate - year end	**4.75%**	4.00%
Rate of increase in future compensation	**3.50%**	3.75%
Rate of increase in future government benefits	**3.25%**	3.25%

The discount rate is based on a review of current market interest rates of AA corporate bond yields with a similar duration as the expected future cash outflows for the pension payments. A 0.25% increase or decrease in the discount rate would decrease or increase the defined benefit obligation by approximately $4.0 million as of December 31, 2013 (2012: $4.6 million).

The health care cost trend rates used were 5% for dental and 7.5% graded out for medical, which is reduced 0.5% per year until 5% and 5% thereafter. A 1% change in trend rates would not result in a significant increase or decrease in either the present value of the defined benefit obligation or the net periodic cost.

The sensitivity analysis presented above may not be representative of the actual change in defined benefits obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore; in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected benefit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

The mortality assumptions used to assess the defined benefit obligation are based on 85% of UP1994 Generational Table with generational improvements using scale AA.

Informal practices that give rise to constructive obligations are included in the measurement of the defined benefit obligation.

b) The following information pertains to the Company's defined benefit pension and other benefit plans, excluding those which are in the process of being wound up.

(millions)	Pension Plans **2013**	Pension Plans 2012 (restated)	Other Benefit Plans **2013**	Other Benefit Plans 2012
Reconciliation of present value of the defined benefit obligation				
Balance, beginning of the year	**$ 119.3**	$ 112.6	**$ 5.2**	$ 5.6
Current service costs	**3.6**	3.1	**-**	-
Participant contributions	**0.2**	0.2	**-**	-
Interest cost	**4.6**	4.9	**0.2**	0.2
Benefits paid	**(5.8)**	(10.4)	**(0.2)**	(0.2)
Plan amendments	**0.2**	(0.2)	**-**	-
Actuarial (gains) losses	**(10.6)**	9.1	**(0.5)**	(0.4)
Balance, end of the year	**$ 111.5**	$ 119.3	**$ 4.7**	$ 5.2

(millions)	Pension Plans **2013**	Pension Plans 2012 (restated)	Other Benefit Plans **2013**	Other Benefit Plans 2012
Reconciliation of present value of the plan assets				
Balance, beginning of the year	**$ 85.8**	$ 84.7	**$ -**	$ -
Interest income	**3.4**	3.8	**-**	-
Employer contributions	**5.4**	6.2	**0.2**	0.2
Employee contributions	**0.2**	0.2	**-**	-
Benefits paid	**(5.8)**	(10.4)	**(0.2)**	(0.2)
Plan administration costs	**(0.3)**	(0.2)	**-**	-
Return on plan assets greater than discount rate	**4.4**	1.5	**-**	-
Balance, end of the year	**$ 93.1**	$ 85.8	**$ -**	$ -
Defined benefit obligation, net	**$ 18.4**	$ 33.5	**$ 4.7**	$ 5.2

The fair value of the defined benefit pension plan assets at the end of the reporting period for each category, are as follows:

(millions)	**2013**	2012
Cash and cash equivalents	**$ 5.0**	$ 16.5
Equity investments categorized by industry type		
Energy	**10.2**	7.4
Materials	**7.0**	8.0
Industrial products	**6.2**	3.1
Consumer services	**7.2**	4.1
Consumer products	**4.3**	2.2
Health care	**1.7**	-
Financial services	**18.0**	11.3
Technology	**2.5**	1.7
Communication services	**2.0**	1.8
Utilities	**0.5**	0.5
	59.6	40.1
Fixed income investments categorized by type of issuer		
Government guaranteed	**11.8**	15.4
Provincials	**5.8**	11.2
Corporate	**10.9**	2.6
	28.5	29.2
	$ 93.1	$ 85.8

As at December 31, 2013, five of the seven defined benefit pension plans in the above table had unfunded obligations. As at December 31, 2012, all of the defined benefit pension plans had unfunded obligations. The following table provides the defined benefit obligation for plans with surplus, partially funded plans and unfunded plans.

	Pension Plans		**Other Benefit Plans**	
(millions)	**2013**	2012	**2013**	2012
Defined benefit obligation				
Plans with surplus	**$ (0.2)**	$ -	**$ -**	$ -
Partially funded plans	**18.6**	33.5	**-**	-
Unfunded plans	**-**	-	**4.7**	5.2
Defined benefit obligation	**$ 18.4**	$ 33.5	**$ 4.7**	$ 5.2

c) As at December 31, 2013 approximately 68% (2012: 52%) of the fair value of all pension plan assets were invested in equities, 25% (2012: 30%) in fixed income securities, and 7% (2012: 18%) in cash and cash equivalents. The plan assets are not invested in derivatives or real estate assets. Management endeavours to have an asset mix of approximately 55% in equities, 40% in fixed income securities and 5% in cash and cash equivalents. The investment policy allows up to 30% in cash and cash equivalents.

d) The weighted average duration of defined benefit obligations are 14.5 years for defined benefit pension plans, 10.2 years for executive pension arrangements and 8.5 years for other post retirement benefit plans. The Company expects to make contributions of $8.4 million to its defined benefit pension plans and $0.4 million to its post retirement benefits medical plans in the next financial year.

16. SHAREHOLDERS' EQUITY

a) At December 31, 2013 and 2012, the authorized share capital of the Company consisted of:

(i) an unlimited number of common shares without nominal or par value;

(ii) an unlimited number of Class I preferred shares without nominal or par value, issuable in series; and

(iii) an unlimited number of Class II preferred shares without nominal or par value, issuable in series.

The Directors have the authority to issue the Class I and Class II preferred shares in series and fix the designation, rights, privileges and conditions to be attached to each series, except that the Class I shares shall be entitled to preference over the Class II shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

b) The number of common shares issued and outstanding was as follows:

	Number of Shares	Amount (millions)
Balance, December 31, 2011	60,071,698	$ 485.4
Stock options exercised	132,550	2.5
Debentures converted	388	-
Balance, December 31, 2012	60,204,636	487.9
Stock options exercised	736,633	21.5
Debentures converted	5,124	0.1
Balance, December 31, 2013	**60,946,393**	**$ 509.5**

The continuity of contributed surplus is as follows:

(millions)

Balance, December 31, 2011	$ 15.7
Stock-based compensation expense	2.1
Exercise of options	(0.5)
Balance, December 31, 2012	17.3
Stock-based compensation expense	2.4
Exercise of options	(3.5)
Balance, December 31, 2013	**$ 16.2**

Dividends paid and declared are as follows:

	2013	2012
Dividends paid (millions)	**$ 85.2**	$ 81.2
Dividends per share	**$ 1.40**	$ 1.35
Quarterly dividend per share declared on February 19, 2014 (February 12, 2013)	**$ 0.35**	$ 0.35

17. STOCK BASED COMPENSATION

Stock Options

The Company has a shareholder approved share option plan, the purpose of which is to provide the employees of the Company and its subsidiaries with the opportunity to participate in the growth and development of the Company. The number of common shares that may be issued under the share option plan is 4,498,909 and any options will be exercisable on a cumulative basis to an extent of 25% per year of total options granted in years two to five after the date of grant. Other terms and conditions of the plan include a 10 year life and immediate vesting under certain change of control provisions are unchanged. The options issued prior to 2012, representing 1,882,634 options, are exercisable on a cumulative basis to the extent of 20% per year of total options granted. The consideration paid by employees for the purchase of common shares is added to share capital.

The following is a continuity of options outstanding:

	Number of Options		Weighted Average Exercise Price	
	2013	2012	**2013**	2012
Balance, beginning of period	**3,055,428**	2,857,939	**$ 25.92**	$ 25.44
Granted	**389,607**	382,189	**28.99**	26.18
Exercised	**(736,633)**	(132,550)	**24.24**	15.31
Expired or forfeited	**(101,972)**	(52,150)	**28.01**	28.78
Balance, end of the period	**2,606,430**	3,055,428	**$ 26.77**	$ 25.92
Exercisable	**1,803,063**	2,330,492	**$ 26.67**	$ 26.41

The weighted average share price for the options exercised during the year was $28.70 (2012: $26.97)

The outstanding options had an exercise price range as follows:

(number of options)	**2013**	2012
$ 25.75 - $ 33.81	**1,970,587**	2,227,065
$ 15.86 - $ 25.74	**588,943**	745,263
$ 9.15 - $ 15.85	**46,900**	83,100
Options outstanding	**2,606,430**	3,055,428

The options expire in the years 2014 to 2023 and have a weighted average remaining contractual life of 5.9 years (2012: 4.8 years)

The Black-Scholes option-pricing model assumptions used to compute compensation expense are as follows:

	2013	2012
Dividend yield	**5%**	5%
Expected volatility	**40%**	41%
Expected life	**5 yrs**	5 yrs
Risk free rate of return	**3.5%**	3.5%
Weighted average fair value of options granted	**$ 7.21**	$ 6.78

Expected volatility is based on historical volatility over the last five years.

Deferred Share Units

The Company has a Deferred Share Unit ("DSU") Plan for non-executive directors. A DSU is a unit equivalent in value to one common share based on market price, which is defined as the daily average of the high and low board lot on the Toronto Stock Exchange for the last five trading days immediately prior to the grant date. DSU's are granted quarterly to each non-executive director's account by dividing $10,000 by the market price. At the option of the individual director, they may elect to receive other board fees in the form of DSU's. DSU's vest immediately and are redeemable for cash only when a non-executive director leaves the Board.

At December 31, 2013, there were 104,413 DSU's outstanding (2012: 92,492). During 2013, 14,391 DSU's were redeemed (2012: 12,463). The liability and fair value of DSU's was $3.3 million at December 31, 2013 (2012: $2.6 million). Dividends declared on common shares accrue to the units in the DSU plan in the form of additional DSU's.

Restricted Share Units

The Company has a Restricted Share Unit ("RSU") Plan for eligible employees as designated by the Board of Directors. The plan was established to provide medium-term compensation. RSU's are awarded by the Board of Directors to eligible employees annually based on the earnings performance of the recently completed year. RSU's vest one third on each of the first, second and third anniversary after the grant date. RSU's expire on the third anniversary of the grant date and the Company is obligated to pay in cash an amount equal to the number of RSU's multiplied by the market price, which is defined as the daily average of the high and low board lot on the Toronto Stock Exchange for the last five trading days immediately prior to the expiry date.

At December 31, 2013, there were 123,673 RSU's issued and outstanding (2012: 69,610). During 2013, none of the RSU's matured and were paid (2012: 228,991). The RSU liability at December 31, 2013 was $3.0 million (2012: $1.3 million). The fair value of RSU's was $3.9 million at December 31, 2013 (2012: $1.9 million). Dividends declared on common shares accrue to the units in the RSU plan in the form of additional RSU's.

Employee Share Purchase Plan

The Company has an Employee Share Purchase Plan to provide employees with the opportunity to purchase common shares. Employees may make contributions of between 1% and 5% of their base pay and the Company will contribute one-third of the employee's contribution. Employees are eligible to make contributions above the 5% of base pay threshold but the Company contributes only to a maximum of one-third of 5% of base pay. The plan does not provide for a discount for employee purchases and is administered by a trustee who purchases shares for the plan through the TSX. Dividends paid on the shares are used to purchase additional shares.

Total costs for stock-based compensation are as follows:

(millions)	**2013**	2012
Stock options	**$ 2.4**	$ 2.1
DSU and RSU's	**2.3**	2.8
Employee Share Purchase Plan	**0.7**	0.6
	$ 5.4	$ 5.5

18. EARNINGS PER SHARE

The following table provides the numerator and denominator used to compute basic and diluted earnings per share:

(millions)	**2013**	2012 (restated)
Net income used in calculation of basic earnings per share	**$ 83.3**	$ 97.9
Interest and accretion expense, net of income taxes	**-**	10.9
Net income used in calculation of diluted earnings per share	**$ 83.3**	$ 108.8

In determining the diluted weighted average shares outstanding for the year ended December 31, 2013, 6,790,602 shares related to convertible debentures were excluded since the effect was anti-dilutive. Interest and accretion related to convertible debentures for the year ended December 31, 2013 were excluded from net earnings used in the calculation of diluted earnings per share.

(number of shares)	**2013**	2012
Weighted average shares outstanding	**60,780,520**	60,128,534
Dilution impact of stock options	**109,639**	115,104
Dilution impact of Convertible Debentures	**-**	6,795,729
Diluted weighted average shares outstanding	**60,890,159**	67,039,367

19. EXPENSES

Details of expense items on the consolidated statements of earnings are as follows:

(millions)	**2013**	2012 (restated)
Employee Expenses		
Wages and salaries	**$ 213.1**	$ 183.8
Other employee related costs	**35.7**	32.7
	$ 248.8	$ 216.5
Other Operating Expenses		
Plant and other expenses	**$ 87.6**	$ 59.9
Delivery expenses	**49.7**	50.7
Repairs and maintenance	**10.3**	9.8
Selling expenses	**10.0**	6.8
Professional fees	**6.4**	6.3
Gain on sale of property, plant and equipment	**(0.4)**	(1.2)
Foreign exchange gains	**(0.4)**	(0.5)
	$ 163.2	$ 131.8

20. FINANCE EXPENSE

Finance expense (income) is comprised of the following:

(millions)	**2013**	2012
Interest on 6.0% Senior Notes	**$ 18.5**	$ 13.1
Interest on 7.75% Convertible Debentures	**17.3**	17.1
Interest on 6.375% U.S. Senior Notes	**-**	3.8
Other interest expense	**0.2**	0.2
Interest expense	**36.0**	34.2
Interest income	**(0.4)**	(1.7)
Other finance (income) expense	**-**	3.6
Deferred costs on redemption of U.S. Notes	**-**	1.5
Change in fair value of contingent consideration (Note 22)	**(4.7)**	0.5
Other finance (income) expense	**(4.7)**	5.6
Finance expense, net	**$ 30.9**	$ 38.1

Interest expense on long-term debt is comprised of the interest calculated on the face value of long-term debt, issue costs and accretion of the carrying value of the long-term debt. Long-term debt interest expense is charged to earnings using the effective interest method. Debt accretion and issue cost amortization for the year ended December 31, 2013 was $4.4 million (2012: $4.2 million).

21. INCOME TAXES

a) The components of the provision for income taxes are as follows:

(millions)	**2013**	2012 (restated)
Current tax expense	**$ 36.2**	$ 37.7
Deferred tax (recovery) expense	**(4.4)**	1.3
	$ 31.8	$ 39.0

b) The Company's effective income tax rate was derived as follows:

	2013	2012
Applicable combined Canadian statutory rate	**25.9%**	26.3%
Rate difference of U.S. companies	**2.8%**	1.9%
Stock compensation and non-deductible items	**0.8%**	0.6%
Change in contingent consideration	**(1.1%)**	0.1%
Other	**(0.8%)**	(0.4%)
Average effective tax rate	**27.6%**	28.5%

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 15.0% (2012: 15.0%) and the average provincial rate of 10.9% (2012: 11.3%). In 2013, there were changes in the statutory rates from 26.3% to 25.9% due to income earned in provinces with lower average provincial rates. The average effective tax rate was higher than the average Canadian corporate tax rate principally due to differing tax rules applicable to certain of the Company's subsidiaries outside Canada.

c) The movements of deferred income tax assets and liabilities were as follows:

Deferred Income Tax Assets (millions)	Losses	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Item Charged To Equity	Other Timing	Total
Balance December 31, 2011	$ 1.2	$ (4.8)	$ 0.6	$ 6.5	$ -	$ 1.8	$ 5.3
Benefit (expense) to statements of earnings	(0.3)	(1.6)	(1.4)	(1.0)	0.6	1.8	(1.9)
Benefit (charge) to other comprehensive income	-	-	2.4	-	-	(1.0)	1.4
Business acquisition	-	(0.7)	-	(1.1)	-	-	(1.8)
Reclass assets/liabilities and other	-	(2.5)	9.4	(0.1)	(4.1)	(1.1)	1.6
Balance December 31, 2012	$ 0.9	$ (9.6)	$ 11.0	$ 4.3	$ (3.5)	$ 1.5	$ 4.6
(Expense) benefit to statements of earnings	0.5	0.1	-	0.1	-	(1.5)	(0.8)
Reclass assets/liabilities and other	-	3.6	(10.3)	0.8	3.5	1.6	(0.8)
Balance December 31, 2013	**$ 1.4**	**$ (5.9)**	**$ 0.7**	**$ 5.2**	**$ -**	**$ 1.6**	**$ 3.0**

Deferred Income Tax Liabilities *(millions)*	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Item Charged To Equity	Other Timing	Total
Balance December 31, 2011	$ 5.2	$ (9.3)	$ -	$ 4.1	$ 0.4	$ 0.4
Expense to statements of earnings	-	-	-	-	0.6	0.6
Business acquisition	0.8	-	17.9	-	(0.6)	18.1
Reclass assets/liabilities and other	(2.8)	9.3	-	(4.1)	(1.0)	1.4
Balance December 31, 2012	$ 3.2	$ -	$ 17.9	$ -	$ (0.6)	$ 20.5
(Benefit) expense to statements of earnings	(1.2)	0.7	(1.9)	(0.9)	(1.9)	(5.2)
Benefit to other comprehensive income	-	4.2	-	-	-	4.2
Business acquisition (Note 5)	0.2	-	1.3	-	0.1	1.6
Reclass assets/liabilities and other	3.9	(10.3)	1.1	3.5	1.2	(0.6)
Balance December 31, 2013	**$ 6.1**	**$ (5.4)**	**$ 18.4**	**$ 2.6**	**$ (1.2)**	**$ 20.5**

Net deferred liability at December 31, 2012	$ (15.9)
Net deferred liability at December 31, 2013	**$ (17.5)**

d) At December 31, 2013, the Company had U.S. state tax losses carried forward which, at U.S. state tax rates, have an estimated value of $1 million (2012: $1 million). The majority of the tax losses carried forward will expire between 2029 and 2032, if not utilized. Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the probability of generating taxable income from operations in the future in the jurisdictions in which the tax losses arose.

At December 31, 2013, the Company had $9 million (2012: $10 million) of capital losses carried forward which may only be used to offset future capital gains. These losses have no expiry date. The deferred tax asset not recognized in respect of these losses was $1.2 million.

e) At December 31, 2013, the aggregate amount of temporary differences associated with undistributed earnings of non-Canadian subsidiaries was $238 million. No liability has been recognized in respect of these differences because the Company is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

22. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(millions)	**2013**	2012
Contingent consideration	**$ 40.3**	$ 31.0
Provisions for decommissioning liabilities	**2.8**	5.0
Deferred compensation and employee incentives	**5.8**	3.9
	$ 48.9	$ 39.9

a) The continuity of contingent considerations is as follows:

(millions)	Apex	Monarch	Norton Metals	**Total 2013**	Total 2012
Balance, beginning of the year	$ 41.9	$ -	$ 1.0	**$ 42.9**	$ 1.6
Business acquisitions (Note 5)	0.3	6.2	-	**6.5**	41.4
Paid during the year	-	-	(0.3)	**(0.3)**	(0.5)
Accretion expense	6.1	-	-	**6.1**	0.5
Change in fair value	(10.2)	-	(0.6)	**(10.8)**	-
Effect of movements in exchange rates	-	-	(0.1)	**(0.1)**	(0.1)
Less: current portion	(4.0)	-	-	**(4.0)**	(11.9)
	$ 34.1	$ 6.2	$ -	**$ 40.3**	$ 31.0

The change in fair value includes a reduction of the liability of $8.6 million relating to a decrease in the expected cash payment for Apex Distribution due to lower than forecasted earnings during 2013 with the remainder relating to future years. The liability for contingent consideration for Norton Metals ended on December 31, 2013, whereas the liability for contingent consideration relating to Apex Distribution and Monarch will end on December 31, 2017 and December 31, 2018, respectively. The Company's contingent consideration obligation for Apex Distribution and Monarch are uncapped.

The undiscounted expected cash outflow relating to Apex Distribution's contingent consideration is estimated to be $50.5 million (2012: $60.2 million).

b) The following table presents the movement in the provisions for decommissioning liabilities:

(millions)	**2013**	2012
Balance, beginning of the year	**$ 5.0**	$ 5.4
Change in provisions	**-**	-
Utilization	**(2.2)**	(0.4)
Balance, end of the year	**$ 2.8**	$ 5.0

c) Deferred compensation includes the RSU and DSU liabilities. The RSU liability that will be paid in 2014 amounting to $0.5 million was reclassified to current accrued liabilities.

23. SEGMENTED INFORMATION

For the purpose of segment reporting, operating segments are identified as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Accordingly, the Company conducts business in Canada and the U.S. in three reportable segments.

i) Metals service centers

The Company's network of metals service centers provides processing and distribution services on a broad line of metal products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel and aluminium. The Company services all major geographic regions of Canada and certain regions in the Southeastern and Midwestern regions in the United States.

ii) Energy products

The Company's energy products operations distribute oil country tubular products, line pipe, tubes, valves, flanges and fittings, primarily to the energy industry in Western Canada and the United States.

iii) Steel distributors

The Company's steel distributors act as master distributors selling steel to customers in large volumes, mainly on an "as is" basis. Steel distributors source their steel domestically and offshore.

The Company has segmented its operations on the basis of management reporting and geographic segments in which it operates. The inter-segment sales from steel distributors to metals service centers were $30.1 million (2012: $41.5 million). These sales, which are at market rates, are eliminated in the following table.

a) Results by business segment:

(millions)	**2013**	2012 (restated)
Segment Revenues		
Metals service centers	**$ 1,455.6**	$ 1,581.1
Energy products	**1,442.8**	1,060.2
Steel distributors	**283.2**	351.1
	3,181.6	2,992.4
Other	**6.2**	7.7
	$ 3,187.8	$ 3,000.1
Segment Operating Profits		
Metals service centers	**$ 71.7**	$ 102.1
Energy products	**79.3**	63.2
Steel distributors	**19.0**	30.3
	170.0	195.6
Corporate expenses	**(17.8)**	(21.1)
Asset impairment	**(5.2)**	-
Other income (expense)	**(1.0)**	0.5
Earnings before interest and income taxes	**146.0**	175.0
Finance expense, net	**(30.9)**	(38.1)
Provision for income taxes	**(31.8)**	(39.0)
Net earnings	**$ 83.3**	$ 97.9

(millions)	**2013**	2012 (restated)
Capital Expenditures		
Metals service centers	**$ 19.5**	$ 17.6
Energy products	**6.5**	12.9
Steel distributors	**1.1**	3.1
Other	**0.1**	0.1
	$ 27.2	$ 33.7
Depreciation Expense		
Metals service centers	**$ 21.4**	$ 20.3
Energy products	**4.8**	2.1
Steel distributors	**0.3**	0.2
Other	**0.9**	1.0
	$ 27.4	$ 23.6

(millions)	2013	2012
Current Identifiable Assets		
Metals service centers	**$ 426.7**	$ 439.8
Energy products	**698.3**	670.1
Steel distributors	**105.8**	116.9
	1,230.8	1,226.8
Non-Current Identifiable Assets		
Metals service centers	**241.4**	242.1
Energy products	**200.9**	171.6
Steel distributors	**4.8**	3.7
Total identifiable assets included in segments	**1,677.9**	1,644.2
Assets not included in segments		
Cash and cash equivalents	**116.2**	115.1
Income tax assets	**9.3**	12.3
Deferred financing charges	**1.2**	0.4
Other assets	**4.9**	6.1
Corporate and other operating assets	**8.3**	17.0
Total assets	**$ 1,817.8**	$ 1,795.1
Liabilities		
Metals service centers	**$ 155.7**	$ 156.4
Energy products	**212.5**	220.3
Steel distributors	**9.7**	5.2
Liabilities by segment	**377.9**	381.9
Liabilities not included in segments		
Bank indebtedness	**-**	14.3
Income taxes payable and deferred income tax liabilities	**20.7**	20.5
Long-term debt	**458.4**	455.8
Pension and benefits	**23.3**	38.7
Corporate and other liabilities	**55.1**	54.5
Total liabilities	**$ 935.4**	$ 965.7

b) Results by geographic segment:

(millions)	2013	2012
Segment Revenues		
Canada	**$ 2,163.9**	$ 2,006.8
United States	**1,017.7**	985.6
	$ 3,181.6	$ 2,992.4
Segment Operating Profits		
Canada	**$ 134.7**	$ 144.1
United States	**35.3**	51.5
	$ 170.0	$ 195.6

(millions)	**2013**	2012
Identifiable Assets		
Canada	**$ 1,269.2**	$ 1,225.7
United States	**408.7**	418.5
	$ 1,677.9	$ 1,644.2

24. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2013 and 2012 the Company did not have any transactions with subsidiaries outside the normal course of business. All subsidiaries except Apex Advanced Solutions Inc., which was acquired in the Apex Distribution acquisition, are wholly owned and all transactions with subsidiaries are recorded at fair value and have been eliminated upon consolidation.

At December 31, 2013 there were no loans or credit transactions outstanding with key management personnel or directors. Key management personnel includes the Chief Executive Officer, Chief Financial Officer and certain Vice Presidents. Compensation cost of key management personnel and directors were as follows:

(millions)	**2013**	2012
Salaries and other benefits	**$ 4.2**	$ 4.5
Share based compensation cost	**2.6**	2.8
Post-employment benefits	**0.7**	0.4
	$ 7.5	$ 7.7

25. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities

Financial assets and liabilities are as follows:

December 31, 2013 (millions)	**Loans and Receivables**	**Other Financial Liabilities**	**Total**
Cash and cash equivalents	**$ 116.2**	**$ -**	**$ 116.2**
Accounts receivable	**456.2**	**-**	**456.2**
Financial assets	**1.2**	**-**	**1.2**
Accounts payables and accrued liabilities	**-**	**(384.1)**	**(384.1)**
Current portion of long-term debt	**-**	**(1.2)**	**(1.2)**
Contingent consideration	**-**	**(40.3)**	**(40.3)**
Long-term debt	**-**	**(457.2)**	**(457.2)**
Total	**$ 573.6**	**$ (882.8)**	**$ (309.2)**

December 31, 2012 (millions)	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ 115.1	$ -	$ 115.1
Accounts receivable	456.2	-	456.2
Financial assets	0.4	-	0.4
Bank indebtedness	-	(14.3)	(14.3)
Accounts payables and accrued liabilities	-	(396.5)	(396.5)
Current portion long-term debt	-	(2.2)	(2.2)
Contingent consideration	-	(31.0)	(31.0)
Long-term debt	-	(453.6)	(453.6)
Total	$ 571.7	$ (897.6)	$ (325.9)

The impact of fair value gains and losses from derivative financial instruments on the statements of earnings and statements of changes in equity was as follows:

	2013		2012	
(millions)	**Fair value Gain(loss) Through Earnings**	**Fair value Gain(loss) Through AOCI**	Fair value Gain(loss) Through Earnings	Fair value Gain(loss) Through AOCI
Embedded derivatives	**$ (0.2)**	**$ -**	$ (0.8)	$ -
Forward contracts	**0.1**	**-**	0.1	-
Hedging instruments				
Cross currency interest rate swaps - cash flow hedges	**-**	**-**	2.3	-
US Senior Notes - net investment hedges	**-**	**-**	-	(0.9)

b) Fair Value

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments.

The fair value measurement of contingent consideration obligations arising from business combinations is determined by applying the income approach using the probability weighted expected return on assets and a discount rate of 13.2% (2012: 13.1%). The calculation uses unobservable (level 3) inputs including (i) the estimated amount and timing of projected cash flows; (ii) the probability of the achievement of the factors on which the contingency is based; (iii) average net assets; and (iv) the risk-adjusted discount rate used to present value the projected cash flows. Significant changes in any of these inputs in isolation can result in a significantly higher or lower fair value measurement.

The fair value of long-term debt and related derivative instruments is set forth below.

Debt and Related Derivative Instruments

Carrying Amounts

Amounts recorded in the consolidated statements of financial position are referred to as "carrying amounts". The carrying amounts of primary debt are reflected in "Long-term debt" and "Current portion long-term debt".

Fair Value

The Company records its debt at amortized cost using the effective interest method. The fair value of long-term debt as at December 31, 2013 and 2012 was estimated based on the last quoted trade price, where it exists, or based on current rates available to the Company for similar debt with the same period to maturity.

The following summary reflects the fair value of the long-term debt:

	Primary Debt Instrument		
December 31, 2013 (millions)	**Carrying Amount**	**Fair Value Level 1**	**Fair Value Level 2**
6.0% $300 million Senior Notes due April 19, 2022	**$ 293.9**	**$ -**	**$ 303.0**
7.75% $175 million Convertible Debentures due September 30, 2016	**161.6**	**218.7**	**-**
Finance lease obligations	**2.9**	**-**	**2.9**
Total	**$ 458.4**	**$ 218.7**	**$ 305.9**
Current portion	**$ 1.2**		
Long-term portion	**$ 457.2**		

Primary Debt Instrument

December 31, 2012 (millions)	Carrying Amount	Fair Value Level 1	Fair Value Level 2
6.0% $300 million Senior Notes due April 19, 2022	$ 293.4	$ -	$ 309.0
7.75% $175 million Convertible Debentures due September 30, 2016	157.8	207.8	-
Finance lease obligations	4.6	-	4.6
Total	$ 455.8	$ 207.8	$ 313.6
Current portion	$ 2.2		
Long-term portion	$ 453.6		

c) *Credit risk*

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposure to customers including accounts receivable.

The Company attempts to minimize credit exposure as follows:

- Cash investments are placed with high-quality financial institutions with limited exposure to any one institution. At December 31, 2013, nearly all cash and cash equivalents held were issued by institutions that were R1 High by DBRS;
- Counterparties to derivative contracts are members of the syndicated banking facility (Note 12);
- Credit limits minimize exposure to any one customer; and
- The customer base is geographically diverse and in different industries.

No allowance for credit losses on financial assets was required as of December 31, 2013 (2012: $nil), other than the allowance for doubtful accounts (Note 7). As at December 31, 2013, trade accounts receivable greater than 90 days represented less than 3% of trade accounts receivable (2012: 4%).

d) *Interest rate risk*

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market rates of interest. The Company is not exposed to significant interest rate risk. The Company's long-term debt is at fixed rates. The Company's bank borrowings, net of cash and cash equivalents used to finance working capital which is short-term in nature, is at floating interest rates.

e) *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company uses foreign exchange contracts with maturities of less than a year to manage foreign exchange risk on certain future committed cash outflows. As at December 31, 2013, the Company had outstanding forward foreign exchange contracts in the amount of US$24.5 million, maturing in 2014 (2012: US$14.1 million). A 1% change in foreign exchange rates would not result in a significant increase or decrease in accounts payable or net earnings.

f) *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations when due. Liquidity adequacy is assessed in view of seasonal needs, growth requirements, capital expenditures, and the maturity profile of indebtedness. Cash is managed by the centralized treasury function and is invested in money market instruments or bank deposits, with durations ranging up to sixty days. A centralized treasury function ensures that the Company maintains funding flexibility by assessing future cash flow expectations and by maintaining its committed borrowing facilities.

As at December 31, 2013, the Company was contractually obligated to make payments under its financial liabilities that come due during the following periods:

(millions)	Accounts Payable	Long-Term Debt Maturities	Long-Term Debt Interest	Operating Lease Obligations	Total
2014	$ 384.1	$ -	$ 31.6	$ 21.4	$ 437.1
2015	-	-	31.6	18.5	50.1
2016	-	174.8	31.6	16.6	223.0
2017	-	-	18.0	12.8	30.8
2018	-	-	18.0	9.7	27.7
2019 and beyond	-	300.0	63.9	32.6	396.5
Total	$ 384.1	$ 474.8	$ 194.7	$ 111.6	$ 1,165.2

Operating lease expense for the year ended December 31, 2013 was $21.3 million (2012: $13.6 million).

As at December 31, 2013, the Company was contractually obligated to make payments under finance leases as follows:

(millions)	
2014	$ 1.5
2015	0.9
2016	0.6
2017	0.3
2018	0.1
Total minimum lease payments	3.4
Interest at rates varying between 1.8% and 14.5%	(0.5)
Net minimum lease payments	2.9
Less: current portion	(1.2)
Long-term portion	$ 1.7

At December 31, 2013, the Company was contractually obligated to repay its letters of credit under its bank facilities at maturity (Note 12).

g) Capital management

The Company manages capital in order to safeguard its ability to continue as a going concern, provide returns to shareholders through its dividend policy and provide the ability to finance future growth. Capital includes shareholders' equity, bank indebtedness and long-term debt, net of cash. The Company manages its capital structure and may make adjustments to the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to issuer bids, issue new shares, issue new debt, repurchase existing debt and extend or amend its banking facilities. During 2013, the Company increased the size of its syndicated bank facility to $325 million and extended its maturity to June 24, 2017.

26. CONTINGENCIES, COMMITMENTS AND GUARANTEES

a) Lawsuits and legal claims

The Company and certain of its subsidiaries have been named defendants in a number of legal actions. Although the outcome of these claims cannot be determined, management intends to defend all claims and has recorded provisions based on its best estimate of potential losses. In the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the Company's financial position, cash flows or operations.

The Company has also entered into other agreements that provide indemnifications to counterparties in certain transactions including underwriting agreements. These indemnifications generally require the Company to indemnify the counterparties for costs incurred as a result of losses from litigation that may be suffered by counterparties arising from those transactions except in the case of gross negligence by the counterparties. The Company does not expect to make any payments on these indemnifications and, accordingly, no liability has been accrued.

b) Decommissioning liability

The Company is incurring site cleanup and restoration costs related to properties not utilized in current operations. Remedial actions are currently underway at two sites. Decommissioning liabilities have been estimated using discounted cash flow valuation techniques for cleanup costs based on management's best estimates of the amount required to settle the liability.

The Company has asset retirement obligations relating to the land lease for its Thunder Bay Terminal operation whose lease term expires in 2031. The landlord has the option to retain the equipment or to require the Company to remove it. In addition, the Company has end-of-lease obligations in certain service center operations.

c) Business combinations and investments

The Company has an obligation to pay additional consideration for its acquisitions of Apex Distribution and Monarch, based upon achievement of performance measures contractually agreed to at the time of purchase.

27. OTHER COMPREHENSIVE INCOME

Income taxes on other comprehensive income are as follows:

(millions)		**2013**		2012 (restated)
Tax on items that may be reclassified to earnings				
Income tax on unrealized losses on items designated as net investment hedges	**$**	**-**	$	0.1
Income tax on losses on derivatives designated as cash flow hedges transferred to net earnings during the year		**-**		(1.1)
Total tax on items that may be reclassified to earnings		-		(1.0)
Tax on items that may not be reclassified to earnings				
Income tax on actuarial gains/losses on pension and similar obligations		**(4.2)**		2.1
Total tax on items included in other comprehensive income (loss)	**$**	**(4.2)**	$	1.1

DIRECTORY

HEAD OFFICE

1900 Minnesota Court, Suite 210
Mississauga, Ontario, Canada L5N 3C9
T: 905.819.7777 F: 905.819.7409
info@russelmetals.com
www.russelmetals.com

TRANSFER AGENT AND REGISTRAR

CST Trust Company
P.O. Box 700, Station B
Montreal, Quebec, Canada H3B 3K3
T: 416.682.3860 F: 1.800.387.0825
inquiries@canstockta.com
www.canstockta.com

SHAREHOLDER INFORMATION

The Toronto Stock Exchange - **RUS**
- **RUS.DB**

BOARD OF DIRECTORS

ALAIN BENEDETTI
Corporate Director

JOHN M. CLARK
President, Investment and
Technical Management Corp.

JAMES F. DINNING
Chair of the Board
Western Financial Group

ANTHONY F. GRIFFITHS
Chair of the Board
Russel Metals Inc.

JOHN A. HANNA
Corporate Director

BRIAN R. HEDGES
President & Chief
Executive Officer
Russel Metals Inc.

ALICE D. LABERGE
Corporate Director

LISE LACHAPELLE
Corporate Director

WILLIAM M. O'REILLY
Corporate Director

JOHN R. TULLOCH
Corporate Director

OFFICERS

ANTHONY F. GRIFFITHS
Chair of the Board

BRIAN R. HEDGES
President & Chief
Executive Officer

JOHN G. REID
Executive Vice President &
Chief Operating Officer

MARION E. BRITTON
Executive Vice President,
Chief Financial Officer &
Secretary

LESLEY M.S. COLEMAN
Vice President, Controller &
Assistant Secretary

SHERRI L. MOOSER
Assistant Secretary

CORPORATE DIRECTORY

Please refer to our website at www.russelmetals.com for a listing of all Company locations.

CORPORATE GOVERNANCE

Detailed disclosure concerning the Company's governance practices may be found in the Information Circular.

GLOSSARY

Adjusted EBIT - Earnings before deduction of interest and income taxes excluding inventory write-downs and assets impairments

Adjusted EBITDA - Earnings before deduction of interest, income taxes, depreciation and amortization, inventory write-downs and asset impairments

Book Value Per Share - Equity value divided by ending common shares outstanding

Debt as % of Capitalization - Total net interest bearing debt excluding cash on hand divided by common shareholders' equity plus interest bearing debt excluding cash on hand

Dividend Yield - The dividend per share divided by the year end common share price

Earnings Multiple - Period ending common share price divided by basic earnings per common share

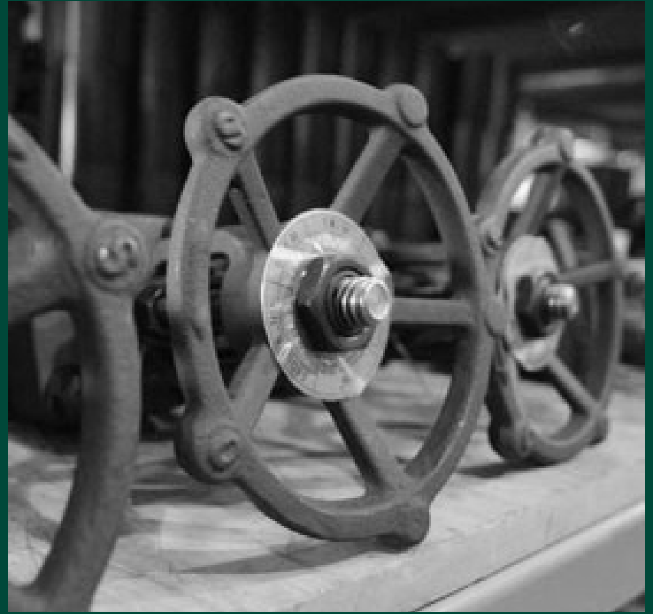
EBIT - Earnings before deduction of interest and income taxes

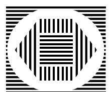
Free Cash Flow - Cash from operating activities before change in working capital less capital expenditures

Interest Bearning Debt to EBITDA - Total interest bearing debt excluding cash on hand divided by EBITDA

Market Capitalization - Outstanding common shares times market price of a common share at December 31

Return on Capital Employed - Adjusted EBIT for period annualized over net assets employed





Russel Metals

1900 Minnesota Court, Suite 210
Mississauga, ON L5N 3C9
www.russelmetals.com