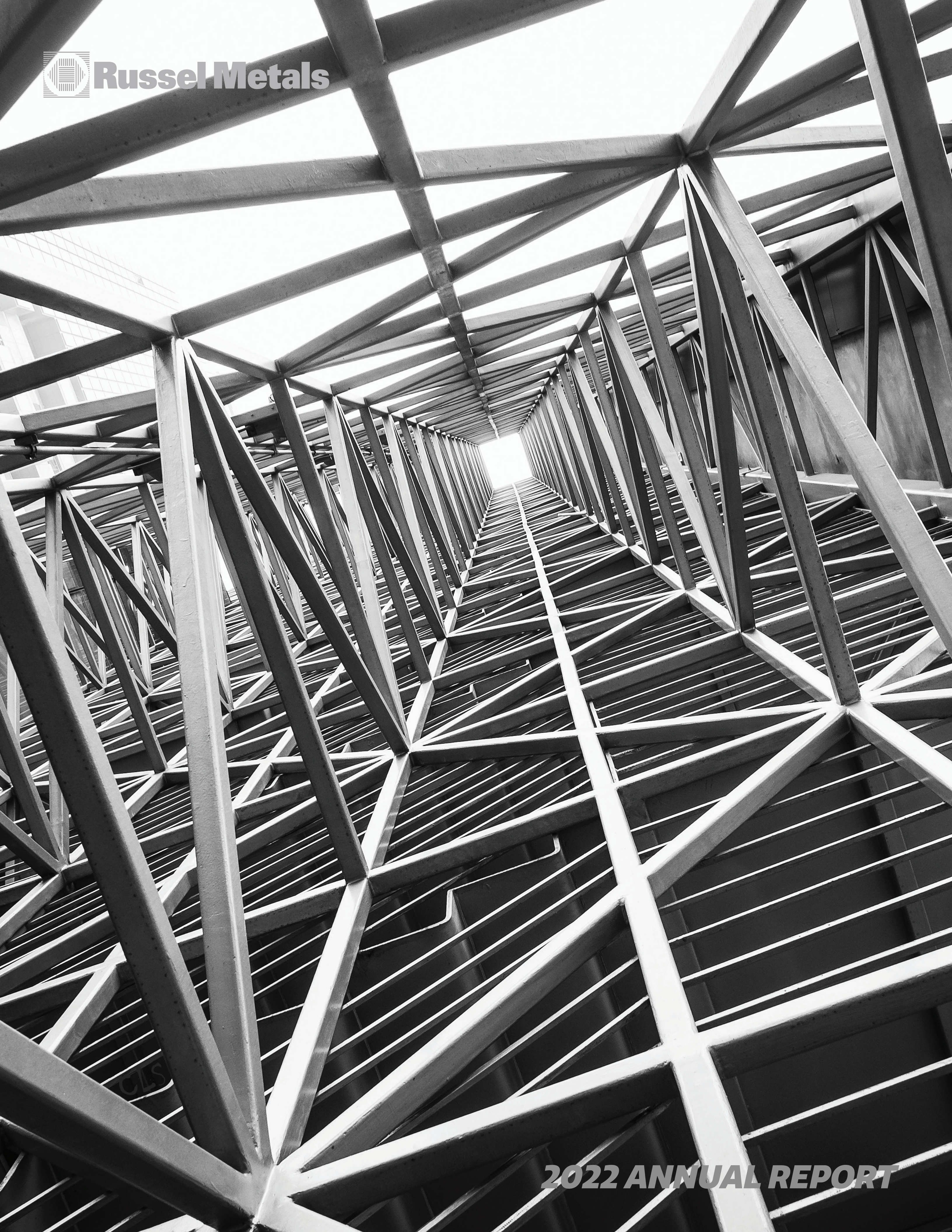
Russel Metals
2022 ANNUAL REPORT

PRIORITIES

INCREASE CAPITAL DEPLOYMENT WITH A TARGET OF >15% RETURN OVER THE CYCLE

VALUE-ADDED EQUIPMENT

In 2022, we spent $42 million on capital expenditures which included a flat laser in Arkansas and a tube laser in Quebec which are both operational. We also advanced our equipment projects for additional tube lasers in Saskatchewan and Arkansas; flat lasers in Alberta, Alabama and Arkansas; beam lines in North Carolina and Alberta; a slitter in Arkansas, a plasma table in Ohio and a press brake in British Columbia.

FACILITY MODERNIZATIONS

In 2022, we commenced a facilities modernization initiative and plan to invest $50-75 million over the next five years. During 2022, we expanded our Edmundston, NB facility and advanced projects for the construction of a new facility in Saskatoon, SK to consolidate two existing facilities and expand our Joplin, Missouri location.

ACQUISITIONS

Growth through acquisitions continues to be a primary focus and we completed an acquisition in each of 2019, 2020 and 2021. During 2022, we reviewed potential acquisitions with a focus on North American businesses that fit with our existing geographic footprint and meet our financial and operating criteria.

BALANCED APPROACH TO RETURNING CAPITAL TO SHAREHOLDERS

DIVIDENDS

During 2022, we returned $1.52 per share or $96 million to our shareholders in the form of dividends.

SHARE BUY BACKS

On August 11, 2022, we received approval from the TSX for a normal course issuer bid. During 2022, we purchased and cancelled 1,000,000 common shares at an average price of $27.94 for total consideration of $28 million.

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FINANCIAL HIGHLIGHTS

	Years Ended December 31				
	2022	2021	2020	2019	2018
OPERATING RESULTS (millions)					
Revenues	$5,070.6	$4,208.5	$2,688.3	$3,675.9	$4,165.0
EBITDA [(1)]	578.9	664.0	125.2	203.0	366.6
Adjusted EBITDA [(1)]	578.9	666.6	159.0	203.0	366.6
Adjusted EBITDA as a % of revenue [(1)]	11.4%	15.8%	5.9%	5.5%	8.8%
EBIT [(1)]	512.8	606.1	64.6	146.3	330.9
Adjusted EBIT [(1)]	512.8	608.7	98.4	146.3	330.9
Adjusted EBIT as a % of revenue [(1)]	10.1%	14.5%	3.7%	4.0%	7.9%
Net earnings	371.9	432.2	24.5	76.6	219.0
Basic earnings per common share ($)	$5.91	$6.90	$0.39	$1.23	$3.53
BALANCE SHEET INFORMATION (millions)					
Accounts receivable	$495.2	$553.6	$343.4	$457.9	$566.4
Inventories	956.5	986.0	716.4	883.6	1,052.5
Prepaid expenses and other assets	35.8	30.3	13.7	18.2	14.1
Accounts payable and accruals	(446.3)	(521.4)	(273.1)	(307.9)	(470.6)
Net working capital	1,041.2	1,048.5	800.4	1,051.8	1,162.4
Fixed assets	312.2	302.4	269.5	288.9	268.0
Right-of-use assets	101.7	86.7	81.4	90.1	-
Goodwill and intangibles	126.5	132.2	109.6	137.0	86.2
Lease obligations	(126.9)	(109.5)	(105.8)	(111.60)	-
Net assets employed in metals operations	1,454.7	1,460.3	1,155.1	1,456.2	1,516.6
Other operating assets	0.8	0.3	0.8	1.7	0.7
Net income tax assets (liabilities)	(5.7)	(68.7)	12.5	10.2	(32.3)
Pension and benefit assets (liabilities)	40.5	26.1	(7.9)	(5.0)	(5.8)
Other corporate assets (liabilities)	2.0	(8.0)	(28.4)	(27.5)	(26.5)
Total net assets employed	$1,492.3	$1,410.0	$1,132.1	$1,435.6	$1,452.7
CAPITALIZATION (millions)					
Bank indebtedness, net of (cash)	$(363.0)	$(133.1)	$(26.3)	$46.2	$4.2
Long-term debt (incl. current portion)	296.0	294.8	293.7	444.8	443.6
Total interest bearing debt, net of (cash)	(67.0)	161.7	267.4	491.0	447.8
Shareholders' equity	1,559.3	1,248.3	864.7	944.6	1,004.9
Invested Captial [(1)]	$1,492.3	$1,410.0	$1,132.1	$1,435.6	$1,452.7
OTHER INFORMATION (Notes)					
Book value per share ($) [(1)]	$25.10	$19.78	$13.88	$15.19	$16.18
Free cash flow (millions)[(1)]	$482.8	$609.7	$94.4	$136.7	$300.1
Capital expenditures (millions)	$41.5	$28.8	$24.9	$34.8	$41.3
Depreciation and amortization (millions)	$66.1	$57.9	$60.6	$56.7	$35.7
Net debt to invested capital [(1)]	(4%)	11%	24%	35%	31%
Return on invested capital [(1)]	33%	51%	8%	10%	24%
COMMON SHARE INFORMATION					
Ending outstanding common shares	62,112,220	63,100,220	62,295,441	62,173,430	62,106,895
Average outstanding common shares	62,891,611	62,667,618	62,191,208	62,132,030	62,028,991
Dividends per share	$1.52	$1.52	$1.52	$1.52	$1.52
Share price - High	$36.15	$37.57	$23.09	$25.22	$32.65
Share price - Low	$23.80	$22.33	$10.97	$18.47	$19.72
Share price - Ending	$28.78	$33.63	$22.73	$22.17	$21.33

[(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 2 of our MD&A for commentary and certain definitions of Non-GAAP Measures and Ratios and a reconciliation of certain Non-GAAP measures to GAAP measures. Adjusted EBIT and Adjusted EBITDA are adjusted to remove the impact of long-lived asset impairment. 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,

Year in Review

In 2022, we continued our growth initiatives, reported stellar financial results, improved our strong balance sheet and continued to return capital to our shareholders.

We purchased $28 million of our common shares and, along with the payment of $96 million in dividends, returned $124 million of capital to our shareholders.

The record-breaking financial results in 2021 were followed by yet another record-breaking revenue year in 2022. Despite global supply chain issues and steel price volatility, our various business units navigated through the market challenges and delivered strong performances. In many ways, 2022 illustrated a more balanced performance across our operations than we had experienced in the past.

Our energy segment was renamed energy field stores in 2022 to more accurately reflect the operations within the segment. This segment experienced a rebound in 2022 due to increased energy demand, product prices and market share growth.

In 2021, we monetized most of our OCTG/Line Pipe operations, which included the creation of the TriMark joint venture. In July 2022, we began to receive dividends from TriMark, which totaled $22 million in 2022.

During 2022, we commenced a facilities modernization initiative and continued with our multi-year program to build-out our value-added processing. These initiatives are expected to enhance our service capabilities, grow our customer base, enhance margins, reduce volatility and generate attractive returns for our shareholders. As a result of these initiatives, we expect our annual capital expenditure investments to increase to an average of approximately $75 million per year over the next several years. In 2022, we installed several lasers and approved the construction of a new facility in Saskatoon (Saskatchewan), a new slitter in Blytheville (Arkansas) and advanced a project to expand our Joplin (Missouri) location.

Our record safety performance in 2021 was surpassed in 2022. Our safety program, Mission Zero, is driven by the operational team at each location, and we want to commend them for their continued commitment to safety

In 2020, we adjusted our operating practices in order to function as an essential service amidst the COVID pandemic. Since that time, we have maintained many of the enhanced protocols for the long term. Most of our employees who worked remotely during the pandemic have returned to our locations, some in a fulltime capacity and some with hybrid arrangements. In addition, our Board of Directors returned to in-person Board meetings in 2022.

Our Corporate Giving initiative, which we announced last year, expanded in 2022 to include a dollar-for-dollar matching program for employee donations to qualified charities. This new program, combined with the corporate direct giving and local efforts by our operations, allows us to provide support to vulnerable people within the communities where we operate. We are now on Instagram to communicate about our corporate giving, community involvement and diversity programs.

Management Changes

In 2022, Dan Bailey was appointed Director of Service Centers and will be responsible for leading our facilities modernization initiative and value-added processing enhancements. Replacing Dan as Regional Manager of our JMS Russel Metals operation is Brandon Ezell. Both Dan and Brandon rose through the ranks of JMS and bring a wealth of experience to their new positions.

On January 1, 2023, Brian Newman was appointed President of Boyd Metals, which formed part of our succession plan when we acquired Boyd Metals in 2021. Brian has been with Boyd Metals for 29 years and spent the last 22 years as the Vice President of Purchasing. Brian succeeded Tom Kennon, who was a founder and President of Boyd Metals for more than 30 years. Tom was instrumental in the success of the Boyd Metals transition and will remain in a consulting role for 2023. I would like to personally thank Tom for his professionalism and friendship over the years.

Future

2022 laid the groundwork of capital allocation towards facility modernizations and value-added equipment expansions. We expect 2023 to be a year of continued action on these fronts. In addition, we will continue to selectively explore acquisition opportunities that are operationally and financially complementary with our existing businesses.

Economic conditions and steel pricing are expected to continue to experience periods of volatility and occasional challenge. However, as we emphasized in the past, we will continue to focus on inventory management, capital discipline and a strong balance sheet to mitigate risk and provide our shareholders with superior returns over the cycle.

Finally, I would like to thank our Russel Metals team for their diligent work and commitment to excellence throughout 2022 as we look forward into 2023.

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, 2022, 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 9, 2023

(signed) J. G. Reid
President and
Chief Executive Officer

(signed) M. L. Juravsky
Executive Vice President and
Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022, 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 9, 2023.

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.

RECONCILIATION OF NET EARNINGS TO EBITDA [1]

The following table provides a reconciliation of net earnings the years and quarters ended December 31, 2022, and 2021 to EBITDA [1].

	Three Months Ended December 31		Year Ended December 31	
(millions except per share data)	2022	2021	2022	2021
Net earnings	$ 57.9	$ 102.2	$ 371.9	$ 432.2
Provision for income tax	16.1	38.3	115.6	147.9
Interest expense	5.4	6.6	25.3	26.0
EBIT [1]	79.4	147.1	512.8	606.1
Depreciation and amortization	18.0	14.6	66.1	57.9
EBITDA [1]	$ 97.4	$ 161.7	$ 578.9	$ 664.0
Net earnings per share	$ 0.93	$ 1.62	$ 5.91	$ 6.90

RECONCILIATION OF FREE CASH FLOW

	Three Months Ended December 31		Year Ended December 31	
(millions)	2022	2021	2022	2021
Cash from operating activities before non-cash working capital	$ 83.9	$ 155.9	$ 524.3	$ 638.5
Purchase of property, plant and equipment	(15.3)	(8.5)	(41.5)	(28.8)
Free cash flow [1]	$ 68.6	$ 147.4	$ 482.8	$ 609.7

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

OVERVIEW OF THE 2022 FOURTH QUARTER AND ANNUAL RESULTS

Our net earnings for the year ended December 31, 2022, were $372 million or $5.91 per share compared to net earnings of $432 million or $6.90 per share for 2021. Revenues for the year ended December 31, 2022, were $5.1 billion compared to $4.2 billion in 2021. EBITDA was $579 million compared to $664 million in 2021.

In the 2022 fourth quarter, our revenues, EBITDA and net earnings per share were $1.1 billion, $97 million and $0.93 per share, respectively. Revenues during the quarter were lower than the 2021 fourth quarter due to the moderation of steel prices from the unusually high levels that were realized in the metals service centers and steel distributors segments in 2021 and early 2022. This decline was partially offset by continued improvement in our energy field stores business.

Our 2022 fourth quarter results illustrated the resiliency and reduced volatility that we can achieve across our portfolio over a cycle. In the quarter, we dealt with changes in market conditions, including the seasonal factors that are typical in the fourth quarter, and generated a consolidated gross margin of 20% and return on capital of 20%. In addition, we proactively managed inventories and generated $146 million of cash flow from working capital in the 2022 fourth quarter.

During the 2022 fourth quarter, EBITDA was negatively impacted by an increase in inventory provisions of $3 million, a non-cash charge of $2 million related to mark-to-market on share-based compensation and a $1 million accounting charge related to the annuitization of a significant portion of our defined benefit pension plan.

Market Conditions

Steel prices were volatile throughout 2022 but were higher than the long-term historical averages. In our metals service centers and steel distributors segments, customer demand remained active across most of our regions and end markets. Our energy field stores benefited from a rebound in the energy sector as the average Canadian rig counts were 175 in 2022 compared to 132 in 2021 and the average U.S. rig counts were 723 in 2022 compared to 478 in 2021.

Capital Investment Growth Initiatives

Our approach to capital investment growth initiatives includes: (i) value-added equipment projects; (ii) facility modernizations; and (iii) targeted acquisitions.

We have planned approximately $30 million per year of discretionary investments related to value-added equipment projects. The investment approach has been underway for several years and we expect to continue for several more years as we identify new opportunities. In 2022, we spent $42 million on capital expenditures including a flat laser in Arkansas and a tube laser in Quebec which are both operational. We also advanced our equipment projects for additional tube lasers in Saskatchewan and Arkansas, flat lasers in Alberta, Alabama and Arkansas, beam lines in North Carolina and Alberta, a slitter in Arkansas, a plasma table in Ohio and a press brake in British Columbia.

In terms of facility modernizations, we have planned $50-70 million of investments in the coming years for projects focused on modernizing, consolidating and expanding our operations in certain locations. These projects will provide opportunities for growth, improve material handling efficiencies, improve health and safety practices, and in certain instances result in the monetization of redundant real estate at legacy locations. Over the past several months, we have approved projects at our Saskatoon, Saskatchewan and Joplin, Missouri locations. We are continuing to advance projects at other locations in both Canada and the U.S.

On acquisitions, the pipeline of potential opportunities remains active, and we continue to focus on opportunities that could fit our economic and operational criteria.

Returning Capital to Shareholders

We have adopted a more balanced approach to returning excess capital to shareholders through: (i) our ongoing dividend; and (ii) share buy backs.

In the third quarter we initiated a normal course issuer bid to purchase for cancellation up to 3.2 million of our common shares over 12 months, representing 5% of our issued and outstanding shares. In the last half of 2022 we purchased and cancelled 1.0 million shares for total consideration of $28 million.

In 2022, we paid dividends of $96 million or $1.52 per common share. In addition, we declared a dividend of $0.38 per share, payable on March 15, 2023, to shareholders of record at the close of business on February 28, 2023.

Liquidity and Capital Structure
During 2022, we generated $360 million of cash from operating activities and ended the year with total available liquidity of $743 million.

SUMMARIZED FINANCIAL INFORMATION

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

2022

	Quarters Ended				Year Ended
(in millions, except per share data and volumes)	Mar. 31	June 30	Sept. 30	Dec. 31	Dec. 31
Revenues	$ 1,338.6	$ 1,362.3	$ 1,269.9	$ 1,099.8	$ 5,070.6
EBITDA [1]	153.1	188.8	139.6	97.4	578.9
Net earnings	98.7	124.0	91.3	57.9	371.9
Basic earnings per common share	$ 1.56	$ 1.96	$ 1.45	$ 0.93	$ 5.91
Diluted earnings per common share	$ 1.56	$ 1.96	$ 1.45	$ 0.93	$ 5.91
Total assets	$ 2,353.7	$ 2,531.5	$ 2,598.9	$ 2,506.9	$ 2,506.9
Non-current financial liabilities	$ 394.4	$ 395.8	$ 402.6	$ 408.2	$ 408.2
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	$ 1.52
Market price of common shares					
High	$ 34.83	$ 36.15	$ 30.33	$ 30.34	$ 36.15
Low	$ 29.38	$ 24.65	$ 23.80	$ 24.53	$ 23.80
Shares outstanding end of quarter	63,111,470	63,112,220	62,529,312	62,112,220	62,112,220
Average shares outstanding	63,105,300	63,111,940	62,997,539	62,358,711	62,891,611
Number of common shares traded on the TSX	15,752,821	14,540,380	13,675,814	16,297,478	60,266,493

2021

	Quarters Ended				Year Ended
(in millions, except per share data and volumes)	Mar. 31	June 30	Sept. 30	Dec. 31	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
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 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
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

[1] Refer to Non-GAAP Measures and Ratios 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 field stores 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)	2022	2021
Segment Revenues		
Metals service centers	$ 3,523.0	$ 2,831.2
Energy field stores	903.0	813.7
Steel distributors	631.2	553.0
Other	13.4	10.6
	$ 5,070.6	$ 4,208.5
Segment Gross Margins [1]		
Metals service centers	$ 748.4	$ 862.2
Energy field stores	241.3	172.6
Steel distributors	123.4	167.0
Other	13.4	10.6
Total operations	$ 1,126.5	$ 1,212.4
Segment Operating Profits and EBIT [1]		
Metals service centers	$ 321.5	$ 482.9
Energy field stores	104.6	53.4
Steel distributors	77.0	110.0
Corporate expenses	(26.1)	(48.1)
Share of earnings from TriMark	31.0	6.1
Asset impairment	-	(2.6)
Other	4.8	4.4
Earnings before interest and income taxes	$ 512.8	$ 606.1
Segment Gross Margin as a % of Revenues [1]		
Metals service centers	21.2%	30.5%
Energy field stores	26.7%	21.2%
Steel distributors	19.6%	30.2%
Total operations	22.2%	28.8%
Segment Operating Profit and EBIT as a % of Revenues [1]		
Metals service centers	9.1%	17.1%
Energy field stores	11.6%	6.6%
Steel distributors	12.2%	19.9%
Total operations	10.1%	14.4%

Results of our U.S. operations for the year ended December 31, 2022, were converted at $1.3017 per US$1 compared to $1.2537 per US$1 for the year ended December 31, 2021. Our U.S. operations represented approximately 39% of our total revenues. The exchange rate used to translate the balance sheet on December 31, 2022, was $1.3544 per US$1 versus $1.2678 per US$1 at December 31, 2021.

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

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 35,000 end users through a network of 46 Canadian locations and 23 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 -- 2022 compared to 2021

	2022	2021
Financial Highlights		
Revenues ($ millions)	$ 3,523	$ 2,831
Tons shipped (thousands of imperial tons)	1,282	1,224
Gross margin ($ millions) [1]	748	862
Gross margin (%) [1]	21.2%	30.5%
Operating profits ($ millions) [1]	322	483

Revenues in our metals service center operations increased 24% from 2021. Tons shipped in 2022, were approximately 5% higher than 2021 primarily due to the impact from the Boyd Metals acquisition in late 2021. On a same store basis, tons decreased by 5%, which approximates the average industry decline as published by the Metals Service Center Institute. The average selling price per ton of $2,748 was 19% higher in 2022 than the $2,313 realized in 2021. The average selling price in the 2022 fourth quarter decreased 7% over the 2022 third quarter due to price decreases.

Gross margin as a percentage of revenues was 21.2% for the year ended December 31, 2022, which was lower than the 30.5% in 2021 due to falling steel prices, offset by higher margins from our value-added processing initiatives. However, the gross margin per ton of $584 was higher than the historical average, as we benefited from relatively high steel prices and the continuation of our value-added initiatives.

Operating expenses as a percentage of revenues improved to 12.1% compared to 13.4% in 2021. Operating expenses for 2022 were $427 million, which was 13% higher than the $379 million in 2021 due to higher delivery costs and the impact of the Boyd Metals acquisition in late 2021.

Metals service centers operating profits for the year ended December 31, 2022, of $322 million were strong but lower than the record $483 million reported for 2021.

ENERGY FIELD STORES

a) Description of operations

We distribute flanges, valves, fittings and other products, primarily to the energy industry in Western Canada and the United States. We operate from 44 Canadian and 15 U.S. facilities in our operations. We purchase our products from the pipe division of North American steel mills, independent manufacturers of flanges, valves, fittings and other products, international steel mills and other distributors.

b) Energy field stores segment results -- 2022 compared to 2021

(millions)	2022	2021
Financial Highlights		
Revenues	$ 903	$ 814
Gross margin ($) [1]	241	173
Gross margin (%) [1]	26.7%	21.2%
Operating profits [1]	105	53

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

Revenues in our energy field stores segment increased by 11% in 2022 compared to 2021. However, our same store sales increased by 40%, after excluding the impact of the OCTG/line pipe operations that we divested in mid-2021.

Gross margin as a percentage of revenues improved to 26.7% compared to 21.2% in 2021 and compared to 22.7% on a same store basis.

Operating expenses for the year ended 2022 were $137 million compared to $119 million in 2021 as a result of higher variable compensation expenses.

This segment generated operating profits of $105 million for 2022 compared to $53 million for 2021.

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 -- 2022 compared to 2021

(millions)	2022	2021
Financial Highlights		
Revenues	$ 631	$ 553
Gross margin ($) [1]	123	167
Gross margin (%) [1]	19.6%	30.2%
Operating profits [1]	77	110

Revenues in our steel distributors were 14% higher in 2022 compared to 2021 due to higher selling prices.

Gross margin as a percentage of revenues was 19.6% for the year ended December 31, 2022, compared to 30.2% for the year ended December 31, 2021, due to the higher cost of inventory.

Operating expenses decreased to $46 million in 2022 from $57 million in 2021 primarily due to lower variable compensation expenses that are tied to financial results.

Operating profits for 2022 of $77 million were lower than the $110 million for 2021 due to lower margins as a result of the higher cost of inventory.

CORPORATE EXPENSES -- 2022 COMPARED TO 2021

Corporate expenses of $26 million in 2022 were lower than the $48 million in 2021, partially due to a non-cash stock-based compensation expense recovery of $2 million in 2022 compared to an expense of $10 million in 2021.

EARNINGS FROM TRIMARK

We recorded income from our share of the earnings from TriMark of $28 million for the year ended December 31, 2022, compared to $6 million for the year ended December 31, 2021. We recorded income from preferred share dividends received of $3 million for the year ended December 31, 2022, compared to $nil in 2021.

We received cash from preferred share dividends of $3 million and common share dividends of $19 million during the year ended 2022.

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

INTEREST EXPENSE

Net interest expense was $25 million for 2022 compared to $26 million for 2021.

INCOME TAXES

We recorded a provision for income taxes of $116 million for 2022 compared to a provision of $148 million for 2021. Our effective income tax rate for 2022 was 23.7% compared to 25.5% for 2021.

NET EARNINGS

Net earnings for 2022 were $372 million compared to $432 million in 2021. Basic earnings per share for 2022 was $5.91 per share compared to $6.90 per share in 2021.

SHARES OUTSTANDING AND DIVIDENDS

In 2022, we initiated a normal course issuer bid to purchase for cancellation up to 3.2 million of our common shares over 12 months. During 2022, we repurchased and cancelled 1,000,000 common shares for total consideration of $28 million. Common shares outstanding on December 31, 2022, and February 9, 2023, were 62.1 million compared to 63.1 million on December 31, 2021, due to the share repurchases. The weighted average number of common shares outstanding for 2022 increased to 62.9 million compared to 62.7 million for 2021 primarily as a result of the exercise of stock options in 2021.

We paid common share dividends of $96 million or $1.52 per share in 2022 and $95 million or $1.52 per share in 2021.

We have $150 million of 6% senior unsecured notes due March 16, 2026, and $150 million of 5 ¾% senior unsecured notes due October 27, 2025. These notes have restrictions on the payment of dividends which we do not believe will restrict our ability to pay dividends.

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)	2022	2021
Capital expenditures - property, plant and equipment	$ 42	$ 29
Additions - right-of-use assets	17	12
Depreciation - property, plant and equipment	38	33
Depreciation - right-of-use assets	17	16

LIQUIDITY

On December 31, 2022, we had net cash, defined as cash less bank indebtedness, of $363 million compared to $133 million on December 31, 2021. We generated cash of $524 million from operating activities before non-cash working capital and generated $18 million from a reduction in working capital. We utilized $42 million for capital expenditures, $182 million in income tax payments, $28 million to repurchase shares and returned $96 million for dividends. The $182 million in income tax payments in 2022 included the final payments for 2021.

During the cycle, we experience significant swings in working capital. Inventory and accounts receivable represent a large percentage of our total assets employed and fluctuate throughout each cycle. Accounts receivable and inventory comprise our largest liquidity risks.

Total assets were $2.5 billion on December 31, 2022, compared to $2.3 billion on December 31, 2021. On December 31, 2022, current assets, excluding cash, represented 70% of our total assets compared to 72% on December 31, 2021.

Inventories represented 45% of our total assets, excluding cash, on December 31, 2022, and December 31, 2021.

Inventory by Segment *(millions)*	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021
Metals service centers	$ 585	$ 673	$ 683	$ 611	$ 639
Energy field stores	206	166	152	130	119
Steel distributors	166	211	190	153	228
Total	$ 957	$ 1,050	$ 1,025	$ 894	$ 986

Cost of Sales by Segment *(millions)*	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021
Metals service centers	$ 615	$ 691	$ 743	$ 726	$ 576
Energy field stores	153	183	167	158	140
Steel distributors	114	122	108	164	132
Total	$ 882	$ 996	$ 1,018	$ 1,048	$ 848

Inventory Turns [1] *(quarters ended)*	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021
Metals service centers	4.2	4.1	4.3	4.8	3.6
Energy field stores	3.0	4.4	4.4	4.9	4.7
Steel distributors	2.7	2.3	2.3	4.3	2.3
Total	3.7	3.8	4.0	4.7	3.4

On December 31, 2022, our metals service center tons were approximately 8% lower than our tons on December 31, 2021, and tons for steel distributors were approximately 36% lower. The average cost of inventory in our metals service centers on December 31, 2022, was approximately 4% lower than 2021. Inventory levels in our energy field stores increased year over year in order to meet increased demand.

Accounts receivable generated cash of $62 million in 2022 and represented 23% of our total assets, excluding cash, on December 31, 2022, compared to 25% on 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 of December 31 *(millions)*	2022	2021
Long-term Debt		
5 ¾% $150 million Senior Notes due October 27, 2025	$ 148	$ 147
6% $150 million Senior Notes due March 16, 2026	148	148
	$ 296	$ 295

CASH AND BANK CREDIT FACILITY

(millions)	2022	2021
Bank loans	$ -	$ -
Cash net of outstanding cheques	363	133
Net cash	363	133
Letters of credit	(45)	(78)
	$ 318	$ 55
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 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. 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.

On December 31, 2022, we were entitled to borrow and issue letters of credit totaling $450 million under this facility. On December 31, 2022, we had no borrowings and $45 million of letters of credit outstanding. On December 31, 2021, we had no borrowings and letters of credit of $78 million.

On December 31, 2022, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facility we have access to approximately $743 million of cash based on our December 31, 2022, 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

On December 31, 2022, we were contractually obligated to make payments as per the following table:

Contractual Obligations *(millions)*	Payments due in 2023	2024 and 2025	2026 and 2027	2028 and thereafter	Total
Accounts payable	$ 482	$ -	$ -	$ -	$ 482
Debt	-	150	150	-	300
Long-term debt interest	18	35	5	-	58
Lease obligations	25	42	36	75	178
Total	$ 525	$ 227	$ 191	$ 75	$ 1,018

We are obligated to pay $45 million in letters of credit when they mature in 2023. We have outstanding US$95 million (2021: US$63 million) in forward exchange contracts that mature in 2023.

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 2022 consolidated financial statements. On October 4, 2022, we paid a premium of $35 million to annuitize $34 million of our defined benefit obligations, as measured on an accounting basis, through a buy-out transaction with an insurance company. On February 1, 2023, the insurance company commenced payment of the retiree benefits when our obligations to the affected retirees ceased. During 2022 we contributed $2 million to these plans. We do not expect to contribute to these plans during 2023.

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 $4 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 on December 31, 2022, was $1 million lower than our reserve level on December 31, 2021.

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. The inventory reserve level on December 31, 2022, was $2 million higher than the level on December 31, 2021.

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 2022, no long-lived asset impairments were recorded. 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 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

The investment in the preferred shares of TriMark are accounted for at fair value using the Dividend Discount Model. The determination of the required rate of return in the model takes significant judgement. The investment in common shares of TriMark are accounted for using the equity method and tested for impairment if indications of impairment exist. The determination of whether this investment is impaired requires significant judgement and the actual cash received from a future sale of the joint venture may be materially different from these 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.

The annuitization of a portion of our defined benefit pension obligation in October 2022, resulted in a reduction of plan assets of approximately $35 million and a reduction in our benefit obligation of approximately $34 million. We had approximately $123 million in plan assets on December 31, 2022, which is a decrease of approximately $56 million from December 31, 2021, of which $35 million was due to the payment for the annuitization. The discount rate used on the employee benefit plan obligation for December 31, 2022, was 5.00%, which is 200 basis points higher than the discount rate on December 31, 2021.

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 of December 31, 2022. 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. In addition, our investment in facilities modernization and value-added processing initiatives will enable us to better service our customers and lead to enhanced margins. 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.

In 2022, we commenced a facilities modernization initiative which, along with our multi-year expansion of our value-added processing equipment, will enhance our capabilities and provide improved service to our customer base.

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.

Returning capital to our shareholders through our ongoing dividends and opportunistic share buy backs is also part of our strategy.

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 created uncertainty in the health and welfare of the communities where we operate and resulted in temporary business closures and reduced economic activity. While COVID related restrictions 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.

A portion of our revenues are dependent on the oil and gas industry whose activity fluctuates with oil and gas prices. Our oil field stores provide a more stable stream of earnings as their products are used in maintenance and repair as well as new drilling activity and large energy products.

The continued impact of inflation, rising interest rates, prevailing oil price conditions, the Ukraine/Russia conflict, supply chain disruptions, recession risk, the pandemic and other macro-economic factors 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, and provisions for inventory and credit losses.

FOURTH QUARTER RESULTS

Revenues in the fourth quarter of 2022 were 4% lower than the same quarter in 2021. Operating income was $79 million in the fourth quarter of 2022 compared to $147 million in 2021. During the quarter ended December 31, 2022, EBITDA was $97 million compared to $162 million in 2021.

Our net income for the quarter ended December 31, 2022, was $58 million or $0.93 per share compared to $102 million or $1.62 per share.

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

	Quarters Ended December 31	
(millions, except percentages)	2022	2021
Segment Revenues		
Metals service centers	$ 750.6	$ 780.1
Energy field stores	211.6	193.0
Steel distributors	134.8	170.3
Other	2.8	3.4
	$ 1,099.8	$ 1,146.8
Segment Gross Margins [1]		
Metals service centers	$ 135.9	$ 204.7
Energy field stores	58.7	53.0
Steel distributors	20.7	38.1
Other	2.8	3.4
Total operations	$ 218.1	$ 299.2
Segment Operating Profits (Loss) and EBIT [1]		
Metals service centers	$ 38.9	$ 109.3
Energy field stores	24.0	24.0
Steel distributors	11.2	24.7
Corporate expenses	(6.5)	(13.3)
Share of earnings from TriMark	10.4	3.3
Asset impairment	-	(2.6)
Other	1.4	1.7
Earnings before interest and income taxes	$ 79.4	$ 147.1
Segment Gross Margin as a % of Revenues [1]		
Metals service centers	18.1%	26.2%
Energy field stores	27.7%	27.5%
Steel distributors	15.4%	22.4%
Total operations	19.8%	26.1%
Segment Operating Profit and EBIT as a % of Revenues [1]		
Metals service centers	5.2%	14.0%
Energy field stores	11.3%	12.4%
Steel distributors	8.3%	14.6%
Total operations	7.2%	12.8%

Metals service centers revenues were 4% lower than the same quarter in 2021. Same store tons shipped in the fourth quarter of 2022 for metals service centers were 3% lower than the fourth quarter of 2021. Selling prices were 10% lower than the fourth quarter of 2021. Gross margin as a percentage of revenues decreased to 18.1% for the fourth quarter of 2022 from 26.2% for the fourth quarter of 2021.

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

In the fourth quarter of 2022, revenues at our energy field stores segment were 10% higher than 2021 due to stronger demand.

Our steel distributors reported operating profits in the 2022 fourth quarter of $11 million compared to $25 million in the 2021 fourth quarter.

Corporate expenses were lower than 2021 due to the mark-to-market on stock-based compensation.

OUTLOOK

Steel prices began to stabilize late in the 2022 fourth quarter and we have experienced modest price increases for certain key products in early 2023. We expect a continuation of this favourable trend over the near term as a result of modest inventory in the supply chain and a seasonal rebound in demand. In terms of demand, we experienced a normal seasonal slowdown in the 2022 fourth quarter, but expect to benefit from a rebound over the near term as both the metals service centers and energy field stores have favourable and broad-based customer activity levels.

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, 2022 and 2021, 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, 2022 and 2021, 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 consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue Recognition - Refer to Note 2 of the financial statements

Key Audit Matter Description

The Company's revenue is generated primarily from the delivery of metal and metal products to customers. Revenue is recognized when the performance obligation is satisfied upon transfer of control of product to the customer which occurs when it has been packed and loaded for delivery.

Revenue is a key audit matter due to the significant audit effort required in performing audit procedures related to the Company's revenue recognition.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to revenue recognition included the following, among other:

- Evaluated the effectiveness of controls relating to the revenue recognition process;
- On a sample basis, evaluated the recognition of revenue, by obtaining and inspecting invoices, bill of ladings/ shipping documents and cash receipts. Where cash had not been received, confirmations were sent to applicable customers to confirm receipt of the product and dollar amount of the sale as described on the invoice and other support.

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.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
February 9, 2023

CONSOLIDATED STATEMENTS OF EARNINGS

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

	2022	2021
Revenues	$ 5,070.6	$ 4,208.5
Cost of materials (Note 8)	3,944.0	2,996.1
Employee expenses (Note 21)	402.5	397.4
Other operating expenses (Note 21)	242.3	212.4
Earnings from joint venture (Note 8)	(31.0)	(6.1)
Impairment of goodwill and long-lived assets (Note 9)	-	2.6
Earnings before interest and provision for income taxes	512.8	606.1
Interest expense (Note 22)	25.3	26.0
Earnings before provision for income taxes	487.5	580.1
Provision for income taxes (Note 23)	115.6	147.9
Net earnings for the year	$ 371.9	$ 432.2
Basic earnings per common share (Note 20)	$ 5.91	$ 6.90
Diluted earnings per common share (Note 20)	$ 5.91	$ 6.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2022	2021
Net earnings for the year	$ 371.9	$ 432.2
Other comprehensive income		
Items that may be reclassified to earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	50.1	(0.3)
Items that may not be reclassified to earnings		
Actuarial gains on pension and similar obligations, net of taxes of $4.3 million (2021: $9.2 million)	12.0	25.9
Other comprehensive income	62.1	25.6
Total comprehensive income	$ 434.0	$ 457.8

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)	2022	2021
ASSETS		
Current		
Cash and cash equivalents (Note 5)	$ 363.0	$ 133.1
Accounts receivable (Note 6)	497.9	554.1
Inventories (Note 7)	956.5	986.0
Prepaids and other	35.8	30.3
Income taxes receivable	16.3	16.1
	1,869.5	1,719.6
Property, Plant and Equipment (Note 10)	313.8	302.4
Right-of-Use Assets (Note 11)	102.7	86.7
Investment in Joint Venture (Note 8)	46.6	37.6
Deferred Income Tax Assets (Note 23)	1.2	1.5
Pension and Benefits (Note 17)	42.0	29.5
Financial and Other Assets (Note 12)	4.6	5.0
Goodwill and Intangibles (Note 13)	126.5	132.2
	$ 2,506.9	$ 2,314.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 15)	$ 482.0	$ 557.7
Short-term lease obligations (Note 11)	14.7	15.8
Income taxes payable	4.8	66.7
	501.5	640.2
Long-Term Debt (Note 16)	296.0	294.8
Pensions and Benefits (Note 17)	1.5	3.4
Deferred Income Tax Liabilities (Note 23)	18.4	19.6
Long-term Lease Obligations (Note 11)	112.2	93.7
Provisions and Other Non-Current Liabilities (Note 24)	18.0	14.5
	947.6	1,066.2
Shareholders' Equity (Note 18)		
Common shares	562.4	571.0
Retained earnings	844.6	575.2
Contributed surplus	12.2	12.1
Accumulated other comprehensive income	140.1	90.0
Total Shareholders' Equity	1,559.3	1,248.3
Total Liabilities and Shareholders' Equity	$ 2,506.9	$ 2,314.5

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

ON BEHALF OF THE BOARD,

(signed) A. Thabet
Director

(signed) J. Clark
Director

Consolidated Statements of Cash Flow

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

	2022	2021
Operating Activities		
Net earnings for the year	$ 371.9	$ 432.2
Depreciation and amortization	66.1	57.9
Provision for income taxes	115.6	147.9
Interest expense	25.3	26.0
Impairment of goodwill and long-lived assets	-	2.6
(Gain) loss on sale of property, plant and equipment	(2.8)	0.5
Earnings from joint venture	(31.0)	(6.1)
Share-based compensation	0.2	0.2
Difference between pension expense and amount funded	1.9	1.0
Debt accretion, amortization and other	1.1	1.1
Interest paid, including interest on lease obligations	(24.0)	(24.8)
Cash from operating activities before non-cash working capital	524.3	638.5
Changes in Non-cash Working Capital Items		
Accounts receivable	62.4	(160.8)
Inventories	45.0	(337.6)
Accounts payable and accrued liabilities	(83.8)	253.9
Other	(5.5)	(13.3)
Change in non-cash working capital	18.1	(257.8)
Income tax paid, net	(182.5)	(76.2)
Cash from operating activities	359.9	304.5
Financing Activities		
Issue of common shares	0.3	21.0
Repurchase of common shares	(27.9)	-
Dividends on common shares	(95.6)	(95.4)
Deferred financing	(0.2)	(0.9)
Lease obligations	(15.7)	(18.2)
Cash used in financing activities	(139.1)	(93.5)
Investing Activities		
Purchase of property, plant and equipment	(41.5)	(28.8)
Proceeds on sale of property, plant and equipment	3.2	1.1
Dividends received from joint venture	22.1	-
Sale of business	9.7	77.1
Purchase of business	-	(156.6)
Cash used in investing activities	(6.5)	(107.2)
Effect of exchange rates on cash and cash equivalents	15.6	3.0
Increase in cash and cash equivalents	229.9	106.8
Cash and cash equivalents, beginning of the year	133.1	26.3
Cash and cash equivalents, end of the year	$ 363.0	$ 133.1

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, 2022	$ 571.0	$ 575.2	$ 12.1	$ 90.0	$ 1,248.3
Payment of dividends	-	(95.6)	-	-	(95.6)
Net income for the year	-	371.9	-	-	371.9
Other comprehensive income for the year	-	-	-	62.1	62.1
Recognition of share-based compensation	-	-	0.2	-	0.2
Share options exercised	0.4	-	(0.1)	-	0.3
Shares repurchased	(9.0)	(18.9)	-	-	(27.9)
Transfer of net actuarial gains on defined benefit plans	-	12.0	-	(12.0)	-
Balance, December 31, 2022	$ 562.4	$ 844.6	$ 12.2	$ 140.1	$ 1,559.3

(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 loss 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

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 Field Stores

The Company's energy field stores 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 stores operations in 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 9, 2023.

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 $1.3544 per US$1 at December 31, 2022 (December 31, 2021: $1.2678 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, 2022, the average U.S. dollar Bank of Canada closing exchange rate was $1.3017 per US$1 (2021: $1.2537 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.

NOTE 3 ACCOUNTING CHANGES -- CURRENT AND FUTURE

CURRENT CHANGES

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 were applied retrospectively on January 1, 2022 and did not have an 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 were effective on January 1, 2022 with comparative figures not restated. The implementation of these amendments did not have an impact on the Company’s financial position or results of operations.

FUTURE 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. The implementation of these amendments are not expected to have a significant impact on the Company's financial position or results of operations.

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. The implementation of these amendments are not expected to have a significant impact on the Company's financial position or results of operations.

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 implementation of these amendments are not expected to have a significant impact on the Company's financial position or results of operations.

IFRS 10 Consolidated Financial Statements; IAS 28 Investments in Associates and Joint Ventures

The amendments to IFRS 10 and IAS 28 were to address a conflict between the standards and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed, constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted. The implementation of these amendments are 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, if any, 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 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

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.

NOTE 5 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

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

SUPPORTING INFORMATION

(millions)	2022	2021
Cash on deposit	$ 87.9	$ 60.8
Cash equivalents	275.1	72.3
	$ 363.0	$ 133.1

NOTE 6 ACCOUNTS RECEIVABLE

ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

SUPPORTING INFORMATION

(millions)	2022	2021
Trade receivables	$ 484.7	$ 541.3
Other receivables	13.2	12.8
	$ 497.9	$ 554.1

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

(millions)	2022	2021
Allowance for Doubtful Accounts		
Balance, beginning of the year	$ 5.6	$ 4.5
Increases to reserve	0.3	1.9
Amounts written off	(1.9)	(1.0)
Adjustments	0.4	0.2
Balance, end of the year	$ 4.4	$ 5.6

At December 31, 2022 and 2021, 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 $5.0 million for the year ended December 31, 2022 (2021: $5.5 million).

As at December 31, 2022 (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	$ 249.8	$ 179.2	$ 43.7	$ 16.4	$ 489.1
Allowance for doubtful accounts	-	(0.1)	(0.2)	(4.1)	(4.4)
Total net trade receivables	$ 249.8	$ 179.1	$ 43.5	$ 12.3	$ 484.7

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

NOTE 7 INVENTORIES

ACCOUNTING POLICIES

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be greater than the recoverable amount due to declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

SUPPORTING INFORMATION

Inventory *(millions)*	2022	2021
Metals service centers	$ 584.8	$ 638.9
Energy field stores	205.6	119.2
Steel distributors	166.1	227.9
	$ 956.5	$ 986.0

Inventories expensed in cost of sales for the year ended December 31, 2022 were $3.9 billion (2021: $3.0 billion).

During the year ended December 31, 2022, the Company recorded a net increase in inventory provisions of $2.3 million (2021: net reduction of $13.9 million).

NOTE 8 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
The Company's investment in a joint venture includes its investment in common shares that represents a 50% share of ownership and voting rights of TriMark Tubulars Ltd. and $31.5 million at face value of preferred shares of TriMark which have no voting rights and have an annual cumulative dividend rate of 7%. The common shares are accounted for using the equity method and the preferred shares are carried at fair value, which is subject to change based on market interest rates.

The following is a summary of the earnings from joint venture:

(millions)	2022	2021
Share of earnings from joint venture	$ 36.5	$ 6.1
Dividends - preferred shares	2.7	-
Change in fair value of preferred shares	(8.2)	-
Earnings from joint venture	$ 31.0	$ 6.1

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

(millions)	Common Shares	Preferred Shares	Total
Balance, July 7, 2021	$ -	$ 31.5	$ 31.5
Earnings from joint venture	6.1	-	6.1
Balance, December 31, 2021	6.1	31.5	37.6
Earnings from joint venture	36.5	-	36.5
Dividends - common shares	(19.3)	-	(19.3)
Change in fair value of preferred shares	-	(8.2)	(8.2)
Balance, end of the year	$ 23.3	$ 23.3	$ 46.6

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

(millions)	2022	2021
Current assets	$ 422.1	$ 341.4
Non-current assets	11.4	7.6
Current liabilities, including bank indebtedness of $148 million (2021: $130 million)	(268.1)	(273.1)
Non-current liabilities	(49.8)	(0.2)
Net assets	$ 115.6	$ 75.7

(millions)	2022	2021
Revenue	$ 875.2	$ 300.7
Net income	$ 76.8	$ 14.4

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 2022 and 2021, the Company performed its annual impairment test of goodwill and indication of impairment for non-financial tangible and definite life intangible assets.

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. For 2022, the pre-tax WACC used was 15.6% (2021: 13.2%).

The Company determined that goodwill was not impaired. In 2021, the Company determined that goodwill was not impaired but long-lived assets of one its CGUs were impaired. The recoverable amount for one of our CGUs in the energy field stores segment was less than the carrying amounts of the CGU which resulted in a pre-tax impairment of $2.6 million of which $0.8 million related to right-of-use assets and $1.8 million related to intangibles.

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, 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
Additions	5.3	35.1	1.1	41.5
Disposals	(0.8)	(8.1)	(0.1)	(9.0)
Foreign exchange	4.6	10.9	0.2	15.7
Balance, December 31, 2022	$ 306.6	$ 465.2	$ 24.4	$ 796.2

Accumulated Depreciation and Amortization *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2020	$ 130.6	$ 279.5	$ 17.2	$ 427.3
Additions	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
Additions	9.6	27.3	0.8	37.7
Disposals	(0.8)	(7.7)	(0.1)	(8.6)
Foreign exchange	1.7	5.7	0.3	7.7
Balance, December 31, 2022	$ 149.3	$ 314.5	$ 18.6	$ 482.4

Net Book Value *(millions)*	
December 31, 2021	$ 302.4
December 31, 2022	$ 313.8

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

At December 31, 2022, land, included in land and buildings, was $44.3 million (2021: $43.8 million).

Depreciation expense *(millions)*	2022	2021
Depreciation - cost of materials	$ 6.6	$ 7.2
Depreciation - other operating expenses	31.1	25.5
	$ 37.7	$ 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, 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
Additions	17.3	17.3
Disposals and modifications	13.3	13.3
Depreciation and amortization	(16.7)	-
Lease payments	-	(15.7)
Foreign exchange	2.1	2.5
Balance December 31, 2022	$ 102.7	$ 126.9
Current portion		$ 14.7
Long-term portion		$ 112.2

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

Right-of-use Assets *(millions)*	2022	2021
Land and buildings	$ 83.0	$ 68.1
Machinery and equipment	19.7	18.6
	$ 102.7	$ 86.7

Depreciation Expense *(millions)*	2022	2021
Land and buildings	$ 10.0	$ 10.0
Machinery and equipment	6.7	5.9
	$ 16.7	$ 15.9

For the year ended December 31, 2022, the Company expensed $0.4 million (2021: $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)	2022	2021
Deferred charges on revolving credit facility	$ 1.1	$ 1.6
Other assets	3.5	3.4
	$ 4.6	$ 5.0

For the year ended December 31, 2022, the amortization of deferred financing charges was $0.7 million (2021: $0.6 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)	2022	2021
Goodwill	$ 50.8	$ 49.0
Intangibles	75.7	83.2
	$ 126.5	$ 132.2

a) Goodwill

The continuity of goodwill is as follows:

Goodwill *(millions)*	2022	2021
Balance, beginning of the year	$ 49.0	$ 39.2
Business acquisition (Note 4)	-	9.9
Foreign exchange	1.8	(0.1)
Balance, end of the year	$ 50.8	$ 49.0

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)*	2022	2021
Metals Service Centers		
U.S.		
South Central	$ 10.6	$ 9.9
Wisconsin	2.9	2.7
South East	13.8	12.9
Canadian		
Alberta	11.0	11.0
Ontario	10.5	10.5
Atlantic	2.0	2.0
	$ 50.8	$ 49.0

c) Intangibles

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

Cost *(millions)*	Metals Service Centers	Energy Field Stores	Total 2022	Total 2021
Balance, beginning of the year	$ 48.9	$ 101.7	$ 150.6	$ 129.2
Business acquisitions (Note 4)	-	-	-	23.6
Impairment of intangible assets (Note 9)	-	-	-	(1.8)
Foreign exchange	1.8	1.7	3.5	(0.4)
Balance, end of the year	$ 50.7	$ 103.4	$ 154.1	$ 150.6

Accumulated Amortization *(millions)*	Metals Service Centers	Energy Field Stores	Total 2022	Total 2021
Balance, beginning of the year	$ (16.4)	$ (51.0)	$ (67.4)	$ (58.8)
Amortization	(4.4)	(6.6)	(11.0)	(8.6)
Balance, end of the year	$ (20.8)	$ (57.6)	$ (78.4)	$ (67.4)

Carrying Amount	
December 31, 2021	$ 83.2
December 31, 2022	$ 75.7

The carrying amount of intangible assets as at December 31, 2022 relates to customer relationships and trademarks arising from the acquisition of Alberta Industrial Metals, Apex Distribution, Color Steels, City Pipe, Sanborn and Boyd. The remaining amortization period for customer relationships is 3 to 13 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. This facility expires 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, 2022. At December 31, 2022 and 2021, the Company had no borrowings, and letters of credit of $45.1 million (2021: $77.7 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)	2022	2021
Trade payables and accrued expenses	$ 477.8	$ 553.5
Accrued interest	4.2	4.2
	$ 482.0	$ 557.7

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 transaction 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)	2022	2021
5 ¾% $150 million Senior Notes due October 27, 2025	$ 147.8	$ 147.1
6% $150 million Senior Notes due March 16, 2026	148.2	147.7
	$ 296.0	$ 294.8

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, 2022 at 103.0% 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, 2022.

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.

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, 2022.

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 (the "merged plan") 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 and the other defined benefit plan had a valuation date of January 1, 2022.

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 plan 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)	2022	2021
Defined Benefit Pension Plans		
Current service cost	$ 3.3	$ 3.7
Plan administration cost	0.4	0.2
	3.7	3.9
Post-retirement benefits	0.1	0.1
Defined contribution plans	6.9	6.1
Pension and benefit expense	$ 10.7	$ 10.1

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

(millions)	2022	2021
Remeasurements of the Net Defined Benefit Liability		
Actuarial gains due to actuarial experience	$ 4.2	$ 3.0
Actuarial gains due to financial assumption changes	33.0	11.2
Actuarial loss due to demographic assumption changes	-	(0.1)
Return on plan assets (less) greater than the discount rate	(20.9)	21.0
Remeasurement effect recognized in other comprehensive income	$ 16.3	$ 35.1
Cumulative Actuarial Gains (Losses) Relating to Pensions and Benefits		
Balance of actuarial gains (losses) at January 1	$ 22.2	$ (12.9)
Net actuarial gains recognized in the year	16.3	35.1
Balance of actuarial gains at December 31	$ 38.5	$ 22.2

There were no adjustments related to asset ceiling limits in other comprehensive income for the years ended December 31, 2022 and 2021.

The actuarial determinations were based on the following assumptions:

	2022	2021
Assumed discount rate - year end	5.00%	3.00%
Rate of increase in future compensation	3.25%	3.00%
Rate of increase in future government benefits	2.75%	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 $4.4 million as of December 31, 2022 (2021: $5.4 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.

On October 4, 2022, the Company entered into a buy-out transaction with an insurance company to annuitize a portion of our defined benefit pension plan obligation in the merged plan. The Company paid a premium of $35.1 million to annuitize obligations of $33.9 million, as measured on an accounting basis, for certain retirees.

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. 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)	2022	2021	2022	2021
Reconciliation of Present Value of the Defined Benefit Obligation				
Balance, beginning of the year	$ 151.2	$ 163.8	$ 1.8	$ 2.8
Increase in liability due to settlement	1.2	-		-
Current service costs	3.3	3.7	-	-
Participant contributions	0.1	0.1	-	-
Interest cost	4.4	4.0	0.1	0.1
Benefits paid	(7.3)	(7.2)	(0.1)	(0.2)
Settlement payment	(35.1)	-	-	-
Actuarial (gains) losses	(37.0)	(13.2)	(0.3)	(0.9)
Balance, end of the year	$ 80.8	$ 151.2	$ 1.5	$ 1.8

	Pension Plans		Other Benefit Plans	
(millions)	2022	2021	2022	2021
Reconciliation of Present Value of the Plan Assets				
Balance, beginning of the year	$ 179.1	$ 158.7	$ -	$ -
Interest income	5.3	3.9	-	-
Employer contributions	2.0	2.8	0.1	0.2
Employee contributions	0.1	0.1	-	-
Benefits paid	(7.3)	(7.2)	(0.1)	(0.2)
Settlement payment	(35.1)	-	-	-
Plan administration costs	(0.4)	(0.2)	-	-
Return on plan assets (less) greater than discount rate	(20.9)	21.0	-	-
Balance, end of the year	$ 122.8	$ 179.1	$ -	$ -
Defined benefit (asset) obligations, net	$ (42.0)	$ (27.9)	$ 1.5	$ 1.8

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

(millions)	2022	2021
Cash and cash equivalents	$ 17.8	$ 2.0
Equities		
Canadian equity	47.2	80.2
Global equity fund	28.8	61.6
	76.0	141.8
Fixed Income Investments Categorized by Type of Issuer		
Government guaranteed	6.2	11.8
Provincials	12.2	13.8
Corporate	10.6	9.7
	29.0	35.3
	$ 122.8	$ 179.1

The following table provides the defined benefit (assets) obligation for partially funded plans and unfunded plans.

	Pension Plans		Other Benefit Plans	
(millions)	2022	2021	2022	2021
Defined Benefit (Asset) Obligations				
Plans with surplus	$ (42.0)	$ (29.5)	$ -	$ -
Partially funded plans	-	1.6	-	-
Unfunded plans	-	-	1.5	1.8
Defined benefit (asset) obligations	$ (42.0)	$ (27.9)	$ 1.5	$ 1.8

c) As at December 31, 2022 approximately 63% (2021: 80%) of the fair value of all pension plan assets was invested in equities, 24% (2021: 19%) in fixed income securities, and 13% (2021: 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, 15% - 40% in fixed income securities and 0% - 20% in cash and cash equivalents.

d) The weighted average duration of defined benefit obligations is 12.2 years (2021: 15.1 years) for defined benefit pension plans, 9.6 years (2021: 10.5 years) for executive pension arrangements and 5.7 years (2021: 6.9 years) for other post retirement benefit plans. The Company expects to make contributions of $0.3 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, 2022 and 2021, 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, 2020	62,295,441	$ 546.2
Share options exercised	804,779	24.8
Balance, December 31, 2021	63,100,220	$ 571.0
Share options exercised	12,000	0.4
Shares repurchased	(1,000,000)	(9.0)
Balance, December 31, 2022	62,112,220	$ 562.4

On August 11, 2022, the Company announced a Normal Course Issuer Bid ("NCIB") to purchase up to 3,155,611 common shares which represents 5% of the issued and outstanding common shares as of August 11, 2022, during the period which commenced on August 16, 2022, and ending on the earlier of August 15, 2023, and completion of purchases under the NCIB. During the year ended December 31, 2022, the Company purchased 1,000,000 shares under this bid at an average cost of $27.94 for a total cost of $27.9 million. The original cost of these shares of $9.0 million was recorded as a reduction of share capital and the balance of $18.9 million as a reduction of retained earnings. The common shares purchased through this bid have been cancelled.

The continuity of contributed surplus is as follows:

(millions)	
Balance, December 31, 2020	$ 15.7
Share-based compensation expense	0.2
Options exercised	(3.8)
Balance, December 31, 2021	12.1
Share-based compensation expense	0.2
Options exercised	(0.1)
Balance, December 31, 2022	$ 12.2

Dividends paid and declared were as follows:

	2022	2021
Dividends paid (millions)	$ 95.6	$ 95.4
Dividends per share	$ 1.52	$ 1.52
Quarterly dividend per share declared on February 9, 2023 (February 10, 2022)	$ 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	
	2022	2021	2022	2021
Balance, beginning of year	632,647	1,583,793	$ 26.36	$ 26.20
Granted	-	49,065	-	25.08
Exercised	(12,000)	(804,779)	27.53	26.07
Expired or forfeited	(44,862)	(195,432)	27.32	25.96
Balance, end of the year	575,785	632,647	$ 26.27	$ 26.36
Exercisable	470,752	458,313	$ 27.29	$ 27.81

The outstanding options have exercise price ranges as follows:

(number of options)	2022	2021
$ 29.00 - $ 31.46	126,382	132,169
$ 25.37 - $ 28.99	154,582	205,657
$ 14.61 - $ 25.36	294,821	294,821
Options outstanding	575,785	632,647

The options expire in the years 2023 to 2031 and have a weighted average remaining contractual life of 2.9 years (2021: 3.6 years)

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

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

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

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	
	2022	2021	2022	2021
Balance, beginning of year	260,282	352,871	$ 24.40	$ 25.48
Granted	72,548	88,766	32.99	25.08
Paid out	-	(181,355)	-	26.84
Balance, end of the year	332,830	260,282	$ 26.27	$ 24.40

The SARs liability and fair value at December 31, 2022, was $0.8 million and $1.2 million respectively (December 31, 2021: $1.0 million and $2.4 million).

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)	2022	2021
Balance, beginning of the year	327,380	353,058
Granted	50,923	46,930
Paid out	(35,199)	(72,608)
Balance, end of the year	343,104	327,380

The liability and fair value of DSUs was $9.9 million at December 31, 2022, (2021: $11.0 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)	2022	2021
Balance, beginning of the year	161,381	409,779
Granted	267,098	57,541
Paid out	(116,015)	(305,939)
Balance, end of the year	312,464	161,381

The RSU liability at December 31, 2022, was $5.7 million (2021: $4.1 million). The fair value of RSUs was $9.0 million at December 31, 2022, (2021: $5.4 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)	2022	2021
Share options	$ 0.1	$ 0.2
DSUs, SARs and RSUs	3.0	14.5
Employee Share Purchase Plan	0.7	0.7
	$ 3.8	$ 15.4

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)	2022	2021
Net income used in calculation of basic and diluted earnings per share	$ 371.9	$ 432.2

(number of shares)	2022	2021
Weighted average shares outstanding	62,891,611	62,667,618
Dilution impact of share options	63,975	86,887
Diluted weighted average shares outstanding	62,955,586	62,754,505

NOTE 21 EXPENSES

(millions)	2022	2021
Employee Expenses		
Wages and salaries	$ 350.6	$ 348.0
Other employee related costs	51.9	49.4
	$ 402.5	$ 397.4
Other Operating Expenses		
Plant and other expenses	$ 121.8	$ 116.5
Delivery expenses	86.9	63.2
Repairs and maintenance	19.0	14.6
Selling expenses	10.7	9.8
Professional fees	4.8	8.6
(Gain) loss on sale of property, plant and equipment	(2.8)	0.5
Foreign exchange loss (gains)	1.9	(0.8)
	$ 242.3	$ 212.4

NOTE 22 INTEREST EXPENSE

(millions)	2022	2021
Interest on 6% $150 million Senior Notes	$ 9.5	$ 9.6
Interest on 5 ¾% $150 million Senior Notes	9.3	9.2
Interest on lease obligations	8.7	7.5
Other interest income	(2.2)	(0.3)
Interest expense	$ 25.3	$ 26.0

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 years ended December 31, 2022 and 2021 was $1.1 million.

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)	2022	2021
Current tax expense	$ 121.0	$ 142.7
Deferred tax (recovery) expense	(5.4)	5.2
	$ 115.6	$ 147.9

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

	2022	2021
Applicable combined Canadian statutory rate	26.1%	26.1%
Rate difference of U.S. companies	(0.5%)	(0.4%)
Share-based compensation and non-deductible items	0.1%	0.1%
Share of earnings from joint venture	(1.8%)	(0.3%)
Other (includes utilization of capital losses)	(0.2%)	-
Average effective tax rate	23.7%	25.5%

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 15.0% for both 2022 and 2021 and the average provincial rate of 11.1% for both 2022 and 2021.. The 2022 and 2021 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.

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, 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
Benefit (expense) to consolidated statement of earnings	-	-	-	(0.5)	(0.1)	(0.6)
Reclass assets/liabilities and other	-	-	-	-	0.3	0.3
Balance December 31, 2022	$ -	$ 0.5	$ 0.1	$ (0.1)	$ 0.7	$ 1.2

Deferred Income Tax Liabilities *(millions)*	Losses	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Other Timing	Total
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
(Benefit) expense to consolidated statement of earnings	0.1	1.8	(0.5)	(0.9)	(6.5)	(6.0)
Benefits to other comprehensive income	-	-	4.3	-	-	4.3
Reclass assets/liabilities and other	(0.1)	0.8	-	-	(0.2)	0.5
Balance December 31, 2022	$ (1.2)	$ 20.6	$ 10.7	$ 0.8	$ (12.5)	$ 18.4

Net deferred income tax liability at December 31, 2021	$ 18.1
Net deferred income tax liability at December 31, 2022	$ 17.2

d) At December 31, 2022, 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 (2021: $1.2 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, 2022, the Company had $nil (2021: $0.9 million) of capital losses carried forward which may only be used to offset future capital gains.

e) At December 31, 2022, the aggregate amount of temporary differences associated with undistributed earnings of non-Canadian subsidiaries was $667 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)	2022	2021
Provision for decommissioning liabilities	$ 3.1	$ 1.5
Deferred compensation and employee incentives (Note 19)	16.4	16.1
	19.5	17.6
Less: current portion	(1.5)	(3.1)
	$ 18.0	$ 14.5

Deferred compensation includes the RSU, DSU and SAR liabilities. RSU liabilities that will be paid within the current year amounting to $1.5 million have been reclassified to 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 processes, packages and sells them to end users in accordance with their specific needs.

Energy Field Stores

The Company's energy field stores operations carry a specialized product line focused on the needs of energy industry customers. These operations distribute flanges, valves, fittings and other products through our field store operations in 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 $171.7 million (2021: $85.7 million). These sales, which are at market rates, are eliminated in the following table.

a) Results by business segment:

(millions)	2022	2021
Segment Revenues		
Metals service centers	$ 3,523.0	$ 2,831.2
Energy field stores	903.0	813.7
Steel distributors	631.2	553.0
	5,057.2	4,197.9
Other	13.4	10.6
	$ 5,070.6	$ 4,208.5
Segment Operating Profits		
Metals service centers	$ 321.5	$ 482.9
Energy field stores	104.6	53.4
Steel distributors	77.0	110.0
	503.1	646.3
Corporate expenses and other	(21.3)	(43.7)
Earnings from joint venture	31.0	6.1
Impairment of goodwill and long-lived assets	-	(2.6)
Earnings before interest and provision for income taxes	512.8	606.1
Interest expense, net	(25.3)	(26.0)
Provision for income taxes	(115.6)	(147.9)
Net earnings	$ 371.9	$ 432.2
Capital Expenditures		
Metals service centers	$ 32.5	$ 26.2
Energy field stores	7.0	1.8
Steel distributors	1.9	0.6
Other	0.1	0.2
	$ 41.5	$ 28.8
Depreciation and Amortization Expense		
Metals service centers	$ 46.4	$ 37.1
Energy field stores	17.4	18.1
Steel distributors	1.2	1.8
Other	1.1	0.9
	$ 66.1	$ 57.9

(millions)	2022	2021
Current Identifiable Assets		
Metals service centers	$ 906.1	$ 1,007.2
Energy field stores	366.8	256.1
Steel distributors	216.6	307.2
	1,489.5	1,570.5
Non-Current Identifiable Assets		
Metals service centers	409.1	393.8
Energy field stores	121.1	117.6
Steel distributors	11.3	8.1
Total identifiable assets included in segments	2,031.0	2,090.0
Assets Not Included in Segments		
Cash and cash equivalents	363.0	133.1
Investment in joint venture	46.6	37.6
Income tax assets	17.5	17.6
Financial and other assets	4.6	5.0
Pension and benefits	42.0	29.5
Corporate and other operating assets	2.2	1.7
Total assets	$ 2,506.9	$ 2,314.5
Liabilities		
Metals service centers	$ 352.6	$ 450.5
Energy field stores	166.7	115.4
Steel distributors	52.2	63.2
Liabilities by segment	571.5	629.1
Liabilities Not Included in Segments		
Income taxes payable and deferred income tax liabilities	23.2	86.3
Long-term debt	296.0	294.8
Pension and benefits	1.5	3.4
Corporate and other liabilities	55.4	52.6
Total liabilities	$ 947.6	$ 1,066.2

b) Results by geographic segment:

(millions)	2022	2021
Segment Revenues		
Canada	$ 3,068.0	$ 2,692.5
United States	1,989.2	1,505.4
	$ 5,057.2	$ 4,197.9
Segment Operating Profits		
Canada	$ 338.4	$ 414.8
United States	164.7	231.5
	$ 503.1	$ 646.3
Identifiable Assets		
Canada	$ 1,280.0	$ 1,345.6
United States	751.0	744.4
	$ 2,031.0	$ 2,090.0

c) Revenues by product:

(millions)	2022	2021
Carbon		
Structurals and Pipe (WF & I Beams, Angles, Channels, Hollow Tubes)	$ 2,046.8	$ 1,709.7
Plate (Discrete & Plate in Coil)	1,125.8	959.1
Flanges, Valves, Fittings and other related products	590.7	423.5
Bars (Hot Rolled and Cold Finished)	256.7	224.3
Flat Rolled (Sheet & Coil)	498.0	528.7
Grating/ Expanded/Rails	50.7	38.5
Total Carbon	4,568.7	3,883.8
Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.)	230.6	164.6
Other	271.3	160.1
	$ 5,070.6	$ 4,208.5

NOTE 26 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021 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, 2022, 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)	2022	2021
Salaries and other benefits	$ 16.2	$ 16.2
Share based compensation cost	7.2	6.8
Post-employment benefits	0.1	0.1
	$ 23.5	$ 23.1

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, 2022 (millions)	Fair Value Through Profit and Loss	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ -	$ 363.0	$ -	$ 363.0
Accounts receivable	-	497.9	-	497.9
Other financial assets	-	3.5	-	3.5
Preferred shares held in joint venture	23.3	-	-	23.3
Accounts payable and accrued liabilities	-	-	(482.0)	(482.0)
Lease obligations	-	-	(126.9)	(126.9)
Long-term debt	-	-	(296.0)	(296.0)
Total	$ 23.3	$ 864.4	$ (904.9)	$ (17.2)

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
Other financial assets	-	3.4	-	3.4
Preferred shares held in joint venture	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)

For the year ended December 31, 2022, the fair value of derivative financial instruments on the consolidated statements of earnings was a gain of $0.8 million (2021: loss of $0.3 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, 2022 and 2021 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, 2022 (millions)	Carrying Amount	Fair Value Level 2
5 ¾% $150 million Senior Notes due October 27, 2025	$ 147.8	$ 146.9
6% $150 million Senior Notes due March 16, 2026	148.2	147.1
Total	$ 296.0	$ 294.0
Current portion	$ -	
Long-term portion	$ 296.0	

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	

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

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, 2022, 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, 2022 and 2021, other than the allowance for doubtful accounts (Note 6). As at December 31, 2022, trade accounts receivable greater than 90 days represented less than 3% of trade accounts receivable (2021: 3%).

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, 2022, the Company had outstanding forward foreign exchange contracts in the amount of US$95.3 million, maturing in 2023 (2021: US$62.5 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, 2022, 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
2023	$ 482.0	$ -	$ 17.6	$ 24.8	$ 524.4
2024	-	-	17.6	22.1	39.7
2025	-	150.0	17.5	20.0	187.5
2026	-	150.0	4.9	18.7	173.6
2027	-	-	-	17.3	17.3
2028 and beyond	-	-	-	75.4	75.4
Total	$ 482.0	$ 300.0	$ 57.6	$ 178.3	$ 1,017.9

At December 31, 2022, 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 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 continue 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

6600 Financial Drive
Mississauga, Ontario
L5N 7J6
www.russelmetals.com

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Corporate Head office on Tuesday, May 9, 2023 at 10:00 am

TRANSFER AGENT AND REGISTRAR

TSX TRUST COMPANY
301-100 Adelaide Street, West
Toronto, Ontario, Canada M5H 4H1
T: 1.800.387.0825 F: 1.888.249.6189
shareholderinquiries@tmx.com
www.tsxtrust.com

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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. These efforts have continued in 2022 and beyond. 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 for commentary on Non-GAAP Measures and Ratios)
Book Value Per Share - Shareholders' equity divided by common shares outstanding
EBIT - Earnings before deduction of interest and provision for income taxes
EBITDA - Earnings before deduction of interest, provision for income taxes, depreciation and amortization
Free Cash Flow - Cash from operating activities before change in non-cash working capital less capital expenditures
Invested Capital - Net Debt plus shareholders' equity
Net Debt - Total interest bearing debt, net of cash on hand
Net Debt to Invested Capital - Net Debt divided by Invested Capital
Return on Capital Employed - Adjusted EBIT divided by Invested Capital

6600 Financial Drive
Mississauga, Ontario
L5N 7J6
905-819-7777
1-800-268-0750
www.russelmetals.com