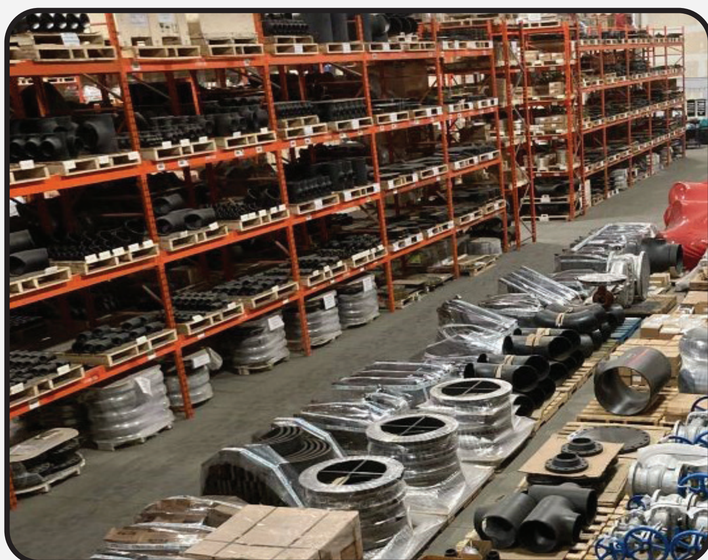
Russel Metals

Annual Report 2023

GROWTH INITIATIVES

VALUE-ADDED EQUIPMENT • FACILITY MODERNIZATIONS • ACQUISITIONS



Clockwise from top left:

- Energy field store acquired in 2023: Port Coquitlam (BC)
- Flat laser additions in 2023: Jonesboro (AR), Hope (AR) and Decatur (AL)
- New energy field store opened in 2023: Dawson Creek (BC)
- Beam line addition in 2023: Roseboro (NC)
- Tube laser additions in 2023: Saskatoon (SK), Pewaukee (WI) and Hope (AR)

Front Cover:

- Kinetic plasma and plate cutting- located in several branches
- Non-ferrous coils part of our product growth initiatives: Boucherville (QC)
- Energy field store: Nisku (AB)
- Facility modernization in process: Saskatoon (SK)

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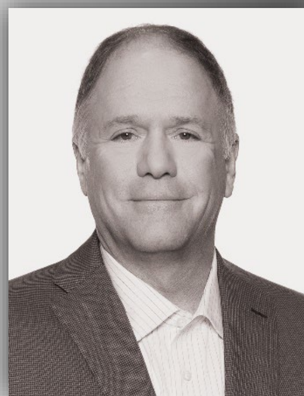
FINANCIAL HIGHLIGHTS

	2023	2022	2021	2020	2019
		Years Ended December 31			
OPERATING RESULTS (millions)					
Revenues	$4,505.1	$5,070.6	$4,208.5	$2,688.3	$3,675.9
EBITDA [1]	425.6	578.9	664.0	125.2	203.0
Adjusted EBITDA [1]	425.6	578.9	666.6	159.0	203.0
Adjusted EBITDA as a % of revenue [1]	9.4%	11.4%	15.8%	5.9%	5.5%
EBIT [1]	357.6	512.8	606.1	64.6	146.3
Adjusted EBIT [1]	357.6	512.8	608.7	98.4	146.3
Adjusted EBIT as a % of revenue [1]	7.9%	10.1%	14.5%	3.7%	4.0%
Net earnings	266.7	371.9	432.2	24.5	76.6
Basic earnings per common share ($)	$4.33	$5.91	$6.90	$0.39	$1.23
BALANCE SHEET INFORMATION (millions)					
Accounts receivable	$456.3	$495.2	$553.6	$343.4	$457.9
Inventories	840.3	956.5	986.0	716.4	883.6
Prepaid expenses and other assets	26.2	35.8	30.3	13.7	18.2
Accounts payable and accruals	(411.4)	(446.3)	(521.4)	(273.1)	(307.9)
Net working capital	911.4	1,041.2	1,048.5	800.4	1,051.8
Fixed assets	337.3	312.2	302.4	269.5	288.9
Right-of-use assets	100.0	101.7	86.7	81.4	90.1
Goodwill and intangibles	120.2	126.5	132.2	109.6	137.0
Lease obligations	(125.3)	(126.9)	(109.5)	(105.8)	(111.6)
Net assets employed in metals operations	1,343.6	1,454.7	1,460.3	1,155.1	1,456.2
Other operating assets	1.0	0.8	0.3	0.8	1.7
Net income tax assets (liabilities)	(11.7)	(5.7)	(68.7)	12.5	10.2
Pension and benefit assets (liabilities)	41.6	40.5	26.1	(7.9)	(5.0)
Other corporate assets (liabilities)	(66.6)	2.0	(8.0)	(28.4)	(27.5)
Total net assets employed	$1,307.9	$1,492.3	$1,410.0	$1,132.1	$1,435.6
CAPITALIZATION (millions)					
Bank indebtedness, net of (cash)	$(629.2)	$(363.0)	$(133.1)	$(26.3)	$46.2
Long-term debt (incl. current portion)	297.2	296.0	294.8	293.7	444.8
Total interest bearing debt, net of (cash)	(332.0)	(67.0)	161.7	267.4	491.0
Shareholders' equity	1,639.9	1,559.3	1,248.3	864.7	944.6
Invested Captial [1]	$1,307.9	$1,492.3	$1,410.0	$1,132.1	$1,435.6
OTHER INFORMATION (Notes)					
Book value per share ($) [1]	$27.16	$25.10	$19.78	$13.88	$15.19
Free cash flow (millions) [1]	$320.6	$482.8	$609.7	$94.4	$136.7
Capital expenditures (millions)	$72.7	$41.5	$28.8	$24.9	$34.8
Depreciation and amortization (millions)	$68.0	$66.1	$57.9	$60.6	$56.7
Net debt to invested capital [1]	(25%)	(4%)	11%	24%	35%
Return on invested capital [1]	25%	33%	51%	8%	10%
COMMON SHARE INFORMATION					
Ending outstanding common shares	60,388,426	62,112,220	63,100,220	62,295,441	62,173,430
Average outstanding common shares	61,527,975	62,891,611	62,667,618	62,191,208	62,132,030
Dividends per share	$1.58	$1.52	$1.52	$1.52	$1.52
Share price - High	$45.44	$36.15	$37.57	$23.09	$25.22
Share price - Low	$28.63	$23.80	$22.33	$10.97	$18.47
Share price - Ending	$45.03	$28.78	$33.63	$22.73	$22.17

[1] This chart includes certain financial measures that are not prescribed by International Financial Reporting Standards (GAAP) or have standardized meanings, and thus, may not be comparable to similar measures presented by other companies. Refer to page 6 of this Annual Report for commentary and certain definitions of Non-GAAP Measures and Ratios and 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,

2023 - Year in Review

I am proud of what our team has accomplished in 2023, as the breakout year included a series of actions that came together after several years of planning and hard work by the Russel team. We ended the year with revenues of $4.5 billion, EBITDA of $426 million and earnings per share of $4.33, which are stellar results. I would like to thank our entire team for their diligent efforts and continued commitment to excellence.

Growth

Our disciplined approach to growth came from both internal and external initiatives:

- Value-added equipment - we initiated or completed over 30 equipment projects in Canada and the U.S. during 2023.
- Facilities modernizations - we commenced construction of a new facility in Saskatoon (Saskatchewan), advanced the expansion of our Joplin (Missouri) location and approved new projects at our branches in Little Rock (Arkansas), Green Bay (Wisconsin) and Texarkana (Texas).
- Acquisitions - on December 4, 2023, we announced an agreement to acquire seven service centers located in Western Canada and the Northeastern U.S. from Samuel, Son & Co., Limited. We are excited about this transaction as our businesses are complementary from geographic, value-added equipment and product mix perspectives. We look forward to welcoming the approximately 340 employees to the Russel family. This acquisition is subject to Canadian regulatory approval. Our energy field store segment also expanded through the acquisition of Alliance Supply, as well as the opening of 3 new locations in both the U.S. and Canada.

Capital Efficiency

We are always focused on strong capital management to both reduce risk during periods of market volatility and maximize our returns over the cycle. To this end, we achieved the following:

- Completed the $60 million sale of our retained interest in the TriMark joint venture, which when aggregated with our previous steps to monetize our legacy OCTG/line pipe businesses resulted in a repatriation of approximately $375 million in underperforming capital.
- Maintained strong inventory controls and disciple during a period of steel price volatility. As a result, we maintained our industry leading position with a return on invested capital of 25%.

Financial Flexibility

We ended 2023 with the strongest capital structure in our history. At year-end 2023, we had a net cash position of $332 million, liquidity of $1.0 billion, a shareholder equity base of $1.6 billion ($27.16 per share) and a share price of $45.03, all of which were at or near record levels. As a result, we have significant flexibility to continue pursuing a range of strategic initiatives.

Returning Capital to Shareholders

Over the past 18 months, we adopted a more flexible and balanced approach to returning excess capital to shareholders. In particular:

- We implemented an opportunistic share buyback strategy under a normal course issuer bid ("NCIB"). In 2023, we purchased 2,159,656 shares for $82 million, which equated to an average cost of $37.75 per share. Since the inception of the NCIB in August 2022, we purchased 3,159,656 shares for $109 million, which equated to an average cost of $34.65 per share.

- We increased our quarterly dividend from $0.38 per share to $0.40 per share in May 2023. This was our first dividend increase since September 2014 and we will continue to revisit the appropriate dividend level on a regular cadence by taking into account our ongoing financial strength, growth and flexibility.

Health and Safety Commitment of Excellence

Our "Mission Zero" safety program has been a company priority over many years, and our 2023 results reflected the significant accomplishments across our organization. Not only did we achieve record low lost time incidents, but we were recognized by our industry peers with an award for our health and safety culture.

Board Succession

Stewart Burton joined our Board effective January 1, 2024. Stewart spent 36 years at RBC Capital Markets, most recently as Vice Chair, and brings extensive business, mergers and acquisitions, and capital markets experience to our Board. Stewart replaced Linh Austin, who stepped down as a Board member on January 1, 2024. I would like to personally thank Linh for his service and contribution to the Board.

William O'Reilly has announced that he will not be standing for re-election in 2024. Bill has had a continuous relationship with us since 1975 when he was an associate lawyer with our primary external law firm. Over the intervening years he has served at various times as outside counsel to management and the Board, as an executive officer of the Company, as Corporate Secretary and since May 2009, as a Director. I would like to personally thank Bill for everything that he has done for our Company and wish him and Becky the best in their travel adventures.

Elyse Allan will stand for election at our May shareholders meeting. Elyse brings a significant amount of business experience from her former role as President and CEO of General Electric Canada as well as her current Board positions with Brookfield Corporation and Invest Ontario.

The Future is Exciting

As we look forward, there are many positive developments on the horizon as we integrate the former Samuel branches in Western Canada and the Northeastern U.S. into Russel, our continued organic growth through value-added services and the flexibility of our balance sheet allows us to explore other capital allocation opportunities.

John G. Reid
President and Chief Executive Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

To assist management in the discharge of these responsibilities, the Company has developed, documented and maintained a system of internal controls in order to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared in accordance with International Financial Reporting Standards. In addition, the Company has developed and maintained a system of disclosure controls in order to provide reasonable assurance that the financial information is relevant, reliable and accurate. The Company has evaluated its internal and disclosure controls for the year ended December 31, 2023, 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 8, 2024

/s/ J. G. Reid
President and
Chief Executive Officer

/s/ 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, 2023

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, 2023, 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.sedarplus.ca or on our website at www.russelmetals.com.

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of February 8, 2024.

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; future acquisitions; facilities modernization; volatility in the energy industry; product claims; significant competition; sources of supply and supply chain disruptions; manufacturers selling directly; material substitution; failure of our key computer-based systems; cybersecurity; credit risk; currency exchange risk; restrictive debt covenants; goodwill or long-term asset impairment; the unexpected loss of key individuals; decentralized operating structure; labour interruptions; laws and governmental regulations; litigious environment; environmental liabilities; climate change; 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.sedarplus.ca.

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, 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 and EBITDA 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 is found below.

Cash from Working Capital - represents cash generated from changes in non-cash working capital.
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.
Return on Invested Capital - represents EBIT divided by average invested capital (net debt plus shareholders' equity).

RECONCILIATION OF NET EARNINGS TO EBITDA [1]

The following table provides a reconciliation of net earnings EBITDA [1]:

	Three Months Ended			Year Ended	
($ millions)	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Net earnings	$ 47.2	$ 60.6	$ 57.9	$ 266.7	$ 371.9
Provision for income tax	15.7	17.1	16.1	82.0	115.6
Interest expense	0.7	1.6	5.4	8.9	25.3
EBIT [1]	63.6	79.3	79.4	357.6	512.8
Depreciation and amortization	18.6	16.3	18.0	68.0	66.1
EBITDA [1]	$ 82.2	$ 95.6	$ 97.4	$ 425.6	$ 578.9
Net earnings per share	$ 0.78	$ 0.99	$ 0.93	$ 4.33	$ 5.91

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

OVERVIEW OF THE 2023 FOURTH QUARTER AND ANNUAL RESULTS

Our net earnings for the year ended December 31, 2023, were $267 million or $4.33 per share compared to net earnings of $372 million or $5.91 per share for 2022. Revenues for the year ended December 31, 2023, were $4.5 billion compared to $5.1 billion in 2022. EBITDA was $426 million compared to $579 million in 2022.

In the 2023 fourth quarter, our revenues, EBITDA and net earnings per share were $1.0 billion, $82 million and $0.78 per share, respectively compared to $1.1 billion, $97 million and $0.93 per share in the fourth quarter of 2022 and $1.1 billion, $96 million and $0.99 per share in the third quarter of 2023. During the 2023 fourth quarter, operating days and related shipment volumes were negatively impacted by normal seasonal factors as compared to the third quarter, but service center shipments were higher than the comparable fourth quarter of 2022 as we continued to focus on market share opportunities. In addition, we realized an improvement in gross margins in each of our three operating segments in the fourth quarter of 2023 versus the third quarter of 2023, as a result of our value-added investment initiatives and strong cost controls. EBITDA was negatively impacted by the mark-to-market on stock-based compensation of $7 million for the fourth quarter and $15 million for the year, due to the increase in our share price. In addition, the third quarter of 2023 benefited from the income and gain related to our interest in the TriMark joint venture that was sold in the third quarter and therefore did not contribute to earnings in the fourth quarter.

Our working capital management practices allowed us to generate $146 million of cash from working capital during 2023, including $82 million in the fourth quarter. This was driven by a $112 million reduction in inventories during 2023, including $39 million in the fourth quarter.

Market Conditions

The average steel prices in 2023 were lower than the 2022 averages, but prices began to recover late in the fourth quarter, which has continued into the first quarter of 2024.

Our energy field stores continued to benefit from favourable dynamics in the energy sector with ongoing capital spending activities.

Capital Investment Growth Initiatives

We invested $73 million in capital expenditures in 2023, including $28 million in the fourth quarter, that included a series of value-added equipment and facility modernization initiatives in both Canada and the U.S. We expect our 2024 capital expenditure level to be greater than $100 million, as a result of additional projects.

We continued to actively evaluate acquisition opportunities to grow our business and deploy capital at attractive returns. On October 2, 2023, we completed the acquisition of Alliance Supply Ltd. ("Alliance") for approximately $7 million in cash. The two Alliance locations have been integrated into our Canadian energy field store network.

On December 4, 2023, we announced that we had entered into an agreement to acquire seven service center locations from Samuel, Son & Co., Limited ("Samuel"), for approximately $225 million. The acquisition is very complementary from both geographic and product mix perspectives. In Western Canada, Samuel's five locations will be a strong fit with our current footprint, including providing new opportunities to benefit from Samuel's focus on non-ferrous products and our focus on value-added processing. In the U.S. Northeast, the two locations will provide an eastern extension of our existing operations in the U.S. Midwest. In addition, we believe there will be opportunities to achieve operating efficiencies by more effectively managing the combined footprint, including enhanced inventory management, procurement, location integration/rationalization, and systems. These reorganization initiatives are expected to be implemented over a two-year period. This acquisition is subject to Canadian regulatory clearance and is expected to close in the 2024 second quarter.

TriMark Joint Venture

In the third quarter of 2023, we sold our equity interest in TriMark to our venture partner for $60 million, which included a $10 million gain. The transaction was the final step in our exit from the OCTG/line pipe business. Over the last three years we repatriated approximately $375 million in capital from the OCTG/line pipe business.

Returning Capital to Shareholders

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

In the second quarter of 2023, we announced a 5% increase on our quarterly dividend from $0.38 per share to $0.40 per share. In 2023, we paid dividends of $97 million or $1.58 per share. In addition, we have declared a dividend of $0.40 per share, payable on March 15, 2024, to shareholders of record at the close of business on February 29, 2024.

During 2023, we purchased for cancellation 2,159,656 shares for $82 million, including 390,300 shares for $17 million in the fourth quarter. Since the beginning of our normal course issuer bid in August 2022, we have purchased for cancellation 3,159,656 shares at an average price per share of $34.65 for total consideration of $109 million.

Liquidity and Capital Structure

During 2023, we generated $462 million of cash from operating activities and ended the year with total available liquidity of over $1 billion.

SUMMARIZED FINANCIAL INFORMATION

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

2023

	Quarters Ended				Year Ended
(in millions, except per share data and volumes)	Mar. 31	June 30	Sept. 30	Dec. 31	Dec. 31
Revenues	$ 1,186.7	$ 1,189.6	$ 1,109.5	$ 1,019.3	$ 4,505.1
EBITDA [1]	116.4	131.4	95.6	82.2	425.6
Net earnings	73.9	85.0	60.6	47.2	266.7
Basic and diluted earnings per common share	$ 1.19	$ 1.37	$ 0.99	$ 0.78	$ 4.33
Total assets	$ 2,630.8	$ 2,647.1	$ 2,632.4	$ 2,570.1	$ 2,570.1
Non-current financial liabilities	$ 406.8	$ 406.0	$ 405.0	$ 406.8	$ 406.8
Dividends paid	$ 0.38	$ 0.40	$ 0.40	$ 0.40	$ 1.58
Market price of common shares					
High	$ 37.28	$ 37.85	$ 40.52	$ 45.44	$ 45.44
Low	$ 28.63	$ 31.24	$ 35.42	$ 33.38	$ 28.63
Shares outstanding end of quarter	62,428,342	61,307,326	60,778,726	60,388,426	60,388,426
Average shares outstanding	62,243,466	62,014,641	61,184,940	60,689,696	61,527,975
Number of common shares traded on the TSX	23,543,332	16,261,518	10,156,617	9,545,403	59,506,870

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 and 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

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

2021

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 885.4	$ 1,068.2	$ 1,108.1	$ 1,146.8	$ 4,208.5
EBITDA [1]	129.0	177.8	195.5	161.7	664.0
Net earnings	80.6	117.8	131.6	102.2	432.2
Basic and diluted earnings per common share	$ 1.29	$ 1.88	$ 2.10	$ 1.62	$ 6.90
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

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 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.

	Three Months Ended			Year Ended	
($ millions, except percentages)	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Segment Revenues					
Metals service centers	$ 682.5	$ 725.0	$ 750.6	$ 3,034.5	$ 3,523.0
Energy field stores	220.4	265.7	211.6	987.2	903.0
Steel distributors	110.8	112.5	134.8	466.3	631.2
Other	5.6	6.3	2.8	17.1	13.4
	$ 1,019.3	$ 1,109.5	$ 1,099.8	$ 4,505.1	$ 5,070.6
Segment Gross Margins [1]					
Metals service centers	$ 135.5	$ 136.9	$ 135.9	$ 614.8	$ 748.4
Energy field stores	56.4	63.4	58.7	254.2	241.3
Steel distributors	19.4	17.9	20.7	91.0	123.4
Other	5.6	6.3	2.8	17.1	13.4
Total operations	$ 216.9	$ 224.5	$ 218.1	$ 977.1	$ 1,126.5
Segment Operating Profits and EBIT [1]					
Metals service centers	$ 37.8	$ 35.9	$ 38.9	$ 202.5	$ 321.5
Energy field stores	19.6	28.1	24.0	105.1	104.6
Steel distributors	12.9	9.5	11.2	57.8	77.0
Corporate expenses and other	(6.7)	(5.9)	(5.1)	(34.9)	(21.3)
Earnings and gain from joint venture	-	11.7	10.4	27.1	31.0
Earnings before interest and income taxes	$ 63.6	$ 79.3	$ 79.4	$ 357.6	$ 512.8
Segment Gross Margin as a % of Revenues [1]					
Metals service centers	19.9%	18.9%	18.1%	20.3%	21.2%
Energy field stores	25.6%	23.9%	27.7%	25.7%	26.7%
Steel distributors	17.5%	15.9%	15.4%	19.5%	19.6%
Total operations	21.3%	20.2%	19.8%	21.7%	22.2%
Segment Operating Profit and EBIT as a % of Revenues [1]					
Metals service centers	5.5%	5.0%	5.2%	6.7%	9.1%
Energy field stores	8.9%	10.6%	11.3%	10.6%	11.6%
Steel distributors	11.6%	8.4%	8.3%	12.4%	12.2%
Total operations	6.2%	7.1%	7.2%	7.9%	10.1%

Results of our U.S. operations for the year ended December 31, 2023, were converted at $1.3495 per US$1 compared to $1.3017 per US$1 for the year ended December 31, 2022. Our U.S. operations represented approximately 39% of our total revenues. The exchange rate used to translate the balance sheet on December 31, 2023, was $1.3226 per US$1 versus $1.3544 per US$1 at December 31, 2022.

[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 34,000 end users through a network of 45 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

	Three Months Ended			Year Ended	
	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Financial Highlights					
Revenues *($ millions)*	$ 683	$ 725	$ 751	$ 3,035	$ 3,523
Tons shipped *(thousands of imperial tons)*	307	310	293	1,289	1,282
Gross margin *($ millions)* [1]	136	137	136	615	748
Gross margin per ton *($)*	443	442	464	477	583
Gross margin *(%)* [1]	19.9%	18.9%	18.1%	20.3%	21.2%
Operating profits *($ millions)* [1]	38	36	39	203	322

Revenues in our metals service center operations decreased 14% from 2022. Tons shipped in 2023 approximated tons shipped in 2022. The average selling price per ton was 14% lower in 2023 than 2022 as a result of lower steel prices. However, steel prices in general, and our price realizations in particular, started to recover late in the 2023 fourth quarter. In the fourth quarter of 2023, our shipments were 1% lower than the third quarter of 2023, but 5% higher than the comparable fourth quarter of 2022.

Gross margin as a percentage of revenues was 20.3% for the year ended December 31, 2023, which was lower than the 21.2% in 2022 due to lower steel prices, offset by higher margins from our value-added processing initiatives. However, the gross margin per ton of $477 continues to be higher than the historical average. Our gross margin percentage and gross margin per ton were both higher in the fourth quarter than the third quarter, as our margins improved towards the end of the 2023 with our cost of goods sold coming down as we benefited from the lag effect of lower cost inventory, while price realizations started to improve.

Operating expenses were 3% lower than 2022 due, in part, to lower variable compensation more than offsetting the inflationary factors in other operating costs.

Metals service centers operating profit for the year ended December 31, 2023, was $203 million compared to $322 million reported for 2022. Our operating profit of $38 million in the fourth quarter was higher than the $36 million reported in the third quarter of 2023, in spite of the seasonal impacts on volumes in the fourth quarter. In addition, our fourth quarter 2023 operating profit was comparable with the fourth quarter of 2022, even though we experienced lower average price realization in 2023.

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 46 Canadian and 14 U.S. facilities in our operations. We purchase our products from the pipe division of North American steel mills, independent manufacturers of flanges, valves and fittings and other products, international steel mills and other distributors.

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

b) *Energy field stores segment results*

	Three Months Ended			Year Ended	
	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Financial Highlights					
Revenues *($ millions)*	$ 220	$ 266	$ 212	$ 987	$ 903
Gross margin *($ millions)* [1]	56	63	59	254	241
Gross margin *(%)* [1]	25.6%	23.9%	27.7%	25.7%	26.7%
Operating profits *($ millions)* [1]	20	28	24	105	105

Revenues in our energy field stores segment increased by 9% in 2023 compared to 2022 due to continued positive momentum in the sector. Revenues declined in the fourth quarter compared to the third quarter of 2023 as a result of shipments related to large projects undertaken in the third quarter and normal seasonal factors that impacted shipping activity in the fourth quarter. However, revenues were higher in the fourth quarter of 2023 compared to the fourth quarter of 2022, as our business benefited from favourable business conditions and growing market share.

Gross margin as a percentage of revenues of 25.7% compared to 26.7% in 2022 due to a change in product mix. In the fourth quarter of 2023, our gross margins improved to 25.6% compared to 23.9% in the third quarter, as certain of the large project shipments in the third quarter were completed at lower than normal margins.

Operating expenses as a percentage of revenues were 15.1% in both 2023 and 2022 as our operating expenses, including variable compensation, were impacted by the financial results of the segment.

This segment generated operating profits of $105 million for 2023 and 2022.

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*

	Three Months Ended			Year Ended	
	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Financial Highlights					
Revenues *($ millions)*	$ 111	$ 113	$ 135	$ 466	$ 631
Gross margin *($ millions)* [1]	19	18	21	91	123
Gross margin *(%)* [1]	17.5%	15.9%	15.4%	19.5%	19.6%
Operating profits *($ millions)* [1]	13	10	11	58	77

Revenues in our steel distributors were 26% lower in 2023 compared to 2022 due to lower selling prices coming off a stellar year in 2022. However, revenues in the fourth quarter on 2023 were comparable to the third quarter of 2023 as customer activity was solid.

Gross margin as a percentage of revenues was 19.5% for the year ended December 31, 2023, consistent with the 19.6% for the year ended December 31, 2022. In the fourth quarter of 2023, margins improved to 17.5% as a result of favourable product mix.

Operating expenses of $91 million were lower than the $123 million in 2022 due to lower volumes and variable compensation impacted by lower profitability.

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

Operating profits for 2023 of $58 million were lower than the $77 million for 2022 due to lower revenues. In the fourth quarter of 2023, operating profits of $13 million improved compared to the third quarter of 2023 and the fourth quarter of 2022, as a result of favourable product mix and lower variable compensation expense.

CORPORATE EXPENSES AND OTHER

	Three Months Ended			Year Ended	
($ millions)	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Corporate expenses	$ 10	$ 10	$ 7	$ 43	$ 26
Other income	(3)	(4)	(2)	(8)	(5)
	$ 7	$ 6	$ 5	$ 35	$ 21

Corporate expenses of $43 million in 2023 were higher than $26 million in 2022, due to a mark-to-market on our non-cash stock-based compensation expense of $15 million in 2023 compared to an expense recovery of $2 million in 2022. Other income improved in 2023 compared to 2022 as a result of stronger market conditions for our Thunder Bay Terminal operations. In the fourth quarter of 2023, the corporate expenses and other were comparable with the third quarter, as increases related to the mark-to-market on our non-cash stock-based compensation expense were mostly offset by lower cash-based variable compensation expense.

EARNINGS FROM TRIMARK

	Three Months Ended			Year Ended	
($ millions)	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Dividends declared on preferred shares	$ -	$ -	$ 1	$ 1	$ 3
Change in fair value of preferred shares	-	-	-	-	(8)
Share of earnings from common shares	-	2	9	16	36
Gain on sale of joint venture	-	10	-	10	-
	$ -	$ 12	$ 10	$ 27	$ 31

On September 1, 2023, we sold our equity interest in TriMark to our venture partner for $60 million, which included a $10 million gain. The transaction was the final step in our staged exit from the OCTG/line pipe business. Over the last three years we repatriated approximately $375 million in capital from the OCTG/line pipe business.

INTEREST EXPENSE

	Three Months Ended			Year Ended	
($ millions)	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Interest on Senior Notes	$ 5	$ 5	$ 5	$ 19	$ 19
Interest on lease obligations	3	2	3	10	9
Other interest (income) expense, net	(7)	(5)	(3)	(20)	(3)
	$ 1	$ 2	$ 5	$ 9	$ 25

Net interest expense of $9 million for 2023 was lower compared to $25 million for 2022 due to higher interest income from higher interest rates on our growing cash balance.

INCOME TAXES

We recorded a provision for income taxes of $82 million for 2023 compared to a provision of $116 million for 2022. Our effective income tax rate for 2023 was 23.5% compared to 23.7% for 2022.

NET EARNINGS

Net earnings for 2023 were $267 million compared to $372 million in 2022. Basic earnings per share for 2023 was $4.33 per share compared to $5.91 per share in 2022.

SHARES OUTSTANDING AND DIVIDENDS

Common shares outstanding on December 31, 2023, and February 8, 2024, were 60.4 million compared to 62.1 million on December 31, 2022, due to the share repurchases. The weighted average number of common shares outstanding decreased to 61.5 million for 2023 compared to 62.9 million for 2022 primarily as a result of the share repurchases in 2023.

We paid common share dividends of $97 million or $1.58 per share in 2023 and $96 million or $1.52 per share in 2022. We raised our common share dividend from $0.38 per share to $0.40 per share in the 2023 second quarter.

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 our current level of 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 our current level of dividends.

CAPITAL EXPENDITURES

	Three Months Ended			Year Ended	
($ millions)	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Capital expenditures - property, plant and equipment	$ 28	$ 15	$ 16	$ 73	$ 42
Additions - right-of-use assets	6	1	3	15	17
Depreciation - property, plant and equipment	10	9	11	39	38
Depreciation - right-of-use assets	6	4	5	19	17

LIQUIDITY

On December 31, 2023, we had net cash, defined as cash less bank indebtedness, of $629 million compared to $363 million on December 31, 2022. We generated cash of $393 million from operating activities before non-cash working capital and generated $146 million from a reduction in working capital. We utilized $73 million for capital expenditures, $78 million in income tax payments, $82 million to repurchase shares and returned $97 million to our shareholders in the form of dividends. We generated $60 million from the sale of our TriMark joint venture.

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 $2.6 billion on December 31, 2023, compared to $2.5 billion on December 31, 2022. On December 31, 2023, current assets, excluding cash, represented 69% of our total assets compared to 70% on December 31, 2022.

Inventories represented 43% of our total assets, excluding cash, on December 31, 2023, and 45% on December 31, 2022.

Inventory by Segment *($ millions)*	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Metals service centers	$ 500	$ 514	$ 547	$ 573	$ 585
Energy field stores	237	249	276	245	206
Steel distributors	103	120	125	123	166
Total	$ 840	$ 883	$ 948	$ 941	$ 957

Cost of Sales by Segment *($ millions)*	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Metals service centers	$ 547	$ 588	$ 642	$ 642	$ 615
Energy field stores	164	202	183	184	153
Steel distributors	92	95	89	100	114
Total	$ 803	$ 885	$ 914	$ 926	$ 882

Inventory Turns [1] *(quarters ended)*	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Metals service centers	4.4	4.6	4.7	4.5	4.2
Energy field stores	2.8	3.3	2.6	3.0	3.0
Steel distributors	3.5	3.2	2.9	3.2	2.7
Total	3.8	4.0	3.9	3.9	3.7

On December 31, 2023, our metals service center tons were approximately 6% higher than our tons on December 31, 2022, and tons for steel distributors were approximately 26% lower. The average cost of inventory in our metals service centers on December 31, 2023, was approximately 15% lower than 2022 and steel distributors were approximately 3% lower. Inventory levels in our energy field stores increased year over year due to additional locations added in 2023.

Accounts receivable generated cash of $39 million in 2023 and represented 24% of our total assets, excluding cash, on December 31, 2023, compared to 23% on December 31, 2022.

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)*	2023	2022
Long-term Debt		
5 ¾% $150 million Senior Notes due October 27, 2025	$ 148	$ 148
6% $150 million Senior Notes due March 16, 2026	149	148
	$ 297	$ 296

CASH AND BANK CREDIT FACILITY

($ millions)	2023	2022
Bank loans	$ -	$ -
Cash net of outstanding cheques	629	363
Net cash	629	363
Letters of credit	(26)	(45)
	$ 603	$ 318
Facility		
Borrowings and letters of credit	$ 400	$ 400
Letters of credit	50	50
Facility availability	$ 450	$ 450
Available line based on borrowing base	$ 450	$ 450

We have a committed credit facility with a syndicate of Canadian and U.S. banks that provides $50 million for letters of credit and $400 million which can be utilized for borrowings or additional letters of credit. 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, 2023, we were entitled to borrow and issue letters of credit totaling $450 million under this facility. On December 31, 2023, we had no borrowings and $26 million of letters of credit outstanding. On December 31, 2022, we had no borrowings and letters of credit of $45 million.

On December 31, 2023, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facility we have access to approximately $1 billion of cash based on our December 31, 2023, balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases.

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

CONTRACTUAL OBLIGATIONS

On December 31, 2023, we were contractually obligated to make payments as per the following table:

Contractual Obligations *($ millions)*	Payments due in 2024	2025 and 2026	2027 and 2028	2029 and thereafter	Total
Accounts payable	$ 454	$ -	$ -	$ -	$ 454
Debt	-	300	-	-	300
Long-term debt interest	18	22	-	-	40
Lease obligations	26	47	39	65	177
Total	$ 498	$ 369	$ 39	$ 65	$ 971

We are obligated to pay $26 million in letters of credit when they mature in 2024. We have outstanding US$32 million (2022: US$95 million) in forward exchange contracts that mature in 2024.

We provide defined contribution pension plans for a majority of our Canadian and U.S. employees; however, we have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 16 of our 2023 consolidated financial statements. In late 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 2023 we contributed $1 million to these plans and used $3 million of our plan surplus to fund our defined contribution benefit plan. We expect to contribute $1 million to these plans during 2024 and expect to pay $3 million from our plan surplus in one of our defined benefit plans to fund our defined contribution plan.

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 $3 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, 2023, was $1 million higher than our reserve level on December 31, 2022.

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, 2023, approximated the level on December 31, 2022.

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 2023, 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. During 2023, we acquired Alliance for $7 million in cash which included $3 million for intangibles.

Investment in TriMark Joint Venture
During the third quarter of 2023, we sold our interest in the common and preferred shares of the TriMark joint venture.

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 $129 million in plan assets on December 31, 2023, which is an increase of approximately $6 million from December 31, 2022. The discount rate used on the employee benefit plan obligation for December 31, 2023, was 4.6%, which is 40 basis points lower than the discount rate on December 31, 2022.

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, 2023. 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 2023, 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 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 strategy includes a reduction of the capital allocated to operations that do not provide adequate returns. Our oil field store operations provide a 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, changing interest rates, prevailing oil price conditions and other macro-economic factors, including geopolitical risk, may lead to changes in estimates in our financial statements and the effect of such changes could be material and result in impairments of long-lived assets, including goodwill and intangibles, provisions for inventory and credit losses.

OUTLOOK

Steel prices and our margins recovered towards the end of 2023 and through the early part of 2024. We expect steel prices to remain relatively stable over the near term as a result of the solid market activity. Shipment volumes are expected to improve in the first quarter of 2024 as compared to the fourth quarter of 2023, due to the normal seasonal pick-up in operating days and customer demand. However, weather-related factors may impact shipments in certain of our operating regions. Over the medium term, we expect growth in North American steel consumption as a result of onshoring activities and infrastructure spending initiatives in both Canada and the U.S. In addition, we are positioned to gain market share through our ongoing investment initiatives. Our energy field stores are expected to continue to benefit from solid energy activity in 2024.

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, 2023 and December 31, 2022, 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 material accounting policy information (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, 2023 and December 31, 2022, 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, 2023. 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 others:

- 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 consolidated 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 8, 2024

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31 *(in millions of Canadian dollars, except per share data)*	2023	2022
Revenues	$ 4,505.1	$ 5,070.6
Cost of materials (Note 7)	3,528.1	3,944.0
Employee expenses (Note 20)	396.3	402.5
Other operating expenses (Note 20)	250.2	242.3
Gain on sale of investment in joint venture (Note 8)	(9.8)	-
Earnings from joint venture (Note 8)	(17.3)	(31.0)
Earnings before interest and provision for income taxes	357.6	512.8
Interest expense, net (Note 21)	8.9	25.3
Earnings before provision for income taxes	348.7	487.5
Provision for income taxes (Note 22)	82.0	115.6
Net earnings for the year	$ 266.7	$ 371.9
Basic earnings per common share (Note 19)	$ 4.33	$ 5.91
Diluted earnings per common share (Note 19)	$ 4.33	$ 5.91

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 *(in millions of Canadian dollars)*	2023	2022
Net earnings for the year	$ 266.7	$ 371.9
Other comprehensive (loss) income		
Items that may be reclassified to earnings		
Unrealized foreign exchange (losses) gains on translation of foreign operations	(21.4)	50.1
Items that may not be reclassified to earnings		
Actuarial gains on pension and similar obligations, net of taxes of $0.8 million (2022: $4.3 million)	2.2	12.0
Other comprehensive (loss) income	(19.2)	62.1
Total comprehensive income	$ 247.5	$ 434.0

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)*	2023	2022
ASSETS		
Current		
Cash and cash equivalents (Note 5)	$ 629.2	$ 363.0
Accounts receivable (Note 6)	457.4	497.9
Inventories (Note 7)	840.3	956.5
Prepaids and other	26.2	35.8
Income taxes receivable	8.2	16.3
	1,961.3	1,869.5
Property, Plant and Equipment (Note 9)	339.9	313.8
Right-of-Use Assets (Note 10)	100.0	102.7
Investment in Joint Venture (Note 8)	-	46.6
Deferred Income Tax Assets (Note 22)	1.2	1.2
Pension and Benefits (Note 16)	43.6	42.0
Financial and Other Assets (Note 11)	3.9	4.6
Goodwill and Intangibles (Note 12)	120.2	126.5
Total Assets	$ 2,570.1	$ 2,506.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 14)	$ 454.2	$ 482.0
Short-term lease obligations (Note 10)	15.7	14.7
Income taxes payable	3.6	4.8
	473.5	501.5
Long-Term Debt (Note 15)	297.2	296.0
Pensions and Benefits (Note 16)	2.0	1.5
Deferred Income Tax Liabilities (Note 22)	17.5	18.4
Long-term Lease Obligations (Note 10)	109.6	112.2
Provisions and Other Non-Current Liabilities (Note 23)	30.4	18.0
	930.2	947.6
Shareholders' Equity (Note 17)		
Common shares	556.3	562.4
Retained earnings	954.6	844.6
Contributed surplus	10.3	12.2
Accumulated other comprehensive income	118.7	140.1
Total Shareholders' Equity	1,639.9	1,559.3
Total Liabilities and Shareholders' Equity	$ 2,570.1	$ 2,506.9

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

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31 *(in millions of Canadian dollars)*	2023	2022
Operating Activities		
Net earnings for the year	$ 266.7	$ 371.9
Depreciation and amortization	68.0	66.1
Provision for income taxes	82.0	115.6
Interest expense, (net)	8.9	25.3
Gain on sale of property, plant and equipment	(0.8)	(2.8)
Gain on sale of investment in joint venture	(9.8)	-
Earnings from joint venture	(17.3)	(31.0)
Share-based compensation	-	0.2
Difference between pension expense and amount funded	1.9	1.9
Debt accretion, amortization and other	1.3	1.1
Interest paid net, including interest on lease obligations	(7.8)	(24.0)
Cash from operating activities before non-cash working capital	393.1	524.3
Changes in Non-cash Working Capital Items		
Accounts receivable	39.3	62.4
Inventories	111.9	45.0
Accounts payable and accrued liabilities	(14.5)	(83.8)
Other	9.6	(5.5)
Change in non-cash working capital	146.3	18.1
Income tax paid, net	(77.7)	(182.5)
Cash from operating activities	461.7	359.9
Financing Activities		
Issue of common shares	11.8	0.3
Repurchase of common shares	(81.5)	(27.9)
Dividends on common shares	(97.2)	(95.6)
Deferred financing	-	(0.2)
Lease obligations	(18.0)	(15.7)
Cash used in financing activities	(184.9)	(139.1)
Investing Activities		
Purchase of property, plant and equipment	(72.7)	(41.5)
Proceeds on sale of property, plant and equipment	1.2	3.2
Proceeds on sale of joint venture	60.0	-
Dividends received from joint venture	13.7	22.1
Purchase of business	(7.5)	-
Sale of business	-	9.7
Cash used in investing activities	(5.3)	(6.5)
Effect of exchange rates on cash and cash equivalents	(5.3)	15.6
Increase in cash and cash equivalents	266.2	229.9
Cash and cash equivalents, beginning of the year	363.0	133.1
Cash and cash equivalents, end of the year	$ 629.2	$ 363.0

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

Consolidated Statements of Changes in Equity

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2023	$ 562.4	$ 844.6	$ 12.2	$ 140.1	$ 1,559.3
Payment of dividends	-	(97.2)	-	-	(97.2)
Net income for the year	-	266.7	-	-	266.7
Other comprehensive loss for the year	-	-	-	(19.2)	(19.2)
Share options exercised	13.7	-	(1.9)	-	11.8
Shares repurchased	(19.8)	(61.7)	-	-	(81.5)
Transfer of net actuarial gains on defined benefit plans	-	2.2	-	(2.2)	-
Balance, December 31, 2023	$ 556.3	$ 954.6	$ 10.3	$ 118.7	$ 1,639.9

(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

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

Steel Distribution
The Company's steel distributors 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'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 8, 2024.

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, material 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 $1.3226 per US$1 at December 31, 2023 (December 31, 2022: $1.3544 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, 2023, the average U.S. dollar Bank of Canada closing exchange rate was $1.3495 per US$1 (2022: $1.3017 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 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 were effective on January 1, 2023 and were applied prospectively. The implementation of these amendments did not 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 were effective on January 1, 2023 and were applied to transactions that occur on or after the beginning of the earliest comparative period presented. The implementation of these amendments did not have a significant impact on the Company's financial position or results of operations.

FUTURE CHANGES

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 clarify the impact of loan arrangement covenants on the classification of liabilities as current or non-current at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of these amendments is not expected to have a significant impact on the company's financial position or results of operations.

IFRS 16 Leases

The amendments to IFRS 16 adds subsequent measurement requirements for sale and lease back transactions for seller-lessees. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of these amendments is not expected to have a significant impact on the company's financial position or results of operations.

NOTE 4 BUSINESS ACQUISITIONS

ACCOUNTING POLICIES

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

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

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

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

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

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

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

(vi) contingent consideration, 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

2023 Acquisition

On October 2, 2023, the Company completed its acquisition of 100% of the issued and outstanding shares of Alliance Supply Ltd. ("Alliance") which were integrated into our Canadian energy field store operations. The following summarizes the allocation of the consideration for this acquisition:

($ millions)	
Inventories	$ 2.8
Accounts receivable	1.6
Property, plant and equipment	0.1
Right-of-use assets	0.6
Intangibles	3.3
Goodwill	1.2
Accounts payable and accrued liabilities	(0.6)
Deferred tax liability	(0.9)
Lease obligations	(0.6)
Net identifiable assets acquired	$ 7.5
Consideration:	
Cash, net of cash acquired of $0.2 million	$ 7.5

The goodwill represents our geographic expansion and operational synergies and is not tax deductible. If the acquisition had taken place at the beginning of the 2023 fiscal year, management estimates that the acquired business would have provided revenues of $17.2 million and earnings before interest and provision for income taxes of $1.4 million.

NOTE 5 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

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

SUPPORTING INFORMATION

($ millions)	2023	2022
Cash	$ 191.6	$ 87.9
Cash equivalents	437.6	275.1
	$ 629.2	$ 363.0

NOTE 6 ACCOUNTS RECEIVABLE

ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

SUPPORTING INFORMATION

($ millions)	2023	2022
Trade receivables	$ 444.2	$ 484.7
Other receivables	13.2	13.2
	$ 457.4	$ 497.9

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

($ millions)	2023	2022
Allowance for Doubtful Accounts		
Balance, beginning of the year	$ 4.4	$ 5.6
Increases to reserve	1.8	0.3
Amounts written off	(1.4)	(1.9)
Adjustments	0.4	0.4
Balance, end of the year	$ 5.2	$ 4.4

At December 31, 2023 and 2022, 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 $4.6 million for the year ended December 31, 2023 (2022: $5.0 million).

As at December 31, 2023 ($ millions)	Current	Past Due 1-30 Days	Past Due 31-60 Days	Past Due Over 60 Days	Total Trade Receivables
Trade Receivables					
Gross trade receivables	$ 248.1	$ 153.8	$ 32.3	$ 15.2	$ 449.4
Allowance for doubtful accounts	(0.1)	(0.1)	(0.2)	(4.8)	(5.2)
Total net trade receivables	$ 248.0	$ 153.7	$ 32.1	$ 10.4	$ 444.2

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

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)*	2023	2022
Metals service centers	$ 499.5	$ 584.8
Energy field stores	237.5	205.6
Steel distributors	103.3	166.1
	$ 840.3	$ 956.5
Inventory provision	$ 31.7	$ 31.7

Inventories expensed in cost of sales for the year ended December 31, 2023 were $3.5 billion (2022: $3.9 billion).

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

On September 1, 2023, the Company sold its interest in the TriMark joint venture for $60.0 million and recorded a gain of sale of $9.8 million. The Company's investment included 50% of the common shares and preferred shares with a face value of $31.5 million.

The following is the continuity of the investment:

($ millions)	Common Shares	Preferred Shares	Total
Balance, December 31, 2022	$ 23.3	$ 23.3	$ 46.6
Earnings from joint venture	16.2	-	16.2
Dividends - common shares	(12.6)	-	(12.6)
Book value prior to sale	26.9	23.3	50.2
Proceeds on sale	(28.5)	(31.5)	(60.0)
(Gain) on sale	$ (1.6)	$ (8.2)	$ (9.8)

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

($ millions)	2023	2022
Share of earnings from joint venture	$ 16.2	$ 36.5
Change in fair value of preferred shares	-	(8.2)
Dividends - preferred shares	1.1	2.7
Earnings from joint venture	$ 17.3	$ 31.0

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

($ millions)	Dec 31 2022
Current assets	$ 422.1
Non-current assets	11.4
Current liabilities, including bank indebtedness of $148 million	(268.1)
Non-current liabilities	(49.8)
Net assets	$ 115.6

($ millions)	Period ended Aug 31 2023	Year ended Dec 31 2022
Revenue	$ 432.2	$ 875.2
Net income	$ 29.0	$ 76.8

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

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

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

SUPPORTING INFORMATION

Cost *($ millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 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
Business acquisition (Note 4)	-	0.1	-	0.1
Additions	18.5	53.2	1.0	72.7
Disposals	(1.4)	(12.2)	(0.5)	(14.1)
Foreign exchange	(2.8)	(5.9)	0.2	(8.5)
Balance, December 31, 2023	$ 320.9	$ 500.4	$ 25.1	$ 846.4

Accumulated Depreciation and Amortization *($ millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
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
Additions	9.5	28.2	1.4	39.1
Disposals	(1.4)	(11.7)	(0.6)	(13.7)
Foreign exchange	(0.2)	(1.0)	(0.1)	(1.3)
Balance, December 31, 2023	$ 157.2	$ 330.0	$ 19.3	$ 506.5

Net Book Value *($ millions)*	
December 31, 2022	$ 313.8
December 31, 2023	$ 339.9

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

On December 31, 2023, land, included in land and buildings, was $47.5 million (2022: $44.3 million).

Depreciation expense *($ millions)*	2023	2022
Depreciation - cost of materials	$ 6.6	$ 6.6
Depreciation - other operating expenses	32.5	31.1
	$ 39.1	$ 37.7

NOTE 10 RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

ACCOUNTING POLICIES

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

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

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

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

ACCOUNTING ESTIMATES AND JUDGEMENTS
In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options 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, 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
Additions	14.4	14.4
Business acquisitions (Note 4)	0.6	0.6
Disposals and modifications	2.5	2.5
Depreciation and amortization	(19.3)	-
Lease payments	-	(18.0)
Foreign exchange	(0.9)	(1.1)
Balance December 31, 2023	$ 100.0	$ 125.3
Current portion		$ 15.7
Long-term portion		$ 109.6

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

Right-of-use Assets *($ millions)*	2023	2022
Land and buildings	$ 76.9	$ 83.0
Machinery and equipment	23.1	19.7
	$ 100.0	$ 102.7

Depreciation Expense *($ millions)*	2023	2022
Land and buildings	$ 10.6	$ 10.0
Machinery and equipment	8.7	6.7
	$ 19.3	$ 16.7

For the year ended December 31, 2023, the Company expensed $0.6 million (2022: $0.4 million) for short-term and low value leases.

NOTE 11 FINANCIAL AND OTHER ASSETS

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

SUPPORTING INFORMATION

($ millions)	2023	2022
Deferred charges on revolving credit facility	$ 0.5	$ 1.1
Other assets	3.4	3.5
	$ 3.9	$ 4.6

For the year ended December 31, 2023, the amortization of deferred financing charges was $0.6 million (2022: $0.7 million).

NOTE 12 GOODWILL AND INTANGIBLES

ACCOUNTING POLICIES

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

Intangible assets are comprised of customer relationships and trademarks. They are recorded at cost, which for business acquisitions represents the fair value at the date of acquisition less accumulated amortization and accumulated impairment losses. Customer relationships are amortized on a straight line basis over their estimated useful lives 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)	2023	2022
Goodwill	$ 51.3	$ 50.8
Intangibles	68.9	75.7
	$ 120.2	$ 126.5

a) Goodwill

The continuity of goodwill is as follows:

Goodwill *($ millions)*	2023	2022
Balance, beginning of the year	$ 50.8	$ 49.0
Business acquisition (Note 4)	1.2	-
Foreign exchange	(0.7)	1.8
Balance, end of the year	$ 51.3	$ 50.8

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)*	2023	2022
Metals Service Centers		
U.S.		
South Central	$ 10.4	$ 10.6
Wisconsin	2.9	2.9
South East	13.7	13.8
Canadian		
Alberta	11.0	11.0
Ontario	10.1	10.5
Atlantic	2.0	2.0
Energy Field Stores		
Canadian		
Alberta	1.2	-
	$ 51.3	$ 50.8

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 2023	Total 2022
Balance, beginning of the year	$ 50.7	$ 103.4	$ 154.1	$ 150.6
Business acquisitions (Note 4)	-	3.3	3.3	-
Foreign exchange	(1.1)	-	(1.1)	3.5
Balance, end of the year	$ 49.6	$ 106.7	$ 156.3	$ 154.1

Accumulated Amortization *($ millions)*	Metals Service Centers	Energy Field Stores	Total 2023	Total 2022
Balance, beginning of the year	$ (20.8)	$ (57.6)	$ (78.4)	$ (67.4)
Amortization	(2.3)	(6.7)	(9.0)	(11.0)
Balance, end of the year	$ (23.1)	$ (64.3)	$ (87.4)	$ (78.4)

Carrying Amount	
December 31, 2022	$ 75.7
December 31, 2023	$ 68.9

The carrying amount of intangible assets as at December 31, 2023 relates to customer relationships and trademarks arising from the acquisition of Alberta Industrial Metals, Apex Distribution, Color Steels, City Pipe, Sanborn, Boyd and Alliance. The remaining amortization period for customer relationships is 2 to 15 years.

NOTE 13 REVOLVING CREDIT FACILITY

The Company has a credit agreement which consists of availability of $400 million under Tranche I to be utilized for borrowings and letters of credit and $50 million under Tranche II to be utilized only for letters of credit. Letters of credit are issued under Tranche II first and additional needs are issued under Tranche I. 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, 2023. At December 31, 2023 and 2022, the Company had no borrowings, and letters of credit of $25.5 million (2022: $45.1 million) under this facility.

NOTE 14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

ACCOUNTING POLICIES

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

SUPPORTING INFORMATION

($ millions)	2023	2022
Trade payables and accrued expenses	$ 450.0	$ 477.8
Accrued interest	4.2	4.2
	$ 454.2	$ 482.0

NOTE 15 LONG-TERM DEBT

ACCOUNTING POLICIES

Long-term debt is recognized initially at fair value, net of transaction costs incurred. Long-term debt is subsequently recorded at amortized cost with any difference between the proceeds (net of 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)	2023	2022
5 ¾% $150 million Senior Notes due October 27, 2025	$ 148.5	$ 147.8
6% $150 million Senior Notes due March 16, 2026	148.7	148.2
	$ 297.2	$ 296.0

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, 2023 at 101.5% of the principal amount and at 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, 2023.

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, 2023 at 101.4% of the principal amount and at 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, 2023.

NOTE 16 PENSIONS AND BENEFITS

ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

SUPPORTING INFORMATION

a) The Company maintains a defined contribution pension plan ("DCPP") for most of its Canadian salaried employees as its defined benefits plans were closed for new employees over 20 years ago. The Company merged six of its defined benefit plans into the DCPP (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)	2023	2022
Defined Benefit Pension Plans		
Current service cost	$ 1.6	$ 3.3
Plan administration cost	0.3	0.4
	1.9	3.7
Post-retirement benefits	0.1	0.1
Defined contribution plans	7.0	6.9
Pension and benefit expense	$ 9.0	$ 10.7

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

($ millions)	2023	2022
Remeasurements of the Net Defined Benefit Liability		
Actuarial gains due to actuarial experience	$ -	$ 4.2
Actuarial (loss) gains due to financial assumption changes	(4.4)	33.0
Actuarial loss due to demographic assumption changes	-	-
Return on plan assets greater (less) than the discount rate	7.4	(20.9)
Remeasurement effect recognized in other comprehensive income	$ 3.0	$ 16.3
Cumulative Actuarial Gains Relating to Pensions and Benefits		
Balance of actuarial gains at January 1	$ 38.5	$ 22.2
Net actuarial gains recognized in the year	3.0	16.3
Balance of actuarial gains at December 31	$ 41.5	$ 38.5

There were no adjustments related to asset ceiling limits in other comprehensive income for the years ended December 31, 2023 and 2022.

The actuarial determinations were based on the following assumptions:

	2023	2022
Assumed discount rate - year end	4.60%	5.00%
Rate of increase in future compensation	3.00%	3.25%
Rate of increase in future government benefits	2.75%	2.75%

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 $2.9 million as of December 31, 2023 (2022: $4.4 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 the 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.

($ millions)	Pension Plans 2023	Pension Plans 2022	Other Benefit Plans 2023	Other Benefit Plans 2022
Reconciliation of Present Value of the Defined Benefit Obligation				
Balance, beginning of the year	$ 80.8	$ 151.2	$ 1.5	$ 1.8
Increase in liability due to settlement	-	1.2	-	-
Current service costs	1.6	3.3	-	-
Participant contributions	0.1	0.1	-	-
Interest cost	3.9	4.4	0.1	0.1
Benefits paid	(4.7)	(7.3)	(0.1)	(0.1)
Settlement payment	-	(35.1)	-	-
Actuarial losses (gains)	4.4	(37.0)	-	(0.3)
Balance, end of the year	$ 86.1	$ 80.8	$ 1.5	$ 1.5

($ millions)	Pension Plans 2023	Pension Plans 2022	Other Benefit Plans 2023	Other Benefit Plans 2022
Reconciliation of Present Value of the Plan Assets				
Balance, beginning of the year	$ 122.8	$ 179.1	$ -	$ -
Interest income	5.9	5.3	-	-
Employer contributions	(2.0)	2.0	0.1	0.1
Employee contributions	0.1	0.1	-	-
Benefits paid	(4.7)	(7.3)	(0.1)	(0.1)
Settlement payment	-	(35.1)	-	-
Plan administration costs	(0.3)	(0.4)	-	-
Return on plan assets greater (less) than discount rate	7.4	(20.9)	-	-
Balance, end of the year	$ 129.2	$ 122.8	$ -	$ -
Defined benefit (asset) obligations, net	$ (43.1)	$ (42.0)	$ 1.5	$ 1.5

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

($ millions)	2023	2022
Cash and cash equivalents	$ 23.5	$ 17.8
Equities		
Canadian equity	23.8	47.2
Global equity fund	35.1	28.8
	58.9	76.0
Fixed Income Investments Categorized by Type of Issuer		
Government guaranteed	10.0	6.2
Provincials	20.6	12.2
Corporate	16.2	10.6
	46.8	29.0
	$ 129.2	$ 122.8

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

($ millions)	Pension Plans 2023	Pension Plans 2022	Other Benefit Plans 2023	Other Benefit Plans 2022
Defined Benefit (Asset) Obligations				
Plans with surplus	$ (43.6)	$ (42.0)	$ -	$ -
Partially funded plans	0.5	-	-	-
Unfunded plans	-	-	1.5	1.5
Defined benefit (asset) obligations	$ (43.1)	$ (42.0)	$ 1.5	$ 1.5

c) As at December 31, 2023 approximately 46% (2022: 63%) of the fair value of all pension plan assets was invested in equities, 36% (2022: 24%) in fixed income securities, and 18% (2022: 13%) 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% - 60% in equities, 30% - 60% in fixed income securities and 0% - 20% in cash and cash equivalents.

d) The weighted average duration of defined benefit obligations is 14.5 years (2022: 12.2 years) for defined benefit pension plans, 9.6 years (2022: 9.6 years) for executive pension arrangements and 6.0 years (2022: 5.7 years) for other post retirement benefit plans. The Company expects to make contributions of $0.8 million to its defined benefit pension plans and $0.2 million to its post retirement benefits medical plans in the next financial year.

NOTE 17 SHAREHOLDERS' EQUITY

a) At December 31, 2023 and 2022, 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, 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
Share options exercised	435,862	13.7
Shares repurchased	(2,159,656)	(19.8)
Balance, December 31, 2023	60,388,426	$ 556.3

During the year ended December 31, 2023, the Company purchased 2,159,656 shares under the Company's normal course issuer bid at an average cost of $37.75 per share for a total cost of $81.5 million. The original cost of these shares of $19.8 million was recorded as a reduction of share capital and the balance of $61.7 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, 2021	$ 12.1
Share-based compensation expense	0.2
Options exercised	(0.1)
Balance, December 31, 2022	12.2
Options exercised	(1.9)
Balance, December 31, 2023	$ 10.3

Dividends paid and declared were as follows:

	2023	2022
Dividends paid ($ millions)	$ 97.2	$ 95.6
Dividends per share	$ 1.58	$ 1.52
Quarterly dividend per share declared on February 8, 2024 (February 9, 2023)	$ 0.40	$ 0.38

NOTE 18 SHARE-BASED COMPENSATION

ACCOUNTING POLICIES

The Company accounts for Share Options and Share Appreciation Rights ("SARs") at fair value. The Company utilizes the Black-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	
	2023	2022	2023	2022
Balance, beginning of year	575,785	632,647	$ 26.27	$ 26.36
Exercised	(435,862)	(12,000)	27.03	27.53
Expired or forfeited	(39,375)	(44,862)	28.99	27.32
Balance, end of the year	100,548	575,785	$ 21.89	$ 26.27
Exercisable	48,611	470,752	$ 21.94	$ 27.29

The outstanding options have exercise price ranges as follows:

(number of options)	2023	2022
$ 29.00 - $ 31.46	-	126,382
$ 25.37 - $ 28.99	-	154,582
$ 14.61 - $ 25.36	100,548	294,821
Options outstanding	100,548	575,785

The options expire in the years 2024 to 2032 and have a weighted average remaining contractual life of 3.5 years (2022: 2.9 years)

Share Appreciation Rights

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

The continuity of SARs is as follows:

	Number of SARs		Weighted Average Exercise Price	
	2023	2022	2023	2022
Balance, beginning of year	332,830	260,282	$ 26.27	$ 24.40
Granted	55,768	72,548	36.67	32.99
Paid out	(108,277)	-	25.51	-
Balance, end of the year	280,321	332,830	$ 28.63	$ 26.27

The SARs liability and fair value at December 31, 2023, was $3.3 million and $4.6 million respectively (December 31, 2022: $0.8 million and $1.2 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)	2023	2022
Balance, beginning of the year	343,104	327,380
Granted	43,079	50,923
Paid out	-	(35,199)
Balance, end of the year	386,183	343,104

The liability and fair value of DSUs was $17.4 million at December 31, 2023, (2022: $9.9 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)	2023	2022
Balance, beginning of the year	312,464	161,381
Granted	256,393	267,098
Paid out	(55,271)	(116,015)
Balance, end of the year	513,586	312,464

The RSU liability at December 31, 2023, was $17.0 million (2022: $5.7 million). The fair value of RSUs was $23.1 million at December 31, 2023, (2022: $9.0 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)	2023	2022
Share options	$ -	$ 0.1
DSUs, SARs and RSUs	19.0	3.0
Employee Share Purchase Plan	0.7	0.7
	$ 19.7	$ 3.8

NOTE 19 EARNINGS PER SHARE

ACCOUNTING POLICIES

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

SUPPORTING INFORMATION

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

($ millions)	2023	2022
Net income used in calculation of basic and diluted earnings per share	$ 266.7	$ 371.9

(number of shares)	2023	2022
Weighted average shares outstanding	61,527,975	62,891,611
Dilution impact of share options	39,479	63,975
Diluted weighted average shares outstanding	61,567,454	62,955,586

NOTE 20 EXPENSES

($ millions)	2023	2022
Employee Expenses		
Wages and salaries	$ 347.7	$ 350.6
Other employee related costs	48.6	51.9
	$ 396.3	$ 402.5
Other Operating Expenses		
Plant and other expenses	$ 124.4	$ 121.8
Delivery expenses	84.9	86.9
Repairs and maintenance	20.5	19.0
Selling expenses	14.1	10.7
Professional fees	8.9	4.8
Gain on sale of property, plant and equipment	(0.8)	(2.8)
Foreign exchange (gain) loss	(1.8)	1.9
	$ 250.2	$ 242.3

NOTE 21 INTEREST EXPENSE

($ millions)	2023	2022
Interest on 6% $150 million Senior Notes	$ 9.5	$ 9.5
Interest on 5 ¾% $150 million Senior Notes	9.3	9.3
Interest on lease obligations	10.0	8.7
Other interest income, net	(19.9)	(2.2)
Interest expense, net	$ 8.9	$ 25.3

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, 2023 was $1.3 million (2022: $1.1 million).

NOTE 22 INCOME TAXES

ACCOUNTING POLICIES

Income tax expense comprises of 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)	2023	2022
Current tax expense	$ 84.5	$ 121.0
Deferred tax recovery	(2.5)	(5.4)
	$ 82.0	$ 115.6

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

	2023	2022
Applicable combined Canadian statutory rate	25.9%	26.1%
Rate difference of U.S. companies	(0.6%)	(0.5%)
Share-based compensation and non-deductible items	0.2%	0.1%
Share of earnings from joint venture	(1.8%)	(1.8%)
Other (includes utilization of capital losses)	(0.2%)	(0.2%)
Average effective tax rate	23.5%	23.7%

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 15.0% for both 2023 and 2022 and the average provincial rate of 10.9% for 2023 and 11.1% for 2022. The 2023 and 2022 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, 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
Benefit (expense) to consolidated statement of earnings	-	(0.1)	-	-	0.4	0.3
Reclass assets/liabilities and other	-	-	-	-	(0.3)	(0.3)
Balance December 31, 2023	$ -	$ 0.4	$ 0.1	$ (0.1)	$ 0.8	$ 1.2

Deferred Income Tax Liabilities *($ millions)*	Losses	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Other Timing	Total
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
(Benefit) expense to consolidated statement of earnings	-	2.4	(0.6)	(0.9)	(3.1)	(2.2)
Benefits to other comprehensive income	-	-	0.8	-	-	0.8
Business acquisition (Note 4)	-	-	-	0.9	-	0.9
Reclass assets/liabilities and other	-	(0.3)	-	(0.1)	-	(0.4)
Balance December 31, 2023	$ (1.2)	$ 22.7	$ 10.9	$ 0.7	$ (15.6)	$ 17.5

Net deferred income tax liability at December 31, 2022	$ 17.2
Net deferred income tax liability at December 31, 2023	$ 16.3

d) At December 31, 2023, 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 (2022: $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.

e) At December 31, 2023, the aggregate amount of temporary differences associated with undistributed earnings of non-Canadian subsidiaries was $745 million. No liability has been recognized in respect of these differences because the Company is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

NOTE 23 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

SUPPORTING INFORMATION

($ millions)	2023	2022
Provision for decommissioning liabilities	$ 3.1	$ 3.1
Deferred compensation and employee incentives (Note 18)	37.7	16.4
	40.8	19.5
Less: current portion	(10.4)	(1.5)
	$ 30.4	$ 18.0

Deferred compensation includes the RSU, DSU and SAR liabilities. RSU liabilities that will be paid within the current year amounting to $10.4 million have been reclassified to current liabilities.

NOTE 24 SEGMENTED INFORMATION

ACCOUNTING POLICIES

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

SUPPORTING INFORMATION

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

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

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

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 $113.5 million (2022: $171.7 million). These sales, which are at market rates, are eliminated in the following table.

a) Results by business segment:

($ millions)	2023	2022
Segment Revenues		
Metals service centers	$ 3,034.5	$ 3,523.0
Energy field stores	987.2	903.0
Steel distributors	466.3	631.2
	4,488.0	5,057.2
Other	17.1	13.4
	$ 4,505.1	$ 5,070.6
Segment Operating Profits		
Metals service centers	$ 202.5	$ 321.5
Energy field stores	105.1	104.6
Steel distributors	57.8	77.0
	365.4	503.1
Corporate expenses and other	(34.9)	(21.3)
Gain on sale of investment in joint venture	9.8	-
Earnings from joint venture	17.3	31.0
Earnings before interest and provision for income taxes	357.6	512.8
Interest expense, net	(8.9)	(25.3)
Provision for income taxes	(82.0)	(115.6)
Net earnings	$ 266.7	$ 371.9
Capital Expenditures		
Metals service centers	$ 60.0	$ 32.5
Energy field stores	9.9	7.0
Steel distributors	1.6	1.9
Other	1.2	0.1
	$ 72.7	$ 41.5
Depreciation and Amortization Expense		
Metals service centers	$ 46.8	$ 46.4
Energy field stores	18.7	17.4
Steel distributors	1.4	1.2
Other	1.1	1.1
	$ 68.0	$ 66.1

($ millions)	2023	2022
Current Identifiable Assets		
Metals service centers	$ 793.0	$ 906.1
Energy field stores	392.4	366.8
Steel distributors	139.5	216.6
	1,324.9	1,489.5
Non-Current Identifiable Assets		
Metals service centers	424.6	409.1
Energy field stores	121.7	121.1
Steel distributors	11.2	11.3
Total identifiable assets included in segments	1,882.4	2,031.0
Assets Not Included in Segments		
Cash and cash equivalents	629.2	363.0
Investment in joint venture	-	46.6
Income taxes receivable and deferred income tax assets	9.4	17.5
Financial and other assets	3.9	4.6
Pension and benefits	43.6	42.0
Corporate and other operating assets	1.6	2.2
Total assets	$ 2,570.1	$ 2,506.9
Liabilities		
Metals service centers	$ 365.6	$ 352.6
Energy field stores	134.6	166.7
Steel distributors	34.9	52.2
Liabilities by segment	535.1	571.5
Liabilities Not Included in Segments		
Income taxes payable and deferred income tax liabilities	21.1	23.2
Long-term debt	297.2	296.0
Pension and benefits	2.0	1.5
Corporate and other liabilities	74.8	55.4
Total liabilities	$ 930.2	$ 947.6

b) Results by geographic segment:

($ millions)	2023	2022
Segment Revenues		
Canada	$ 2,720.5	$ 3,068.0
United States	1,767.5	1,989.2
	$ 4,488.0	$ 5,057.2
Segment Operating Profits		
Canada	$ 236.3	$ 338.4
United States	129.1	164.7
	$ 365.4	$ 503.1
Identifiable Assets		
Canada	$ 1,172.1	$ 1,280.0
United States	710.3	751.0
	$ 1,882.4	$ 2,031.0

c) Revenues by product:

($ millions)	2023	2022
Carbon		
Structurals and Pipe (WF & I Beams, Angles, Channels, Hollow Tubes)	$ 1,803.6	$ 2,046.8
Plate (Discrete & Plate in Coil)	912.0	1,125.8
Flanges, Valves, Fittings and other related products	647.4	590.7
Bars (Hot Rolled and Cold Finished)	221.5	256.7
Flat Rolled (Sheet & Coil)	423.4	498.0
Grating/ Expanded/Rails	44.2	50.7
Total Carbon	4,052.1	4,568.7
Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.)	209.8	230.6
Other	243.2	271.3
	$ 4,505.1	$ 5,070.6

NOTE 25 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2023 and 2022 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, 2023, 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)	2023	2022
Salaries and other benefits	$ 15.8	$ 16.2
Share based compensation cost	8.1	7.2
Post-employment benefits	0.1	0.1
	$ 24.0	$ 23.5

NOTE 26 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

ACCOUNTING POLICIES

a) Fair value measurement

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

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

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

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

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

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

b) Financial assets

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

Financial Assets at Fair Value through Profit or Loss

- Classification

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category include 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, 2023 ($ millions)	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ 629.2	$ -	$ 629.2
Accounts receivable	457.4	-	457.4
Other financial assets	3.4	-	3.4
Accounts payable and accrued liabilities	-	(454.2)	(454.2)
Lease obligations	-	(125.3)	(125.3)
Long-term debt	-	(297.2)	(297.2)
Total	$ 1,090.0	$ (876.7)	$ 213.3

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)

For the year ended December 31, 2023, the fair value of derivative financial instruments on the consolidated statements of earnings was a gain of $2.9 million (2022: gain of $0.8 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, 2023 and 2022 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, 2023 ($ millions)	Carrying Amount	Fair Value Level 2
5 ¾% $150 million Senior Notes due October 27, 2025	$ 148.5	$ 150.2
6% $150 million Senior Notes due March 16, 2026	148.7	150.2
Total	$ 297.2	$ 300.4
Current portion	$ -	
Long-term portion	$ 297.2	

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	

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, 2023, nearly all cash and cash equivalents were held in institutions that were R1 High by DBRS;
- Counterparties to derivative contracts are members of the syndicated banking facility (Note 13);
- Credit limits minimize exposure to any one customer; and
- The customer base is geographically diverse and in different industries.

No allowance for credit losses on financial assets was required as of December 31, 2023 and 2022, other than the allowance for doubtful accounts (Note 6). As at December 31, 2023, trade accounts receivable greater than 90 days represented less than 4% of trade accounts receivable (2022: 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, 2023, the Company had outstanding forward foreign exchange contracts in the amount of US$32.3 million, maturing in 2024 (2022: US$95.3 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, 2023, 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
2024	$ 454.2	$ -	$ 17.6	$ 26.2	$ 498.0
2025	-	150.0	17.5	24.3	191.8
2026	-	150.0	4.9	22.8	177.7
2027	-	-	-	21.3	21.3
2028	-	-	-	17.8	17.8
2029 and beyond	-	-	-	64.7	64.7
Total	$ 454.2	$ 300.0	$ 40.0	$ 177.1	$ 971.3

At December 31, 2023, the Company was contractually obligated to repay its letters of credit under its bank facilities (Note 13).

g) Capital management

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

NOTE 27 CONTINGENCIES, COMMITMENTS AND GUARANTEES

a) Commitment

On December 4, 2023, the Company entered into an agreement to acquire seven service center locations from Samuel, Son & Co., Limited for approximately $225 million. This acquisition is subject to Canadian regulatory clearance and is expected to close in the 2024 second quarter.

b) 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.

c) 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.

FORCED LABOUR AND CHILD LABOUR POLICY

The *Fighting Against Forced Labour and Child Labour in Supply Chains Act* ("the Act") requires certain businesses to publish a statement setting out the steps taken in the previous financial year to prevent and reduce the risk that forced labour or child labour are used in the production or importation of goods.

Russel Metals Inc. is publishing this statement on behalf of itself and its relevant subsidiaries to whom the Act applies (collectively, "Russel Metals" or "the Company").

Structure, Activities and Supply Chains

Russel Metals is one of the largest metals distribution companies in North America. We conduct our business in three principal segments: metals service centers; energy field stores; and steel distributors. Our business is comprised of approximately 132 locations, 93 in Canada and 39 in the United States.

The Company's supply chain is predominantly North American based with approximately 76% of our aggregate purchases of metal products coming from Canada and the United States. The Company's primary metal products sold include carbon hot rolled and cold finished steel, pipe and tubular products, valves, flanges and fittings, stainless steel, aluminum, and other non-ferrous metals.

Our steel distributors segment comprises the majority of our import purchases as they act as master distributors selling steel in large volumes to other steel service centers and large equipment manufactures mainly on an "as is" basis. The main products sourced by this segment are carbon steel plate, flat rolled products, beams, channel and pipe. Much of the material sourced by this segment is due to it not being produced in North America or not available in sufficient quantities.

Policies and Due Diligence

Policies and Compliance

The Company has policies and standards in place to ensure that we conduct business in a legal and ethical manner globally. These policies include our Code of Business Conduct and Ethics Policy ("the Code") to ensure ethical business practice and compliance with applicable law. The Company monitors compliance with the Code and every employee is required to sign and agree to follow the Code.

The Company also has a Supplier Code of Conduct ("the Supplier Code"). The Supplier Code articulates the Company's expectations with respect to the goods it procures and asks each Supplier to follow and to certify its compliance with the Supplier Code. The Supplier Code expressly prohibits the use of forced labour or child labour in the production of the goods purchased by the Company. The Supplier Code also sets out the Company's expectations with respect to compliance with applicable laws, business ethics, environmental impact, conflict minerals, health and safety and human rights.

The Company maintains a confidential and anonymous reporting system that allows employees to raise concerns free of discrimination, retaliation, or harassment. The Company encourages the reporting of any complaints or concerns, including those relating to compliance with the Company's policies (including the Code), human rights issues and any unethical business conduct.

Due Diligence - Own Operations

Russel Metals' human resources team have strong processes in place for vetting new employees and ensuring they are legally entitled to work in Canada or the United States, as applicable. There are also robust processes in place for assessing compensation and verifying payments. All new employees are taken through a comprehensive onboarding process where they are made aware of the Company's standards and policies, including the Code. The vast majority of the Company's employees are permanent and full-time.

Due Diligence - Supply Chain

Russel Metals' prides itself in maintaining long-term, trusting relationships with suppliers who have strong reputations, ethics and reliable business practices. Many of the Company's top suppliers are publicly traded North American steel mills with comparable governance practices to those of Russel Metals.

The Company's procurement personnel manage the due diligence and onboarding process with suppliers including providing copies of the Company's terms and conditions of purchase and Supplier Code, each of which the Company requests the supplier to accept. The Company's procurement personnel, as a matter of practice, also regularly visit the mills of key suppliers for site visits and tours. With respect to overseas mills, our personnel customarily visit the mill prior to purchasing from it and those businesses which regularly purchase from overseas regularly travel to visit with their counterparts and review the mill and its processes.

Procurement personnel take an active, risk-based approach considering the country of origin of a supplier with respect to the Global Slavery Index when assessing and onboarding new suppliers.

Additionally, many of our sophisticated and experienced customers, particular in our energy filed stores segment, maintain approved manufacturers lists based upon their own due diligence and assessment of suppliers which adds an additional layer of safeguard.

Risk of Forced or Child Labour

Russel Metals has assessed both its operations and its supply chain and, taking into account our policies, procedures and diligence in place, we consider the risk of forced labour or child labour in our supply chain to be low.

Russel Metals acknowledges there is risk when contracting with third parties as part of a global supply chain and believes the activity that carries the most risk of forced labour or child labour is the purchase of materials from overseas mills. Russel Metals has implemented the policies, procedures and due diligence processes described above to manage and mitigate this risk.

Measures to Remediate Forced or Child Labour or the Loss of Income Resulting from Measures Taken to Eliminate Forced or Child Labour in the Supply Chain

Russel Metals has not and would not knowingly engage with any supplier who is in violation of fundamental human rights. The Company has not taken any remediation measures at this time.

Training

The Company provides annual training to management employees with respect to the Code. The Company's procurement personnel are provided with training on the Supplier Code.

Effectiveness Assessment

Russel Metals recognizes that tackling the risk of forced and child labour in supply chains requires an ongoing commitment of time, resources, and awareness amongst all stakeholders. The Company will continue to assess the risk of forced and child labour in conjunction with its enterprise risk management program, and procurement personnel will take an active risk-based approach considering the country of origin with respect to the Global Slavery Index when assessing and onboarding new suppliers.

Approval

This statement on behalf of Russel Metals was approved by its Board of Directors on February 8, 2024.

/s/ John G. Reid
President, Chief Executive Officer and Director

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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 and cash equivalents
Net Debt to Invested Capital- Net Debt divided by Invested Capital
Return on Capital Employed- EBIT divided by Invested Capital

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Corporate Head office on Thursday, May 2, 2024 at 10:00 am

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