Russel Metals

2021 ANNUAL REPORT

ACQUISITION

We executed on our strategic growth initiative of acquiring well-run service center businesses by adding Boyd Metals to our U.S. service center portfolio. Boyd Metals added five full line, value-added processing service centers located in Fort Smith (Arkansas), Joplin (Missouri), Little Rock (Arkansas), Oklahoma City (Oklahoma) and Tyler (Texas); expanding our footprint in the U.S. market. We are pleased to welcome the entire Boyd team to our Russel Family.

CAPITAL RE-ALLOCATION

We furthered our strategy of reducing our OCTG/line pipe footprint by divesting our Canadian OCTG/line pipe operation into a joint venture. We also completed the profitable and orderly liquidation of inventories at our U.S. OCTG/line pipe operations. Collectively, these initiatives freed up $300 million of underperfoming capital.

HEALTH & SAFETY

The Health and Safety of our employees, customers and suppliers continues to be a core value and our number one priority. Our Health and Safety results remained strong in 2021 with 93% of our locations operating without a Lost Time Incident. We implemented several Health and Safety improvement initiatives such as Dashcam and ELD Technology. Our key initiative for 2022 will be Trailer Fall Arrest systems at all locations.

FINANCIAL FLEXIBILITY

We extended and amended our $450 million credit facility with a syndicate of banks. The amended agreement extended the term to September 21, 2025 and provided a more favourable interest rate grid. A credit upgrade by S&P Global to BB+ and the initiation of an investment grade corporate credit rating of BBB low by DBRS Morningstar further lowered the interest cost of our bank debt and letters of credit.

VALUE-ADDED PROCESSING

Our emphasis on expanding our value-added processing capabilities continued in 2021 as we invested $29 million in various projects. Our major projects included: (i) flat lasers for JMS in Jonesboro, Arkansas and Trenton, Georgia; (ii) tube lasers for Leroux in Boucherville, Quebec and Sanborn in Pewaukee, Wisconsin; and (iii) a shot blaster for our Williams Bahcall location in Milwaukee, Wisconsin.

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FINANCIAL HIGHLIGHTS

	Years Ended December 31				
	2021	2020	2019	2018	2017
OPERATING RESULTS (millions)					
Revenues	$4,208.5	$2,688.3	$3,675.9	$4,165.0	$3,296.0
EBITDA [(1)]	664.0	125.2	203.0	366.6	240.6
Adjusted EBITDA [(1)]	666.6	159.0	203.0	366.6	240.6
Adjusted EBITDA as a % of revenue [(1)]	15.8%	5.9%	5.5%	8.8%	7.3%
EBIT [(1)]	606.1	64.6	146.3	330.9	206.4
Adjusted EBIT [(1)]	608.7	98.4	146.3	330.9	206.4
Adjusted EBIT as a % of revenue [(1)]	14.5%	3.7%	4.0%	7.9%	6.3%
Net earnings	432.2	24.5	76.6	219.0	123.8
Basic earnings per common share ($)	$6.90	$0.39	$1.23	$3.53	$2.00
BALANCE SHEET INFORMATION (millions)					
Metals					
Accounts receivable	$553.6	$343.4	$457.9	$566.4	$445.8
Inventories	986.0	716.4	883.6	1,052.5	819.9
Prepaid expenses and other assets	30.3	13.7	18.2	14.1	17.2
Accounts payable and accruals	(521.4)	(273.1)	(307.9)	(470.6)	(347.4)
Net working capital	1,048.5	800.4	1,051.8	1,162.4	935.5
Fixed assets	302.4	269.5	288.9	268.0	246.5
Right-of-use assets	86.7	81.4	90.1	-	-
Goodwill and intangibles	132.2	109.6	137.0	86.2	90.5
Lease obligations	(109.5)	(105.8)	(111.6)	-	-
Net assets employed in metals operations	1,460.3	1,155.1	1,456.2	1,516.6	1,272.5
Other operating assets	0.3	0.8	1.7	0.7	(0.8)
Net income tax assets (liabilities)	(68.7)	12.5	10.2	(32.3)	(30.0)
Pension and benefit assets (liabilities)	26.1	(7.9)	(5.0)	(5.8)	(12.0)
Other corporate assets (liabilities)	(8.0)	(28.4)	(27.5)	(26.5)	(24.4)
Total net assets employed	$1,410.0	$1,132.1	$1,435.6	$1,452.7	$1,205.3
CAPITALIZATION (millions)					
Bank indebtedness, net of (cash)	$(133.1)	$(26.3)	$46.2	$4.2	$82.0
Long-term debt (incl. current portion)	294.8	293.7	444.8	443.6	296.5
Total interest bearing debt, net of (cash)	161.7	267.4	491.0	447.8	378.5
Shareholders' equity	1,248.3	864.7	944.6	1,004.9	826.8
Invested Captial [(1)]	$1,410.0	$1,132.1	$1,435.6	$1,452.7	$1,205.3
OTHER INFORMATION (Notes)					
Book value per share ($) [(1)]	$19.78	$13.88	$15.19	$16.18	$13.36
Free cash flow (millions)[(1)]	$609.7	$94.4	$136.7	$300.1	$180.4
Capital expenditures (millions)	$28.8	$24.9	$34.8	$41.3	$35.7
Depreciation and amortization (millions)	$57.9	$60.6	$56.7	$35.7	$34.2
Net debt to invested capital [(1)]	11%	24%	35%	31%	34%
Return on invested capital [(1)]	51%	8%	10%	24%	19%
Return on equity [(1)]	58%	11%	15%	36%	25%
COMMON SHARE INFORMATION					
Ending outstanding common shares	63,100,220	62,295,441	62,173,430	62,106,895	61,890,197
Average outstanding common shares	62,667,618	62,191,208	62,132,030	62,028,991	61,788,013
Dividend per share	$1.52	$1.52	$1.52	$1.52	$1.52
Share price - High	$37.57	$23.09	$25.22	$32.65	$29.78
Share price - Low	$22.33	$10.97	$18.47	$19.72	$23.67
Share price - Ending	$33.63	$22.73	$22.17	$21.33	$29.17

[(1)] 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. Refer to page 6 of this Annual Report for commentary and certain definitions of Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures and a reconciliation of certain Non-GAAP measures to GAAP measures. Management believes that measures like 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. See financial statements for GAAP measures.

A Message from our President & Chief Executive Officer

Fellow Shareholders,

2021 was a year to remember as we transformed your Company and exceeded previous financial achievements. Our record financial performance, capital redeployment and strong working capital management improved our already strong balance sheet. In 2021, our stock price increased by 48% which when combined with our dividend provided a total shareholder return of 55%. We executed on our strategic initiatives by realigning our portfolio through: (i) profitably exiting the OCTG/line pipe business; (ii) continuing our organic value-added processing expansions; and (iii) acquiring a leading U.S. service center business. We also faced many challenges as we continued to adapt to working safely with Covid-19, steel price volatility and supply chain disruptions, to name a few.

We furthered our Diversity and Inclusion initiative as we continued our involvement in the MSCI Diversity and Inclusion Committee to establish clear industry-wide diversity benchmarking. Our strong safety performance continued in 2021 with 93% of our locations reporting zero lost time accidents and we established a new position of Director of Fleet Safety.

We established a Corporate Giving Campaign to augment our local efforts and to support vulnerable people with an emphasis on diversity. Additional information about this program can be found on our website under Community Initiatives.

Portfolio Realignment

In late 2021, we acquired Boyd Metals as a natural extension of our existing footprint in the U.S. service center market. Boyd will operate as an independent business unit with five full line locations serving Arkansas, Missouri, Oklahoma and Texas. The Boyd culture aligns well with ours and we see tremendous opportunities for growth at Boyd and our other U.S. service center operations. I would like to take this opportunity to welcome Tom Kennon, Brian Newman and all the Boyd employees to the Russel Metals family.

Over the last 18 months we delivered on our commitment to divest and orderly liquidate our OCTG/line pipe operations. We executed this with a two-pronged approach by: (i) establishing a Joint Venture with Marubeni Itochu to form Trimark Tubulars in Canada; and (ii) profitably liquidating our U.S. operations. We maintained our Pioneer Pipe California operation as it is profitable and complements our energy field store operations. Our remaining energy operations are the field stores, which include Apex Distribution, Comco Pipe and Elite Supply Partners, which serve both Canada and U.S. customers. The field stores will remain in our portfolio as they maintain operating and financial metrics very similar to our service centers.

By divesting of our OCTG/line pipe operations, we have repatriated over $300 million that can be reinvested in businesses that have lower volatility and much higher margins and returns, such as Boyd Metals. The portfolio realignment also strengthened our already strong balance sheet and added additional liquidity for future acquisitions and value-added processing investments.

Performance

In 2021, your Company achieved new financial records across most key metrics including EPS, EBIT, EBITDA, RONA, ROE and ROI. This performance reflects years of diligent effort by our teams as they maintained a disciplined approach to working capital management which resulted in the generation of superior returns. This year culminated in our efforts over the past several years that positioned us to take advantage of the market opportunities as we grew both organically and by acquisition, all while managing working capital deployed at very efficient levels. This was led by our service centers and steel distributors who maintained industry-leading performance. Our energy field stores also exceeded the results of their public peers in a challenging energy market.

Management Changes
Maureen Kelly, our Vice President of Information Systems, retired in March of 2022 and David Halcrow, our Vice President of Purchasing, retired in February 2022. Both Maureen and David will remain in a consulting role for a transition period. Maureen epitomized the true business professional, with her customer service approach to our field operations and ability to economically navigate the ever-changing world of technology. David's analytical approach served us well as it provided invaluable insight to our field operations.

Joining the corporate team will be Dan Schmelzer as VP Information Systems, Ryle Chislett as Director of Purchasing and Catherine Milne who was appointed VP Human Resources in mid-2021.

Ken Wallenwein, President of Apex Distribution, retired in March of 2022. Ken has been with Apex as a store manager, regional manager and ultimately serving the last six years as President. Ken had an astute awareness of the energy field store business and working capital management. Succeeding Ken will be Bill Ouwejan who has been with Apex Distributor for 22 years, most recently as the Vice President of Sales.

Reynold Wilden, former President of Pioneer Pipe, retired following the profitable and orderly liquidation of Pioneer Pipe's OCTG/line pipe business. Reynold is a true gentleman and I want to personally thank him for his professionalism and diligence in how he navigated the fine line of treating the people honestly and with respect, plus managing the business during the transition.

Board of Directors
John Tulloch of our Board of Directors will not be standing for re-election in 2022. John served on our Board since 2013 in numerous roles and committees, most recently as Chair of the Compensation Committee. John's steel industry experience, keen business acumen and diligent approach to his Board role served the shareholders well. Personally, I would like to thank John for his wise counsel and thoughtful approach to the everchanging business landscape.

Our Board continued to operate virtually in 2021, although we did manage a handful of in person onboarding sessions with our two new directors, Cynthia Johnston and Linh Austin, who were elected in May 2021. I would like to thank our Board for their guidance and counsel as we navigated 2021 and look forward into 2022.

Future
We will continue to prudently manage working capital and look for the right opportunities to utilize our tremendous balance sheet to deploy capital. We will continue executing our strategic initiatives powered by the best team in the industry.

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, 2021, 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, 2022

J. G. Reid	M. L. Juravsky
President and	Executive Vice President and
Chief Executive Officer	Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, 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, 2022.

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 energy industry; climate change; product claims; significant competition; sources of metals supply and supply chain disruptions; 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; cybersecurity; 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 AND RATIOS

This MD&A includes a number of measures that are not prescribed by International Financial Reporting Standards ("IFRS" or "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. Investors may find these non-GAAP measures, which include non-GAAP financial measures and non-GAAP ratios as defined in *National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure*, useful in understanding how management views underlying business performance.

These measures and ratios are defined below and include EBIT, EBITDA, free cash flow, liquidity and inventory turns. We believe that these 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 EBIT, EBITDA and free cash flow are significant in assessing operating results and liquidity. EBIT, 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. A reconciliation of EBITDA to net income in accordance with GAAP and a reconciliation of free cashflow to cash from operating activities before changes in non-cash working capital in accordance with GAAP are found below.

EBIT or Operating Profits - represents net earnings before interest and income taxes.
EBITDA - represents net earnings before interest, income taxes, depreciation and amortization.
Free Cash Flow - represents cash from operating activities before changes in non-cash working capital less capital expenditures.
Gross Margin - represents revenues less cost of sales.
Gross Margin Percentage - represents gross margin over revenues.
Inventory Turns - represent annualized cost of sales divided by ending inventory.
Liquidity - represents cash on hand less bank indebtedness plus excess availability under our bank credit facility.
Selling Price per Ton - represents revenues divided by tons shipped.
Tons Shipped - represents revenue volumes in our standardized metal service center unit of measure, which is imperial tons.

ADJUSTED NON-GAAP MEASURES

We assess our results on a reported and adjusted basis and consider both as useful measures of performance. Adjusted measures include Adjusted Net Earnings, Adjusted EBITDA and Adjusted EBIT, in addition to other adjusted measures noted below. We remove items of note from reported results to calculate our adjusted results. Items of note include certain items of significance that arise from time to time which we believe are not reflective of our underlying business performance. We have assessed that long-lived asset impairment is an item of note. We believe that adjusted measures provide the reader with a better understanding of how we assess our underlying business performance which facilitates a more informed analysis of trends. While we believe that adjusted measures may facilitate comparisons between our results and those of some of our peer group, which may make similar adjustments in their public disclosure, it should be noted that there is no standardized meaning for adjusted measures under GAAP.

Adjusted Net Earnings - we adjust our reported net earnings to remove long-lived asset impairment, net of income taxes.
Adjusted Net Earnings Per Share - we adjust our reported net earnings to remove the impact of long-lived asset impairment, net of income taxes, to calculate the adjusted net earnings per share.
Adjusted EBIT - we adjust our EBIT to remove the impact of long-lived asset impairment.
Adjusted EBITDA - we adjust our EBITDA to remove the impact of long-lived asset impairment.

RECONCILIATION OF NET EARNINGS TO ADJUSTED EBITDA

The following table provides a reconciliation of net earnings (loss) and earnings (loss) per share for the years and quarters ended December 31, 2021 and 2020 to adjusted net earnings and adjusted net earnings per share.

	Three Months Ended December 31		Year Ended December 31	
(millions except per share data)	2021	2020	2021	2020
Net earnings (loss)	$ 102.2	$ (8.8)	$ 432.2	$ 24.5
Asset impairment, after tax	1.9	22.6	1.9	25.6
Adjusted net earnings [1]	104.1	13.8	434.1	50.1
Provision for income taxes	38.3	(3.8)	147.9	3.4
Provision for income taxes on asset impairment	0.7	7.5	0.7	8.2
Interest and finance expense	6.6	9.0	26.0	36.7
Adjusted EBIT [1]	149.7	26.5	608.7	98.4
Depreciation and amortization	14.6	14.6	57.9	60.6
Adjusted EBITDA [1]	$ 164.3	$ 41.1	$ 666.6	$ 159.0
Net earnings per share	$ 1.62	$ (0.14)	$ 6.90	$ 0.39
Adjusted net earnings per share [1]	$ 1.65	$ 0.22	$ 6.93	$ 0.81

RECONCILIATION OF FREE CASH FLOW

	Three Months Ended December 31		Year Ended December 31	
(millions)	2021	2020	2021	2020
Cash from operating activities before non-cash working capital	$ 155.9	$ 30.9	$ 638.5	$ 119.2
Purchase of property, plant and equipment	(8.5)	(6.1)	(28.8)	(24.9)
Free cash flow [1]	$ 147.4	$ 24.8	$ 609.7	$ 94.3

OVERVIEW OF THE 2021 FOURTH QUARTER AND ANNUAL RESULTS

Our net earnings for the year ended December 31, 2021, were $432 million or $6.90 per share compared to net earnings of $25 million or $0.39 per share for 2020. Our adjusted net earnings for the year ended December 31, 2021 were $434 million or $6.93 per share. Revenues for the year ended December 31, 2021 were $4.2 billion compared to $2.7 billion in 2020. Adjusted EBITDA was $667 million compared to $159 million in 2020.

In the 2021 fourth quarter, our revenues, Adjusted EBITDA and adjusted earnings per share were $1.1 billion, $164 million and $1.65 per share, respectively. Revenues during the quarter benefited from the continued strong steel price environment and good demand in the metals service centers and steel distributors segments, as well as an improvement in energy activity. The 2021 fourth quarter results also included contributions related to the Boyd Metals ("Boyd") acquisition on November 30, 2021. During the 2021 fourth quarter, EBITDA was negatively impacted by a non-cash asset impairment charge of $3 million related to one of our energy businesses, a $3 million mark-to-market expense for share-based compensation and a $2 million charge for the acquisition accounting and transaction costs for the Boyd acquisition.

Market Conditions

Steel markets were very strong through most of 2021 as a result of favourable demand and constrained supply. Prices rose during the year and remained well above historical levels for the 2021 fourth quarter. Our metals service centers experienced an increase in selling price per ton of 62% for 2021 compared to 2020 and same store tons shipped increased 5% for 2021 compared to 2020. Similarly, our steel distributors segment experienced an increase in demand and selling prices. Overall conditions in the energy products segment recovered modestly throughout 2021 as a result of higher energy prices and capital spending.

Reallocation of Capital Investments

In 2021, we made a series of changes to our business portfolio with the objectives of: (i) enhancing our return on capital over a cycle; (ii) increasing our margins over a cycle; and (iii) reducing earnings volatility.

[1] Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 6

During 2021, we reduced the capital employed in our OCTG/line pipe segments by approximated $300 million. This was achieved by the liquidation of our U.S. OCTG/line pipe businesses and the merger of our Canadian OCTG/line pipe operation with a Canadian subsidiary of Marubeni-Itochu to form TriMark Tubulars.

On November 30, 2021, we acquired a group of companies that operate as Boyd Metals. Boyd is a full line metals service center that operates in five locations in Fort Smith (Arkansas), Joplin (Missouri), Little Rock (Arkansas), Oklahoma City (Oklahoma) and Tyler (Texas). Boyd expands our metals service center presence in the Southern and Midwest U.S., complements our existing operations in the region, was immediately accretive to earnings and enhances our return on capital.

During 2021, we invested in a series of value-added processing equipment projects and we also developed business plans for further investments in 2022. These projects are designed to both grow our business platforms in the various regions and generate attractive financial returns.

Capital Structure Flexibility

Over the past twelve months, our financial profile was strengthened as we generated $305 million of cash from operating activities. As a result, we ended the year with total liquidity of $495 million. In December 2021, we amended our $450 million credit facility to provide more favourable pricing and extend the maturity date to September 21, 2025. Our strong capital structure provides us with significant flexibility to further explore opportunities for capital reinvestment.

SUMMARIZED FINANCIAL INFORMATION

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

2021

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 885.4	$ 1,068.2	$ 1,108.1	$ 1,146.8	$ 4,208.5
EBITDA [1]	129.0	177.8	195.5	161.7	664.0
Adjusted EBITDA [1]	129.0	177.8	195.5	164.3	666.6
Net earnings	80.6	117.8	131.6	102.2	432.2
Basic earnings per common share	$ 1.29	$ 1.88	$ 2.10	$ 1.62	$ 6.90
Diluted earnings per common share	$ 1.29	$ 1.88	$ 2.10	$ 1.62	$ 6.89
Total assets	$ 1,793.5	$ 1,987.9	$ 2,216.1	$ 2,314.5	$ 2,314.5
Non-current financial liabilities	$ 385.5	$ 388.7	$ 386.9	$ 388.5	$ 388.5
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	$ 1.52
Market price of common shares					
High	$ 26.59	$ 34.80	$ 37.57	$ 36.91	$ 37.57
Low	$ 22.33	$ 25.00	$ 30.22	$ 30.29	$ 22.33
Shares outstanding end of quarter	62,295,441	62,689,856	62,974,655	63,100,220	63,100,220
Average shares outstanding	62,295,441	62,488,175	62,636,187	63,039,225	62,667,618
Number of common shares traded on the TSX	17,879,841	22,108,258	14,020,122	11,042,773	65,050,994

[1] Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 6

2020

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 814.7	$ 588.1	$ 614.9	$ 670.5	$ 2,688.3
EBITDA [1]	35.5	31.5	47.2	11.1	125.2
Adjusted EBITDA [1]	39.2	31.5	47.2	41.2	159.0
Net earnings (loss)	13.5	4.6	18.2	(8.8)	24.5
Basic and diluted earnings (loss) 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 [1]	71.9	64.8	48.7	17.6	203.0
Adjusted EBITDA [1]	71.9	64.8	48.7	17.6	203.0
Net earnings (loss)	34.3	30.8	18.1	(6.6)	76.6
Basic and 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	$ 25.22	$ 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

[1] Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 6

RESULTS OF OPERATIONS

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.

The following table provides segment information including segment revenues, gross margins and earnings before interest and income taxes. The corporate expenses included are not allocated to specific operating segments. Gross margins 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)	2021	2020
Segment Revenues		
Metals service centers	$ 2,831.2	$ 1,621.8
Energy products	813.7	797.5
Steel distributors	553.0	261.9
Other	10.6	7.1
	$ 4,208.5	$ 2,688.3
Segment Gross Margins [1]		
Metals service centers	$ 862.2	$ 357.4
Energy products	172.6	120.6
Steel distributors	167.0	33.6
Other	10.6	7.1
Total operations	$ 1,212.4	$ 518.7
Segment Operating Profits and EBIT [1]		
Metals service centers	$ 482.9	$ 103.9
Energy products	53.4	(3.3)
Steel distributors	110.0	9.2
Corporate expenses	(48.1)	(19.4)
Share of earnings from joint venture	6.1	-
Gain on sale of assets	-	6.1
Asset impairment	(2.6)	(33.8)
Other	4.4	1.9
Earnings before interest and income taxes	$ 606.1	$ 64.6
Segment Gross Margin as a % of Revenues [1]		
Metals service centers	30.5%	22.0%
Energy products	21.2%	15.1%
Steel distributors	30.2%	12.8%
Total operations	28.8%	19.3%
Segment Operating Profit and EBIT as a % of Revenues [1]		
Metals service centers	17.1%	6.4%
Energy products	6.6%	(0.4%)
Steel distributors	19.9%	3.5%
Total operations	14.4%	3.7%

Results of our U.S. operations for the year ended December 31, 2021 were converted at $1.2537 per US$1 compared to $1.3412 per US$1 for the year ended December 31, 2020. Our U.S. operations represented approximately 36% of our total revenues. The exchange rate used to translate the balance sheet at December 31, 2021 was $1.2678 per US$1 versus $1.2732 per US$1 at December 31, 2020.

[1] Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 6

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 32,000 end users through a network of 46 Canadian locations and 22 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 -- 2021 compared to 2020

(millions)	2021	2020
Financial Highlights		
Revenues	$ 2,831	$ 1,622
Gross margin ($) [1]	862	357
Gross margin (%) [1]	30.5%	22.0%
Operating profits [1]	483	104

Revenues in our metals service center operations increased 75% from 2020. Tons shipped in 2021, which included one month of activity from the recent Boyd acquisition, were approximately 6% higher than 2020. Our U.S. service centers had a 4% same store increase in tons while all of our Canadian regions also experienced higher volumes. During the year ended December 31, 2021, our percentage increase in tons shipped from our Canadian operations was higher than the average published by the Metals Service Center Institute as our operations gained market share. The average selling price per ton was 62% higher in 2021 than 2020. The average selling price in the 2021 fourth quarter increased 6% over the 2021 third quarter due to price increases early in the fourth quarter.

Gross margin as a percentage of revenues was 30.5% for the year ended December 31, 2021, which was higher than the 22.0% in 2020 due to favourable market conditions and the progress from our value-added processing initiatives.

Operating expenses for 2021 were $379 million, which was 50% higher than the $254 million in 2020 due to higher variable compensation that is tied to financial results and other costs from increased volumes. Operating expenses as a percentage of revenues were 13.4% compared to 15.6% in 2020.

Metals service centers operating profits for the year ended December 31, 2021 of $483 million were a record and higher than the $104 million reported for 2020. Our average revenue per invoice for 2021 was approximately $3,777 compared to $1,906 for 2020, reflecting increased steel prices. Revenue per invoice is a non-GAAP measure and represents total revenues divided by the number of invoices issued.

ENERGY PRODUCTS

a) Description of operations

We distribute flanges, valves, fittings and tubular goods, primarily to the energy industry in Western Canada and the United States. We operate from 44 Canadian and 11 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 flanges, valves, fittings and tubular goods, international steel mills and other distributors.

b) Energy products segment results -- 2021 compared to 2020

(millions)	2021	2020
Financial Highlights		
Revenues	$ 814	$ 798
Gross margin ($) [1]	173	121
Gross margin (%) [1]	21.2%	15.1%
Operating profits (loss) [1]	53	(3)

[1] Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 6

Revenues in our energy products segment increased by 2% in 2021 compared to 2020 despite the divestiture and liquidations of our OCTG/line pipe businesses. Our same store energy field store revenues increased 7% in 2021 versus 2020. In 2021, the average Canadian rig counts were 132 compared to 89 in 2020 and the average U.S. rig counts were 478 compared to 443 in 2020.

Gross margin as a percentage of revenues improved to 21.2% compared to 15.1% in 2020 mainly due to better market conditions and the monetization of the lower margin OCTG/line pipe businesses. Same store energy field stores had gross margins as a percentage of sales of 22.3% in 2021 and 23.0% in 2020.

Operating expenses for the year ended 2021 were $119 million compared to $124 million in 2020. The decrease was due to a reduction of operating costs from the discontinued OCTG/line pipe operations.

This segment generated operating profits of $53 million for 2021 compared to losses of $3 million for 2020. Our field store operations generated operating income of $28 million in the year compared to $23 million in 2020.

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 -- 2021 compared to 2020

(millions)	2021	2020
Financial Highlights		
Revenues	$ 553	$ 262
Gross margin ($) [1]	167	34
Gross margin (%) [1]	30.2%	12.8%
Operating profits [1]	110	9

Revenues in our steel distributors were 111% higher in 2021 compared to 2020 due to increased demand and higher steel prices.

Gross margin as a percentage of revenues was 30.2% for the year ended December 31, 2021 compared to 12.8% for the year ended December 31, 2020 due to favourable market conditions.

Operating expenses increased to $57 million in 2021 from $24 million in 2020 primarily due to higher variable compensation expense that is tied to financial results.

Operating profits for 2021 of $110 million were significantly higher compared to $9 million for 2020 due to higher selling prices and increased demand as supply chain disruptions caused product shortages in the market.

CORPORATE EXPENSES -- 2021 COMPARED TO 2020

Corporate expenses were $48 million in 2021 compared to $19 million in 2020, due to higher variable compensation expense, that is tied to financial results, and the non-cash stock-based compensation expense which increased to $10 million in 2021 from $5 million in 2020, due to our improved share price.

SHARE OF EARNINGS FROM JOINT VENTURE

In 2021, we recorded income from the TriMark joint venture of $6 million for the period from July 6, 2021.

[1] Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 6

INTEREST EXPENSE

Net interest expense was $26 million for 2021 compared to $37 million for 2020 due to a series of capital structure improvements that were implemented in late 2020 and 2021.

INCOME TAXES

We recorded a provision for income taxes of $148 million for 2021 compared to a provision of $3 million for 2020 due to higher earnings in 2021. Our effective income tax rate for 2021 was 25.5% compared to 12.2% for 2020. The 2020 effective income tax rate reflects the CARES Act provisions.

NET EARNINGS

Net earnings for 2021 were $432 million compared to $25 million in 2020. Basic earnings per share for 2021 was $6.90 per share compared to $0.39 per share in 2020.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for 2021 increased to 62.7 million compared to 62.2 million for 2020 as a result of the exercise of options. Common shares outstanding at December 31, 2021 and February 10, 2022 were 63.1 million.

We paid common share dividends of $95 million or $1.52 per share in 2021 and 2020.

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 dividends in excess of $0.38 per share per quarter. These notes can be redeemed at 104.5% anytime after March 16, 2021 and declining rateably to 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 has restrictions on the payment of dividends in excess of $1.60 per annum. These notes can be redeemed at 102.9% on or after October 27, 2022 and declining rateably to par on or after October 27, 2024.

Under our syndicated bank facility, the payment of dividends is subject to excess borrowing base availability of not less than four times the declared dividend. We do not believe this requirement will restrict our ability to pay dividends.

CAPITAL EXPENDITURES

(millions)	2021	2020
Capital expenditures - property, plant and equipment	$ 29	$ 25
Additions - right-of-use assets	12	11
Depreciation - property, plant and equipment	33	33
Depreciation - right-of-use assets	16	18

LIQUIDITY

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

At December 31, 2021, we had net cash, defined as cash less bank indebtedness, of $133 million compared to net cash of $26 million at December 31, 2020. We generated cash of $639 million from operating activities before non-cash working capital, utilized $258 million for working capital and generated $77 million from the sale of our Canadian OCTG/line pipe operation into the joint venture. We invested $29 million for capital expenditures, $157 million for the acquisition of Boyd, utilized $76 million for income tax payments and returned $95 million in dividends to our shareholders.

Total assets were $2.3 billion at December 31, 2021 compared to $1.6 billion at December 31, 2020. At December 31, 2021, current assets excluding cash represented 72% of our total assets excluding cash, compared to 70% at December 31, 2020.

Accounts receivable utilized cash of $161 million in 2021 and represented 25% of our total assets excluding cash, at December 31, 2021 compared to 22% at December 31, 2020.

Inventory by Segment *(millions)*	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020
Metals service centers	$ 639	$ 535	$ 401	$ 329	$ 279
Energy products	119	131	269	317	373
Steel distributors	228	121	103	74	64
Total	$ 986	$ 787	$ 773	$ 720	$ 716

Cost of Sale by Segment *(millions)*	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020
Metals service centers	$ 576	$ 518	$ 481	$ 394	$ 314
Energy products	140	149	166	187	155
Steel distributors	132	111	93	49	62
Total	$ 848	$ 778	$ 740	$ 630	$ 531

Inventory Turns [1] *(quarters ended)*	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020
Metals service centers	3.6	3.9	4.8	4.8	4.5
Energy products	4.7	4.6	2.5	2.4	1.7
Steel distributors	2.3	3.7	3.6	2.7	3.9
Total	3.4	4.0	3.8	3.5	3.0

We evaluate our inventory turns as a measure to assess our ability to manage capital employed in our largest asset.

At December 31, 2021, our metals service centers had higher inventory tons than at December 31, 2020. Inventory levels in dollars increased in the fourth quarter due to the higher cost of steel and the acquisition of Boyd. Inventory levels in our energy products segment decreased from 2020 due to our strategic initiative of reducing capital employed in OCTG/line pipe. In steel distributors, increased customer demand, higher steel prices and supply chain delays resulted in increased inventory at December 31, 2021.

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.

DEBT

As at December 31 *(millions)*	2021	2020
Long-term debt		
5 ¾% $150 million Senior Notes due October 27, 2025	$ 147	$ 147
6% $150 million Senior Notes due March 16, 2026	148	147
	$ 295	$ 294

CASH AND BANK CREDIT FACILITY

(millions)	2021	2020
Bank loans	$ -	$ -
Cash net of outstanding cheques	133	26
Net cash (bank indebtedness)	133	26
Letters of credit	(78)	(68)
	$ 55	$ (42)
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

[1] Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 6

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. This facility was amended and extended in 2021 to provide a more favourable pricing grid and a maturity date of September 21, 2025. 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, 2021, we were entitled to borrow and issue letters of credit totaling $450 million under this facility. At December 31, 2021, we had no borrowings and $78 million of letters of credit outstanding. At December 31, 2020, we had no borrowings and letters of credit of $68 million.

At December 31, 2021, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facility we have access to approximately $495 million of cash based on our December 31, 2021 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, 2021, we were contractually obligated to make payments as per the following table:

Contractual Obligations	Payments due in				
(millions)	2022	2023 and 2024	2025 and 2026	2027 and thereafter	Total
Accounts payable	$ 558	$ -	$ -	$ -	$ 558
Debt	-	-	300	-	300
Long-term debt interest	18	35	22	-	75
Lease obligations	23	39	29	58	149
Total	$ 599	$ 74	$ 351	$ 58	$ 1,082

In addition, we are obligated to pay $78 million in letters of credit when they mature in 2022.

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 17 of our 2021 consolidated financial statements. During 2021 we contributed $3 million to these plans. We expect to contribute approximately $3 million to these plans during 2022. 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 $5 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.

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, 2021 approximated our reserve level at December 31, 2020.

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. During 2021 the rise in steel prices and the reduction of our OCTG/line pipe inventory resulted in a reduction of inventory reserves. The inventory reserve level at December 31, 2021 was $14 million lower than the level at December 31, 2020.

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 2021, we recorded long-lived asset impairments of $3 million relating to one of our energy product operations. There is no certainty that there will not be future impairments should the economic markets in which we operate 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.

Investment in TriMark Joint Venture
The investment in the preferred shares is accounted for at fair value and the investment in common shares of the joint venture is accounted using the equity method. The determination of fair value takes significant judgement and the actual cash received from a future sale of the joint venture investment might be materially different from estimates.

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 $179 million in plan assets at December 31, 2021, which is approximately $20 million higher than at December 31, 2020. The discount rate used on the employee benefit plan obligation for December 31, 2021 was 3.00%, which is 50 basis points higher than the discount rate at December 31, 2020. The employee benefit obligation at December 31, 2021 was approximately $151 million which is approximately $13 million lower than at December 31, 2020.

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, 2021. 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 scale 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 stabilize our returns.

Divestitures or a reduction of capital employed in businesses that do not provide adequate returns is also part of our strategy. The sale of our Canadian OCTG/line pipe operation in 2021 and the orderly liquidation of our U.S. OCTG/line pipe operations reduced our exposure to the part of the energy products segment with inadequate 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. While COVID related restrictions in many of the markets where we operate have eased, we continue to remain vigilant with our safety protocols to ensure the health and safety of our employees, customers and suppliers.

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, capacity utilization rates for North American steel producers and changing import levels and tariffs. Future tariff changes to country or product exemptions, including possible modifications to the section 232 trade actions, may impact steel prices and product availability.

On October 31, 2021, the United States Trade Representative announced the United States will replace the existing 25% tariff on EU steel products under Section 232 with a tariff-rate quota ("TRQ") with a date of effectiveness of January 1, 2022. Under the TRQ arrangement, historically based volumes of EU steel products will enter the U.S. market without the application of Section 232 tariffs.

A portion of our revenues are dependent on the oil and gas industry whose volatile activity fluctuates with oil and gas prices. Our strategy for dealing with the risks in this area was to reduce the capital allocated to our OCTG/line pipe operations, including the creation of a joint venture with our Canadian OCTG/line pipe operations and a controlled liquidation of our U.S. OCTG/line pipe operations. The reduction of capital employed in OCTG/line pipe was completed in 2021. 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 impact of the pandemic and the volatility of oil prices 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, inventory provisions and credit losses.

FOURTH QUARTER RESULTS

Revenues in the fourth quarter of 2021 were 71% higher than the same quarter in 2020. Operating income was $147 million in the fourth quarter of 2021 compared to a loss of $4 million in 2020. During the quarter ended December 31, 2021, Adjusted EBITDA was $164 million compared to $41 million in 2020.

Our net income for the quarter ended December 31, 2021 was $102 million or $1.62 per share. Our adjusted net earnings for the quarter ended December 31, 2021 were $104 million or $1.65 per share.

The following table provides revenues, gross margins and earnings before interest and income taxes in a format consistent with our annual results.

(millions, except percentages)	Quarters Ended December 31 2021	2020
Segment Revenues		
Metals service centers	$ 780.1	$ 419.2
Energy products	193.0	175.9
Steel distributors	170.3	73.6
Other	3.4	1.9
	$ 1,146.8	$ 670.6
Segment Gross Margins [1]		
Metals service centers	$ 204.7	$ 104.7
Energy products	53.0	21.4
Steel distributors	38.1	11.3
Other	3.4	1.9
Total operations	$ 299.2	$ 139.3
Segment Operating Profits (Loss) and EBIT [1]		
Metals service centers	$ 109.3	$ 35.6
Energy products	24.0	(7.0)
Steel distributors	24.7	4.9
Corporate expenses	(13.3)	(7.5)
Share of earnings from joint venture	3.3	-
Asset impairment	(2.6)	(30.1)
Other	1.7	0.5
Earnings before interest and income taxes	$ 147.1	$ (3.6)
Segment Gross Margin as a % of Revenues [1]		
Metals service centers	26.2%	25.0%
Energy products	27.5%	12.2%
Steel distributors	22.4%	15.4%
Total operations	26.1%	20.8%
Segment Operating Profit and EBIT as a % of Revenues [1]		
Metals service centers	14.0%	8.5%
Energy products	12.4%	(4.0%)
Steel distributors	14.6%	6.7%
Total operations	12.8%	(0.5%)

Metals service centers revenues were 86% higher than the same quarter in 2020 as a result of increased demand and selling prices. Same store tons shipped in the fourth quarter of 2021 for metals service centers were 7% lower than the fourth quarter of 2020 due to weather-related shipping constraints in 2021. Selling prices were 89% higher than the fourth quarter of 2020. Gross margin as a percentage of revenues increased to 26.2% for the fourth quarter of 2021 from 25.0% for the fourth quarter of 2020.

In the fourth quarter of 2021, revenues at our energy products segment were 10% higher than 2020. Higher demand was experienced in the 2021 fourth quarter due to higher rig counts.

Our steel distributors reported operating profits in the 2021 fourth quarter of $25 million compared to $5 million in the 2020 fourth quarter.

[1] Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 6

Corporate expenses were higher than 2020 due to higher variable compensation expense that is tied to financial results and non-cash stock-based compensation expense of $3 million in the quarter from our improved share price.

OUTLOOK

Steel availability has improved and inventory in the supply chain has increased since the industry experienced extreme supply challenges in mid-2021. We expect this improvement in availability to continue in 2022, albeit with certain ongoing constraints due to COVID-related staffing and transportation issues. Demand is expected to continue to improve into 2022 as a result of a recovery in activity related to non-residential construction, infrastructure projects and general manufacturing. As a result, we expect a favourable supply and demand balance in 2022, although steel prices are expected to remain volatile. The energy sector activity is expected to continue to improve as a result of the recovery in oil and natural gas prices and higher capital spending programs by energy producers.

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, 2021 and 2020, 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, 2021 and 2020, 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 Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements for the year ended December 31, 2021. This matter was 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 this matter.

Acquisition of Boyd Metals ("Boyd") - Refer to Notes 4, 10, 11 and 13 to the Financial Statements

Key Audit Matter Description

On November 30, 2021, the Company completed its acquisition of 100% of the issued and outstanding shares of Boyd Metals ("Boyd"). The purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values, with the excess of the purchase price amount allocated to goodwill. 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 management judgements in determining the fair values assigned to intangible assets and property acquired.

Management used a discounted cash flow model to determine the fair values of the intangible assets acquired and while there are several estimates and assumptions required to determine the fair values, the one with the highest degree of subjectivity is discount rates. The fair value of property was determined using valuation methods of sales comparison approach and direct capitalization method. Under the sales comparison approach, fair values are determined by comparison to market transactions for comparable properties. For the direct capitalization method, fair values are determined by dividing the net operating income of the property by a property specific capitalization rate. While there are several assumptions required, those with the highest degree of subjectivity are market transactions for comparable properties, market rent, vacancy losses and capitalization rates.

Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgement and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the discount rates, market transactions for comparable properties, market rent, vacancy losses and capitalization rates used to determine the fair values of the acquired intangible assets and property included the following, among others:

- With the assistance of fair value specialists, evaluated the reasonableness of:
  - The discount rates by testing the source information underlying the determination of the discount rates and developed a range of independent estimates and comparing those to the discount rates selected by management.
  - The market transactions for comparable properties, market rent, vacancy losses and capitalization rates used by developing a range of estimates based on recent market transactions and industry surveys and comparing those to the assumptions selected by management.

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 judgement 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 or 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, 2022

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31
(in millions of Canadian dollars, except per share data)

	2021	2020
Revenues	$ 4,208.5	$ 2,688.3
Cost of materials (Note 8)	2,996.1	2,169.6
Employee expenses (Note 21)	376.0	231.3
Other operating expenses (Note 21)	233.8	189.0
Share of (earnings) from joint venture (Note 5)	(6.1)	-
Impairment of goodwill and long-lived assets (Note 9)	2.6	33.8
Earnings before interest and provision for income taxes	606.1	64.6
Interest expense (Note 22)	26.0	36.7
Earnings before provision for income taxes	580.1	27.9
Provision for income taxes (Note 23)	147.9	3.4
Net earnings for the year	$ 432.2	$ 24.5
Basic earnings per common share (Note 20)	$ 6.90	$ 0.39
Diluted earnings per common share (Note 20)	$ 6.89	$ 0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31
(in millions of Canadian dollars)

	2021	2020
Net earnings for the year	$ 432.2	$ 24.5
Other comprehensive income (loss)		
Items that may be reclassified to earnings		
Unrealized foreign exchange losses on translation of foreign operations	(0.3)	(10.4)
Items that may not be reclassified to earnings		
Actuarial gains (losses) on pension and similar obligations, net of taxes of $9.2 million (2020: $0.7)	25.9	(2.0)
Other comprehensive income (loss)	25.6	(12.4)
Total comprehensive income	$ 457.8	$ 12.1

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)*	2021	2020
ASSETS		
Current		
Cash and cash equivalents (Note 6)	$ 133.1	$ 26.3
Accounts receivable (Note 7)	554.1	344.0
Inventories (Note 8)	986.0	716.4
Prepaids and other	30.3	13.6
Income taxes receivable	16.1	19.8
	1,719.6	1,120.1
Property, Plant and Equipment (Note 10)	302.4	269.5
Right-of-Use Assets (Note 11)	86.7	81.4
Investment in Joint Venture (Note 5)	37.6	-
Deferred Income Tax Assets (Note 23)	1.5	5.9
Pension and Benefits (Note 17)	29.5	5.1
Financial and Other Assets (Note 12)	5.0	4.7
Goodwill and Intangibles (Note 13)	132.2	109.6
	$ 2,314.5	$ 1,596.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 15)	$ 557.7	$ 294.6
Short-term lease obligations (Note 11)	15.8	16.9
Income taxes payable	66.7	3.7
	640.2	315.2
Long-Term Debt (Note 16)	294.8	293.7
Pensions and Benefits (Note 17)	3.4	13.0
Deferred Income Tax Liabilities (Note 23)	19.6	9.5
Long-term Lease Obligations (Note 11)	93.7	88.8
Provisions and Other Non-Current Liabilities (Note 24)	14.5	11.4
	1,066.2	731.6
Shareholders' Equity (Note 18)		
Common shares	571.0	546.2
Retained earnings	575.2	212.5
Contributed surplus	12.1	15.7
Accumulated other comprehensive income	90.0	90.3
Total Shareholders' Equity	1,248.3	864.7
Total Liabilities and Shareholders' Equity	$ 2,314.5	$ 1,596.3

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

ON BEHALF OF THE BOARD,

A. Laberge
Director

J. Clark
Director

Consolidated Statements of Cash Flow

For the years ended December 31 *(in millions of Canadian dollars)*	2021	2020
Operating activities		
Net earnings for the year	$ 432.2	$ 24.5
Depreciation and amortization	57.9	60.6
Provision for income taxes	147.9	3.4
Interest expense	26.0	36.7
Impairment of goodwill and long-lived assets	2.6	33.8
Loss (gain) on sale of property, plant and equipment	0.5	(6.5)
Share of earnings from joint venture	(6.1)	-
Share-based compensation	0.2	0.3
Difference between pension expense and amount funded	1.0	0.3
Debt accretion, amortization and other	1.1	2.5
Interest paid, including interest on lease obligations	(24.8)	(36.4)
Cash from operating activities before non-cash working capital	638.5	119.2
Changes in non-cash working capital items		
Accounts receivable	(160.8)	114.8
Inventories	(337.6)	169.0
Accounts payable and accrued liabilities	253.9	(31.3)
Other	(13.3)	4.6
Change in non-cash working capital	(257.8)	257.1
Income tax paid, net	(76.2)	(5.3)
Cash from operating activities	304.5	371.0
Financing activities		
Decrease in bank indebtedness	-	(62.1)
Issue of common shares	21.0	2.2
Dividends on common shares	(95.4)	(94.5)
Issuance of long-term debt	-	146.4
Repayment of long-term debt	-	(300.0)
Deferred financing	(0.9)	(1.2)
Lease obligations	(18.2)	(17.9)
Cash used in financing activities	(93.5)	(327.1)
Investing activities		
Purchase of property, plant and equipment	(28.8)	(24.9)
Proceeds on sale of property, plant and equipment	1.1	14.4
Sale of business	77.1	-
Purchase of business	(156.6)	(16.8)
Cash used in investing activities	(107.2)	(27.3)
Effect of exchange rates on cash and cash equivalents	3.0	(6.3)
Increase in cash and cash equivalents	106.8	10.3
Cash and cash equivalents, beginning of the year	26.3	16.0
Cash and cash equivalents, end of the year	$ 133.1	$ 26.3

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, 2021	$ 546.2	$ 212.5	$ 15.7	$ 90.3	$ 864.7
Payment of dividends	-	(95.4)	-	-	(95.4)
Net income for the year	-	432.2	-	-	432.2
Other comprehensive income for the year	-	-	-	25.6	25.6
Recognition of share-based compensation	-	-	0.2	-	0.2
Share options exercised	24.8	-	(3.8)	-	21.0
Transfer of net actuarial gains on defined benefit plans	-	25.9	-	(25.9)	-
Balance, December 31, 2021	$ 571.0	$ 575.2	$ 12.1	$ 90.0	$1,248.3

(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

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 carry an extensive 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 aluminum and other non-ferrous specialty metals. 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

The Company's energy products operations carry a specialized product line focused on the needs of its energy industry customers. These operations distribute flanges, valves, fittings and tubular goods through our field store operations in Western Canada and the United States.

Steel Distribution

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

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 judgement 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, 2022.

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 $1.2678 per US$1 at December 31, 2021 (December 31, 2020: $1.2732 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, 2021, the average U.S. dollar Bank of Canada closing exchange rate was $1.2537 per US$1 (2020: $1.3412 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. 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 introduced measures to support companies experiencing financial challenges resulting from the COVID-19 pandemic and to support employment. In 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 21). The Company did not qualify for these programs for the year ended December 31, 2021.

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, 2023.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Presentation

The amendments to IAS 8 provide guidance to assist entities in distinguishing between accounting policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively.

IAS 12 Income Taxes

The amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

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

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. The amendments are to be applied retrospectively for periods beginning on or after January 1, 2022 and are not expected to have a significant impact on the Company's financial position or results of operations.

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 periods beginning on or after January 1, 2022 with comparative figures not restated. The implementation of this standard is not expected to have a significant impact on the Company's financial position or results of operations.

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

2021 Acquisition

On November 30, 2021, the Company completed its acquisition of 100% of the issued and outstanding shares of a group of companies operating as Boyd Metals ("Boyd"). Boyd operates five full line service centers in Fort Smith (Arkansas), Little Rock (Arkansas), Joplin (Missouri), Oklahoma City (Oklahoma) and Tyler (Texas). Boyd's product mix is primarily comprised of carbon steel products, stainless steel, aluminum and other related industrial products. Boyd offers value-added processing services such as sawing, plasma plate cutting, oxy fuel plate cutting, high definition plasma cutting, laser cutting and press braking. The transaction costs for this acquisition were $0.6 million. The following summarizes the preliminary allocation of the consideration for this acquisition:

(millions)	
Inventories	$ 56.1
Accounts receivable	49.9
Prepaid and other	3.6
Property, plant and equipment	38.6
Right-of-use assets	4.0
Intangibles	23.6
Goodwill	9.9
Accounts payable and accrued liabilities	(25.1)
Lease obligations	(4.0)
Net identifiable assets acquired	$ 156.6
Consideration:	
Cash, net of cash acquired of $7.0 million	$ 156.6

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 $49.9 million represented net contractual accounts receivable of which none was considered uncollectible at the time of acquisition.

Goodwill represents the expansion of our geographical footprint in the U.S. and the expected growth potential of the business. The goodwill is deductible for tax purposes.

The consolidated statements of earnings for the year ended December 31, 2021, includes supplementary revenues of $34 million and earnings before interest, acquisition costs, provision for income taxes, depreciation and amortization of $3 million attributable to the business acquired.

If the acquisition had taken place at the beginning of the 2021 fiscal year, management estimates that the acquired business would have provided revenues of $362 million and earnings before interest, acquisition costs, provision for income taxes, depreciation and amortization of $47 million.

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 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

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.

NOTE 5 SALE OF BUSINESS AND INVESTMENT IN JOINT VENTURE

ACCOUNTING POLICIES
Joint arrangements that involve the establishment of a separate entity in which parties to the arrangement have joint control over the economic activity of the entity and rights to the net assets are referred to as joint ventures. Joint control exists when the joint arrangements require the unanimous consent of the parties sharing control for decisions about relevant activities.

Investments in the common shares of a joint venture are included in the Company's consolidated financial statements and accounted for using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the net earnings or loss attributable to common shareholders from the date of acquisition. The Company's share of the joint venture earnings or loss is included in the consolidated statements of earnings.

Investments in the preferred shares of a joint venture are initially recognized at cost and are then subsequently carried at fair market value using the Dividend Discount Model, which is an income approach valuation technique to price preferred shares using future dividend stream and expected rates of return. Dividends received from preferred shares are recognized in earnings when the right to receive payment is established.

The Company's investment in a joint venture is reviewed at the end of each reporting period to determine whether there are any events or changes in circumstances that indicate that the investment might be impaired.

ACCOUNTING ESTIMATES AND JUDGEMENTS

An investment in the joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on future cash flows and can be reliably estimated.

The Company makes judgements to determine whether a joint arrangement should be classified as a joint venture and in determining whether there is any objective evidence of impairment and if so, estimating the amount of loss. Impairments require judgement in determining the indicators of impairment and estimates used to measure impairment losses.

SUPPORTING INFORMATION

On July 6, 2021, the Company completed the merger of its Canadian OCTG/line pipe business which was part of the Company's energy products segment, with Marubeni-Itochu Tubulars America Inc.'s Canadian OCTG/line pipe business, to form a joint venture operating under the name of TriMark Tubulars Ltd. The Company contributed certain net assets and retained a 50% interest in the joint venture.

The contributed assets provided and consideration received from the merger were as follows:

(millions)		
Inventories	$	119.2
Prepaids, fixed assets and other assets		0.3
Accounts payable and accrued liabilities		(10.9)
Contributed assets provided	**$**	**108.6**

(millions)		
Common shares	$	-
Class A Preferred Shares		31.5
Cash		77.1
Consideration received	**$**	**108.6**

The Company's investment in common shares represents a 50% share of ownership and voting rights of the joint venture. The preferred shares have no voting rights and have an annual cumulative dividend rate of 7%.

The following is the continuity of the investment in the joint venture:

(millions)		
Balance, beginning of the year	$	-
Additions		31.5
Share of earnings from joint venture		6.1
Balance, end of the year	**$**	**37.6**

The following is a summary of the joint venture's financial information:

December 31, 2021 (millions)		
Current assets	$	341.4
Non-current assets		7.6
Current liabilities (including bank indebtedness of $130.0 million)		(273.1)
Non-current liabilities		(0.2)
Net assets	$	75.7

December 31, 2021 (millions)		Six Months Period Ended
Revenue	$	300.7
Net income	$	14.4

NOTE 6 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)	2021	2020
Cash on deposit	$ 60.8	$ 19.9
Cash equivalents	72.3	6.4
	$ 133.1	$ 26.3

NOTE 7 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)	2021	2020
Trade receivables	$ 541.3	$ 333.7
Other receivables	12.8	10.3
	$ 554.1	$ 344.0

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

(millions)	2021	2020
Allowance for Doubtful Accounts		
Balance, beginning of the year	$ 4.5	$ 5.1
Increases to reserve	1.9	0.6
Amounts written off	(1.0)	(1.6)
Adjustments	0.2	0.4
Balance, end of the year	$ 5.6	$ 4.5

At December 31, 2021 and 2020, 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 $5.5 million for the year ended December 31, 2021 (2020: $3.4 million).

As at December 31, 2021 (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	$ 327.2	$ 168.1	$ 36.8	$ 14.8	$ 546.9
Allowance for doubtful accounts	(0.1)	-	(0.1)	(5.4)	(5.6)
Total net trade receivables	**$ 327.1**	**$ 168.1**	**$ 36.7**	**$ 9.4**	**$ 541.3**

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

NOTE 8 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

Inventory *(millions)*		2021		2020
Metals service centers	$	638.9	$	278.9
Energy products		119.2		373.0
Steel distributors		227.9		64.5
	$	986.0	$	716.4

Inventories expensed in cost of sales for the year ended December 31, 2021 were $3.0 billion (2020: $2.2 billion). During the year ended December 31, 2021, the Company recorded a net reduction in inventory provisions of $13.9 million (2020: net increase of $12.7 million).

NOTE 9 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
In 2021, the Company performed its annual impairment test of goodwill and indication of impairment for non-financial tangible and definite life intangible assets. The Company determined that goodwill was not impaired but that circumstances existed to indicate that the long-lived assets of one of its CGUs might be impaired. 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 performed impairment testing on the long-lived assets including goodwill and intangibles on all CGUs.

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 2021, the Company determined that the recoverable amount of one of its CGUs in the energy products segment was less than its carrying amount and recorded a pre-tax impairment charge of $2.6 million. In 2020, the recoverable amounts for certain CGUs in the energy products segment were less than the carrying amounts of the CGUs which resulted in a pre-tax impairment of $33.8 million.

For 2021, the pre-tax WACC used was 13.2% (2020: 12.2%).

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)*	2021	2020
Property, plant and equipment	$ -	$ 5.5
Right-of-use assets	0.8	3.7
Intangibles	1.8	11.0
Goodwill	-	13.6
	$ 2.6	$ 33.8

NOTE 10 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, 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 9)	(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
Business acquisition (Note 4)	25.4	13.2	-	38.6
Additions	2.6	25.8	0.4	28.8
Disposals	(0.6)	(14.6)	(0.4)	(15.6)
Foreign exchange	(0.3)	(0.3)	-	(0.6)
Balance, December 31, 2021	**$ 297.5**	**$ 427.3**	**$ 23.2**	**$ 748.0**

Accumulated depreciation and amortization *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
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
Depreciation and amortization	8.5	23.4	0.8	32.7
Disposals	(0.4)	(13.1)	(0.5)	(14.0)
Foreign exchange	0.1	(0.6)	0.1	(0.4)
Balance, December 31, 2021	**$ 138.8**	**$ 289.2**	**$ 17.6**	**$ 445.6**

Net Book Value *(millions)*	
December 31, 2020	$ 269.5
December 31, 2021	**$ 302.4**

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

At December 31, 2021, land, included in land and buildings, was $43.8 million (2020: $42.9 million).

Depreciation expense *(millions)*	2021	2020
Depreciation - cost of materials	$ 7.2	$ 7.4
Depreciation - other operating expenses	25.5	25.3
	$ 32.7	$ 32.7

NOTE 11 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 are only included in the lease term if the lease is reasonably certain to be extended. Termination options are only considered if the lease is reasonably certain to be 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.

SUPPORTING INFORMATION

(millions)	Right-of-use Assets	Lease Obligations
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 9)	(3.7)	-
Lease payments	-	(17.9)
Foreign exchange	(0.3)	0.6
Balance, December 31, 2020	$ 81.4	$ 105.7
Additions	11.5	11.5
Business acquisitions (Note 4)	4.0	4.0
Disposals and modifications	6.4	6.4
Depreciation and amortization	(15.9)	-
Asset impairment (Note 9)	(0.8)	-
Lease payments	-	(18.2)
Foreign exchange	0.1	(0.1)
Balance December 31, 2021	**$ 86.7**	**$ 109.5**
Current portion		$ 15.8
Long-term portion		$ 93.7

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

Right-of-use Assets *(millions)*		2021		2020
Land and buildings	$	68.1	$	66.8
Machinery and equipment		18.6		14.6
	$	86.7	$	81.4

Depreciation Expense *(millions)*		2021		2020
Land and buildings	$	10.0	$	11.1
Machinery and equipment		5.9		6.5
	$	15.9	$	17.6

For the year ended December 31, 2021, the Company expensed $0.5 million (2020: $0.5 million) for short-term and low value leases.

NOTE 12 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)		2021		2020
Deferred charges on revolving credit facility	$	1.6	$	1.3
Other assets		3.4		3.4
	$	5.0	$	4.7

For the year ended December 31, 2021, the amortization of deferred financing charges was $0.6 million (2020: $0.4 million).

NOTE 13 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 which is typically 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)	2021	2020
Goodwill	$ 49.0	$ 39.2
Intangibles	83.2	70.4
	$ 132.2	$ 109.6

a) Goodwill

The continuity of goodwill is as follows:

Goodwill *(millions)*	2021	2020
Balance, beginning of the year	$ 39.2	$ 50.6
Business acquisition (Note 4)	9.9	2.7
Impairment of goodwill (Note 8)	-	(13.6)
Foreign exchange	(0.1)	(0.5)
Balance, end of the year	$ 49.0	$ 39.2

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)*	2021	2020
Metals service centers		
U.S.	$ 25.8	$ 16.0
Canadian		
Alberta	11.0	11.0
Ontario	10.2	10.2
Atlantic	2.0	2.0
	$ 49.0	$ 39.2

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 2021	Total 2020
Balance, beginning of the year	$ 25.6	$ 103.6	$ 129.2	$ 135.3
Business acquisitions (Note 4)	23.6	-	23.6	5.6
Impairment of intangible assets (Note 9)	-	(1.8)	(1.8)	(11.0)
Foreign exchange	(0.3)	(0.1)	(0.4)	(0.7)
Balance, end of the year	$ 48.9	$ 101.7	$ 150.6	$ 129.2

Accumulated amortization *(millions)*	Metals Service Centers	Energy Products	Total 2021	Total 2020
Balance, beginning of the year	$ (14.6)	$ (44.2)	$ (58.8)	$ (48.9)
Amortization	(1.8)	(6.8)	(8.6)	(9.9)
Balance, end of the year	$ (16.4)	$ (51.0)	$ (67.4)	$ (58.8)

Carrying amount		
December 31, 2020	$	70.4
December 31, 2021	**$**	**83.2**

The carrying amount of intangible assets as at December 31, 2021 relates to customer relationships and trademarks arising from the acquisition of Alberta Industrial Metals, Apex Distribution, Color Steels, City Pipe, JMS Metals Services, Norton Metals Products, Sanborn and Boyd. The remaining amortization period for customer relationships is 4 to 14 years.

NOTE 14 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 December 15, 2021, this facility was extended to September 21, 2025.

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, 2021. At December 31, 2021 and 2020, the Company had no borrowings, and letters of credit of $77.7 million (2020: $68.0 million) under this facility.

NOTE 15 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)	2021	2020
Trade accounts payable and accrued expenses	$ 553.5	$ 290.4
Accrued interest	4.2	4.2
	$ 557.7	$ 294.6

NOTE 16 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)	2021	2020
5 ¾% $150 million Senior Notes due October 27, 2025	$ 147.1	$ 146.5
6% $150 million Senior Notes due March 16, 2026	147.7	147.2
	$ 294.8	$ 293.7

Fees associated with the issuance 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 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. The Company was in compliance with these financial covenants at December 31, 2021.

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 is due semi-annually on April 27 and October 27 of each year.

With the net proceeds of certain equity offerings, the Company may redeem up to 40% of these notes prior to October 27, 2022, 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. The Company was in compliance with these financial covenants at December 31, 2021.

NOTE 17 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, 2021.

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)	2021	2020
Defined benefit pension plans		
Current service cost	$ 3.7	$ 3.6
Plan administration cost	0.2	0.2
	3.9	3.8
Post-retirement benefits	0.1	0.1
Defined contribution plans	6.1	5.9
Pension and benefit expense	$ 10.1	$ 9.8

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

(millions)	2021	2020
Remeasurements of the net defined benefit liability		
Actuarial gains due to actuarial experience	$ 3.0	$ 4.2
Actuarial gains (losses) due to financial assumption changes	11.2	(12.3)
Actuarial loss due to demographic assumption changes	(0.1)	(0.6)
Return on plan assets greater than the discount rate	21.0	6.0
Remeasurement effect recognized in other comprehensive income	$ 35.1	$ (2.7)
Cumulative actuarial gains (losses) relating to pensions and benefits		
Balance of actuarial losses at January 1	$ (12.9)	$ (10.2)
Net actuarial gains (losses) recognized in the year	35.1	(2.7)
Balance of actuarial gains (losses) at December 31	$ 22.2	$ (12.9)

There were no adjustments related to asset ceiling limits in other comprehensive income for the years ended December 31, 2021 and 2020.

The actuarial determinations were based on the following assumptions:

	2021	2020
Assumed discount rate - year end	3.00%	2.50%
Rate of increase in future compensation	3.00%	2.75%
Rate of increase in future government benefits	2.50%	2.50%

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 $5.4 million as of December 31, 2021 (2020: $6.0 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)	2021	2020	2021	2020
Reconciliation of present value of the defined benefit obligation				
Balance, beginning of the year	$ 163.8	$ 154.9	$ 2.8	$ 2.9
Current service costs	3.7	3.6	-	-
Participant contributions	0.1	0.1	-	-
Interest cost	4.0	4.5	0.1	0.1
Benefits paid	(7.2)	(8.1)	(0.2)	(0.2)
Actuarial (gains) losses	(13.2)	8.8	(0.9)	-
Balance, end of the year	$ 151.2	$ 163.8	$ 1.8	$ 2.8

	Pension Plans		Other Benefit Plans	
(millions)	2021	2020	2021	2020
Reconciliation of present value of the plan assets				
Balance, beginning of the year	$ 158.7	$ 152.8	$ -	$ -
Interest income	3.9	4.5	-	-
Employer contributions	2.8	3.5	0.2	0.2
Employee contributions	0.1	0.1	-	-
Benefits paid	(7.2)	(8.1)	(0.2)	(0.2)
Plan administration costs	(0.2)	(0.2)	-	-
Return on plan assets greater than discount rate	21.0	6.1	-	-
Balance, end of the year	$ 179.1	$ 158.7	$ -	$ -
Defined benefit (asset) obligation, net	$ (27.9)	$ 5.1	$ 1.8	$ 2.8

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

(millions)	2021	2020
Cash and cash equivalents	$ 2.0	$ 1.2
Equities		
Canadian equity	80.2	69.0
Global equity fund	61.6	50.3
	141.8	119.3
Fixed income investments categorized by type of issuer		
Government guaranteed	11.8	7.8
Provincials	13.8	15.7
Corporate	9.7	14.7
	35.3	38.2
	$ 179.1	$ 158.7

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

	Pension Plans		Other Benefit Plans	
(millions)	2021	2020	2021	2020
Defined benefit (asset) obligation				
Plans with surplus	$ (29.5)	$ (5.1)	$ -	$ -
Partially funded plans	1.6	10.2	-	-
Unfunded plans	-	-	1.8	2.8
Defined benefit (asset) obligation	$ (27.9)	$ 5.1	$ 1.8	$ 2.8

c) As at December 31, 2021 approximately 80% (2020: 76%) of the fair value of all pension plan assets was invested in equities, 19% (2020: 23%) in fixed income securities, and 1% (2020: 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 15.1 years (2020: 16.2 years) for defined benefit pension plans, 10.5 years (2020: 10.2 years) for executive pension arrangements and 6.9 years (2020: 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 $0.2 million to its post retirement benefits medical plans in the next financial year.

NOTE 18 SHAREHOLDERS' EQUITY

a) At December 31, 2021 and 2020, 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, 2019	62,173,430	$ 543.7
Share options exercised	122,011	2.5
Balance, December 31, 2020	62,295,441	$ 546.2
Share options exercised	804,779	24.8
Balance, December 31, 2021	**63,100,220**	**$ 571.0**

The continuity of contributed surplus is as follows:

(millions)	
Balance, December 31, 2019	$ 15.7
Share-based compensation expense	0.3
Exercise of options	(0.3)
Balance, December 31, 2020	15.7
Share-based compensation expense	0.2
Exercise of options	(3.8)
Balance, December 31, 2021	**$ 12.1**

Dividends paid and declared were as follows:

	2021	2020
Dividends paid (millions)	$ 95.4	$ 94.5
Dividends per share	$ 1.52	$ 1.52
Quarterly dividend per share declared on February 10, 2022 (February 10, 2021)	$ 0.38	$ 0.38

NOTE 19 SHARE-BASED COMPENSATION

ACCOUNTING POLICIES

The Company accounts for Share Options and Share Appreciation Rights ("SARs") at fair value. The Company utilizes the Black-Scholes 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	
	2021	2020	2021	2020
Balance, beginning of year	1,583,793	1,666,534	$ 26.20	$ 26.00
Granted	49,065	109,615	25.08	18.94
Exercised	(804,779)	(122,011)	26.07	18.27
Expired or forfeited	(195,432)	(70,345)	25.96	23.87
Balance, end of the year	632,647	1,583,793	$ 26.36	$ 26.20
Exercisable	458,313	1,366,046	$ 27.81	$ 26.66

The outstanding options have exercise price ranges as follows:

(number of options)	2021	2020
$ 29.00 - $ 31.46	132,169	213,987
$ 25.37 - $ 28.99	205,657	810,890
$ 14.61 - $ 25.36	294,821	558,916
Options outstanding	632,647	1,583,793

The options expire in the years 2022 to 2030 and have a weighted average remaining contractual life of 3.6 years (2020: 3.0 years)

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

	2021	2020
Dividend yield	5%	5%
Expected volatility	33%	32%
Expected life	5 yrs	5 yrs
Risk free rate of return	1.21%	0.72%
Weighted average fair value of options granted	$ 4.28	$ 2.86

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	
	2021	2020	2021	2020
Balance, beginning of year	352,871	232,871	$ 25.48	$ 27.31
Granted	88,766	120,000	25.08	21.94
Paid out	(181,355)	-	26.84	-
Balance, end of the year	260,282	352,871	$ 24.40	$ 25.48

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)	2021	2020
Balance, beginning of the year	353,058	288,030
Granted	46,930	80,432
Paid out	(72,608)	(15,404)
Balance, end of the year	327,380	353,058

The liability and fair value of DSUs was $11.0 million at December 31, 2021 (2020: $8.0 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)	2021	2020
Balance, beginning of the year	409,779	389,429
Granted	57,541	166,911
Paid out	(305,939)	(146,561)
Balance, end of the year	161,381	409,779

The RSU liability at December 31, 2021 was $4.1 million (2020: $7.1 million). The fair value of RSUs was $5.4 million at December 31, 2021 (2020: $9.3 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)	2021	2020
Share options	$ 0.2	$ 0.3
DSUs, SARs and RSUs	14.5	5.7
Employee Share Purchase Plan	0.7	0.7
	$ 15.4	$ 6.7

NOTE 20 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)	2021	2020
Net income used in calculation of basic and diluted earnings per share	$ 432.2	$ 24.5

(number of shares)	2021	2020
Weighted average shares outstanding	62,667,618	62,191,208
Dilution impact of share options	86,887	-
Diluted weighted average shares outstanding	62,754,505	62,191,208

NOTE 21 EXPENSES

(millions)	2021	2020
Employee Expenses		
Wages and salaries	$ 326.6	$ 188.7
Other employee related costs	49.4	42.6
	$ 376.0	$ 231.3
Other Operating Expenses		
Plant and other expenses	$ 145.5	$ 116.8
Delivery expenses	55.6	50.5
Repairs and maintenance	14.6	13.2
Selling expenses	9.8	7.6
Professional fees	8.6	8.0
Loss (gain) on sale of property, plant and equipment	0.5	(6.5)
Foreign exchange gains	(0.8)	(0.6)
	$ 233.8	$ 189.0

In response to the COVID-19 pandemic, the Government of Canada announced the Canadian Emergency Wage Subsidy program ("CEWS"). Wages and salaries benefits related to CEWS for the comparable year ended December 31, 2020 were $47.3 million (2021: $nil).

NOTE 22 INTEREST EXPENSE

(millions)	2021	2020
Interest on 6% $300 million Senior Notes	$ -	$ 17.3
Interest on 6% $150 million Senior Notes	9.6	9.4
Interest on 5 ¾% $150 million Senior Notes	9.2	1.6
Interest on lease obligations	7.5	7.4
Other interest (income) expense	(0.3)	1.0
Interest expense	$ 26.0	$ 36.7

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, 2021 was $1.1 million (2020: amortization of $1.2 million and $1.3 million from the write-off of issue costs relating to the $300 million 6% senior notes redeemed).

NOTE 23 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)	2021	2020
Current tax expense	$ 142.7	$ 7.5
Deferred tax expense (recovery)	5.2	(4.1)
	$ 147.9	$ 3.4

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

	2021	2020
Applicable combined Canadian statutory rate	26.1%	26.2%
Rate difference of U.S. companies	(0.4%)	8.9%
Share-based compensation and non-deductible items	0.1%	2.9%
Statutory tax rate change - CARES Act	-	(21.2%)
Share of earnings from joint venture	(0.3%)	-
Other includes utilization of capital losses	-	(4.6%)
Average effective tax rate	25.5%	12.2%

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 15.0% for both 2021 and 2020 and the average provincial rates of 11.1% (2020: 11.2%). The 2021 and 2020 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.

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, 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
Benefit (expense) to consolidated statement of earnings	-	-	-	(1.6)	(0.1)	(1.7)
Reclass assets/liabilities and other	(1.3)	6.9	-	(5.6)	(2.7)	(2.7)
Balance December 31, 2021	**$ -**	**$ 0.5**	**$ 0.1**	**$ 0.4**	**$ 0.5**	**$ 1.5**

Deferred Income Tax Liabilities *(millions)*	Losses	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Other Timing	Total
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
(Benefit) expense to consolidated statement of earnings	0.1	2.4	(0.6)	(0.1)	1.7	3.5
Benefits to other comprehensive income	-	-	9.2	-	-	9.2
Reclass assets/liabilities and other	(1.3)	6.9	-	(5.3)	(2.9)	(2.6)
Balance December 31, 2021	**$ (1.2)**	**$ 18.0**	**$ 6.9**	**$ 1.7**	**$ (5.8)**	**$ 19.6**

Net deferred liability at December 31, 2020	$ 3.6
Net deferred liability at December 31, 2021	**$ 18.1**

d) At December 31, 2021, the Company had U.S. state tax losses carried forward which, at U.S. state tax rates, have an estimated value of $1.2 million (2020: $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, 2021, the Company had $0.9 million (2020: $0.9 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 (2020: $0.2 million) has not been recognized.

e) At December 31, 2021, the aggregate amount of temporary differences associated with undistributed earnings of non-Canadian subsidiaries was $517 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 24 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)	2021	2020
Provision for decommissioning liabilities	$ 1.5	$ 1.7
Deferred compensation and employee incentives (Note 19)	16.1	15.1
	17.5	16.8
Less: current portion	(3.1)	(5.4)
	$ 14.5	$ 11.4

Deferred compensation includes the RSU and DSU liabilities. RSU and DSU liabilities of $3.1 million will be paid within the current year and have been classified as current liabilities.

NOTE 25 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.

Metals service centers

The Company's network of metals service centers carry an extensive 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, aluminum and other non-ferrous specialty metals. The Company purchases these products primarily from North American steel producers, and process, package and sell them to end users in accordance with their specific needs.

Energy products

The Company's energy products operations carry a specialized product line focused on the needs of energy industry customers. These operations distribute flanges, valves, fittings and tubular goods through our field store operations in Western Canada and the United States.

Steel distributors

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

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 $85.7 million (2020: $30.0 million). These sales, which are at market rates, are eliminated in the following tables.

a) Results by business segment:

(millions)	2021	2020
Segment Revenues		
Metals service centers	$ 2,831.2	$ 1,621.8
Energy products	813.7	797.5
Steel distributors	553.0	261.9
	4,197.9	2,681.2
Other	10.6	7.1
	$ 4,208.5	$ 2,688.3
Segment Operating Profits		
Metals service centers	$ 482.9	$ 103.9
Energy products	53.4	(3.3)
Steel distributors	110.0	9.2
	646.3	109.8
Corporate expenses	(48.1)	(19.4)
Share of earnings from joint venture	6.1	-
Gain on sale of property, plant and equipment	-	6.1
Impairment of goodwill and long-lived assets	(2.6)	(33.8)
Other income	4.4	1.9
Earnings before interest and provision for income taxes	606.1	64.6
Interest expense	(26.0)	(36.7)
Provision for income taxes	(147.9)	(3.4)
Net earnings	$ 432.2	$ 24.5
Capital Expenditures		
Metals service centers	$ 26.2	$ 21.4
Energy products	1.8	2.5
Steel distributors	0.6	0.6
Other	0.2	0.4
	$ 28.8	$ 24.9
Depreciation and Amortization Expense		
Metals service centers	$ 37.1	$ 35.7
Energy products	18.1	22.6
Steel distributors	1.8	1.6
Corporate and other	0.9	0.7
	$ 57.9	$ 60.6

(millions)	2021	2020
Current Identifiable Assets		
Metals service centers	$ 1,007.2	$ 473.6
Energy products	256.1	506.8
Steel distributors	307.2	97.4
	1,570.5	1,077.8
Non-Current Identifiable Assets		
Metals service centers	393.8	322.3
Energy products	117.6	128.9
Steel distributors	8.1	6.4
Total identifiable assets included in segments	2,090.0	1,535.4
Assets Not Included in Segments		
Cash and cash equivalents	133.1	26.3
Investment in joint venture	37.6	-
Income taxes receivable and deferred income tax assets	17.6	25.7
Financial and other assets	5.0	3.7
Pension and benefits	29.5	5.1
Corporate and other operating assets	1.7	0.1
Total assets	$ 2,314.5	$ 1,596.3
Liabilities		
Metals service centers	$ 450.5	$ 243.3
Energy products	115.4	116.8
Steel distributors	63.2	17.0
Liabilities by segment	629.1	377.1
Liabilities Not Included in Segments		
Income taxes payable and deferred income tax liabilities	86.3	13.2
Long-term debt	294.8	293.7
Pension and benefits	3.4	13.0
Corporate and other liabilities	52.6	34.6
Total liabilities	$ 1,066.2	$ 731.6

b) Results by geographic segment:

(millions)	2021	2020
Segment Revenues		
Canada	$ 2,692.5	$ 1,815.8
United States	1,505.4	865.4
	$ 4,197.9	$ 2,681.2
Segment Operating Profits		
Canada	$ 414.8	$ 118.9
United States	231.5	(9.1)
	$ 646.3	$ 109.8
Identifiable Assets		
Canada	$ 1,345.6	$ 1,070.8
United States	744.4	464.6
	$ 2,090.0	$ 1,535.4

c) Revenues by product:

(millions)	2021	2020
Carbon		
Structurals (WF & I Beams, Angles, Channels, Hollow Tubes)	$ 1,225.7	$ 735.1
Plate (Discrete & Plate in Coil)	959.1	463.2
Flanges, Valves, Fittings and other Energy Products	423.5	416.5
Tubing/Pipe (Standard, Oil Country Tubular Goods, Line Pipe)	484.0	418.5
Bars (Hot Rolled and Cold Finished)	224.3	159.1
Flat Rolled (Sheet & Coil)	528.7	235.9
Grating/ Expanded/Rails	38.5	28.9
Total Carbon	3,883.8	2,457.2
Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.)	164.6	116.8
Other	160.1	114.3
	$ 4,208.5	$ 2,688.3

NOTE 26 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and 2020 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, 2021, 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)	2021	2020
Salaries and other benefits	$ 16.2	$ 5.0
Share based compensation cost	6.8	2.0
Post-employment benefits	0.1	0.3
	$ 23.1	$ 7.3

NOTE 27 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 preferred shares, 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.

- Fair value of preferred shares

Preferred shares which are not held for trading are carried at fair value with changes recognized in net income.

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, 2021 (millions)	Fair Value Through Profit and Loss	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ -	$ 133.1	$ -	$ 133.1
Accounts receivable	-	554.1	-	554.1
Financial assets	-	3.4	-	3.4
Preferred shares	31.5	-	-	31.5
Accounts payable and accrued liabilities	-	-	(557.7)	(557.7)
Lease obligations	-	-	(109.5)	(109.5)
Long-term debt	-	-	(294.8)	(294.8)
Total	**$ 31.5**	**$ 690.6**	**$ (962.0)**	**$ (239.9)**

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)

For the year ended December 31, 2021, the fair value of derivative financial instruments on the consolidated statements of earnings was a loss of $0.3 million (2020: loss of $1.0 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, 2021 and 2020 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, 2021 (millions)	Carrying Amount	Fair Value Level 2
5 ¾% $150 million Senior Notes due October 27, 2025	$ 147.1	$ 157.7
6% $150 million Senior Notes due March 16, 2026	147.7	156.2
Total	**$ 294.8**	**$ 313.9**
Current portion	**$ -**	
Long-term portion	**$ 294.8**	

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	

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, 2021, 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 14);
- 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, 2021 and 2020, other than the allowance for doubtful accounts (Note 7). As at December 31, 2021, trade accounts receivable greater than 90 days represented less than 3% of trade accounts receivable (2020: 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, 2021, the Company had outstanding forward foreign exchange contracts in the amount of US$62.5 million, maturing in 2022 (2020: US$134.0 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, 2021, 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
2022	$ 557.7	$ -	$ 17.6	$ 22.9	$ 598.2
2023	-	-	17.6	20.5	38.1
2024	-	-	17.6	18.4	36.0
2025	-	150.0	17.6	15.4	183.0
2026	-	150.0	4.8	14.1	168.9
2027 and beyond	-	-	-	57.8	57.8
Total	$ 557.7	$ 300.0	$ 75.2	$ 149.1	$ 1,082.0

At December 31, 2021, the Company was contractually obligated to repay its letters of credit under its bank facilities (Note 14).

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 28 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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Assistant Secretary

CORPORATE HEAD OFFICE

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ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Corporate Head office on Thursday, May 4, 2022 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. In 2021, we established a Corporate Giving Campaign to augment our local efforts and to support vulnerable people with an emphasis on diversity. 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

(refer to page six in our MD&A for commentary on Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures)

Book Value Per Share - Shareholders' equity divided common shares outstanding at December 31

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

Dividend Yield - Dividend per share divided by common share price at December 31

Earnings Multiple - Common share price at December 31 divided by basic earnings per common share

EBIT - Earnings before deduction of interest and income taxes

EBITDA - Earnings before deduction of interest, income taxes, depreciation and amortization

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

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

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

Return on Capital Employed - EBIT over net assets employed

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