Russel Metals

2020 ANNUAL REPORT

HEALTH & SAFETY

The Health and Safety of our employees, customers and suppliers is always our priority and the 2020 global pandemic brought this conviction to the forefront. As an organization that was deemed an essential business, we implemented safety protocols and invested resources to minimize health risks while remaining open for business. In 2020, our Aberfoyle operation celebrated a Million Hour Club award in recognition of 2 million hours without a lost time accident. Our commitment to continuously improve our overall Health and Safety results was highlighted this year with 96% of our locations experiencing no Lost Time Incidents.

CAPITAL RE-ALLOCATION

During 2020, we furthered our strategy of reducing our line pipe/OCTG footprint, lowering overhead costs and redeploying capital. We reduced our inventory in these operations by $73 million during 2020. This capital reduction plan will continue into 2021. In November 2020, we merged our Calgary-based Triumph Tubulars and Fedmet Tubulars operations which will continue to operate under the Triumph Tubular name. In January 2021, we advanced the orderly liquidation of our U.S. line pipe and OCTG operations

ACQUISITION

On December 30, 2020, we completed our acquisition of Sanborn Tube Sales of Wisconsin Inc. Sanborn provides us with enhanced value-added processing capabilities in the Wisconsin region and will be managed by Chad Schultz, who will report to Mark Fine, Regional Manager of Russel Metals Williams Bahcall. We are pleased to welcome the entire Sanborn team to our Russel Family.

FINANCIAL FLEXIBILITY

During the second half of 2020, we completed a series of debt refinancing transactions to enhance our liquidity, financial flexibility and decrease interest costs. These transactions included the extension of our $450 million credit facility, the issue of $150 million in new 5 ¾% Senior Notes due 2025 and the utilization of our excess cash to redeem our $300 million Senior Notes due April 2022.

TRENTON EXPANSION

Since 2015, our JMS Russel Metals Trenton facility has doubled in size including our recent 24,000 sq ft expansion in 2020 to accommodate value-added processing equipment and a vertical stacker system. The facility now operates Fiber Tube and Fiber Flat Lasers.

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FINANCIAL HIGHLIGHTS

	<-----Years Ended			---->
	2020	2019	2018	2017	2016
OPERATING RESULTS (millions)					
Revenues	$2,688.3	$3,675.9	$4,165.0	$3,296.0	$2,578.6
Net earnings	24.5	76.6	219.0	123.8	62.8
Adjusted EBIT (Note)	98.4	146.3	330.9	206.4	119.0
Adjusted EBIT as a % of revenue	3.7%	4.0%	7.9%	6.3%	4.6%
Adjusted EBITDA (Note)	159.0	203.0	366.6	240.6	154.1
Adjusted EBITDA as a % of revenue	5.9%	5.5%	8.8%	7.3%	6.0%
Basic earnings per common share ($)	$0.39	$1.23	$3.53	$2.00	$1.02
BALANCE SHEET INFORMATION (millions)					
Metals					
Accounts receivable	$343.4	$457.9	$566.4	$445.8	$358.9
Inventories	716.4	883.6	1,052.5	819.9	615.8
Prepaid expenses and other assets	13.7	18.2	14.1	17.2	8.5
Accounts payable and accruals	(273.1)	(307.9)	(470.6)	(347.4)	(276.3)
Net working capital - Metals	800.4	1,051.8	1,162.4	935.5	706.9
Fixed assets	269.5	288.9	268.0	246.5	239.7
Right-of-use assets	81.4	90.1 (1)	-	-	-
Goodwill and intangibles	109.6	137.0	86.2	90.5	85.7
Lease obligations	(105.8)	(111.6) (1)	-	-	-
Net assets employed in metals operations	1,155.1	1,456.2	1,516.6	1,272.5	1,032.3
Other operating assets	0.8	1.7	0.7	(0.8)	(1.1)
Net income tax assets (liabilities)	12.5	10.2	(32.3)	(30.0)	(7.3)
Pension and benefit assets (liabilities)	(7.9)	(5.0)	(5.8)	(12.0)	(11.0)
Other corporate assets and liabilities	(28.4)	(27.5)	(26.5)	(24.4)	(38.5)
Total net assets employed	$1,132.1	$1,435.6	$1,452.7	$1,205.3	$974.4
CAPITALIZATION (millions)					
Bank indebtedness, net of (cash)	$(26.3)	$46.2	$4.2	$82.0	$(146.8)
Long-term debt (incl. current portion)	293.7	444.8	443.6	296.5	295.9
Total interest bearing debt, net of (cash)	267.4	491.0	447.8	378.5	149.1
Shareholders' equity	864.7	944.6	1,004.9	826.8	825.3
Invested Captial	$1,132.1	$1,435.6	$1,452.7	$1,205.3	$974.4
OTHER INFORMATION (Notes)					
Book value per share ($)	$13.88	$15.19	$16.18	$13.36	$13.37
Free cash flow (millions)	$94.4	$136.7	$300.1	$180.4	$77.4
Capital expenditures (millions)	$24.9	$34.8	$41.3	$35.7	$16.7
Depreciation and amortization (millions)	$60.6	$56.7	$35.7	$34.2	$35.1
Interest bearing debt/Adjusted EBITDA	1.8	2.2	1.2	1.2	1.9
Net debt to invested capital	24%	35%	31%	34%	15%
Return on invested capital	9%	10%	23%	17%	12%
Return on equity	11%	15%	33%	25%	14%
COMMON SHARE INFORMATION					
Ending outstanding common shares	62,295,441	62,173,430	62,106,895	61,890,197	61,735,485
Average outstanding common shares	62,191,208	62,132,030	62,028,991	61,788,013	61,704,990
Dividend per share	$1.52	$1.52	$1.52	$1.52	$1.52
Dividends paid as a % of free cash flow	100%	69%	31%	52%	121%
Share price - High	$23.09	$25.22	$32.65	$29.78	$27.78
Share price - Low	$10.97	$18.47	$19.72	$23.67	$13.95
Share price - Ending	$22.73	$22.17	$21.33	$29.17	$25.58

This chart includes certain financial measures that are not prescribed by International Financial Reporting Standards (GAAP) or have standardized meanings, and thus, may not be comparable to similar measures presented by other companies, for example Adjusted EBIT and Adjusted EBITDA and Other Information. Management believes that Adjusted EBIT and Adjusted 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. Adjusted EBIT and 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. Adjusted EBIT, Adjusted 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 herein and on the inside back cover of our Annual Report. See financial statements for GAAP measures.

(1) Effective January 1, 2019, the Company adopted IFRS 16 - Leases

A DISCUSSION…
WITH OUR PRESIDENT & CHIEF EXECUTIVE OFFICER

Q *Many companies changed their standard practices and procedures due to the global pandemic. Can you comment on the changes that you have implemented for the health and safety of your employees and other stakeholders?*

A As our operations were deemed essential in both Canada and the US, we implemented many new procedures in accordance with WHO and CDC guidelines. In addition, we implemented travel bans, quarantine restrictions and backpack spraying at several locations, and contracted with testing labs for 24-hour turnaround time for our C19 testing. I want to thank all the Russel family for working diligently to protect each other and the communities we serve.

Q *A reduction of the capital allocated to your line pipe and OCTG operations was a stated objective for 2020. Did you make significant progress during the year and is it still an objective for 2021?*

A In mid-2020, we stated our goal of reducing the capital allocated to this segment by $100 million by the end of 2021. Over the last six months of 2020, we reduced our inventories by $65 million, so we are well on our way to achieving our target. In 2020, we completed the merger of our two Canadian line pipe and OCTG operations and in early 2021 we advanced the orderly liquidation of our U.S. line pipe and OCTG operations.

Q *2020 was a difficult year for the energy sector. What do you see on the horizon for Comco, Apex and Elite field stores?*

A Energy experienced a double black swan event with C19 and the collapse of energy prices. Our field store operations, which consist of Comco and Apex in Canada and Elite Supply Partners in the U.S, were impacted yet outperformed their competitors. This business looks, feels and operates very similar to our service center business and we see a promising future for this segment as the energy sector recovers.

Q *In 2020, you acquired Sanborn as a complement to your Wisconsin service centers. What was the purpose of the acquisition and how is the integration going? Are there other acquisitions on the horizon?*

A Sanborn was a natural extension to Russel Metals Williams Bahcall (RMWB), that serves the Wisconsin, Minnesota and Illinois region as a general line service center with a heavy emphasis in plate processing. Sanborn is a tube laser and processing operation that allowed us to accelerate our value-added processing initiative in Wisconsin and dovetails nicely with RMWB's sales force and expands Sanborn's commercial footprint. Strategically, we want to continue to grow the value-added component of our service centers organically or by acquisition.

Q *Marty Juravsky has been at Russel for a year. Please comment on Marty's transition to CFO and the capital structure changes that were implemented in the year.*

A Marty proved to be an immediate and natural fit with the Russel cultural as if he had been a member of the Russel family for years. He immediately made a positive impact on our capital structure, by working closely with our team to take advantage of Russel's countercyclical cash flow to further solidify our balance sheet by reducing long term debt and the cost of borrowing while maintaining a high level of liquidity.

Q *Have there been any other management or Board changes in 2020?*

A Bruce Robb, our Regional General Manager of Alberta/Manitoba/Saskatchewan, moved to his planned retirement at the end of 2020. Bruce left his mark throughout Western Canada as a sound veteran businessman who cared passionately for his people, while possessing tremendous commercial leadership throughout his tenure. Bruce's parting gift to Russel was his transition to his long-term manager RJ Weisner, who seamlessly assumed the reins in the regions.

Derek Currah, our President of Comco, also embarked on his planned retirement in 2020. Derek left a strong legacy of keen business acumen, exemplary people management and professionalism. Derek turned over the reins to Steve St. Jean, who Derek had been grooming for this position over the last several years.

I wish to thank both Bruce and Derek for their contributions, efforts, leadership and most of all, their friendship. You both epitomize what it means to lead a division for Russel Metals.

Alain Benedetti cycled off our board as part of our board renewal process. Ben's keen financial mind, ability to synthesize the issues, straight forward approach, leadership and unique insight served the shareholders of Russel well. Personally, I always appreciated Ben's wise counsel and mentoring over the years.

Q *Diversity of Board composition has gained momentum over the last few years. What is your view on this trend?*

A Russel has been focused on diversity in the boardroom and in the management group for a long time and we are also proud to say we have promoted the right person for the job. Our diversity is part of what has and will continue to be a key component of our unique culture as it is our people who separate us from our competition.

Q *How did the Company's employees benefit from the Canadian Wage Subsidy funds in 2020?*

A Russel qualified for the wage subsidy and it allowed us to methodically navigate through the C19 challenges and maintain employment levels across Russel's businesses during the pandemic. This wage subsidy buffer allowed us to weather the storm as the business environment gradually improved to sustainable levels.

Q *How was Russel able to maintain its dividend during 2020?*

A Our cash flows are countercyclical, and we threw off cash from effective working capital management during the downturn. Maintaining our dividend has been a staple during previous cycles and our business model continued to prove sound during 2020 as we maintained our dividend.

Q *Please describe the expansion of your Trenton, Georgia location to a value-added processing center of excellence occurred in 2020.*

A Trenton, Georgia completed a warehouse expansion by adding a stacker system which expanded the breadth of inventory available at the location. This expansion freed up space to add both tube and flat lasers serving multiple JMS locations. This expansion came to fruition as our Jackson, Tennessee laser processing center reached capacity and we continued to see market opportunities for further value-added processing in the region. The facility is fully operational and both Trenton and Jackson continue to have tremendous back logs of business. The JMS region will add further equipment in the coming year, as we continue to grow our value-added business.

Q *Please comment on the margin enhancement associated with value-added processing and any future projects being contemplated.*

A During previous market downturns our service centers have seen gross margin compression as the industry fights to maintain market share. We were not only able to maintain our gross margins during this recent downturn, but we were able to modestly grow our gross margin as a direct result of our expanding value-added processing. The hub and spoke concept continues to garner market share and we are looking at multiple value-added projects along with bolt on acquisitions, like Sanborn, to accelerate this initiative.

Q *Your Annual Report cover features a light at the end of a dark tunnel. Do you see a light in 2021?*

A 2020 obviously came with unique challenges, yet also with unique opportunities. We reduced capital in our OCTG and Line Pipe segment while we redeployed capital to our value-added processing initiative. Our people were thrust into leadership roles due to the circumstances and gained tremendous experience as they were stretched professionally and rose to the challenge. We implemented a series of new health and safety initiatives that are critical steps forward. In 2020, we became a better company as our leadership team was molded through adversity. Not only is there light at the end of the tunnel, but we are charging forward in 2021 better equipped to seize new opportunities.

John G. Reid
President and Chief Executive Officer

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, 2020 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 10, 2021

J. G. Reid
President and
Chief Executive Officer

M. L. Juravsky
Executive Vice President and
Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020, 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 10, 2021.

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: volatility in metal prices; cyclicality of the metals industry; volatility in oil and natural gas prices; capital budgets in the energy industry; climate change; product claims; significant competition; sources of metals supply; manufacturers selling directly; material substitution; credit risk; currency exchange risk; restrictive debt covenants; asset impairments; the unexpected loss of key individuals; decentralized operating structure; future acquisitions; the failure of our key computer-based systems, labour interruptions; laws and governmental regulations; litigious environment; environmental liabilities; carbon emissions; health and safety laws and regulations and common share risk.

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 under the heading "Risk Management and Risks Affecting Our Business" in our most recent Annual Information Form and are otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.

NON-GAAP MEASURES

This MD&A includes a number of measures that are not prescribed by International Financial Reporting Standards ("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. These measures include Adjusted EBITDA which represents earnings before long-lived asset impairment charges, interest, income taxes, depreciation and amortization; and free cash flow which represents cash from operating activities before changes in working capital less capital expenditures. We believe that Adjusted EBITDA and free cash flow 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. The items excluded in determining Adjusted EBITDA and free cash flow are significant in assessing operating results and liquidity. Adjusted EBITDA and free cash flow should not be considered in isolation or 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.

Adjusted net earnings and adjusted net earnings per share are non-GAAP measures that exclude non-cash long-lived asset impairment. We believe that adjusted net earnings and adjusted net earnings per share may be useful in assessing our operating performance but should not be considered as an alternative to net earnings or net earnings per share.

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

OVERVIEW OF THE FOURTH QUARTER AND 2020 ANNUAL RESULTS

Our net earnings for the year ended December 31, 2020, were $25 million or $0.39 per share compared to net earnings of $77 million or $1.23 per share for 2019. Our adjusted net earnings (excluding the after-tax impact of non-cash asset impairment charges of $26 million related to our U.S. energy operations) for the year ended December 31, 2020 were $50 million or $0.81 per share. Revenues for the year ended December 31, 2020 were $2.7 billion compared to $3.7 billion in 2019. Adjusted EBITDA was $159 million compared to $203 million in 2019.

In the 2020 fourth quarter, our revenues, Adjusted EBITDA and adjusted earnings per share were $671 million, $41 million and $0.22 per share, respectively. Revenues during the quarter benefited from multiple steel price increases and stronger seasonal demand in the metals service centers and steel distributors segments. During the 2020 fourth quarter, items of note that negatively impacted Adjusted EBITDA included a net increase in our inventory valuation reserves of $3 million related to our line pipe/OCTG operations and non-cash stock-based compensation expense of $4 million due to our improved share price. During the 2020 fourth quarter, we recognized $8 million in federal government wage subsidies, as compared to $20 million in the 2020 third quarter.

Market Conditions

The global pandemic created extraordinary market volatility in 2020, from a severe deterioration of activity in the second quarter to gradual improvement through the third quarter and a stronger pick-up towards the end of the fourth quarter in metals service centers and steel distributors. Our operations were deemed essential and remained open throughout 2020. In the 2020 fourth quarter, rapid increases in raw material pricing, improved demand and low inventory levels throughout the supply chain drove a substantial increase in steel prices.

Business Optimization

During 2020, we implemented a number of our value-added processing initiatives in several of our regions. On December 30, 2020, we acquired Sanborn Tube Sales of Wisconsin, Inc. ("Sanborn "), a leader in value-added manufacturing, for US$13 million. Sanborn operates three tube lasers from its facility located in Pewaukee, Wisconsin and will complement our existing locations in that region. During 2020, we expanded our Trenton, Georgia facility which now includes a bar storage facility, fiber tube and flat lasers. The rationalization of our B.C. region was completed through the closure and sale of the real estate related to our Kelowna and Kitimat service centers. The sale of these two facilities resulted in proceeds of $10 million and a gain on sale of $6 million which was recorded in the 2020 third quarter.

In our energy products segment, we furthered our objective of reducing capital employed in our line pipe/OCTG operations. During the year, we completed the merger of our two Canadian line pipe/OCTG operations and advanced the orderly liquidation of our U.S. line pipe/OCTG operations. As a result, we reduced our line pipe/OCTG inventory by $73 million for the year, including $34 million in the 2020 fourth quarter. In our field stores, we rationalized six Elite Supply Partners locations.

Liquidity and Capital Structure Improvements

During 2020, we generated $371 million of cash from operating activities and ended the year with total liquidity of $406 million.

During September 2020, we updated and improved our credit facility to provide additional borrowing base flexibility and extended its maturity. In October 2020, we issued $150 million 5 ¾% senior unsecured notes due October 2025. In November 2020, we redeemed our $300 million 6% senior unsecured notes due 2022. The combination of these initiatives will reduce our interest expense and extend our debt maturities. During the 2020 fourth quarter, our interest expense included $1.3 million in deferred financing costs related to the redemption of senior unsecured notes due 2022.

RECONCILIATION OF NET EARNINGS TO ADJUSTED EBITDA

The following table provides a reconciliation of net earnings (loss) and earnings (loss) per share for the year and quarter ended December 31, 2020 to adjusted net earnings and adjusted net earnings per share.

	Millions		Per Share	
December 31, 2020	Quarter Ended	Year Ended	Quarter Ended	Year Ended
Net earnings (loss)	$ (8.8)	$ 24.5	$ (0.14)	$ 0.39
Asset impairment, after tax	22.6	25.6	0.36	0.42
Adjusted net earnings	13.8	50.1	$ 0.22	$ 0.81
Provision for income taxes	(3.8)	3.4		
Provision for income taxes on asset impairment	7.5	8.2		
Interest and finance expense	9.0	36.7		
Adjusted EBIT	26.5	98.4		
Depreciation and amortization	14.6	60.6		
Adjusted EBITDA	$ 41.1	$ 159.0		

SUMMARIZED FINANCIAL INFORMATION

The following tables disclose selected information related to revenues, earnings and common shares over the last three years.

2020

	Quarters Ended				Year Ended
(in millions, except per share data and volumes)	Mar. 31	June 30	Sept. 30	Dec. 31	Dec. 31
Revenues	$ 814.7	$ 588.1	$ 614.9	$ 670.5	$ 2,688.3
EBITDA	35.5	31.5	47.2	11.1	125.2
Adjusted EBITDA	39.2	31.5	47.2	41.2	159.0
Net earnings (loss)	13.5	4.6	18.2	(8.8)	24.5
Basic earnings (loss) per common share	$ 0.17	$ 0.07	$ 0.29	$ (0.14)	$ 0.39
Diluted earnings per common share	$ 0.17	$ 0.07	$ 0.29	$ (0.14)	$ 0.39
Total assets	$ 2,010.5	$ 1,824.5	$ 1,787.7	$ 1,596.3	$ 1,596.3
Non-current financial liabilities	$ 542.7	$ 538.1	$ 536.0	$ 382.5	$ 382.5
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	$ 1.52
Market price of common shares					
High	$ 23.00	$ 18.29	$ 19.71	$ 23.09	$ 23.09
Low	$ 10.97	$ 12.51	$ 16.23	$ 17.34	$ 10.97
Shares outstanding end of quarter	62,184,978	62,184,978	62,184,978	62,295,441	62,295,441
Average shares outstanding	62,179,130	62,182,055	62,183,036	62,215,545	62,191,208
Number of common shares traded on the TSX	19,490,294	24,546,823	12,319,978	13,239,649	69,596,744

2019

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 1,032.6	$ 936.7	$ 869.2	$ 837.4	$ 3,675.9
EBITDA	71.9	64.8	48.7	17.6	203.0
Adjusted EBITDA	71.9	64.8	48.7	17.6	203.0
Net earnings (loss)	34.3	30.8	18.1	(6.6)	76.6
Basic earnings (loss) per common share	$ 0.55	$ 0.50	$ 0.29	$ (0.11)	$ 1.23
Diluted earnings (loss) per common share	$ 0.55	$ 0.50	$ 0.29	$ (0.11)	$ 1.23
Total assets	$ 2,199.2	$ 2,115.9	$ 2,074.9	$ 1,929.0	$ 1,929.0
Non-current financial liabilities	$ 540.0	$ 541.1	$ 538.9	$ 539.2	$ 539.2
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	$ 1.52
Market price of common shares					
High	$ 25.22	$ 24.61	$ 22.56	$ 23.35	$ 25.22
Low	$ 20.75	$ 20.90	$ 18.47	$ 19.85	$ 18.47
Shares outstanding end of quarter	62,109,395	62,109,395	62,173,430	62,173,430	62,173,430
Average shares outstanding	62,107,839	62,108,622	62,170,481	62,173,430	62,132,030
Number of common shares traded on the TSX	13,787,516	10,661,704	12,814,804	14,601,555	51,865,579

On January 1, 2019, we retroactively adopted IFRS 16-Leases.

2018

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 931.3	$ 978.2	$ 1,140.1	$ 1,115.4	$ 4,165.0
EBITDA	69.0	106.0	110.6	81.0	366.6
Adjusted EBITDA	69.0	106.0	110.6	81.0	366.6
Net earnings	38.5	66.1	68.2	46.2	219.0
Basic earnings per common share	$ 0.62	$ 1.07	$ 1.10	$ 0.74	$ 3.53
Diluted earnings per common share	$ 0.62	$ 1.06	$ 1.09	$ 0.74	$ 3.52
Total assets	$ 1,924.2	$ 2,057.8	$ 2,140.9	$ 2,130.4	$ 2,130.4
Non-current financial liabilities	$ 442.6	$ 443.0	$ 443.3	$ 443.6	$ 443.6
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	$ 1.52
Market price of common shares					
High	$ 32.65	$ 31.33	$ 30.99	$ 28.20	$ 32.65
Low	$ 27.08	$ 26.24	$ 26.20	$ 19.72	$ 19.72
Shares outstanding end of quarter	61,965,644	62,077,045	62,090,045	62,106,895	62,106,895
Average shares outstanding	61,921,421	62,012,928	62,081,187	62,097,921	62,028,991
Number of common shares traded on the TSX	16,027,868	8,981,225	10,136,481	14,371,151	49,516,725

RESULTS OF OPERATIONS

The following table provides earnings before interest and income taxes. The corporate expenses included are not allocated to specific operating segments. Gross margins (revenues 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.

(millions, except percentages)	2020	2019	variance as a % of 2019
Segment Revenues			
Metals service centers	$ 1,621.8	$ 1,958.0	(17%)
Energy products	797.5	1,310.7	(39%)
Steel distributors	261.9	395.9	(34%)
Other	7.1	11.3	
	$ 2,688.3	$ 3,675.9	(27%)
Segment Operating Profits			
Metals service centers	$ 103.9	$ 73.7	41%
Energy products	(3.3)	68.8	(105%)
Steel distributors	9.2	15.8	(42%)
Corporate expenses	(19.4)	(17.0)	(14%)
Gain on sale of assets	6.1	-	
Asset impairment	(33.8)	-	
Other	1.9	5.0	
Earnings before interest and income taxes	$ 64.6	$ 146.3	(33%)
Segment Gross Margin as a % of Revenues			
Metals service centers	22.0%	18.8%	
Energy products	15.1%	16.6%	
Steel distributors	12.8%	11.0%	
Total operations	19.3%	17.4%	
Segment Operating Profit as a % of Revenues			
Metals service centers	6.4%	3.8%	
Energy products	(0.4%)	5.2%	
Steel distributors	3.5%	4.0%	
Total operations	3.7%	4.0%	

Results of our U.S. operations for the year ended December 31, 2020 were converted at $1.3412 per US$1 compared to $1.3268 per US$1 for the year ended December 31, 2019. Our U.S. operations represented approximately 32% of our total revenues. The exchange rate used to translate the balance sheet at December 31, 2020 was $1.2732 per US$1 versus $1.2988 per US$1 at December 31, 2019.

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 31,000 end users through a network of 47 Canadian locations and 17 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 as well as the Southeastern and Midwestern regions in the United States.

b) Metals service centers segment results -- 2020 compared to 2019

(millions)	2020	2019	% Change
Financial Highlights			
Revenues	$ 1,622	$ 1,958	(17%)
Gross margin ($)	357	368	(3%)
Gross margin (%)	22.0%	18.8%	
Earnings from operations	104	74	41%

Tons shipped in 2020 were approximately 7% lower than 2019. Our U.S. service centers had a 1% increase in tons with all Canadian regions experiencing decreased volumes. During the year ended December 31, 2020 our reduction in tons shipped was lower than the average published by the Metals Service Center Institute as our operations garnered market share. The average selling price per ton was 11% lower than 2019. The average selling price in the 2020 fourth quarter increased 5% over the 2020 third quarter due to price increases late in the fourth quarter.

Gross margin as a percentage of revenues of 22.0% for the year ended December 31, 2020 was higher than the 18.8% in 2019 due to value-added processing and the lower average cost of inventory.

Operating expenses for 2020 were $254 million, 14% lower than the $295 million in 2019 due to lower business activity and government wage subsidies that allowed us to sustain employment levels. In July 2020 we launched our multi-year ERP upgrade project. Operating expenses relating to the new ERP project were $4 million for the year ended December 31, 2020.

Metals service centers operating profits for the year ended December 31, 2020 of $104 million were higher than the $74 million reported for 2019. Our average revenue per invoice for 2020 was approximately $1,906 compared to $2,371 for 2019, reflecting decreased steel prices. We handled approximately 3,403 transactions per day in 2020 compared to 3,303 per day in 2019.

ENERGY PRODUCTS

a) Description of operations

We distribute tubes, valves, fittings, oil country tubular goods (OCTG) and line pipe, primarily to the energy industry in Western Canada and the United States. A significant portion of our business units are clustered in Alberta and Saskatchewan, Canada, and in the U.S., in Texas, Oklahoma and Colorado. 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 48 Canadian and 14 U.S. facilities in our valve and fitting operations. We purchase our products from the pipe division of North American steel mills, independent manufacturers of pipe, valves and fittings, international steel mills and other distributors.

b) Energy products segment results -- 2020 compared to 2019

(millions)	2020	2019	% Change
Financial Highlights			
Revenues	$ 798	$ 1,311	(39%)
Gross margin ($)	121	217	(44%)
Gross margin (%)	15.1%	16.6%	
(Loss) earnings from operations	(3)	69	(105%)

The price of oil, including the Western Canadian select discount, and natural gas can impact rig count and drilling activities, which affects demand for our products.

Depressed oil prices resulted in reduced rig counts and delayed energy projects that caused a significant decrease in revenues particularly for our line pipe and OCTG operations. In 2020, the average Canadian rig counts were 89 compared to 134 in 2019 and the average U.S. rig counts were 433 compared to 943 in 2019.

Gross margin as a percentage of revenues was 15.1% compared to 16.6% in 2019 mainly due to lower industry-wide OCTG and line pipe prices in reaction to lower demand and excess inventories throughout the industry created by reduced North American rig counts. The lower line pipe prices resulted in an increase in our energy product inventory provisions of $12 million related to our line pipe and OCTG operations.

Operating expenses for the year ended 2020 were $124 million compared to $148 million in 2019. The decrease was due to headcount reductions, location closures, work sharing arrangements and government employment incentives.

Operating losses were $3 million for 2020 compared to profits of $69 million for 2019. Our field store operations generated an operating income of $23 million in the year compared to $73 million in 2019. Our line pipe and OCTG operations generated an operating loss of $26 million in the year compared to a loss of $4 million in 2019.

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 located 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.

b) Steel distributors segment results -- 2020 compared to 2019

(millions)	2020	2019	% Change
Financial Highlights			
Revenues	$ 262	$ 396	(34%)
Gross margin ($)	34	43	(23%)
Gross margin (%)	12.8%	11.0%	
Earnings from operations	9	16	(42%)

Revenues in our steel distributors were 34% lower in 2020 compared to 2019 due to lower demand caused by general economic conditions.

Gross margin as a percentage of revenues was 12.8% for the year ended December 31, 2020 compared to 11.1% for the year ended December 31, 2019 due to an inventory provision recorded in our U.S. operation in 2019.

Operating expenses declined to $24 million in 2020 from $28 million in 2019. Operating profits for 2020 of $9 million were lower compared to $16 million for 2019 due to reduced demand.

CORPORATE EXPENSES -- 2020 COMPARED TO 2019

Corporate expenses were $19 million in 2020 compared to $17 million in 2019. During the year, the non-cash stock-based compensation expense was $5 million due to our improved share price compared to $4 million in 2019.

ASSET IMPAIRMENT

The challenging economic conditions experienced in 2020 due to the global pandemic and the oil price turmoil, resulted in a triggering event and the need to test long-lived assets for impairment. The impairment tests resulted in non-cash charges of $34 million. In the 2020 fourth quarter, we recorded an asset impairment charge of $30 million relating to our U.S. field store operations and in the 2020 first quarter, we recorded an asset impairment charge of $4 million relating to our U.S. line pipe operation. The recoverable amounts for the rest of our operations exceeded their carrying value and no other further impairment was recorded.

GAIN ON SALE OF ASSETS

During the third quarter of 2020, as part of our rationalization in the B.C. region, we sold the real estate associated with our Kitimat and Kelowna branches for net proceeds of $10 million resulting in a gain on sale of $6 million.

INTEREST EXPENSE

Net interest expense was $37 million for 2020 compared to $41 million for 2019 due to reduced working capital levels. The capital structure improvements are expected to further reduce our interest expense in 2021.

INCOME TAXES

We recorded a provision for income taxes of $3 million for 2020 compared to a provision of $29 million for 2019. Our effective income tax rate for 2020 was 12.2% compared to 27.3% for 2019. The decrease in the 2020 effective tax rate was due to the utilization of capital losses for the gain on sale of assets and certain provisions of the CARES Act.

NET EARNINGS

Net earnings for 2020 were $25 million compared to $77 million in 2019. Basic earnings per share for 2020 was $0.39 per share compared to $1.23 per share in 2019.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for 2020 was 62.2 million compared to 62.1 million for 2019 as a result of the exercise of options. Common shares outstanding at December 31, 2020 and February 10, 2021 were 62.3 million.

We paid common share dividends of $95 million or $1.52 per share in 2020 and 2019.

We have $150 million of 6% senior unsecured notes due March 16, 2026. The indenture for these senior notes has restrictions on the payment of quarterly dividends in excess of $0.38 per share. These notes can be redeemed at par on or after March 16, 2024.

We have $150 million of 5 ¾% senior unsecured notes due October 27, 2025. The indenture for these senior notes contains restrictions on the payment of quarterly dividends in excess of $1.60 per annum. These notes can be redeemed at par on or after October 27, 2024.

Under our syndicated bank facility, the payment of dividends are 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.

ADJUSTED EBITDA

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

(millions)	2020	2019
Net earnings	$ 24.5	$ 76.6
Provision for income taxes	3.4	28.8
Interest, net	36.7	40.9
Assets impairment	33.8	-
Earnings before asset impairment, interest, finance expense and income taxes (Adjusted EBIT)	98.4	146.3
Depreciation and amortization	60.6	56.7
Earnings before asset impairment, interest, income taxes, depreciation and amortization (Adjusted EBITDA)	$ 159.0	$ 203.0

CAPITAL EXPENDITURES

Capital expenditures were $25 million in 2020 compared to $35 million in 2019. We continued to invest in value-added processing with an investment of $5 million in the expansion of our Trenton, Georgia facility and $2 million for a structural expansion to include plasma beam coping in our Edmonton, Alberta location.

We expect capital expenditures to be lower than depreciation of property, plant and equipment in 2021.

LIQUIDITY

During the cycle, we experience significant swings in working capital with accounts receivable and inventory comprising our largest liquidity risks.

At December 31, 2020, we had net cash, defined as cash less bank indebtedness, of $26 million compared to net bank indebtedness of $46 million at December 31, 2019. We generated cash of $119 million from operations during 2020 and $257 million from working capital. We invested $25 million for capital expenditures, utilized $5 million for income tax payments and returned $95 million in dividends to our shareholders.

Total assets were $1.6 billion at December 31, 2020, compared to $1.9 billion at December 31, 2019. At December 31, 2020, current assets excluding cash represented 70% of our total assets excluding cash, compared to 72% at December 31, 2019.

Accounts receivable generated cash of $115 million in 2020, due to lower revenues. Accounts receivable represented 22% of our total assets excluding cash, at December 31, 2020 compared to 24% at December 31, 2019.

Inventories generated cash of $169 million due to reduced purchases in response to lower demand and a reduction in our line pipe and OCTG inventories as part of our initiative to reduce capital employed in those businesses. Inventories represented 45% of our total assets at December 31, 2020 compared to 46% at December 31, 2019.

Inventory by Segment (millions)	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020	Dec. 31 2019
Metals service centers	$ 279	$ 267	$ 297	$ 320	$ 295
Energy products	373	436	470	487	494
Steel distributors	64	87	95	100	95
Total	$ 716	$ 790	$ 862	$ 907	$ 884

Inventory Turns (quarters ended)	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020	Dec. 31 2019
Metals service centers	4.5	4.7	4.0	4.3	4.5
Energy products	1.7	1.2	1.1	2.2	2.5
Steel distributors	3.9	2.5	2.4	2.2	3.3
Total	3.0	2.5	2.2	2.9	3.2

At December 31, 2020, our metals service centers had lower inventory tons than at December 31, 2019 due to reduced purchases in response to the economic downturn. Inventory levels increased in the fourth quarter due to higher steel prices and improved demand. Inventory levels in our energy products segment decreased from 2019 due to slowing demand and reduced capital allocated to our line pipe and OCTG operations. In steel distributors, the decrease in inventory value over 2019 was due to a reduction in purchases due to reduced demand.

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)	2020	2019
Cash from operating activities before non-cash working capital	$ 119.2	$ 171.5
Purchase of property, plant and equipment	(24.9)	(34.8)
	$ 94.3	$ 136.7

DEBT

As at December 31 (millions)	2020	2019
Long-term debt		
5 ¾% $150 million Senior Notes due October 27, 2025	$ 147	$ -
6% $150 million Senior Notes due March 16, 2026	147	147
6% $300 million Senior Notes due April 19, 2022	-	298
	$ 294	$ 445

In October 2020, we issued $150 million of 5 ¾% senior unsecured notes due 2025. In November 2020, we redeemed our $300 million 6% senior unsecured notes due in 2022.

CASH AND BANK CREDIT FACILITY

(millions)	2020	2019
Bank loans	$ -	$ (57)
Cash net of outstanding cheques	26	11
Net cash (bank indebtedness)	26	(46)
Letters of credit	(68)	(33)
	$ (42)	$ (79)
Facility		
Borrowings and letters of credit	$ 400	$ 400
Letters of credit	50	50
Facility availability	$ 450	$ 450
Available line based on borrowing base	$ 450	$ 450

We have a committed credit facility with a syndicate of Canadian and U.S. banks that provides $50 million for letters of credit and $400 million which can be utilized for borrowings or additional letters of credit. On September 29, 2020, the facility was amended to provide additional borrowing base flexibility and other improvements and extended to expire on September 21, 2023. 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 $450 million.

As of December 31, 2020, we were entitled to borrow and issue letters of credit totaling $450 million under this facility. At December 31, 2020, we had no borrowings and $68 million of letters of credit outstanding. At December 31, 2019 we had $57 million in borrowings and letters of credit of $33 million.

At December 31, 2020, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facility we have access to approximately $406 million of cash based on our December 31, 2020 balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases.

CONTRACTUAL OBLIGATIONS

As at December 31, 2020, we were contractually obligated to make payments as per the following table:

Contractual Obligations *(millions)*	Payments due in 2021	2022 and 2023	2024 and 2025	2026 and thereafter	Total
Bank loans	$ -	$ -	$ -	$ -	$ -
Accounts payable	291	-	-	-	291
Debt	-	-	150	150	300
Long-term debt interest	18	35	35	5	93
Lease obligations	24	38	27	55	144
Total	$ 333	$ 73	$ 212	$ 210	$ 828

In addition, we are obligated to pay $68 million in letters of credit when they mature in 2021.

We provide defined contribution pension plans for a majority of our Canadian and U.S. employees; however, we have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 16 of our 2020 consolidated financial statements. During 2020 we contributed $3 million to these plans. We expect to contribute approximately $3 million to these plans during 2021. The defined benefit obligations reported in the consolidated 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. We do not have additional funding obligations on a solvency basis and no additional funding would be required based on solvency if the plans were wound up. We estimate the impact of a 0.25% change in the discount rate on the solvency obligation would be approximately $6 million.

We have disclosed our obligations related to environmental litigation, regulatory actions and remediation in our Annual Information Form under the heading "Environmental Regulation". These obligations, which are not material, relate to previously divested or discontinued operations and do not relate to the metals distribution business.

OFF-BALANCE SHEET ARRANGEMENTS

Our off-balance sheet arrangements consist of the letters of credit disclosed in the bank credit facilities table and short-term and low value operating lease obligations disclosed in the contractual obligations table. On January 1, 2019, we adopted the new lease accounting standard *IFRS 16* and only short-term and low value leases are off-balance sheet.

ACCOUNTING ESTIMATES

The preparation of our consolidated 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 valuation, useful lives of fixed assets, asset impairment, fair values, income taxes, pensions and benefits obligations, guarantees, decommissioning liabilities, contingencies, 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, 2020 approximated our reserve level at December 31, 2019. Bad debt expense for 2020 as a percentage of revenue was less than 1%.

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. When recent selling prices are not available, future selling prices are estimated using current replacement cost plus an applicable margin. The inventory reserve level at December 31, 2020 was $7 million greater than the level at December 31, 2019.

Other areas involving significant estimates and judgements include:

Long-lived Asset Impairment
The determination of whether long-lived assets, including goodwill and intangibles, are impaired requires the estimation of future cash flows and an appropriate discount rate to determine value in use. An impairment occurs when the book value of the assets associated with a particular cash generating unit is greater than the value in use. The assessment of future cash flows and a discount rate requires significant judgement.

During 2020, we concluded that the rapid deterioration of the North American economic environment resulted in a triggering event and the need to perform impairment testing of our long-lived assets including goodwill and intangibles. We forecasted future cash flows by considering the reduced activity to determine recoverable amounts. Based on this analysis, we recorded impairments in the 2020 first quarter and the 2020 fourth quarter. There is no certainty that there will not be future impairments should the economic markets in which we operate continue to deteriorate.

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
For each acquisition we review the fair value of assets acquired. 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.

Contingent Liabilities
Provisions for claims and potential claims are determined on a case-by-case basis. We recognize contingent loss provisions when it is determined that a loss is probable and when we are able to reasonably estimate the obligation. This determination takes significant judgement and actual cash outflows might be materially different from estimates. In addition, we may receive claims in the future that could have a material impact on our financial results.

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

Employee Benefit Plans
At least every three years, our actuaries perform a valuation 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 $159 million in plan assets at December 31, 2020, which is approximately $6 million higher than at December 31, 2019. The discount rate used on the employee benefit plan obligation for December 31, 2020 was 2.50%, which is 50 basis points lower than the discount rate at December 31, 2019. The employee benefit obligation at December 31, 2020 was approximately $164 million which is approximately $9 million higher than at December 31, 2019.

Leases
We recognize right-of-use assets and lease obligations which includes our arrangements that contain a lease. The determination of the asset and obligation requires an assessment of whether we are reasonably certain that an extension option will be exercised, calculation of a discount rate inherent in the lease or an incremental borrowing rate and whether the right-of-use asset is impaired. These determinations require significant judgement.

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 & Chief Executive Officer and the Executive Vice President & 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, 2020. The design and evaluation of internal controls was completed using 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 mature and cyclical industry. We believe we enhance returns by managing costs and working capital throughout the cycle. Capital allocation priorities and limits are managed centrally with day-to-day decision making delegated to the various operations. Furthermore, our variable compensation model is based on the return on net assets for each business unit, which provides our business managers a basis to proactively adjust costs and working capital to local market conditions. Management believes that this strategy will result in higher average profits and that we will generate earnings over the cycle in the top quartile of the industry.

Growth from selective acquisitions is also part of our strategy. We focus on investment opportunities in 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 addition, we will continue to invest in value-added processing that allows for growth and further improves our returns.

We believe that the steel pricing cycle will continue to be highly volatile, and that our decentralized 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.

RISK

A summary of the risks affecting our business is described under the heading "Risk Management and Risks Affecting Our Business" in our most recent Annual Information Form, which section is incorporated by reference in this "Risk" section of our MD&A.

The pandemic has created uncertainty in the health and welfare of the communities where we operate and resulted in temporary business closures including certain of our customers and reduced economic activity. We do not know when the uncertainty caused by the virus will cease and business conditions will return to normal levels.

The timing and extent of future price changes from steel producers and their impact on us cannot be predicted with any certainty due to the cyclical nature of the steel industry, varying capacity utilization rates for North American steel producers and changing import levels and tariffs. Future tariff changes to country or product exemptions may impact steel prices and product availability.

A significant percentage of our revenues are dependent on the oil and gas industry whose activity fluctuates with oil and gas prices. The oversupply of oil has resulted in reduced drilling and lower demand for OCTG and line pipe. In addition, certain pipe manufacturers have attempted to bypass distributors which has further exacerbated the competitive pricing environment. Our strategy includes a reduction of the capital allocated to our OCTG and line pipe operations. Our oil field store operations provide a more stable stream of earnings as their products are used in maintenance and repair as well as new drilling activity.

The continued impact of the pandemic and prevailing oil price conditions may lead to changes in estimates in our financial statements and the effect of such changes could be material and result in impairments of long-lived assets, including goodwill and intangibles, provisions for inventory and credit losses.

The USMCA replaced NAFTA on July 1, 2020. It is expected that this agreement will have a positive effect on the post pandemic demand for North American sourced metal products such as steel and aluminum.

On February 25, 2020, the U.S. International Trade Commission issued a final determination that fabricated structural steel imports from Canada, China and Mexico do not materially injure the U.S. fabricated steel industry. Therefore, no anti-dumping or countervailing duties will be applied on imports from these countries. This ruling should lead to increased steel fabrication in Canada which should benefit our customer base.

On March 13, 2020, the Canadian Industrial Trade Tribunal (CITT) issued a report concluding that hot rolled plate products from Brazil, Denmark, Indonesia, Italy, Japan and Korea would continue to be dumped into the Canadian marketplace if current orders were lifted and that such actions would likely result in injury to the industry. The Tribunal continued previous duties for an additional five years in respect to the subject goods.

On October 9, 2020, the Canada Border Services Agency (CBSA) made a preliminary determination that imports of hot rolled plate products from Taiwan, Germany and Turkey were harmful to the Canadian market and set provisional duties ranging from 3% to 97%. On the same date, the CBSA terminated its dumping investigation on hot rolled plate imports from South Korea and Malaysia.

On October 13, 2020, the U.S. Department of Commerce imposed additional requirements on the importation of steel products. When applying for an importer license, the importer must identify both the country or origin of the steel product as well as where the steel used in the manufacture of the steel product was melted and poured.

On November 16, 2020, the CITT issued its findings that corrosion resistant steel from Turkey, the UAE and Vietnam (excluding specified facilities) have been dumped in the Canadian market and thus are subject to Anti-Dumping duties and that the goods have been subsidized. Further analysis found that the volume of goods exported from the UAE and Vietnam were negligible and therefore terminated the injury inquiry of these goods. The result is that material from Turkey (excluding specified facilities) is now subject to both Anti-Dumping and Countervailing duties.

On February 5, 2021, the CITT issued its findings that hot-rolled carbon steel heavy plate and high-strength low-alloy steel heavy plate from Taiwan, Chinese Taipei and Germany that are being dumped into the Canadian market have caused injury to the domestic industry. On the same date the CITT determined that the volume of the above referenced goods being dumped from Turkey is negligible and terminated its inquiry on material originating in or being exported from Turkey.

FOURTH QUARTER RESULTS

Revenues in the fourth quarter of 2020 were 20% lower than the same quarter in 2019. Operating income was $27 million compared to $2 million in 2019. During the quarter ended December 31, 2020, Adjusted EBITDA was $41 million compared to $18 million in 2019.

Our net loss for the quarter ended December 31, 2020 was $9 million or $0.14 per share. Our adjusted net earnings for the quarter ended December 31, 2020 were $14 million or $0.22 per share.

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

(millions, except percentages)	Quarters Ended December 31 2020	Quarters Ended December 31 2019	variance as a % of 2019
Segment Revenues			
Metals service centers	$ 419.2	$ 411.6	2%
Energy products	175.9	342.6	(49%)
Steel distributors	73.6	80.6	(9%)
Other	1.9	2.6	
	$ 670.6	$ 837.4	(20%)
Segment Operating Profits (Loss)			
Metals service centers	$ 35.6	$ 8.8	
Energy products	(7.0)	(1.8)	
Steel distributors	4.9	(3.2)	
Corporate expenses	(7.5)	(2.6)	
Other	0.5	1.1	
Earnings before asset impairment, interest and income taxes	$ 26.5	$ 2.3	
Segment Gross Margin as a % of Revenues			
Metals service centers	25.0%	18.8%	
Energy products	12.2%	11.4%	
Steel distributors	15.4%	3.6%	
Total operations	20.8%	14.6%	
Segment Operating Profit as a % of Revenues			
Metals service centers	8.5%	2.1%	
Energy products	(4.0%)	(0.5%)	
Steel distributors	6.7%	(4.0%)	
Total operations	4.0%	0.3%	

Metals service centers revenues were 2% higher than the same quarter in 2019 as a result of increased demand and selling prices. Tons shipped in the fourth quarter of 2020 for metals service centers were 2% higher than the fourth quarter of 2019 and selling prices were consistent with the fourth quarter of 2019. Gross margin as a percentage of revenues increased to 25.0% for the fourth quarter of 2020 from 18.8% for the fourth quarter of 2019. At the end of the 2020 fourth quarter, steel prices increased significantly due to raw material input prices and tight inventory levels in the supply chain.

In the fourth quarter of 2020, revenues at our energy products segment were 49% lower than 2019. Lower demand was experienced in the 2020 fourth quarter due to lower rig counts and resulted in an operating loss in this segment in the fourth quarter.

Our steel distributors reported operating profits in the 2020 fourth quarter of $5 million compared to an operating loss of $3 million in the 2019 fourth quarter due to an inventory provision recorded in 2019.

Corporate expenses were higher than 2019 due to non-cash stock-based compensation expense of $4 million in the quarter from our improved share price.

OUTLOOK

Through the early stage of 2021, we have experienced continuing improvement in demand levels at our metals service centers and steel distributors segments. In addition, steel prices and margins have remained at levels well above the average in the 2020 fourth quarter. In energy products, inventory shortages have led to gradually improved prices and modest demand increases.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Russel Metals Inc.

Opinion

We have audited the consolidated financial statements of Russel Metals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Assets - Refer to Notes 2, 8 and 12 to the Financial Statements

Key Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each cash generating unit ("CGU") to its carrying value. An impairment loss is recognized if the carrying values of a CGU exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost of disposal and value in use, using a discounted cash flow model. Prior to impairment, the Company had goodwill associated with the Elite Supply Partners ("Elite") CGU. The carrying value of the Elite CGU exceeded its recoverable amount as of the measurement date and, therefore, an impairment loss was recognized. This required management to make significant estimates and assumptions related to the projected revenues and associated gross profit ("GP") margins and discount rate. Changes in these assumptions could have a significant impact on the recoverable amount and thus, the amount of the goodwill impairment loss.

Given the significant judgements made by management to estimate the recoverable amount of the Elite CGU, performing audit procedures to evaluate the reasonableness of the estimates and assumptions related to the projected revenues and associated GP margins and discount rate required a high degree of auditor judgement and an increased extent of effort, including the need to involve fair value specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the projected revenues and associated GP margins and discount rate used by management to estimate the recoverable amount of goodwill for the Elite CGU included the following, among others:

- Evaluated management's ability to accurately forecast projected revenues and GP margins by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of management's forecasts of projected revenues and GP margins by comparing forecasts to:
    - Historical revenues and operating margins.
    - Internal communications to management and the Board of Directors.
    - Underlying analyses detailing business strategies and growth plans.
    - Third party economic research and projected and historical growth of Elite's peer group.

- With the assistance of our fair value specialists, evaluated the reasonableness of:
    - Revenue growth rates using models linked to third party data sources that benchmarks the Company's performance against its peer group and industry trends and evaluates the impact of current economic conditions on the forecasted projections and assumptions.
    - The discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.

Valuation of Inventory - Refer to Note 7 to the Financial Statements

Key Audit Matter Description

The Company records inventory at the lower of cost and net realizable value, where net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management evaluates the need for inventory impairment charges at a segment level and records these charges based on certain factors, which include the age of the inventory, the market conditions in the geographies in which products are sold and the physical condition of the products. The process of determining whether an inventory impairment charge is required involves estimating selling prices in markets where recent transaction activity may not have occurred and where standard pricing does not exist.

We identified inventory impairment charges related to the energy products segment (hereinafter, "inventory") as a key audit matter because the estimation of inventory impairment charges involves complex judgements related to future selling prices and product demand. This required a high degree of auditor judgement as these estimates are subject to a high degree of estimation uncertainty.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to future selling prices and product demand used in determining the inventory impairment charges included the following, among others:

- Performed a retrospective review on the prior year inventory impairment charge, including the prior year expected demand, and compared it to current year activity to evaluate management's ability to accurately estimate the reserve.
- Evaluated the reasonableness of future selling prices and product demand by:
    - Comparing selling price assumptions to a combination of external market sources, recent transactions (including both sales and purchases of inventory) and historical data.
    - Evaluating management's consideration of the age of inventory items, historic inventory trends, historic write-off activity and the impact of market events related to commodity pricing (for steel and oil).
    - Evaluating write-off activity of inventory subsequent to year end.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter of when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kimberly MacDonald.

Deloitte LLP

Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
February 10, 2021

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31

(in millions of Canadian dollars, except per share data)	2020	2019
Revenues	$ 2,688.3	$ 3,675.9
Cost of materials (Note 7)	2,169.6	3,035.9
Employee expenses (Note 20)	231.3	295.9
Other operating expenses (Note 20)	189.0	197.8
Impairment of goodwill and long-lived assets (Note 8)	33.8	-
Earnings before interest and provision for income taxes	64.6	146.3
Interest expense (Note 21)	36.7	40.9
Earnings before provision for income taxes	27.9	105.4
Provision for income taxes (Note 22)	3.4	28.8
Net earnings for the year	$ 24.5	$ 76.6
Basic earnings per common share (Note 19)	$ 0.39	$ 1.23
Diluted earnings per common share (Note 19)	$ 0.39	$ 1.23

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

(in millions of Canadian dollars)	2020	2019
Net earnings for the year	$ 24.5	$ 76.6
Other comprehensive income (loss)		
Items that may be reclassified to earnings		
Unrealized foreign exchange losses on translation of foreign operations	(10.4)	(27.8)
Items that may not be reclassified to earnings		
Actuarial losses on pension and similar obligations, net of taxes of $0.7 million (2019: $nil)	(2.0)	(0.1)
Other comprehensive loss	(12.4)	(27.9)
Total comprehensive income	$ 12.1	$ 48.7

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)*	2020	2019
ASSETS		
Current		
Cash and cash equivalents (Note 5)	$ 26.3	$ 16.0
Accounts receivable (Note 6)	344.0	458.1
Inventories (Note 7)	716.4	883.6
Prepaids and other	13.6	18.1
Income taxes receivable	19.8	18.9
	1,120.1	1,394.7
Property, Plant and Equipment (Note 9)	269.5	288.9
Right-of-Use Assets (Note 10)	81.4	90.1
Deferred Income Tax Assets (Note 22)	5.9	4.8
Pension and Benefits (Note 16)	5.1	5.4
Financial and Other Assets (Note 11)	4.7	4.0
Goodwill and Intangibles (Note 12)	109.6	137.0
	$ 1,596.3	$ 1,924.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (Note 13)	$ -	$ 62.1
Accounts payable and accrued liabilities (Note 14)	294.6	326.4
Short-term lease obligations (Note 10)	16.9	17.1
Income taxes payable	3.7	0.3
	315.2	405.9
Long-Term Debt (Note 15)	293.7	444.8
Pensions and Benefits (Note 16)	13.0	10.4
Deferred Income Tax Liabilities (Note 22)	9.5	13.2
Long-term Lease Obligations (Note 10)	88.8	94.4
Provisions and Other Non-Current Liabilities (Note 23)	11.4	11.6
	731.6	980.3
Shareholders' Equity (Note 17)		
Common shares	546.2	543.7
Retained earnings	212.5	284.5
Contributed surplus	15.7	15.7
Accumulated other comprehensive income	90.3	100.7
Total Shareholders' Equity	864.7	944.6
Total Liabilities and Shareholders' Equity	$ 1,596.3	$ 1,924.9

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

ON BEHALF OF THE BOARD,

J. Clark
Director

A. Laberge
Director

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31 *(in millions of Canadian dollars)*	2020	2019
Operating activities		
Net earnings for the year	$ 24.5	$ 76.6
Depreciation and amortization	60.6	56.7
Provision for income taxes	3.4	28.8
Interest expense	36.7	40.9
Impairment of goodwill and long-lived assets	33.8	-
Gain on sale of property, plant and equipment	(6.5)	(0.5)
Share-based compensation	0.3	0.3
Difference between pension expense and amount funded	0.3	(0.9)
Debt accretion, amortization and other	2.5	1.2
Interest paid, including interest on lease obligations	(36.4)	(31.6)
Cash from operating activities before non-cash working capital	119.2	171.5
Changes in non-cash working capital items		
Accounts receivable	114.8	121.1
Inventories	169.0	202.5
Accounts payable and accrued liabilities	(31.3)	(175.7)
Other	4.6	(3.8)
Change in non-cash working capital	257.1	144.1
Income tax refund (paid), net	(5.3)	(65.9)
Cash from operating activities	371.0	249.7
Financing activities		
Decrease in bank indebtedness	(62.1)	(66.3)
Issue of common shares	2.2	1.3
Dividends on common shares	(94.5)	(94.5)
Issuance of long-term debt	146.4	-
Repayment of long-term debt	(300.0)	-
Deferred financing	(1.2)	-
Lease obligations	(17.9)	(17.2)
Cash used in financing activities	(327.1)	(176.7)
Investing activities		
Purchase of property, plant and equipment	(24.9)	(34.8)
Proceeds on sale of property, plant and equipment	14.4	1.4
Purchase of business	(16.8)	(139.4)
Cash used in investing activities	(27.3)	(172.8)
Effect of exchange rates on cash and cash equivalents	(6.3)	(8.5)
Increase (decrease) in cash and cash equivalents	10.3	(108.3)
Cash and cash equivalents, beginning of the year	16.0	124.3
Cash and cash equivalents, end of the year	$ 26.3	$ 16.0

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	Total
Balance, January 1, 2020	$ 543.7	$ 284.5	$ 15.7	$ 100.7	$ 944.6
Payment of dividends	-	(94.5)	-	-	(94.5)
Net income for the year	-	24.5	-	-	24.5
Other comprehensive loss for the year	-	-	-	(12.4)	(12.4)
Recognition of share-based compensation	-	-	0.3	-	0.3
Share options exercised	2.5	-	(0.3)	-	2.2
Transfer of net actuarial losses on defined benefit plans	-	(2.0)	-	2.0	-
Balance, December 31, 2020	**$ 546.2**	**$ 212.5**	**$ 15.7**	**$ 90.3**	**$ 864.7**

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2019	$ 542.1	$ 318.6	$ 15.7	$ 128.5	$ 1,004.9
Payment of dividends	-	(94.5)	-	-	(94.5)
Change in accounting policy	-	(16.1)	-	-	(16.1)
Net income for the year	-	76.6	-	-	76.6
Other comprehensive loss for the year	-	-	-	(27.9)	(27.9)
Recognition of share-based compensation	-	-	0.3	-	0.3
Share options exercised	1.6	-	(0.3)	-	1.3
Transfer of net actuarial losses on defined benefit plans	-	(0.1)	-	0.1	-
Balance, December 31, 2019	$ 543.7	$ 284.5	$ 15.7	$ 100.7	$ 944.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 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 primarily distributes steel and other metal products in three principal business segments:

Metals Service Centers
The Company's network of metals service centers carries a broad line of metal products in a wide range of sizes, shapes and specifications. The Company purchases these products primarily from North American steel producers and processes, packages and sells them to end users in accordance with their specific needs.

Energy Products
These operations carry a specialized product line focused on the needs of its energy industry customers. The Company purchases these products primarily from the pipe divisions of North American steel mills or from independent manufacturers.

Steel Distribution
The Company's steel distributors act as master distributors, selling steel in large volumes to other metals service centers and large equipment manufacturers. This segment sources its steel both domestically and offshore.

The Company's registered office is located at 6600 Financial Drive, Mississauga, Ontario, L5N 7J6.

NOTE 2 BASIS OF PRESENTATION

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

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. These consolidated financial statements were authorized for issue by the Board of Directors on February 10, 2021.

ACCOUNTING POLICIES

a) 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.

To facilitate a better understanding of the Company's consolidated financial statements, significant accounting policies, estimates and judgements are disclosed with the related financial note disclosure.

b) Revenue from contracts with customers

Revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer applying the following steps:

1. Identify the contract with a customer
2. Identify the performance obligation
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company generates revenue primarily from the delivery of metal and metal products to customers. The primary contracts to provide goods and services to customers are purchase orders (written or verbal) which provide the Company's performance obligations and transaction prices. The primary performance obligation in the Company's contracts is to provide metal products to customers in accordance with their specifications. These specifications could require the Company to cut, bend and provide other metal processing prior to delivery. The Company's performance obligation is satisfied upon transfer of control of product to the customers, which occurs when it has been packed and loaded for delivery. Credit terms for customers are short-term in nature.

c) 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 closing rate in effect at the statement of financial position date, which was $1.2732 per US$1 at December 31, 2020 (December 31, 2019: $1.2988 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 year. For the year ended December 31, 2020, the average U.S. dollar Bank of Canada closing exchange rate was $1.3412 per US$1 (2019: $1.3268 per US$1). The resulting gains or losses from the translation of 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.

d) Government grants

Government assistance is recognized when there is reasonable assurance that the Company will comply with all the conditions associated with the assistance and where there is reasonable assurance that it will be received. Government grants related to an expense or waiver of expenses are recognized as a reduction of related expenses. Government grants receivable are recorded in accounts receivable on the consolidated statements of financial position.

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 Company's management also makes estimates for net realizable value and obsolescence provisions relating to inventory, fair values, guarantees, long-lived asset and goodwill impairment, decommissioning obligations, lease 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.

RISKS AND UNCERTANTIES

On March 11, 2020, the World Health Organization declared the global outbreak of COVID-19 a pandemic. Several jurisdictions where the Company operates announced restrictions for all but essential business. Our operations have been deemed essential and have remained open but with reduced activity. No assurance can be made that this will continue to be the case.

While the precise impact of the pandemic remains unknown, it could have an adverse effect on the communities in which the Company operates, its financial results and its ability to raise capital. Due to the Company's business outlook being impacted by the pandemic and other economic factors, it is possible that estimates in the Company's financial statements will change and the effect of any such changes could be material. This could result in, among other things, further impairment of long-lived assets, additional inventory provisions or a change in the estimated credit loss provisions.

The Canadian and U.S. governments have introduced measures to support companies experiencing financial challenges resulting from the COVID-19 pandemic and to support employment. As at December 31, 2020, the Company assessed its eligibility related to the Canada Emergency Wage Subsidy program and the U.S. Employee Retention Credit and recorded the expected recoverable amount as a reduction of employee wages and salaries (Note 20).

NOTE 3 FUTURE ACCOUNTING CHANGES

IAS 1 Presentation of Financial Statements
The amendments to *IAS 1* provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date and clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments are to be applied retrospectively and are effective for annual reporting periods beginning on or after January 1, 2022.

IAS 16 Property, Plant and Equipment
The amendments to *IAS 16* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items. The amendments are effective for annual periods beginning on or after January 1, 2022 and are to be applied retrospectively.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets
The amendments to *IAS 37* provide guidance regarding the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022 with comparative figures not restated.

The Company is still assessing the impact of adopting these amendments on its future financial statements.

NOTE 4 BUSINESS ACQUISITIONS

ACCOUNTING POLICIES
The Company accounts for its acquisitions using the acquisition method whereby assets acquired and 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.

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 provided, 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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The fair value of assets acquired and liabilities assumed in a business combination are estimated based on information available at the date of acquisition and involves considerable judgement in determining the fair values assigned to property, plant, 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 models, 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.

SUPPORTING INFORMATION

2020 Acquisition

On December 30, 2020, the Company completed its acquisition of 100% of the issued and outstanding shares of Sanborn Tube Sale of Wisconsin, Inc. ("Sanborn"). Sanborn is a metal service center with value-added processing capabilities that will augment the Company's existing operations in that region. The Sanborn operation is based in Pewaukee, Wisconsin. The following summarizes the preliminary allocation of the consideration for this acquisition:

(millions)	
Inventories	$ 2.8
Accounts receivable	2.6
Prepaid and other	0.2
Right-of-use assets	2.8
Property, plant and equipment	3.8
Intangibles	5.6
Goodwill	2.7
Accounts payable and accrued liabilities	(0.9)
Lease obligations	(2.8)
Net identifiable assets acquired	$ 16.8
Consideration:	
Cash	$ 16.8

The preliminary allocation is subject to change following the final settlement of the holdbacks which may result in an adjustment to working capital. Accounts receivable of $2.6 million represented gross contractual accounts receivable of which none was considered uncollectible at the time of acquisition.

Goodwill represents the expansion and additional value-added processing capabilities of the Company's existing service centers in the Wisconsin region. The goodwill is deductible for tax purposes.

If the acquisition had taken place at the beginning of the 2020 fiscal year, management estimates that the acquired business would have provided revenues of $22 million and earnings before interest, provision for income taxes depreciation and amortization of $2 million.

2019 Acquisition

On October 1, 2019, the Company completed its acquisition of 100% of the issued and outstanding shares of City Pipe & Supply Corp. ("City Pipe"), a distributor of pipe, valves and fittings to oil and gas companies primarily in the Permian basin through its five distribution locations in Odessa, Big Spring, Weatherford and Longview, Texas and Hobbs, New Mexico. The transaction costs for this acquisition were $1.4 million. The following summarizes the preliminary allocation of the consideration for this acquisition:

(millions)	
Inventories	$ 46.6
Accounts receivable	16.9
Prepaid and other	0.5
Property, plant and equipment	22.2
Intangibles	45.5
Goodwill	14.2
Accounts payable and accrued liabilities	(6.3)
Income tax payable	(0.2)
Net identifiable assets acquired	$ 139.4
Consideration:	
Cash	$ 139.4

Accounts receivable of $16.9 million represented gross contractual accounts receivable of which none was considered uncollectible at the time of acquisition.

Goodwill represents the expansion of our geographical footprint in the Permian basin and the expected growth potential of the business. City Pipe complements our Apex Remington operation and on December 31, 2019 City Pipe was merged with Apex Remington to form Elite Supply Partners Inc. ("Elite Supply Partners"). The goodwill is deductible for tax purposes.

The consolidated statements of earnings for the year ended December 31, 2019 includes supplementary revenues of $33.5 million and earnings before interest, acquisition costs and provision for income taxes of $1.9 million attributable to the business acquired.

If the acquisition had taken place at the beginning of the 2019 fiscal year, management estimates that the acquired business would have provided revenues of $184 million and earnings before interest, acquisition costs and provision for income taxes of $19.9 million.

NOTE 5 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash includes demand deposits and cash equivalents includes 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.

SUPPORTING INFORMATION

(millions)	2020	2019
Cash on deposit	$ 19.9	$ 11.4
Cash equivalents	6.4	4.6
	$ 26.3	$ 16.0

NOTE 6 ACCOUNTS RECEIVABLE

ACCOUNTING POLICIES

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. Trade receivables are measured at amortized cost, which approximates fair value.

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

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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

SUPPORTING INFORMATION

(millions)	2020	2019
Trade receivables	$ 333.7	$ 449.7
Other receivables	10.3	8.4
	$ 344.0	$ 458.1

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

(millions)	2020	2019
Allowance for Doubtful Accounts		
Balance, beginning of the year	$ 5.1	$ 4.9
Increases to reserve	0.6	2.1
Amounts written off	(1.6)	(2.1)
Adjustments	0.4	0.2
Balance, end of the year	$ 4.5	$ 5.1

At December 31, 2020 and 2019, the allowance for doubtful accounts was less than 2% of accounts receivable. An increase in the allowance of 1% of accounts receivable would decrease pre-tax earnings by approximately $3.4 million for the year ended December 31, 2020 (2019: $4.5 million).

As at December 31, 2020 (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	$ 209.3	$ 89.7	$ 25.1	$ 14.1	$ 338.2
Allowance for doubtful accounts	(0.1)	(0.1)	-	(4.3)	(4.5)
Total net trade receivables	**$ 209.2**	**$ 89.6**	**$ 25.1**	**$ 9.8**	**$ 333.7**

As at December 31, 2019 (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	$ 251.4	$ 128.1	$ 55.0	$ 20.3	$ 454.8
Allowance for doubtful accounts	(0.1)	(0.1)	(0.2)	(4.7)	(5.1)
Total net trade receivables	$ 251.3	$ 128.0	$ 54.8	$ 15.6	$ 449.7

NOTE 7 INVENTORIES

ACCOUNTING POLICIES

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 to be greater than the recoverable amount 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.

ACCOUNTING ESTIMATES AND JUDGEMENTS
The Company's determination of the net realizable value of inventory requires the use of assumptions such as future selling prices and costs to sell. Inventories are reviewed to ensure that the cost of inventories is not in excess of their 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 costs to sell and when product is determined to be slow moving or obsolete. Where the selling prices cannot be estimated based on recent transactional information, they are estimated using current replacement cost plus an applicable margin.

There is measurement uncertainty in these estimates. Actual selling prices and costs to sell could differ from these estimates.

SUPPORTING INFORMATION

(millions)	2020	2019
Inventory expensed in cost of materials	$ 2,169.6	$ 3,035.9
Inventory impairments (before reversals)		
Metals service centers	$ 0.9	$ 2.3
Energy products	24.0	28.0
Steel distributors	0.2	4.8
	$ 25.1	$ 35.1

During the year ended December 31, 2020, we recorded reversals of inventory impairment charges of $12.4 million (2019: $9.0 million) resulting in a net charge $12.7 million (2019: $26.1 million).

NOTE 8 ASSET IMPAIRMENT

ACCOUNTING POLICIES
Non-financial tangible and definite life intangible assets 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 cash-generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in net earnings for the period. Impairment losses recognized relating to 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.

ACCOUNTING ESTIMATES AND JUDGEMENTS
During each reporting period in 2020, the Company concluded that the rapid deterioration of the North American economy due to the pandemic and excess oil supply resulted in a triggering event and the need to perform impairment testing of our long-lived assets including goodwill and intangibles within CGUs. During 2019, the Company did not have a triggering event and performed its annual goodwill impairment tests in the 2019 fourth quarter to determine recoverable amounts.

In determining whether long-lived assets are impaired, the Company estimates the recoverable amount of each CGU or groups of CGUs by utilizing discounted cash flow techniques to determine the value in use. Key assumptions used by management include forecasted cash flows based on financial plans approved by management covering a five year period and expected growth of 2% in future years 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 groups of CGUs. 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, debt and a risk premium based on an assessment of risks related to each unit.

In the quarter ending March 31, 2020, the recoverable amounts for one of the U.S. line pipe CGU in the energy product segment was less than the carrying amount of the CGU which resulted in an impairment of $3.7 million of the right-of-use assets of the CGU. The impairment was a result of continued operating losses in the CGU.

In the quarter ending December 31, 2020, the recoverable amount of $104.8 million for the Company's U.S. field store operations, Elite Supply Partners, did not exceed the CGU's carrying amount which resulted in the recognition of a pre-tax impairment charge of $30.1 million. The impairment was due to the continued difficult economic conditions caused by the pandemic and uncertainty of the timing and extent of the recovery. In 2019, the Company did not record a long-lived asset impairment since the estimated recoverable amount of all CGUs exceeded their carrying values.

For 2020, the pre-tax WACC used was 12.2% (2019: 15.1%). To monitor potential impairment exposure, the Company performs a sensitivity analysis. For 2020, a 1% increase in the discount rate would trigger a further long-lived asset impairment charge for Elite Supply Partners of $14.6 million whereas a 1% decrease would reduce the impairment charge by $9.6 million. The Company's management believes that its estimates are reasonable but there is no certainty that there will not be impairments in future periods should the economic conditions in which the Company operates continue to deteriorate.

SUPPORTING INFORMATION

The asset impairment charges within each CGU were included in the consolidated statements of earnings and reduced the carrying value of the associated assets on a pro-rata basis.

Asset Impairment Allocation *(millions)*	2020
Property, plant and equipment	$ 5.5
Right-of-use assets	3.7
Intangibles	11.0
Goodwill	13.6
	$ 33.8

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

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 an estimated useful life that is significantly different 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. Periods 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.

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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

SUPPORTING INFORMATION

Cost *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2018	$ 259.1	$ 393.0	$ 21.2	$ 673.3
Business acquisition (Note 4)	17.8	4.4	-	22.2
Additions	5.7	27.9	1.2	34.8
Disposals	(0.3)	(20.3)	(0.1)	(20.7)
Foreign exchange	(2.4)	(5.3)	(0.2)	(7.9)
Balance, December 31, 2019	$ 279.9	$ 399.7	$ 22.1	$ 701.7
Business acquisition (Note 4)	-	3.8	-	3.8
Additions	5.0	18.8	1.1	24.9
Asset impairment (Note 8)	(5.5)	-	-	(5.5)
Disposals	(7.2)	(16.6)	(0.3)	(24.1)
Foreign exchange	(1.8)	(2.5)	0.3	(4.0)
Balance, December 31, 2020	**$ 270.4**	**$ 403.2**	**$ 23.2**	**$ 696.8**

Accumulated depreciation and amortization *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2018	$ 117.2	$ 270.9	$ 16.3	$ 404.4
Depreciation and amortization	8.4	23.1	0.7	32.2
Disposals	(0.3)	(19.4)	(0.1)	(19.8)
Foreign exchange	(0.8)	(3.1)	(0.1)	(4.0)
Balance, December 31, 2019	$ 124.5	$ 271.5	$ 16.8	$ 412.8
Depreciation and amortization	8.9	23.0	0.8	32.7
Disposals	(2.2)	(13.7)	(0.3)	(16.2)
Foreign exchange	(0.6)	(1.3)	(0.1)	(2.0)
Balance, December 31, 2020	**$ 130.6**	**$ 279.5**	**$ 17.2**	**$ 427.3**

Net Book Value *(millions)*	
December 31, 2019	$ 288.9
December 31, 2020	**$ 269.5**

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

At December 31, 2020, land, included in land and buildings, was $42.9 million (2019: $46.8 million).

Depreciation expense *(millions)*	2020	2019
Depreciation - cost of materials	$ 7.4	$ 7.8
Depreciation - other operating expenses	25.3	24.4
	$ 32.7	$ 32.2

NOTE 10 RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

ACCOUNTING POLICIES

The Company recognizes right-of-use assets at the commencement date of the lease. The Company leases warehouse locations, field stores, office space, land, equipment, trucks and other vehicles. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs and costs to dismantle and remove the underlying asset less any lease incentives. The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. In addition, the right-of-use assets are subject to impairment and adjusted for any remeasurement of lease liabilities. Amortization expense is recorded in other operating expenses.

The lease liability is initially measured at the present value of lease payments to be paid and discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in interest expense in the consolidated statements of earnings.

In the consolidated statements of cash flow the Company records the principal portion of lease payments in financing activities and the interest portion in operating activities.

Lease payments on short-term leases and leases of low-value assets are recognized in other operating expense on a straight-line basis over the lease term.

ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or period covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The Company's determination of lease liability requires the use of assumptions to determine incremental borrowing rates.

The Company adopted *IFRS 16*, *Leases* on January 1, 2019.

SUPPORTING INFORMATION

(millions)	Right-of-use Assets	Lease Obligations
Transition, January 1, 2019	$ 90.8	$ 112.7
Additions	15.9	15.9
Disposals and modifications	1.5	1.5
Depreciation and amortization	(17.0)	-
Lease payments	-	(17.2)
Foreign exchange	(1.1)	(1.4)
Balance, December 31, 2019	$ 90.1	$ 111.5
Additions	11.0	11.0
Business acquisitions (Note 4)	2.8	2.8
Disposals and modifications	(0.9)	(2.3)
Depreciation and amortization	(17.6)	-
Asset impairment (Note 8)	(3.7)	-
Lease payments	-	(17.9)
Foreign exchange	(0.3)	0.6
Balance December 31, 2020	$ 81.4	$ 105.7
Current portion		$ 16.9
Long-term portion		$ 88.8

The carrying value of right-of-use assets and depreciation by class of underlying assets are as follows:

Right-of-use Assets *(millions)*	2020	2019
Land and buildings	$ 66.8	$ 72.3
Machinery and equipment	14.6	17.8
	$ 81.4	$ 90.1

Depreciation Expense *(millions)*	2020	2019
Land and buildings	$ 11.1	$ 11.3
Machinery and equipment	6.5	5.7
	$ 17.6	$ 17.0

For the year ended December 31, 2020, the Company expensed $0.5 million (2019: $0.4 million) for short-term and low value leases.

NOTE 11 FINANCIAL AND OTHER ASSETS

ACCOUNTING POLICIES

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.

SUPPORTING INFORMATION

(millions)	2020	2019
Deferred charges on revolving credit facility	$ 1.3	$ 0.5
Other assets	3.4	3.5
	$ 4.7	$ 4.0

For the year ended December 31, 2020, the amortization of deferred financing charges was $0.4 million (2019: $0.6 million).

NOTE 12 GOODWILL AND INTANGIBLES

ACCOUNTING POLICIES

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 CGUs or group of CGUs including goodwill are compared with their respective recoverable amounts (higher of fair value less costs to sell or 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 groups of assets.

Intangible assets are comprised of customer relationships and trademarks. 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 lives of 12 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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Intangible assets and goodwill arise from business combinations. Upon acquisition, the Company identifies and attributes the fair value 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.

The determination of impairment of goodwill and intangibles involves estimates and assumptions regarding cash flow projections and estimated discount rates. There is measurement uncertainty inherent in this analysis.

SUPPORTING INFORMATION

(millions)	2020	2019
Goodwill	$ 39.2	$ 50.6
Intangibles	70.4	86.4
	$ 109.6	$ 137.0

a) Goodwill

The continuity of goodwill is as follows:

Goodwill *(millions)*	2020	2019
Balance, beginning of the year	$ 50.6	$ 37.4
Business acquisition (Note 4)	2.7	14.2
Impairment of goodwill (Note 8)	(13.6)	-
Foreign exchange	(0.5)	(1.0)
Balance, end of the year	$ 39.2	$ 50.6

b) Impairment of goodwill

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 operations 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 was allocated to each CGU or group of CGUs as follows:

Allocation of Goodwill *(millions)*	2020	2019
Metals service centers		
U.S.	$ 16.0	$ 13.5
Canadian		
Alberta	11.0	11.0
Ontario	10.2	10.2
Atlantic	2.0	2.0
Energy products		
U.S.	-	13.9
	$ 39.2	$ 50.6

c) Intangibles

The continuity of intangibles within the metals service centers and energy products segments is as follows:

Cost *(millions)*	Metals Service Centers	Energy Products	Total 2020	Total 2019
Balance, beginning of the year	$ 20.0	$ 115.3	$ 135.3	$ 90.8
Business acquisitions (Note 4)	5.6	-	5.6	45.5
Impairment of intangible assets (Note 8)	-	(11.0)	(11.0)	
Foreign exchange	-	(0.7)	(0.7)	(1.0)
Balance, end of the year	$ 25.6	$ 103.6	$ 129.2	$ 135.3

Accumulated amortization *(millions)*	Metals Service Centers		Energy Products		Total 2020		Total 2019	
Balance, beginning of the year	$	(13.3)	$	(35.6)	$	(48.9)	$	(42.0)
Amortization		(1.3)		(8.6)		(9.9)		(6.9)
Balance, end of the year	$	(14.6)	$	(44.2)	$	(58.8)	$	(48.9)

Carrying amount		
December 31, 2019	$	86.4
December 31, 2020	**$**	**70.4**

The carrying amount of intangible assets as at December 31, 2020 relates to customer relationships arising from the acquisition of Alberta Industrial Metals, Apex Distribution, Apex Western Fiberglass, Color Steels, City Pipe, JMS Metals Services, Norton Metals Products and Sanborn. The remaining amortization period for customer relationships is 4 to 15 years.

NOTE 13 REVOLVING CREDIT FACILITY

The Company has a credit agreement which consists of availability of $400 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. On September 29, 2020, this facility was extended to September 21, 2023 and amended to provide additional borrowing base flexibility.

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 $450 million. The obligations of the Company under this agreement are secured by a pledge of trade accounts receivable and inventories.

The Company was in compliance with the financial covenants at December 31, 2020. At December 31, 2020, the Company had no borrowings (2019: $57.0 million) and letters of credit of $68.0 million (2019: $32.5 million) under this facility.

NOTE 14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

ACCOUNTING POLICIES

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.

SUPPORTING INFORMATION

(millions)	2020		2019	
Trade accounts payable and accrued expenses	$	290.4	$	319.9
Accrued interest		4.2		6.5
	$	294.6	$	326.4

NOTE 15 LONG-TERM DEBT

ACCOUNTING POLICIES

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.

SUPPORTING INFORMATION

(millions)		2020		2019
5 ¾% $150 million Senior Notes due October 27, 2025	$	146.5	$	-
6% $150 million Senior Notes due March 16, 2026		147.2		146.8
6% $300 million Senior Notes due April 19, 2022		-		298.0
	$	293.7	$	444.8

Fees associated with the issue of the debt are included in the carrying amount of debt and are amortized using the effective interest method.

a) On March 16, 2018, the Company issued, through a private placement, $150 million 6% Unsecured Senior Notes due March 16, 2026 for net proceeds of $146.0 million. Interest is due semi-annually on March 16 and September 16 of each year.

The Company may redeem up to 40% of these notes prior to March 16, 2021 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 March 16, 2021 the Company may redeem these notes in whole or in part at an amount equal to 100% of the principal amount plus the applicable premium which is the greater of 1% of the called principal of these notes or the excess of (i) the discounted value of the remaining scheduled payments over (ii) the called principal of these notes. The Company may redeem the notes in whole or in part at any time after March 16, 2021 at 104.5% of the principal amount declining rateably to 100% of the principal amount on or after March 16, 2024.

These notes contain certain restrictions on the payment of common share dividends in excess of $0.38 per share per quarter. These notes also contain certain covenants that limit the Company's ability to incur additional debt. The Company was in compliance with these financial covenants at December 31, 2020.

b) On October 27, 2020, the Company issued $150 million 5 ¾% senior unsecured notes due October 27, 2025, for total net proceeds of $147 million. Interest on these senior notes is due semi-annually on April 27 and October 27 of each year.

The Company may redeem up to 40% of these notes prior to October 27, 2022, with the net proceeds of certain equity offerings at the redemption price of 105.8% of their principal amount, plus accrued and unpaid interest. Prior to October 27, 2022, the Company may redeem these notes in whole or in part at an amount equal to 100% of the principal amount plus the applicable premium which is the greater of 1% of the called principal of these notes or the excess of (i) the discounted value of the remaining scheduled payments over (ii) the called principal of these notes. The Company may redeem the notes in whole or in part at any time after October 27, 2022 at 102.9% of the principal amount declining rateably to 100% of the principal amount on or after October 27, 2024.

These notes contain certain restrictions on the payment of common share dividends in excess of $1.60 per share in any fiscal year. These notes also contain certain covenants that limit the Company's ability to incur additional debt. The Company was in compliance with these financial covenants at December 31, 2020.

c) In November, the Company redeemed its $300 million 6% U.S Senior Notes at par. The total payment of $301.0 million included $300.0 million principal plus accrued interest. The after-tax charge to net earnings relating to the redemption was $0.9 million due to the write-off of deferred financing charges.

NOTE 16 PENSIONS AND BENEFITS

ACCOUNTING POLICIES

For defined benefit pension plans and other post-employment benefits, the net periodic pension and benefit 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 consolidated 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 consolidated 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 statements 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 three multi-employer pension plans which are accounted for as defined contribution plans.

The Company closes out actuarial gains and losses recognized in other comprehensive income into retained earnings at the end of each reporting period.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

SUPPORTING INFORMATION

a) The Company maintains a defined contribution pension plan ("DCPP") for most of its Canadian salaried employees as its defined benefits plans were closed for new employees over 20 years ago. The Company merged six of its defined benefit plans into the DCPP and maintains one other defined benefit plan. The Company also maintains executive plans, post-retirement benefit plans and two additional defined contribution plans in Canada and a 401(k) defined contribution plans in the United States.

The defined benefit pension plans are administered by a 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 defined benefit pension plans expose the Company to actuarial risk, currency risk, interest rate risk and market risk.

The merged plan had a valuation date of January 1, 2020 and the remaining defined benefit plan had a valuation date of January 1, 2018.

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

(millions)	2020	2019
Defined benefit pension plans		
Current service cost	$ 3.6	$ 3.0
Plan administration cost	0.2	0.2
	3.8	3.2
Post-retirement benefits	0.1	0.1
Defined contribution plans	5.9	6.3
Pension and benefit expense	$ 9.8	$ 9.6

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

(millions)		2020		2019
Remeasurements of the net defined benefit liability				
Actuarial gains (losses) due to actuarial experience	$	4.2	$	(0.2)
Actuarial losses due to financial assumption changes		(12.3)		(15.6)
Actuarial loss due to demographic assumption changes		(0.6)		-
Return on plan assets greater than the discount rate		6.0		15.7
Remeasurement effect recognized in other comprehensive income	$	(2.7)	$	(0.1)
Cumulative actuarial losses relating to pensions and benefits				
Balance of actuarial losses at January 1	$	(10.2)	$	(10.1)
Net actuarial losses recognized in the year		(2.7)		(0.1)
Balance of actuarial losses at December 31	$	(12.9)	$	(10.2)

There were no adjustments related to asset ceiling limits in other comprehensive income for the years ended December 31, 2020 and 2019.

The actuarial determinations were based on the following assumptions:

	2020	2019
Assumed discount rate - year end	2.50%	3.00%
Rate of increase in future compensation	2.75%	3.00%
Rate of increase in future government benefits	2.50%	3.00%

The discount rate is based on a review of current market interest rates of AA corporate bonds 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 $6.0 million as of December 31, 2020 (2019: $5.7 million).

The mortality assumptions used to assess the defined benefit obligation are based on the Mortality Improvement Scale (MI-2017). Informal practices that give rise to constructive obligations are included in the measurement of the defined benefit obligation.

The Company has obligations included under other benefit plans for dental and medical costs for a group of retired employees. The health care cost trend rates used were 5% for dental and 5% for medical. 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 benefit 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 consistent with the defined benefit obligation liability calculation recognized in the consolidated statements of financial position.

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.

	Pension Plans				Other Benefit Plans			
(millions)		2020		2019		2020		2019
Reconciliation of present value of the defined benefit obligation								
Balance, beginning of the year	$	154.9	$	137.9	$	2.9	$	2.9
Current service costs		3.6		3.0		-		-
Participant contributions		0.1		0.2		-		-
Interest cost		4.5		5.1		0.1		0.1
Benefits paid		(8.1)		(6.9)		(0.2)		(0.2)
Actuarial losses		8.8		15.6		-		0.1
Balance, end of the year	$	163.8	$	154.9	$	2.8	$	2.9

(millions)	Pension Plans 2020	Pension Plans 2019	Other Benefit Plans 2020	Other Benefit Plans 2019
Reconciliation of present value of the plan assets				
Balance, beginning of the year	$ 152.8	$ 135.0	$ -	$ -
Interest income	4.5	5.1	-	-
Employer contributions	3.5	3.9	0.2	0.2
Employee contributions	0.1	0.2	-	-
Benefits paid	(8.1)	(6.9)	(0.2)	(0.2)
Plan administration costs	(0.2)	(0.2)	-	-
Return on plan assets greater than discount rate	6.1	15.7	-	-
Balance, end of the year	$ 158.7	$ 152.8	$ -	$ -
Defined benefit obligation, net	$ 5.1	$ 2.1	$ 2.8	$ 2.9

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

(millions)	2020	2019
Cash and cash equivalents	$ 1.2	$ 1.8
Equities		
Canadian equity	69.0	68.8
Global equity fund	50.3	45.5
	119.3	114.3
Fixed income investments categorized by type of issuer		
Government guaranteed	7.8	13.7
Provincials	15.7	12.6
Corporate	14.7	10.4
	38.2	36.7
	$ 158.7	$ 152.8

The following table provides the defined benefit obligation for plans with surplus, partially funded pension plans and unfunded plans.

(millions)	Pension Plans 2020	Pension Plans 2019	Other Benefit Plans 2020	Other Benefit Plans 2019
Defined benefit obligation				
Plans with surplus	$ (5.1)	$ (5.4)	$ -	$ -
Partially funded plans	10.2	7.5	-	-
Unfunded plans	-	-	2.8	2.9
Defined benefit obligation	$ 5.1	$ 2.1	$ 2.8	$ 2.9

c) As at December 31, 2020 approximately 76% (2019: 76%) of the fair value of all pension plan assets was invested in equities, 23% (2019: 23%) in fixed income securities, and 1% (2019: 1%) 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 40% - 80% in equities, 20% - 40% in fixed income securities and 0% - 10% in cash and cash equivalents.

d) The weighted average duration of defined benefit obligations is 16.2 years (2019: 15.9 years) for defined benefit pension plans, 10.2 years (2019: 10.1 years) for executive pension arrangements and 7.1 years (2019: 7.1 years) for other post retirement benefit plans. The Company expects to make contributions of $3.1 million to its defined benefit pension plans and $0.3 million to its post retirement benefits medical plans in the next financial year.

NOTE 17 SHAREHOLDERS' EQUITY

a) At December 31, 2020 and 2019, 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, 2018	62,106,895	$ 542.1
Share options exercised	66,535	1.6
Balance, December 31, 2019	62,173,430	$ 543.7
Share options exercised	122,011	2.5
Balance, December 31, 2020	**62,295,441**	**$ 546.2**

The continuity of contributed surplus is as follows:

(millions)	
Balance, December 31, 2018	$ 15.7
Share-based compensation expense	0.3
Exercise of options	(0.3)
Balance, December 31, 2019	15.7
Share-based compensation expense	0.3
Exercise of options	(0.3)
Balance, December 31, 2020	**$ 15.7**

Dividends paid and declared were as follows:

	2020	2019
Dividends paid *(millions)*	$ 94.5	$ 94.5
Dividends per share	$ 1.52	$ 1.52
Quarterly dividend per share declared on February 10, 2021 (February 11, 2020)	$ 0.38	$ 0.38

NOTE 18 SHARE-BASED COMPENSATION

ACCOUNTING POLICIES

The Company accounts for Share Options and Share Appreciation Rights ("SARs") at fair value. The Company utilizes the Black-Sholes option pricing model to estimate the fair value of SARs and share options on the grant date.

Compensation expense is recognized for share 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 options 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 options 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.

Changes in the fair value of outstanding SARs are calculated at each reporting period as well as at settlement dates. The fair value of the award is recorded over the award vesting period.

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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The inputs for the Black-Scholes option pricing model require significant judgements including share price volatility, expected dividends, expected life of the options and the risk free interest rate.

SUPPORTING INFORMATION

Share 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 the options vest over a period of four years in the amount of one quarter each year and expire ten years from their grant date. Other terms and conditions of the plan include a 10 year life and immediate vesting under certain change of control provisions. The consideration paid by employees for the purchase of common shares is added to share capital. From 2014, employees other than certain senior officers no longer receive share options.

The following is a continuity of options outstanding:

	Number of Options		Weighted Average Exercise Price	
	2020	2019	2020	2019
Balance, beginning of year	1,666,534	1,691,086	$ 26.00	$ 25.75
Granted	109,615	53,708	18.94	23.69
Exercised	(122,011)	(66,535)	18.27	19.09
Expired or forfeited	(70,345)	(11,725)	23.87	18.17
Balance, end of the year	1,583,793	1,666,534	$ 26.20	$ 26.00
Exercisable	1,366,046	1,399,579	$ 26.66	$ 26.28

The outstanding options have exercise price ranges as follows:

(number of options)	2020	2019
$ 29.00 - $ 31.46	213,987	213,987
$ 25.37 - $ 28.99	810,890	849,785
$ 14.61 - $ 25.36	558,916	602,762
Options outstanding	1,583,793	1,666,534

The options expire in the years 2021 to 2030 and have a weighted average remaining contractual life of 3.0 years (2019: 3.4 years)

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

	2020	2019
Dividend yield	5%	5%
Expected volatility	32%	30%
Expected life	5 yrs	5 yrs
Risk free rate of return	0.72%	1.94%
Weighted average fair value of options granted	$ 2.86	$ 3.91

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

Share Appreciation Rights

In February 2017, the Board of Directors approved a Share Appreciation Rights Plan. Under this plan the Company may award SARs to officers and full-time employees as determined by the Board of Directors. The SARs are cash settled and vest over a period of four years in the amount of one quarter each year and expire ten years from their grant date.

The continuity of SARs is as follows:

	Number of SARs		Weighted Average Exercise Price	
	2020	2019	2020	2019
Balance, beginning of year	232,871	131,147	$ 27.31	$ 30.12
Granted	120,000	101,724	21.94	23.69
Balance, end of the year	352,871	232,871	$ 25.48	$ 27.31

Deferred Share Units

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

The continuity of DSUs is as follows:

(number of units)	2020	2019
Balance, beginning of the year	288,030	254,790
Granted	80,432	62,199
Paid out	(15,404)	(28,959)
Balance, end of the year	353,058	288,030

The liability and fair value of DSUs was $8.0 million at December 31, 2020 (2019: $6.4 million). Dividends declared on common shares accrue to units in the DSU plan in the form of additional DSUs.

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. RSUs are awarded by the Board of Directors to eligible employees annually. RSUs vest one third on the first and second anniversary after the grant date and the remaining one third on the expiry date. RSUs expire on the earlier of: (i) December 5 of the third calendar year following the year in which the services were provided to which such grant of RSU's relates; and (ii) the third anniversary of the grant date. The Company is obligated to pay in cash an amount equal to the number of RSUs multiplied by the market price, which is defined as the volume weighted average price of a common share on the Toronto Stock Exchange for the last five trading days immediately prior to the expiry date. Continuity of RSUs outstanding is as follows:

(number of units)	2020	2019
Balance, beginning of the year	389,429	183,588
Granted	166,911	259,287
Paid out	(146,561)	(53,446)
Balance, end of the year	409,779	389,429

The RSU liability at December 31, 2020 was $7.1 million (2019: $5.8 million). The fair value of RSUs was $9.3 million at December 31, 2020 (2019: $8.6 million). Dividends declared on common shares accrue to units in the RSU plan in the form of additional RSUs.

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 an amount equal to 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.

Components of share-based compensation expense are as follows:

(millions)	2020	2019
Share options	$ 0.3	$ 0.3
DSUs, SARs and RSUs	5.7	5.3
Employee Share Purchase Plan	0.7	0.7
	$ 6.7	$ 6.3

NOTE 19 EARNINGS PER SHARE

ACCOUNTING POLICIES

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 share method.

SUPPORTING INFORMATION

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

(millions)	2020	2019
Net income used in calculation of basic and diluted earnings per share	$ 24.5	$ 76.6

(number of shares)	2020	2019
Weighted average shares outstanding	62,191,208	62,132,030
Dilution impact of share options	-	42,931
Diluted weighted average shares outstanding	62,191,208	62,174,961

NOTE 20 EXPENSES

(millions)	2020	2019
Employee Expenses		
Wages and salaries	$ 188.7	$ 250.5
Other employee related costs	42.6	45.4
	$ 231.3	$ 295.9
Other Operating Expenses		
Plant and other expenses	$ 116.8	$ 113.7
Delivery expenses	50.5	54.7
Repairs and maintenance	13.2	14.5
Selling expenses	7.6	11.5
Professional fees	8.0	5.5
Gain on sale of property, plant and equipment	(6.5)	(0.5)
Foreign exchange gains	(0.6)	(1.6)
	$ 189.0	$ 197.8

In response to the COVID-19 pandemic, the Government of Canada announced the Canadian Emergency Wage Subsidy program ("CEWS") effective for the period of March 15, 2020 to December 19, 2020. For the period up to August 29, 2020, CEWS provided a 75% wage subsidy to a maximum of $847 per employee per week to eligible businesses. Subsequent to August 29, 2020, the maximum wage subsidy available declined. The Government of Canada has announced plans for an additional extension to June 2021. The U.S. Employee Retention Credit provides an employment tax credit under certain conditions to eligible employers. During the year ended December 31, 2020, the Company recognized government grants of $47.3 million from CEWS and the U.S. Employee Retention Credit as a reduction of wages and salaries.

NOTE 21 INTEREST EXPENSE

(millions)	2020	2019
Interest on 6% $300 million Senior Notes	$ 17.3	$ 18.8
Interest on 6% $150 million Senior Notes	9.4	9.4
Interest on 5 ¾% $150 million Senior Notes	1.6	-
Interest on lease obligations	7.4	7.7
Other interest expense	1.0	5.0
Interest expense	$ 36.7	$ 40.9

Interest expense on long-term debt and lease obligations is charged to earnings using the effective interest method. 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. Debt accretion and issue cost amortization for the year ended December 31, 2020 was $1.2 million (2019: $1.2 million) and $1.3 million from the write-off of issue costs relating to the $300 million 6% senior notes redeemed in 2020.

NOTE 22 INCOME TAXES

ACCOUNTING POLICIES

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statements of earnings except to the extent that 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 consolidated 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 at acquisition.

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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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 consolidated 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 for a full year by jurisdiction. The estimated average annual effective income tax rates are reviewed at each reporting date, based on projections of full year earnings. To the extent that forecasts differ from actual results, adjustments are recorded through earnings in subsequent periods.

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.

SUPPORTING INFORMATION

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

(millions)	2020	2019
Current tax expense	$ 7.5	$ 30.8
Deferred tax recovery	(4.1)	(1.0)
Statutory rate adjustment	-	(1.0)
	$ 3.4	$ 28.8

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

	2020	2019
Applicable combined Canadian statutory rate	26.2%	26.8%
Rate difference of U.S. companies	8.9%	0.3%
Share-based compensation and non-deductible items	2.9%	0.9%
Statutory tax rate change – CARES Act	(21.2%)	(0.9%)
Other includes utilization of capital losses	(4.6%)	0.2%
Average effective tax rate	12.2%	27.3%

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 15.0% for both 2020 and 2019 and the average provincial rates of 11.2% (2019: 11.8%). The 2020 and 2019 average effective tax rate differed from the average Canadian corporate tax rate principally due to differing tax rules applicable to certain of the Company's subsidiaries outside Canada.

On March 27, 2020, the U.S. CARES Act allowed for losses to be carried back to years when the statutory rate was 14% higher. During 2020, the Company recorded a reduction in the provision for income taxes of $5 million relating to our 2019 and 2020 tax losses. On October 1, 2020, the province of Alberta expedited the reduction of its general corporate tax rate to July 1, 2020 to 8% instead of July 1, 2021. There was no significant impact on our tax provision by this change.

c) 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	Other Timing	Total
Balance December 31, 2018	$ -	$ 0.7	$ 0.2	$ 2.8	$ 0.5	$ 4.2
Benefit (expense) to consolidated statement of earnings	4.9	(2.1)	(0.1)	(1.4)	0.7	2.0
Reclass assets/liabilities and other	0.9	(7.1)	-	(0.3)	2.9	(3.6)
Effect of adoption- *IFRS16* (Note 3)	-	2.2	-	-	-	2.2
Balance December 31, 2019	$ 5.8	$ (6.3)	$ 0.1	$ 1.1	$ 4.1	$ 4.8
Benefit (expense) to consolidated statement of earnings	(4.6)	(0.3)	-	6.8	(0.8)	1.1
Reclass assets/liabilities and other	0.1	0.2	-	(0.3)	-	-
Balance December 31, 2020	**$ 1.3**	**$ (6.4)**	**$ 0.1**	**$ 7.6**	**$ 3.3**	**$ 5.9**

Deferred Income Tax Liabilities *(millions)*	Losses	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Other Timing	Total
Balance December 31, 2018	$ (0.9)	$ 17.8	$ (1.1)	$ 10.5	$ (6.2)	$ 20.1
(Benefit) expense to consolidated statement of earnings	-	2.4	0.2	(2.0)	(0.5)	0.1
Reclass assets/liabilities and other	0.9	(7.3)	-	(0.2)	3.1	(3.5)
Benefits to other comprehensive income	-	-	0.1	-	-	0.1
Effect of adoption- *IFRS16* (Note 3)	-	(3.6)	-	-	-	(3.6)
Balance December 31, 2019	$ -	$ 9.3	$ (0.8)	$ 8.3	$ (3.6)	$ 13.2
(Benefit) expense to consolidated statement of earnings	-	(0.6)	(0.2)	(1.2)	(1.0)	(3.0)
Benefits to other comprehensive income	-	-	(0.7)	-	-	(0.7)
Balance December 31, 2020	**$ -**	**$ 8.7**	**$ (1.7)**	**$ 7.1**	**$ (4.6)**	**$ 9.5**

Net deferred liability at December 31, 2019	$ 8.4
Net deferred liability at December 31, 2020	**$ 3.6**

d) At December 31, 2020, the Company had U.S. state tax losses carried forward which, at U.S. state tax rates, have an estimated value of $1.3 million (2019: $1.3 million). The majority of the state tax losses carried forward will expire between 2031 and 2036, 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, 2020, the Company had $0.9 million (2019: $5.9 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 in respect of these losses of $0.2 million (2019: $0.8 million) has not been recognized.

e) At December 31, 2020, the aggregate amount of temporary differences associated with undistributed earnings of non-Canadian subsidiaries was $353 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.

NOTE 23 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

ACCOUNTING POLICIES

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.

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 decommissioning and rehabilitation costs are 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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company has recorded a provision for decommissioning liabilities. The determination of these liabilities involved analysis to estimate expected cash outflows over a long period of time which is inherently uncertain.

SUPPORTING INFORMATION

(millions)	2020	2019
Provision for decommissioning liabilities	$ 1.7	$ 1.8
Deferred compensation and employee incentives (Note 18)	15.1	12.2
	16.8	14.0
Less: current portion	(5.4)	(2.4)
	$ 11.4	$ 11.6

Deferred compensation includes the RSU and DSU liabilities. RSU and DSU liabilities of $5.4 million will be paid within the current year and have been classified as current liabilities.

NOTE 24 SEGMENTED INFORMATION

ACCOUNTING POLICIES

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.

SUPPORTING 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 $30.0 million (2019: $58.0 million). These sales, which are at market rates, are eliminated in the following tables.

a) Results by business segment:

(millions)	2020	2019
Segment Revenues		
Metals service centers	$ 1,621.8	$ 1,958.0
Energy products	797.5	1,310.7
Steel distributors	261.9	395.9
	2,681.2	3,664.6
Other	7.1	11.3
	$ 2,688.3	$ 3,675.9
Segment Operating Profits		
Metals service centers	$ 103.9	$ 73.7
Energy products	(3.3)	68.8
Steel distributors	9.2	15.8
	109.8	158.3
Corporate expenses	(19.4)	(17.0)
Gain on sale of property, plant and equipment	6.1	-
Impairment of goodwill and long-lived assets	(33.8)	-
Other income	1.9	5.0
Earnings before interest and provision for income taxes	64.6	146.3
Interest expense	(36.7)	(40.9)
Provision for income taxes	(3.4)	(28.8)
Net earnings	$ 24.5	$ 76.6
Capital Expenditures		
Metals service centers	$ 21.4	$ 27.9
Energy products	2.5	5.4
Steel distributors	0.6	0.8
Other	0.4	0.7
	$ 24.9	$ 34.8
Depreciation and Amortization Expense		
Metals service centers	$ 35.7	$ 34.5
Energy products	22.6	19.8
Steel distributors	1.6	1.6
Corporate and other	0.7	0.8
	$ 60.6	$ 56.7

(millions)	2020	2019
Current Identifiable Assets		
Metals service centers	$ 473.6	$ 482.9
Energy products	506.8	747.6
Steel distributors	97.4	131.3
	1,077.8	1,361.8
Non-Current Identifiable Assets		
Metals service centers	322.3	318.3
Energy products	128.9	187.3
Steel distributors	6.4	7.5
Total identifiable assets included in segments	1,535.4	1,874.9
Assets not included in segments		
Cash and cash equivalents	26.3	16.0
Income taxes receivable and deferred income tax assets	25.7	23.7
Financial and other assets	3.7	4.0
Pension and benefits	5.1	5.4
Corporate and other operating assets	0.1	0.9
Total assets	$ 1,596.3	$ 1,924.9
Liabilities		
Metals service centers	$ 243.3	$ 220.1
Energy products	116.8	181.0
Steel distributors	17.0	18.3
Liabilities by segment	377.1	419.4
Liabilities not included in segments		
Bank indebtedness	-	62.1
Income taxes payable and deferred income tax liabilities	13.2	13.5
Long-term debt	293.7	444.8
Pension and benefits	13.0	10.4
Corporate and other liabilities	34.6	30.1
Total liabilities	$ 731.6	$ 980.3

b) Results by geographic segment:

(millions)	2020	2019
Segment Revenues		
Canada	$ 1,815.8	$ 2,561.2
United States	865.4	1,103.4
	$ 2,681.2	$ 3,664.6
Segment Operating Profits		
Canada	$ 118.9	$ 166.8
United States	(9.1)	(8.5)
	$ 109.8	$ 158.3
Identifiable Assets		
Canada	$ 1,070.8	$ 1,248.7
United States	464.6	626.2
	$ 1,535.4	$ 1,874.9

c) Revenues by product:

(millions)	2020	2019
Carbon		
Structurals (WF & I Beams, Angles, Channels, Hollow Tubes)	$ 735.1	$ 875.7
Plate (Discrete & Plate in Coil)	463.2	664.8
Flanges, Valves, Fittings and other Energy Products	416.5	695.4
Tubing/Pipe (Standard, Oil Country Tubular Goods, Line Pipe)	418.5	638.5
Bars (Hot Rolled and Cold Finished)	159.1	184.4
Flat Rolled (Sheet & Coil)	235.9	289.2
Grating/ Expanded/Rails	28.9	36.2
Total Carbon	2,457.2	3,384.2
Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.)	116.8	135.0
Other	114.3	156.7
	$ 2,688.3	$ 3,675.9

NOTE 25 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019 the Company did not have any transactions with subsidiaries outside the normal course of business. All subsidiaries are wholly owned and all transactions with subsidiaries are recorded at fair value and have been eliminated upon consolidation.

At December 31, 2020, 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 costs of key management personnel and directors were as follows:

(millions)	2020	2019
Salaries and other benefits	$ 5.0	$ 5.5
Share based compensation cost	2.0	3.0
Post-employment benefits	0.3	0.3
	$ 7.3	$ 8.8

NOTE 26 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

ACCOUNTING POLICIES

a) Fair value measurement

The Company measures certain financial and non-financial assets and liabilities at fair value at each statement of financial position date. In addition, fair value measurements are disclosed for certain financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements, are classified using a three-level fair value hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements. Each level is based on the following:

Level 1 Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 Values based on prices or valuation techniques that require inputs which are both unobservable and significant to the overall fair value measurement.

b) 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 consolidated 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.

c) 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 bank indebtedness, accounts payable and accrued liabilities and long-term debt.

- 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.

d) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at 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.

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 consolidated statements of earnings.

e) Impairment of financial assets

At each financial position date, the Company 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.

SUPPORTING INFORMATION

a) Financial assets and liabilities

Financial assets and liabilities were as follows:

December 31, 2020 (millions)	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ 26.3	$ -	$ 26.3
Accounts receivable	344.0	-	344.0
Financial assets	3.4	-	3.4
Accounts payable and accrued liabilities	-	(294.6)	(294.6)
Lease obligations	-	(105.7)	(105.7)
Long-term debt	-	(293.7)	(293.7)
Total	**$ 373.7**	**$ (694.0)**	**$ (320.3)**

December 31, 2019 (millions)	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ 16.0	$ -	$ 16.0
Accounts receivable	458.1	-	458.1
Financial assets	3.5	-	3.5
Bank indebtedness	-	(62.1)	(62.1)
Accounts payable and accrued liabilities	-	(326.4)	(326.4)
Lease obligations	-	(111.5)	(111.5)
Long-term debt	-	(444.8)	(444.8)
Total	$ 477.6	$ (944.8)	$ (467.2)

For the year ended December 31, 2020, the fair value loss from derivative financial instruments on the consolidated statements of earnings was $1.0 million (2019: loss of $3.7 million) including embedded derivative and forward contracts.

b) Fair value

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

The fair value of long-term debt is set forth below.

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, 2020 and 2019 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 long-term debt:

December 31, 2020 (millions)	Carrying Amount	Fair Value Level 2
5 ¾% $150 million Senior Notes due October 27, 2025	$ 146.5	$ 157.3
6% $150 million Senior Notes due March 16, 2026	147.2	152.6
Total	**$ 293.7**	**$ 309.9**
Current portion	**$ -**	
Long-term portion	**$ 293.7**	

December 31, 2019 (millions)	Carrying Amount	Fair Value Level 2
6% $300 million Senior Notes due April 19, 2022	$ 298.0	$ 303.9
6% $150 million Senior Notes due March 16, 2026	146.8	157.2
Total	$ 444.8	$ 461.1
Current portion	$ -	
Long-term portion	$ 444.8	

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, 2020, nearly all cash and cash equivalents were held in institutions that were R1 High by DBRS;
- Counterparties to derivative contracts are members of the syndicated banking facility (Note 13);
- 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, 2020 and 2019, other than the allowance for doubtful accounts (Note 6). As at December 31, 2020, trade accounts receivable greater than 90 days represented less than 5% of trade accounts receivable (2019: 5%).

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, 2020, the Company had outstanding forward foreign exchange contracts in the amount of US$134.0 million, maturing in 2021 (2019: US$9.4 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, 2020, 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	Lease Obligations	Total
2021	$ 294.6	$ -	$ 17.7	$ 23.8	$ 336.1
2022	-	-	17.6	19.7	37.3
2023	-	-	17.6	17.8	35.4
2024	-	-	17.6	15.0	32.6
2025	-	150.0	17.5	12.0	179.5
2026 and beyond	-	150.0	5.0	55.3	210.3
Total	$ 294.6	$ 300.0	$ 93.0	$ 143.6	$ 831.2

At December 31, 2020, the Company was contractually obligated to repay its bank borrowings and letters of credit under its bank facilities (Note 13).

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.

NOTE 27 CONTINGENCIES, COMMITMENTS AND GUARANTEES

a) Lawsuits and legal claims

The Company recognizes contingent loss provisions for losses that are probable when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a contingent loss provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. Estimates of losses may be developed significantly before the ultimate loss is known, and are revalued each accounting period as additional information becomes known. In instances where the Company is unable to develop a reasonable loss estimate, no contingent loss provision is recorded at that time. A contingent loss provision is recorded when a reasonable estimate can be made. Estimates are reviewed quarterly and revised when expectations change.

An outcome that deviates from the Company’s estimate may result in an additional expense or income in a future accounting period.

The Company and certain of its subsidiaries have been named defendants in a number of legal actions. Although the outcome of these legal actions cannot be determined, management intends to defend all such legal actions and has recorded provisions, as required, based on its best estimate of the potential losses. In the opinion of management, the resolution of these legal actions 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.

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 the 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.

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ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Corporate Head office on Wednesday, May 5, 2021 at 10:00 am

TRANSFER AGENT AND REGISTRAR

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CORPORATE & SOCIAL RESPONSIBILITY

Our decentralized and entrepreneurial culture in our local operations lends itself to community-based initiatives. We invite you to our Community Initiatives section of our web site, where we highlight examples of community involvement by our terrific teams at some of our local operations and certain corporate initiatives in this area.

GLOSSARY

Book Value Per Share - Shareholders' equity divided common shares outstanding at December 31
Adjusted EBIT - Earnings before deduction of long-lived asset impairment, interest, provision for income taxes
Adjusted EBITDA - Earnings before deduction of long-lived asset impairment, interest, provision for income taxes, depreciation and amortization
Free Cash Flow - Cash from operating activities before change in working capital less capital expenditures
Interest Bearing Debt to Adjusted EBITDA - Total interest bearing debt divided by Adjusted EBITDA
Invested Capital - Net debt plus shareholders' equity
Net Debt - Total interest bearing debt, net of cash on hand
Return on Invested Capital - Adjusted EBIT divided by invested capital
Return on Equity - Adjusted EBIT divided by shareholders' equity

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