

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying condensed consolidated financial statements and Management's Discussion and Analysis of Financial Condition have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

These condensed 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 condensed consolidated financial statements and Management's Discussion and Analysis of Financial Condition within reasonable limits of materiality.

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'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 condensed 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 condensed consolidated financial statements and the Management's Discussion and Analysis of Financial Condition for presentation to the shareholders.

May 7, 2019

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

(signed) M. E. Britton
Executive Vice President and
Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

<i>(in millions of Canadian dollars, except per share data)</i>	Quarters ended March 31	
	2019	2018
Revenues	\$ 1,032.6	\$ 931.3
Cost of materials (Note 4)	842.1	736.7
Employee expenses (Note 14)	79.4	77.9
Other operating expenses (Note 14)	52.9	52.8
Asset impairment (Note 5)	-	3.3
Earnings before interest, finance expense and provision for income taxes	58.2	60.6
Interest expense (Note 15)	11.1	6.7
Other finance expense (Note 15)	-	1.2
Earnings before provision for income taxes	47.1	52.7
Provision for income taxes (Note 16)	12.8	14.2
Net earnings for the period	\$ 34.3	\$ 38.5
Basic earnings per common share (Note 13)	\$ 0.55	\$ 0.62
Diluted earnings per common share (Note 13)	\$ 0.55	\$ 0.62

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31	
	2019	2018
Net earnings for the period	\$ 34.3	\$ 38.5
Other comprehensive income		
Items that may be reclassified to earnings		
Unrealized foreign exchange (losses) gains on translation of foreign operations	(12.0)	13.2
Items that may not be reclassified to earnings		
Actuarial gains on pension and similar obligations, net of taxes \$nil (2018: \$0.8 million)	-	2.1
Other comprehensive (loss) income	(12.0)	15.3
Total comprehensive income	\$ 22.3	\$ 53.8

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(UNAUDITED)*

<i>(in millions of Canadian dollars)</i>	March 31 2019	December 31 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 106.9	\$ 124.3
Accounts receivable	588.7	567.5
Inventories (Note 4)	1,031.5	1,052.5
Prepaid and other	15.3	14.1
Income taxes receivable	5.4	5.2
	1,747.8	1,763.6
Property, Plant and Equipment (Note 5)	264.5	268.9
Right-of-Use Assets (Note 6)	89.6	-
Deferred Income Tax Assets	4.3	4.2
Pension and Benefits (Note 10)	4.5	-
Financial and Other Assets	4.1	4.4
Goodwill and Intangibles (Note 7)	84.4	86.2
	\$ 2,199.2	\$ 2,127.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (Note 8)	\$ 154.2	\$ 128.5
Accounts payable and accrued liabilities	466.5	494.7
Short-term lease obligations (Note 6)	15.1	-
Income taxes payable	0.3	21.5
	636.1	644.7
Long-Term Debt (Note 9)	443.8	443.6
Pensions and Benefits (Note 10)	10.0	5.8
Deferred Income Tax Liabilities	14.5	20.1
Long-term Lease Obligations (Note 6)	96.2	-
Provisions and Other Non-Current Liabilities (Note 17)	10.9	8.2
	1,211.5	1,122.4
Shareholders' Equity (Note 11)		
Common shares	542.2	542.1
Retained earnings	313.2	318.6
Contributed surplus	15.8	15.7
Accumulated other comprehensive income	116.5	128.5
	987.7	1,004.9
Total Shareholders' Equity	987.7	1,004.9
Total Liabilities and Shareholders' Equity	\$ 2,199.2	\$ 2,127.3

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

ON BEHALF OF THE BOARD,

(signed) J. Clark
Director

(signed) A. Benedetti
Director

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

<i>(in millions of Canadian dollars)</i>	Quarters ended March 31	
	2019	2018
Operating activities		
Net earnings for the period	\$ 34.3	\$ 38.5
Depreciation and amortization	9.5	8.4
Depreciation and amortization, right-of-use	4.2	-
Provision for income taxes	12.8	14.2
Interest expense	11.1	6.7
(Gain) loss on disposal of property, plant and equipment	(0.2)	3.2
Share-based compensation	0.1	0.1
Difference between pension expense and amount funded	(0.3)	(0.2)
Debt accretion, amortization and other	0.3	0.2
Change in fair value of contingent consideration	-	1.2
Interest paid, including interest on lease obligations	(8.4)	(1.3)
Cash from operating activities before non-cash working capital	63.4	71.0
Changes in non-cash working capital items		
Accounts receivable	(23.9)	(99.4)
Inventories	15.3	(44.3)
Accounts payable and accrued liabilities	(26.2)	96.3
Other	(1.2)	(2.4)
Change in non-cash working capital	(36.0)	(49.8)
Income taxes paid, net	(33.5)	(31.2)
Cash used in operating activities	(6.1)	(10.0)
Financing activities		
Increase (decrease) in bank indebtedness	25.7	(91.9)
Issue of common shares	0.1	2.0
Dividends on common shares	(23.6)	(23.6)
Issuance of long-term debt	-	146.0
Lease obligations	(4.4)	-
Deferred financing costs	-	(1.1)
Cash (used in) from financing activities	(2.2)	31.4
Investing activities		
Purchase of property, plant and equipment	(5.2)	(10.9)
Proceeds on sale of property, plant and equipment	0.4	0.3
Payment of contingent consideration	-	(4.5)
Cash used in investing activities	(4.8)	(15.1)
Effect of exchange rates on cash and cash equivalents	(4.3)	3.9
(Decrease) increase in cash and cash equivalents	(17.4)	10.2
Cash and cash equivalents, beginning of the period	124.3	125.8
Cash and cash equivalents, end of the period	\$ 106.9	\$ 136.0

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(UNAUDITED)*

<i>(in millions of Canadian dollars)</i>	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2019	\$ 542.1	\$ 318.6	\$ 15.7	\$ 128.5	\$ 1,004.9
Payment of dividends	-	(23.6)	-	-	(23.6)
Change in accounting policy	-	(16.1)	-	-	(16.1)
Net earnings for the period	-	34.3	-	-	34.3
Other comprehensive loss for the period	-	-	-	(12.0)	(12.0)
Recognition of share-based compensation	-	-	0.1	-	0.1
Share options exercised	0.1	-	-	-	0.1
Balance, March 31, 2019	\$ 542.2	\$ 313.2	\$ 15.8	\$ 116.5	\$ 987.7

<i>(in millions of Canadian dollars)</i>	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2018	\$ 536.6	\$ 190.5	\$ 16.0	\$ 83.7	\$ 826.8
Payment of dividends	-	(23.6)	-	-	(23.6)
Net earnings for the period	-	38.5	-	-	38.5
Other comprehensive income for the period	-	-	-	15.3	15.3
Recognition of share-based compensation	-	-	0.1	-	0.1
Share options exercised	2.4	-	(0.3)	-	2.1
Transfer of net actuarial gains on defined benefit plans	-	2.1	-	(2.1)	-
Balance, March 31, 2018	\$ 539.0	\$ 207.5	\$ 15.8	\$ 96.9	\$ 859.2

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 GENERAL BUSINESS DESCRIPTION

Russel Metals Inc. (the "Company"), a Canadian corporation with common shares listed on the Toronto Stock Exchange, is a metals distribution company operating in various locations within North America.

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

These condensed consolidated financial statements were authorized for issue by the Board of Directors on May 7, 2019.

NOTE 2 BASIS OF PRESENTATION

These condensed consolidated financial statements, including comparatives, have been prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2018 except for the change in accounting policies as explained in Note 3. These condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("*IAS 34*"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("*IFRS*"), as issued by the International Accounting Standards Board ("*IASB*"), have been omitted or condensed. The preparation of financial statements in accordance with *IAS 34* requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements have been set out in the Company's consolidated financial statements for the year ended December 31, 2018. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018.

These condensed 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 condensed consolidated statement of earnings. Historical cost is generally based on the fair value of the consideration given in exchange for assets at the time of the transaction.

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

NOTE 3 CHANGE IN ACCOUNTING POLICIES

IFRS 16 Leases

In January 2016, the IASB issued *IFRS 16, Leases ("IFRS 16")*, which set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. Effective January 1, 2019, the Company adopted this standard using the modified retrospective approach under which the cumulative effect of initial application was recognized in retained earnings at January 1, 2019. The majority of the Company's off balance sheet leases became on balance sheet liabilities. The impact of this change in accounting policy is noted below.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement contained a lease under *IAS 17* and *IFRIC 4*. Prior to the adoption of *IFRS 16*, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset. The Company leases warehouse locations, field stores, office space, land, equipment, trucks and other vehicles.

On transition, the Company elected to apply the practical expedient to grandfather the determination of which contract was or contained a lease and applied *IFRS 16* to those contracts that were previously identified as leases. Upon transition to the new standard, lease liabilities were measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets and lease liabilities were recognized on the statement of financial position with the cumulative difference recognized in retained earnings.

At transition, lease liabilities of \$112.7 million, right-of-use assets of \$90.8 million and reduction in net deferred tax liabilities of \$5.8 million were recognized in the statement of financial position. The difference of \$16.1 million was recognized as a reduction of retained earnings.

The Company's lease commitments as disclosed in its December 31, 2018 notes to its consolidated financial statements of \$138.4 million compare to the transitional lease obligation of \$112.7 million. The lease obligation commitments decreased by \$45.3 million due to the discounting of the obligations using the Company's incremental borrowing rate and increased by \$24.0 million due to the assessment of extension options on certain real estate leases. The remaining difference relates to variable payments, low value and short-term leases which are not recorded on the balance sheet.

For contracts entered into subsequent to January 1, 2019, at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. 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. Under *IFRS 16*, right-of-use assets are tested for impairment in accordance with *IAS 36 Impairment of Assets*. This impairment test replaced the previous requirement to recognize a provision for onerous lease contacts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, 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 the consolidated statement of earnings.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases are included in other operating expenses on a straight-line basis over the lease term, as permitted by *IFRS 16*.

NOTE 4 INVENTORIES

<i>(millions)</i>	Quarters ended March 31	
	2019	2018
Inventory expensed in cost of materials	\$ 842.1	\$ 736.7
Inventory impairment charge, net of reversals	1.0	1.3

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

<i>Cost (millions)</i>	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2018	\$ 259.1	\$ 393.0	\$ 21.2	\$ 673.3
Additions	0.5	4.5	0.2	5.2
Disposals	-	(2.9)	(0.1)	(3.0)
Foreign exchange	(0.9)	(2.1)	(0.1)	(3.1)
Balance, March 31, 2019	\$ 258.7	\$ 392.5	\$ 21.2	\$ 672.4

Accumulated depreciation and amortization (millions)	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2018	\$ 117.2	\$ 270.9	\$ 16.3	\$ 404.4
Depreciation and amortization	2.0	5.7	0.2	7.9
Disposals	-	(2.7)	(0.1)	(2.8)
Foreign exchange	(0.4)	(1.1)	(0.1)	(1.6)
Balance, March 31, 2019	\$ 118.8	\$ 272.8	\$ 16.3	\$ 407.9

Net Book Value (millions)

December 31, 2018	\$ 268.9
March 31, 2019	\$ 264.5

Land, included in land and buildings, was \$44.3 million (December 31, 2018: \$44.4 million).

(millions)	Quarters ended March 31	
	2019	2018
Depreciation - cost of materials	\$ 2.0	\$ 1.8
Depreciation - other operating expense	5.9	5.1
	\$ 7.9	\$ 6.9

During the first quarter of 2018, the Company recorded an asset impairment charge of \$3.3 million relating to the costs associated with the ERP modernization project, as the Company moved in another direction to meet the needs of the business.

NOTE 6 RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

On January 1, 2019, the Company recognized right-of-use assets in the amount of \$90.8 million and lease obligations in the amount of \$112.7 million. Leased buildings represented approximately 80% of the right-of-use assets with the remainder comprised of leases of vehicles, land and equipment. The weighted average incremental borrowing rate was 7% on transition.

(millions)	Right-of-use Assets	Lease Obligations
Transition, January 1, 2019	\$ 90.8	\$ 112.7
Additions	3.6	3.6
Depreciation and amortization	(4.2)	-
Lease payments	-	(4.4)
Foreign exchange	(0.6)	(0.6)
Balance, March 31, 2019	\$ 89.6	\$ 111.3
Current portion		\$ 15.1
Long-term portion		\$ 96.2

The carrying value of right-of-use assets and depreciation by class of underlying assets at March 31, 2019 are as follows:

(millions)	Right-of-use Assets	Depreciation Expense
Land and buildings	\$ 74.3	\$ 2.7
Machinery and equipment	15.3	1.5
	\$ 89.6	\$ 4.2

NOTE 7 GOODWILL AND INTANGIBLES

<i>(millions)</i>	March 31 2019	December 31 2018
Goodwill	\$ 37.1	\$ 37.4
Intangibles	47.3	48.8
	\$ 84.4	\$ 86.2

a) Goodwill

Goodwill <i>(millions)</i>	Total
Balance, December 31, 2018	\$ 37.4
Foreign exchange	(0.3)
Balance, March 31, 2019	\$ 37.1

The entire goodwill balance relates to the metals service centers segment.

b) Intangibles

The continuity of intangibles, which are comprised of customer relationships and non-competition agreements acquired through business combinations:

Cost <i>(millions)</i>	Metals Service Centers	Energy Products	Total
Balance, December 31, 2018	\$ 20.1	\$ 70.7	\$ 90.8
Foreign exchange	-	-	-
Balance, March 31, 2019	\$ 20.1	\$ 70.7	\$ 90.8

Accumulated amortization <i>(millions)</i>	Metals Service Centers	Energy Products	Total
Balance, December 31, 2018	\$ (12.0)	\$ (30.0)	\$ (42.0)
Amortization	(0.2)	(1.3)	(1.5)
Balance, March 31, 2019	\$ (12.2)	\$ (31.3)	\$ (43.5)

Net book value *(millions)*

December 31, 2018	\$ 48.8
March 31, 2019	\$ 47.3

The remaining amortization periods for customer relationships are 5 to 13 years.

NOTE 8 REVOLVING CREDIT FACILITIES

The Company increased and extended its credit agreement in February 2018 to provide \$450 million for borrowings and letters of credit with an expiry of September 21, 2021. The syndicated facility consists of availability of \$400 million under Tranche I to be utilized for borrowings and letters of credit and \$50 million under Tranche II to be utilized only for letters of credit. Letters of credit are issued under Tranche II first and additional needs are issued under Tranche I.

On August 31, 2018, the Company increased its credit available for borrowings and letters of credit by \$100 million under the same terms as the credit agreement. This additional credit availability will expire on August 30, 2019 at which time the availability will revert to \$450 million. 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 \$550 million. The Company's obligations under this agreement are secured by a pledge of trade accounts receivable and inventories.

At March 31, 2019, the Company had borrowings of \$175.0 million (December 31, 2018: \$148.0 million) and letters of credit of \$64.1 million (December 31, 2018: \$76.1 million) under this facility.

The Company was in compliance with its financial covenants at March 31, 2019.

NOTE 9 LONG-TERM DEBT

<i>(millions)</i>	March 31 2019	December 31 2018
6% \$300 million Unsecured Senior Notes due April 19, 2022	\$ 297.4	\$ 297.2
6% \$150 million Unsecured Senior Notes due March 16, 2026	146.4	146.4
	\$ 443.8	\$ 443.6

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

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

The Company may redeem the notes in whole or in part at any time after March 16, 2021 at 104.5% of the principal amount declining rateably to 100% of the principal amount on or after March 16, 2024.

These notes contain certain restrictions on the payment of common share dividends in excess of \$0.38 per share per quarter. The Company was in compliance with these financial covenants at March 31, 2019.

b) On April 19, 2012, the Company issued, through a private placement, \$300 million 6% Unsecured Senior Notes due April 19, 2022. Interest is due on April 19 and October 19 of each year.

The Company may redeem these notes in whole or in part at any time at 102% of the principal amount declining rateably to 100% of the principal amount on or after April 19, 2020.

These notes contain certain restrictions on the payment of common share dividends in excess of \$0.35 per share per quarter. These notes also contain certain covenants that limit the Company's ability to incur additional indebtedness. The Company was in compliance with these covenants at March 31, 2019.

NOTE 10 PENSIONS AND BENEFITS

As at March 31, 2019, the Company determined its accrued benefit obligations related to the employee future benefit plans using a discount rate of 3.25% (December 31, 2018: 3.75%) and also determined the fair value of the defined benefit pension plan assets as at the statement of financial position date. The net change in the accrued benefit obligations less the fair value of the defined benefit plan assets resulted in an actuarial loss on employee future benefit plans of \$nil for the three month period ended March 31, 2019 (2018: gain of \$2.9 million).

The benefit obligations and plan assets for the Company's pension and other post retirement benefit obligations are as follows:

<i>(millions)</i>	March 31 2019	December 31 2018
Present value of defined benefit pension obligations	\$ 148.9	\$ 137.9
Fair value of plan assets	146.4	135.0
	2.5	2.9
Other postretirement benefit obligations	3.0	2.9
Defined benefit obligations, net	\$ 5.5	\$ 5.8

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

<i>(millions)</i>	Pension Plans		Other Benefit Plans	
	March 31 2019	December 31 2018	March 31 2019	December 31 2018
Defined benefit obligation				
Plans with surplus	\$ (4.5)	\$ (3.1)	\$ -	\$ -
Partially funded plans	7.0	6.0	-	-
Unfunded plans	-	-	3.0	2.9
Defined benefit obligation	\$ 2.5	\$ 2.9	\$ 3.0	\$ 2.9

NOTE 11 SHAREHOLDERS' EQUITY

- a) At March 31, 2019 and 2018, 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 <i>(millions)</i>
Balance, December 31, 2018	62,106,895	\$ 542.1
Share options exercised	2,500	0.1
Balance, March 31, 2019	62,109,395	\$ 542.2

The continuity of contributed surplus is as follows:

<i>(millions)</i>	
Balance, December 31, 2018	\$ 15.7
Share-based compensation expense	0.1
Balance, March 31, 2019	\$ 15.8

Dividends paid and declared are as follows:

	Quarters ended March 31	
	2019	2018
Dividends paid <i>(millions)</i>	\$ 23.6	\$ 23.6
Dividends per share	\$ 0.38	\$ 0.38
Quarterly dividend per share declared on May 7, 2019 (May 1, 2018)	\$ 0.38	\$ 0.38

NOTE 12 SHARE-BASED COMPENSATION

Share Options

The Company has a shareholder approved share option plan, the purpose of which is to provide certain employees of the Company and its subsidiaries with the opportunity to participate in the growth and development of the Company. The following is a continuity of options outstanding:

	Number of Options		Weighted Average Exercise Price	
	March 31 2019	December 31 2018	March 31 2019	December 31 2018
Balance, beginning of period	1,691,086	1,941,719	\$ 25.75	\$ 25.13
Granted	53,708	64,815	23.69	31.46
Exercised	(2,500)	(216,698)	19.84	21.43
Expired or forfeited	(1,500)	(98,750)	28.99	26.73
	1,740,794	1,691,086	\$ 25.69	\$ 25.75
Exercisable	1,473,839	1,256,599	\$ 25.90	\$ 26.34

The outstanding options had exercise price ranges as follows:

(number of options)	March 31 2019	December 31 2018
\$ 29.00 - \$ 31.46	213,987	213,987
\$ 25.37 - \$ 28.99	849,785	851,285
\$ 16.58 - \$ 25.36	677,022	625,814
Options outstanding	1,740,794	1,691,086

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

	March 31 2019	December 31 2018
Dividend yield	5%	5%
Expected volatility	30%	29%
Expected life	5 yrs	5 yrs
Risk free rate of return	1.94%	2.28%
Weighted average fair value of options granted	\$ 3.91	\$ 5.04

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

Share Appreciation Rights (SAR)

The following is a continuity of SARs outstanding:

	Number of SARs		Weighted Average Exercise Price	
	March 31 2019	December 31 2018	March 31 2019	December 31 2018
Balance, beginning of period	131,147	63,291	\$ 30.12	\$ 28.99
Granted	101,724	67,856	23.69	31.17
Balance, end of the period	232,871	131,147	\$ 27.31	\$ 30.12

Deferred Share Units (DSU)

The Company has a DSU Plan for non executive directors. Continuity of DSUs outstanding is as follows:

<i>(number of units)</i>	March 31 2019	December 31 2018
Balance, beginning of the period	254,790	250,021
Granted	14,469	48,839
Paid out	-	(44,070)
Balance, end of the period	269,259	254,790

The liability and fair value of DSUs was \$6.3 million at March 31, 2019 (December 31, 2018: \$5.4 million). Dividends declared on common shares accrue to units in the DSU plan in the form of additional DSUs.

Restricted Share Units (RSU)

The Company has a RSU Plan for eligible employees as designated by the Board of Directors. Continuity of RSUs outstanding is as follows:

<i>(number of units)</i>	March 31 2019	December 31 2018
Balance, beginning of the period	183,588	74,145
Granted	259,147	179,202
Paid out	(10,775)	(69,759)
Balance, end of the period	431,960	183,588

The RSU liability at March 31, 2019 was \$4.7 million (December 31, 2018: \$2.6 million). The fair value of RSUs was \$10.4 million at March 31, 2019 (December 31, 2018: \$3.9 million). Dividends declared on common shares accrue to units in the RSU plan in the form of additional RSUs.

NOTE 13 EARNINGS PER SHARE

The net income used in the calculation of basic and diluted earnings per share for March 31, 2019 was \$34.3 million (2018: \$38.5 million).

<i>(number of shares)</i>	Quarters ended March 31	
	2019	2018
Weighted average shares outstanding	62,107,839	61,921,421
Dilution impact of share options	95,613	288,514
Diluted weighted average shares outstanding	62,203,452	62,209,935

NOTE 14 EXPENSES

<i>(millions)</i>	Quarters ended March 31	
	2019	2018
Employee Expenses		
Wages and salaries	\$ 67.3	\$ 66.5
Other employee related costs	12.1	11.4
	\$ 79.4	\$ 77.9
Other Operating Expenses		
Plant and other expenses	\$ 31.2	\$ 33.4
Delivery expenses	14.4	12.7
Repairs and maintenance	3.7	3.0
Selling expenses	3.5	3.2
Professional fees	1.5	0.8
Gain on sale of property, plant and equipment	(0.2)	(0.1)
Foreign exchange gain	(1.2)	(0.2)
	\$ 52.9	\$ 52.8

NOTE 15 INTEREST EXPENSE

<i>(millions)</i>	Quarters ended March 31	
	2019	2018
Interest on 6% \$300 million Unsecured Senior Notes	\$ 4.6	\$ 4.6
Interest on 6% \$150 million Unsecured Senior Notes	2.3	0.4
Interest on lease obligations	2.7	-
Other interest expense	1.5	1.7
Interest expense	\$ 11.1	\$ 6.7
Other finance expense	\$ -	\$ 1.2

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. Interest expense on long-term debt is charged to earnings using the effective interest method. Debt accretion and issue cost amortization for the quarter ended March 31, 2019 was \$0.3 million (2018: \$0.2 million).

Interest expense on the lease obligations is charged to earnings using the effective interest method.

NOTE 16 INCOME TAXES

The consolidated effective tax rates for the quarters ended March 31, 2019 and March 31, 2018 were 27.1% and 26.9% respectively.

NOTE 17 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

<i>(millions)</i>	March 31	December 31
	2019	2018
Provision for decommissioning liabilities	\$ 1.9	\$ 2.0
Deferred compensation and employee incentives	11.0	8.0
	12.9	10.0
Less: current portion	(2.0)	(1.8)
	\$ 10.9	\$ 8.2

Deferred compensation includes the RSU and DSU liabilities. The RSU and DSU liabilities that will be paid within the current year amounting to \$2.0 million have been reclassified as current accrued liabilities.

NOTE 18 SEGMENTED INFORMATION

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

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

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

i) Metals service centers

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

ii) Energy products

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

iii) *Steel distributors*

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

The Company has segmented its operations on the basis of management reporting and geographic segments in which it operates. For the quarter ended March 31, 2019 the inter-segment sales from steel distributors to metals service centers were \$18.2 million (2018: \$9.1 million). These sales, which are at market rates, are eliminated in the following table.

a) *Results by business segment:*

<i>(millions)</i>	Quarters ended March 31	
	2019	2018
Segment Revenues		
Metals service centers	\$ 537.9	\$ 455.4
Energy products	372.6	382.1
Steel distributors	122.0	93.7
	1,032.5	931.2
Other	0.1	0.1
	\$ 1,032.6	\$ 931.3
Segment Operating Profits		
Metals service centers	\$ 26.7	\$ 28.9
Energy products	29.5	32.4
Steel distributors	9.2	10.7
	65.4	72.0
Corporate expenses	(6.0)	(6.9)
Asset impairment	-	(3.3)
Other expense	(1.2)	(1.2)
	58.2	60.6
Earnings before interest, finance expense and income taxes	58.2	60.6
Interest and finance expense	(11.1)	(7.9)
Provision for income taxes	(12.8)	(14.2)
	\$ 34.3	\$ 38.5
Capital Expenditures		
Metals service centers	\$ 4.2	\$ 9.7
Energy products	0.9	0.7
Steel distributors	0.1	0.1
Other	-	0.4
	\$ 5.2	\$ 10.9
Depreciation Expense		
Metals service centers	\$ 6.4	\$ 5.5
Energy products	1.2	1.1
Steel distributors	0.3	0.3
	\$ 7.9	\$ 6.9

<i>(millions)</i>	March 31 2019	December 31 2018
Current Identifiable Assets		
Metals service centers	\$ 707.8	\$ 675.4
Energy products	741.7	744.5
Steel distributors	186.8	216.0
	1,636.3	1,635.9
Non-Current Identifiable Assets		
Metals service centers	311.9	280.8
Energy products	116.1	66.5
Steel distributors	8.1	6.9
Total identifiable assets included in segments	2,072.4	1,990.1
Assets not included in segments		
Cash and cash equivalents	106.9	124.3
Income tax assets	9.7	9.4
Financial and other assets	4.1	4.4
Pension and benefits	4.5	-
Corporate and other operating assets	1.6	(0.9)
Total assets	\$ 2,199.2	\$ 2,127.3
Liabilities		
Metals service centers	\$ 314.7	\$ 270.8
Energy products	211.4	171.0
Steel distributors	26.3	30.0
Liabilities by segment	552.4	471.8
Liabilities not included in segments		
Bank indebtedness	154.2	128.5
Income taxes payable and deferred income tax liabilities	14.8	41.6
Long-term debt	443.8	443.6
Pension and benefits	10.0	5.8
Corporate and other liabilities	36.3	31.1
Total liabilities	\$ 1,211.5	\$ 1,122.4

b) *Results by geographic segment:*

<i>(millions)</i>	Quarters ended March 31	
	2019	2018
Segment Revenues		
Canada	\$ 709.4	\$ 657.4
United States	323.1	273.8
	\$ 1,032.5	\$ 931.2
Segment Operating Profits		
Canada	\$ 55.3	\$ 51.3
United States	10.1	20.7
	\$ 65.4	\$ 72.0
<i>(millions)</i>	March 31 2019	December 31 2018
Identifiable Assets		
Canada	\$ 1,452.0	\$ 1,375.9
United States	620.4	614.2
	\$ 2,072.4	\$ 1,990.1

c) *Revenues by product:*

<i>(millions)</i>	Quarters ended March 31	
	2019	2018
Carbon		
Tubing/Pipe (Standard, Oil Country Tubular Goods)	\$ 203.1	\$ 219.5
Structurals (WF & I Beams, Angles, Channels, Hollow Tubes)	239.4	185.7
Flanges, Valves, Fittings and other Energy Products	175.4	171.8
Plate (Discrete & Plate in Coil)	201.8	166.2
Flat Rolled (Sheet & Coil)	79.9	77.1
Bars (Hot Rolled and Cold Finished)	48.9	42.4
Grating/ Expanded/Rails	9.7	7.9
Total Carbon	\$ 958.2	\$ 870.6
Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.)	36.9	30.6
Other	37.5	30.1
	\$ 1,032.6	\$ 931.3

NOTE 19 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

a) *Financial assets and liabilities*

Financial assets and liabilities are as follows:

<i>March 31, 2019 (millions)</i>	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	\$ 106.9	\$ -	\$ 106.9
Accounts receivable	588.7	-	588.7
Financial assets	3.2	-	3.2
Bank indebtedness	-	(154.2)	(154.2)
Accounts payables and accrued liabilities	-	(466.5)	(466.5)
Lease obligations	-	(111.3)	(111.3)
Long-term debt	-	(443.8)	(443.8)
Total	\$ 698.8	\$ (1,175.8)	\$ (477.0)

<i>December 31, 2018 (millions)</i>	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	\$ 124.3	\$ -	\$ 124.3
Accounts receivable	567.5	-	567.5
Financial assets	3.3	-	3.3
Bank indebtedness	-	(128.5)	(128.5)
Accounts payables and accrued liabilities	-	(494.7)	(494.7)
Long-term debt	-	(443.6)	(443.6)
Total	\$ 695.1	\$ (1,066.8)	\$ (371.7)

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

<i>(millions)</i>	Quarters ended March 31	
	2019	2018
Embedded derivatives	\$ (2.4)	\$ 0.7
Forward contracts	0.3	(0.4)

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 values of long-term debt are set forth below.

Carrying Amounts

Amounts recorded in the condensed consolidated statement 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 March 31, 2019 and December 31, 2018 was estimated based on the last quoted trade price, where it exists, or based on current rates available to the Company for similar debt with the same period to maturity.

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

	Primary Debt Instrument	
	Carrying Amount	Fair Value Level 2
<i>March 31, 2019 (millions)</i>		
6% \$300 million Unsecured Senior Notes due April 19, 2022	\$ 297.4	\$ 304.7
6% \$150 million Unsecured Senior Notes due March 16, 2026	146.4	153.3
Total	\$ 443.8	\$ 458.0
Current portion	\$ -	
Long-term portion	\$ 443.8	
<i>December 31, 2018 (millions)</i>		
6% \$300 million Unsecured Senior Notes due April 19, 2022	\$ 297.2	\$ 299.6
6% \$150 million Unsecured Senior Notes due March 16, 2026	146.4	145.9
Total	\$ 443.6	\$ 445.5
Current portion	\$ -	
Long-term portion	\$ 443.6	

c) Credit risk

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

The Company attempts to minimize credit exposure as follows:

- ◆ Cash investments are placed with high-quality financial institutions with limited exposure to any one institution. At March 31, 2019, nearly all cash and cash equivalents were held in institutions that were rated as R1 High by DBRS;
- ◆ Counterparties to derivative contracts are members of the syndicated banking facility (Note 8);
- ◆ 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 March 31, 2019 and December 31, 2018, other than the allowance for doubtful accounts. As at March 31, 2019, trade accounts receivable greater than 90 days represented less than 4% of trade accounts receivable (December 31, 2018: 4%).

d) Interest rate risk

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

e) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company uses foreign exchange contracts with maturities of less than a year to manage foreign exchange risk on certain future committed cash outflows. As at March 31, 2019, the Company had outstanding forward foreign exchange contracts in the amount of US\$46.5 million maturing in 2019 (2018: US\$58.3 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 March 31, 2019, the Company was contractually obligated to make payments under its financial liabilities that come due during the following periods:

<i>(millions)</i>	Accounts Payable	Long-Term Debt Maturities	Long-Term Debt Interest	Lease Obligations	Total
2019	\$ 466.5	\$ -	\$ 21.8	\$ 24.4	\$ 512.7
2020	-	-	27.0	22.7	49.7
2021	-	-	27.0	19.5	46.5
2022	-	300.0	17.3	15.9	333.2
2023	-	-	9.0	13.9	22.9
2024 and beyond	-	150.0	22.9	65.7	238.6
Total	\$ 466.5	\$ 450.0	\$ 125.0	\$ 162.1	\$ 1,203.6

At March 31, 2019, the Company was contractually obligated to repay its bank borrowings and letters of credit under its bank facilities at maturity (Note 8). Lease obligations in the above table include on balance sheet leases in addition to short-term and low value leases.

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 20 CONTINGENCIES, COMMITMENTS AND GUARANTEES

a) Lawsuits and legal claims

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

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

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

The Company has entered into other agreements that provide indemnifications to counterparties in certain transactions including underwriting agreements. These indemnifications generally require the Company to indemnify the counterparties for costs incurred as a result of losses from litigation that may be suffered by counterparties arising from those transactions except in the case of gross negligence by the counterparties.

b) Decommissioning liability

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

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