

## 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.

November 4, 2020

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

(signed) M. L. Juravsky  
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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Revenues</b>	\$ 614.9	\$ 869.2	\$ 2,017.7	\$ 2,838.5
Cost of materials (Note 4)	498.1	717.4	1,638.4	2,320.5
Employee expenses (Note 14)	47.4	69.5	171.0	225.6
Other operating expenses (Note 14)	37.2	47.4	136.4	148.4
Asset impairment (Note 6)	-	-	3.7	-
<b>Earnings before interest and provision for income taxes</b>	32.2	34.9	68.2	144.0
Interest expense (Note 15)	9.1	10.0	27.7	31.0
<b>Earnings before provision for income taxes</b>	23.1	24.9	40.5	113.0
Provision for income taxes (Note 16)	4.9	6.8	7.2	29.8
<b>Net earnings for the period</b>	\$ 18.2	\$ 18.1	\$ 33.3	\$ 83.2
<b>Basic earnings per common share (Note 13)</b>	\$ 0.29	\$ 0.29	\$ 0.54	\$ 1.34
<b>Diluted earnings per common share (Note 13)</b>	\$ 0.29	\$ 0.29	\$ 0.54	\$ 1.34

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

<i>(in millions of Canadian dollars)</i>	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Net earnings for the period</b>	\$ 18.2	\$ 18.1	\$ 33.3	\$ 83.2
Other comprehensive (loss) income				
<b>Items that may be reclassified to earnings</b>				
Unrealized foreign exchange (losses) gains on translation of foreign operations	(12.0)	6.8	14.8	(17.2)
<b>Items that may not be reclassified to earnings</b>				
Actuarial (losses) gains on pension and similar obligations net of taxes (Note 21)	3.8	0.7	(4.8)	(2.0)
Other comprehensive (loss) income	(8.2)	7.5	10.0	(19.2)
<b>Total comprehensive income</b>	\$ 10.0	\$ 25.6	\$ 43.3	\$ 64.0

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>	September 30 2020	December 31 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 121.5	\$ 16.0
Accounts receivable	346.6	458.1
Inventories (Note 4)	789.8	883.6
Prepaid and other	11.4	18.1
Income taxes receivable	16.7	18.9
	1,286.0	1,394.7
<b>Property, Plant and Equipment (Note 5)</b>	277.3	288.9
<b>Right-of-Use Assets (Note 6)</b>	83.4	90.1
<b>Deferred Income Tax Assets</b>	3.7	4.8
<b>Pension and Benefits (Note 10)</b>	0.8	5.4
<b>Financial and Other Assets</b>	4.9	4.0
<b>Goodwill and Intangibles (Note 7)</b>	131.6	137.0
	\$ 1,787.7	\$ 1,924.9
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness (Note 8)	\$ -	\$ 62.1
Accounts payable and accrued liabilities	271.3	326.4
Short-term lease obligations (Note 6)	17.5	17.1
Income taxes payable	7.7	0.3
	296.5	405.9
<b>Long-Term Debt (Note 9)</b>	445.7	444.8
<b>Pensions and Benefits (Note 10)</b>	12.3	10.4
<b>Deferred Income Tax Liabilities</b>	12.6	13.2
<b>Long-term Lease Obligations (Note 6)</b>	90.3	94.4
<b>Provisions and Other Non-Current Liabilities (Note 17)</b>	12.8	11.6
	870.2	980.3
<b>Shareholders' Equity (Note 11)</b>		
Common shares	544.0	543.7
Retained earnings	242.1	284.5
Contributed surplus	15.9	15.7
Accumulated other comprehensive income	115.5	100.7
<b>Total Shareholders' Equity</b>	917.5	944.6
<b>Total Liabilities and Shareholders' Equity</b>	\$ 1,787.7	\$ 1,924.9

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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Operating activities</b>				
Net earnings for the period	\$ 18.2	\$ 18.1	\$ 33.3	\$ 83.2
Depreciation and amortization	15.0	13.8	46.0	41.4
Provision for income taxes	4.9	6.8	7.2	29.8
Interest expense	9.1	10.0	27.7	31.0
Gain on sale of property, plant and equipment	(6.1)	(0.1)	(6.3)	(0.4)
Asset impairment	-	-	3.7	-
Share-based compensation	0.1	0.1	0.3	0.2
Difference between pension expense and amount funded	-	-	-	(0.7)
Debt accretion, amortization and other	0.4	0.3	1.0	0.9
Interest paid, including interest on lease obligations	(6.5)	(7.3)	(24.6)	(27.5)
<b>Cash from operating activities before non-cash working capital</b>	<b>35.1</b>	<b>41.7</b>	<b>88.3</b>	<b>157.9</b>
<b>Changes in non-cash working capital items</b>				
Accounts receivable	(18.7)	27.7	122.4	58.9
Inventories	67.4	47.2	101.4	79.9
Accounts payable and accrued liabilities	(11.2)	(45.4)	(58.5)	(126.5)
Other	3.1	3.7	6.7	(0.9)
<b>Change in non-cash working capital</b>	<b>40.6</b>	<b>33.2</b>	<b>172.0</b>	<b>11.4</b>
Income tax refund (paid), net	5.5	(10.0)	4.6	(60.7)
<b>Cash from operating activities</b>	<b>81.2</b>	<b>64.9</b>	<b>264.9</b>	<b>108.6</b>
<b>Financing activities</b>				
(Decrease) increase in bank indebtedness	(11.3)	(0.2)	(62.1)	6.8
Issue of common shares	-	1.2	0.2	1.3
Dividends on common shares	(23.6)	(23.6)	(70.9)	(70.8)
Deferred financing	(1.1)	-	(1.1)	-
Lease obligations	(4.7)	(4.2)	(14.1)	(12.9)
<b>Cash used in financing activities</b>	<b>(40.7)</b>	<b>(26.8)</b>	<b>(148.0)</b>	<b>(75.6)</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(6.4)	(9.7)	(18.8)	(23.6)
Proceeds on sale of property, plant and equipment	1.6	0.2	4.9	0.9
<b>Cash used in investing activities</b>	<b>(4.8)</b>	<b>(9.5)</b>	<b>(13.9)</b>	<b>(22.7)</b>
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>(3.3)</b>	<b>1.9</b>	<b>2.5</b>	<b>(6.0)</b>
<b>Increase in cash and cash equivalents</b>	<b>32.4</b>	<b>30.5</b>	<b>105.5</b>	<b>4.3</b>
Cash and cash equivalents, beginning of the period	89.1	98.1	16.0	124.3
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 121.5</b>	<b>\$ 128.6</b>	<b>\$ 121.5</b>	<b>\$ 128.6</b>

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, 2020	\$ 543.7	\$ 284.5	\$ 15.7	\$ 100.7	\$ 944.6
Payment of dividends	-	(70.9)	-	-	(70.9)
Net earnings for the period	-	33.3	-	-	33.3
Other comprehensive income for the period	-	-	-	10.0	10.0
Recognition of share-based compensation	-	-	0.3	-	0.3
Share options exercised	0.3	-	(0.1)	-	0.2
Transfer of net actuarial losses on defined benefit plans	-	(4.8)	-	4.8	-
<b>Balance, September 30, 2020</b>	<b>\$ 544.0</b>	<b>\$ 242.1</b>	<b>\$ 15.9</b>	<b>\$ 115.5</b>	<b>\$ 917.5</b>

<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	-	(70.8)	-	-	(70.8)
Change in accounting policy	-	(16.1)	-	-	(16.1)
Net earnings for the period	-	83.2	-	-	83.2
Other comprehensive loss for the period	-	-	-	(19.2)	(19.2)
Recognition of share-based compensation	-	-	0.2	-	0.2
Share options exercised	1.6	-	(0.3)	-	1.3
Transfer of net actuarial losses on defined benefit plans	-	(2.0)	-	2.0	-
Balance, September 30, 2019	\$ 543.7	\$ 312.9	\$ 15.6	\$ 111.3	\$ 983.5

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 November 4, 2020.

### 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, 2019. 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, 2019. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2019.

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 ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENT

The preparation of financial statements requires management to make certain judgements and estimates about the future. The Company's management makes estimates for net realizable value and obsolescence provisions relating to inventory, credit loss provisions, fair values, guarantees, long-lived asset and goodwill impairment, decommissioning obligations, lease obligations, contingencies and litigation. These estimates are based on historical experience, projected cash flows 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.

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

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

As at September 30, 2020, we concluded that the rapid deterioration of the North American economy due to the pandemic and excess oil supply resulted in a triggering event and the need to perform impairment testing of our long-lived assets including goodwill and intangibles on our cash generating units (CGUs). The Company forecasted probability weighted future cash flows based on available information to determine recoverable amounts and discounted these cash flows by a pre-tax weighted average cost of capital of 12.0% (2019: 15.1%) to determine value in use. The recoverable amounts were greater than the associated carrying amounts and resulted in no impairment of long-lived assets, goodwill and intangibles at September 30, 2020. There is no certainty that there will not be impairments in future periods should the economic markets in which we operate continue to deteriorate.

The Canadian and U.S. governments have introduced measures to support companies experiencing financial challenges resulting from the COVID-19 pandemic and to support employment. Government assistance is recognized when there is reasonable assurance that the Company will comply with all the conditions associated with the assistance and when there is reasonable assurance that it will be received. Government grants related to an expense or a waiver of expenses are recognized as a reduction of related expenses. As at September 30, 2020, the Company assessed its eligibility related to the Canada Emergency Wage Subsidy program and the U.S. Employee Retention Credit and recorded the expected recoverable amount as a reduction of employee wages and salaries (Note 14).

#### NOTE 4 INVENTORIES

<i>(millions)</i>	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Inventory expensed in cost of materials	\$ 498.1	\$ 717.4	\$ 1,638.4	\$ 2,320.5
Inventory impairment charge				
Metals service centers	\$ -	\$ 1.0	\$ 0.8	\$ 2.1
Energy products	4.8	9.3	15.8	11.1
Steel distributors	-	0.6	0.2	0.9
	\$ 4.8	\$ 10.9	\$ 16.8	\$ 14.1

During the quarter ended September 30, 2020, we recorded reversals of inventory impairment charges of \$2.6 million (2019: \$3.3 million) and nine months ended September 30, 2020, of \$5.6 million (2019: \$8.2 million) resulting in a net charge of \$2.2 million and \$11.2 million respectively.

#### NOTE 5 PROPERTY, PLANT AND EQUIPMENT

<i>Cost (millions)</i>	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2019	\$ 279.9	\$ 399.7	\$ 22.1	\$ 701.7
Additions	2.9	15.0	0.9	18.8
Disposals	(7.2)	(12.8)	(0.1)	(20.1)
Foreign exchange	1.6	2.2	0.5	4.3
<b>Balance, September 30, 2020</b>	<b>\$ 277.2</b>	<b>\$ 404.1</b>	<b>\$ 23.4</b>	<b>\$ 704.7</b>

<i>Accumulated Depreciation and Amortization (millions)</i>	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2019	\$ 124.5	\$ 271.5	\$ 16.8	\$ 412.8
Additions	6.7	17.5	0.6	24.8
Disposals	(2.2)	(10.2)	(0.1)	(12.5)
Foreign exchange	0.4	1.9	-	2.3
<b>Balance, September 30, 2020</b>	<b>\$ 129.4</b>	<b>\$ 280.7</b>	<b>\$ 17.3</b>	<b>\$ 427.4</b>

<i>Net Book Value (millions)</i>	
December 31, 2019	\$ 288.9
<b>September 30, 2020</b>	<b>\$ 277.3</b>

Land, included in land and buildings, was \$43.3 million (December 31, 2019: \$46.8 million).

<b>Depreciation Expense</b> (millions)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Depreciation - cost of materials	\$ 1.7	\$ 2.0	\$ 5.5	\$ 5.9
Depreciation - other operating expense	6.3	6.0	19.3	17.9
	\$ 8.0	\$ 8.0	\$ 24.8	\$ 23.8

## NOTE 6 RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

Leased land and buildings represented approximately 77% (2019: 80%) of the right-of-use assets with the remainder comprised of leases of vehicles and equipment.

(millions)	Right-of-use Assets	Lease Obligations
Balance, December 31, 2019	\$ 90.1	\$ 111.5
Additions	11.0	11.0
Disposals and modification	(1.6)	(2.4)
Depreciation and amortization	(13.4)	-
Lease payments	-	(14.0)
Asset impairment	(3.7)	-
Foreign exchange	1.0	1.7
<b>Balance, September 30, 2020</b>	<b>\$ 83.4</b>	<b>\$ 107.8</b>
Current portion		\$ 17.5
Long-term portion		\$ 90.3

On March 31, 2020, the Company determined that the carrying amount of one of the CGUs was less than recoverable amount and recorded an impairment of \$3.7 million on its right-of-use assets.

The carrying value of right-of-use assets and depreciation by class of underlying assets at September 30, 2020 are as follows:

<b>Right-of-use Assets</b> (millions)	September 30 2020	December 31 2019
Land and buildings	\$ 67.0	\$ 72.3
Machinery and equipment	16.4	17.8
	\$ 83.4	\$ 90.1

<b>Depreciation Expense</b> (millions)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Land and buildings	\$ 2.6	\$ 3.2	\$ 8.5	\$ 8.4
Machinery and equipment	1.7	1.0	4.9	4.3
	\$ 4.3	\$ 4.2	\$ 13.4	\$ 12.7

## NOTE 7 GOODWILL AND INTANGIBLES

(millions)	September 30 2020	December 31 2019
Goodwill	\$ 51.4	\$ 50.6
Intangibles	80.2	86.4
	\$ 131.6	\$ 137.0

a) *Goodwill*

<i>Goodwill (millions)</i>	Metals Service Centers	Energy Products	Total
Balance, December 31, 2019	\$ 36.7	\$ 13.9	\$ 50.6
Foreign exchange	0.4	0.4	0.8
Balance, September 30, 2020	\$ 37.1	\$ 14.3	\$ 51.4

b) *Intangibles*

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

<i>Cost (millions)</i>	Metals Service Centers	Energy Products	Total
Balance, December 31, 2019	\$ 20.0	\$ 115.3	\$ 135.3
Foreign exchange	0.1	1.2	1.3
Balance, September 30, 2020	\$ 20.1	\$ 116.5	\$ 136.6

<i>Accumulated Amortization (millions)</i>	Metals Service Centers	Energy Products	Total
Balance, December 31, 2019	\$ (13.3)	\$ (35.6)	\$ (48.9)
Amortization	(1.0)	(6.5)	(7.5)
Balance, September 30, 2020	\$ (14.3)	\$ (42.1)	\$ (56.4)

*Net Book Value (millions)*

December 31, 2019	\$ 86.4
<b>September 30, 2020</b>	<b>\$ 80.2</b>

The remaining amortization period for customer relationships is 4 to 12 years.

## NOTE 8 REVOLVING CREDIT FACILITIES

The Company has a credit agreement which consists of availability of \$400 million under Tranche I to be utilized for borrowings and letters of credit and \$50 million under Tranche II to be utilized only for letters of credit. Letters of credit are issued under Tranche II first and additional needs are issued under Tranche I. On September 29, 2020, this facility was extended to September 21, 2023 and amended to provide additional borrowing base flexibility.

The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of the Company's eligible accounts receivable and inventories, to a maximum of \$450 million. The obligations of the Company under this agreement are secured by a pledge of trade accounts receivable and inventories.

The Company was in compliance with its financial covenants at September 30, 2020. At September 30, 2020, the Company had no borrowings (December 31, 2019: \$57.0 million) and letters of credit of \$27.4 million (December 31, 2019: \$32.5 million) under this facility.

## NOTE 9 LONG-TERM DEBT

<i>(millions)</i>	September 30 2020	December 31 2019
6% \$300 million Senior Notes due April 19, 2022	\$ 298.6	\$ 298.0
6% \$150 million Senior Notes due March 16, 2026	147.1	146.8
	<b>\$ 445.7</b>	<b>\$ 444.8</b>

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 September 30, 2020.

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 100% of the principal amount (Note 22).

The Company was in compliance with the financial covenants included in the note indenture for these notes at September 30, 2020.

## NOTE 10 PENSIONS AND BENEFITS

As at September 30, 2020, the Company determined its accrued benefit obligations related to the employee future benefit plans using a discount rate of 2.75% (December 31, 2019: 3.00%) 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 gain on employee future benefit plans of \$5.1 million for the quarter ended September 30, 2020 (2019: gain of \$1.1 million) and an actuarial loss of \$6.6 million for the nine months ended September 30, 2020 (2019: loss of \$2.5 million) which was recorded net of tax through other comprehensive income (Note 21).

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

<i>(millions)</i>	September 30 2020	December 31 2019
Present value of defined benefit pension obligations	\$ 161.2	\$ 154.9
Fair value of plan assets	152.5	152.8
	8.7	2.1
Other postretirement benefit obligations	2.8	2.9
Defined benefit obligations, net	\$ 11.5	\$ 5.0

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

<i>(millions)</i>	Pension Plans		Other Benefit Plans	
	September 30 2020	December 31 2019	September 30 2020	December 31 2019
<b>Defined Benefit Obligation</b>				
Plans with surplus	\$ (0.8)	\$ (5.4)	\$ -	\$ -
Partially funded plans	9.5	7.5	-	-
Unfunded plans	-	-	2.8	2.9
Defined benefit obligation	\$ 8.7	\$ 2.1	\$ 2.8	\$ 2.9

## NOTE 11 SHAREHOLDERS' EQUITY

- a) At September 30, 2020 and 2019, the authorized share capital of the Company consisted of:
- (i) an unlimited number of common shares without nominal or par value;
  - (ii) an unlimited number of Class I preferred shares without nominal or par value, issuable in series; and
  - (iii) an unlimited number of Class II preferred shares without nominal or par value, issuable in series.

The Directors have the authority to issue the Class I and Class II preferred shares in series and fix the designation, rights, privileges and conditions to be attached to each series, except that the Class I shares shall be entitled to preference over the Class II shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

- b) The number of common shares issued and outstanding is as follows:

	Number of Shares	Amount (millions)
Balance, December 31, 2019	62,173,430	\$ 543.7
Share options exercised	11,548	0.3
<b>Balance, September 30, 2020</b>	<b>62,184,978</b>	<b>\$ 544.0</b>

The continuity of contributed surplus is as follows:

<i>(millions)</i>	
Balance, December 31, 2019	\$ 15.7
Share-based compensation expense	0.3
Options exercised	(0.1)
<b>Balance, September 30, 2020</b>	<b>\$ 15.9</b>

Dividends paid and declared are as follows:

	Quarters ended September 30	
	2020	2019
Dividends paid <i>(millions)</i>	\$ 23.6	\$ 23.6
Dividends per share	\$ 0.38	\$ 0.38
Quarterly dividend per share declared on November 4, 2020 (November 6, 2019)	\$ 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:

<i>(millions)</i>	Number of Options		Weighted Average Exercise Price	
	September 30 2020	December 31 2019	September 30 2020	December 31 2019
Balance, beginning of period	1,666,534	1,691,086	\$ 26.00	\$ 25.75
Granted	109,615	53,708	18.94	23.69
Exercised	(11,548)	(66,535)	19.84	19.09
Expired or forfeited	(52,445)	(11,725)	22.78	18.17
Balance, end of period	1,712,156	1,666,534	\$ 25.69	\$ 26.00
Exercisable	1,494,409	1,399,579	\$ 26.04	\$ 26.28

The outstanding options had exercise price ranges as follows:

<i>(number of options)</i>	September 30 2020	December 31 2019
\$ 29.00 - \$ 31.46	213,987	213,987
\$ 25.37 - \$ 28.99	828,790	849,785
\$ 14.61 - \$ 25.36	669,379	602,762
Options outstanding	1,712,156	1,666,534

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

	September 30 2020	December 31 2019
Dividend yield	5%	5%
Expected volatility	33%	30%
Expected life	5 yrs	5 yrs
Risk free rate of return	0.55%	1.94%
Weighted average fair value of options granted	\$ 2.31	\$ 3.91

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

#### *Share Appreciation Rights (SAR)*

The following is a continuity of SARs outstanding:

<i>(millions)</i>	Number of SARs		Weighted Average Exercise Price	
	September 30 2020	December 31 2019	September 30 2020	December 31 2019
Balance, beginning of period	232,871	131,147	\$ 27.31	\$ 30.12
Granted	120,000	101,724	21.94	23.69
Balance, end of period	352,871	232,871	\$ 25.48	\$ 27.31

The SARs liability and fair value at September 30, 2020 and December 31, 2019 was \$nil.

#### *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>	September 30 2020	December 31 2019
Balance, beginning of the period	288,030	254,790
Granted	64,222	62,199
Paid out	(15,403)	(28,959)
Balance, end of the period	336,849	288,030

The liability and fair value of DSUs was \$6.1 million at September 30, 2020 (December 31, 2019: \$6.4 million). Dividends declared on common shares accrue to units in the DSU plan in the form of additional DSUs.

#### *Restricted Share Units (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>	September 30 2020	December 31 2019
Balance, beginning of the period	389,429	183,588
Granted	159,305	259,287
Paid out	(19,088)	(53,446)
Balance, end of the period	529,646	389,429

The RSU liability at September 30, 2020 was \$7.2 million (December 31, 2019: \$5.8 million). The fair value of RSUs was \$9.6 million at September 30, 2020 (December 31, 2019: \$8.6 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 the quarter ended September 30, 2020 was \$18.2 million (2019: \$18.1 million) and for the nine months ended September 30, 2020 was \$33.3 million (2019: \$83.2 million).

<i>(number of shares)</i>	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Weighted average shares outstanding	62,184,978	62,136,688	62,183,036	62,118,081
Dilution impact of share options	4,930	35,180	-	52,400
Diluted weighted average shares outstanding	62,189,908	62,171,868	62,183,036	62,170,481

### NOTE 14 EXPENSES

<i>(millions)</i>	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Employee Expenses</b>				
Wages and salaries	\$ 37.4	\$ 59.4	\$ 137.6	\$ 191.4
Other employee related costs	10.0	10.1	33.4	34.2
	\$ 47.4	\$ 69.5	\$ 171.0	\$ 225.6
<b>Other Operating Expenses</b>				
Plant and other expenses	\$ 25.3	\$ 26.3	\$ 83.3	\$ 84.7
Delivery expenses	12.0	13.4	38.3	41.5
Repairs and maintenance	3.0	3.6	10.0	10.8
Selling expenses	1.3	2.6	6.0	8.8
Professional fees	2.0	1.6	5.2	4.0
Gain on sale of property, plant and equipment	(6.2)	(0.1)	(6.4)	(0.4)
Foreign exchange gains	(0.2)	-	-	(1.0)
	\$ 37.2	\$ 47.4	\$ 136.4	\$ 148.4

In response to the COVID-19 pandemic, the Government of Canada announced the Canadian Emergency Wage Subsidy program ("CEWS") effective for the period of March 15, 2020 to December 19, 2020. For the period up to August 29, 2020, CEWS provides a 75% wage subsidy to a maximum of \$847 per employee per week to eligible businesses. Subsequent to August 29, 2020, the maximum wage subsidy, available is expected to decline. On September 23, 2020 the Government of Canada announced an extension of the wage subsidy the details of which have not yet been announced. The U.S. Employee Retention Credit provides an employment tax credit under certain conditions to eligible employers. During the nine months ended September 30, 2020, the Company recognized government grants of \$39.7 million from CEWS and the U.S. Employee Retention Credit as a reduction of wages and salaries.

### NOTE 15 INTEREST EXPENSE

<i>(millions)</i>	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest on 6% \$300 million Senior Notes	\$ 4.5	\$ 4.8	\$ 14.1	\$ 14.1
Interest on 6% \$150 million Senior Notes	2.5	2.3	7.0	7.0
Interest on lease obligations	1.8	1.6	5.6	6.1
Other interest expense	0.3	1.3	1.0	3.8
Interest expense	\$ 9.1	\$ 10.0	\$ 27.7	\$ 31.0

Interest expense on long-term debt and lease obligations is charged to earnings using the effective interest method.

Interest expense on long-term debt is comprised of the interest calculated on the face value of long-term debt, issue costs and accretion of the carrying value of the long-term debt. Debt accretion and issue cost amortization for the quarter ended September 30, 2020 was \$0.4 million (2019: \$0.3 million) and for the nine months ended September 30, 2020 was \$1.0 million (2019: \$0.9 million).

## NOTE 16 INCOME TAXES

The consolidated effective tax rates for the quarters ended September 30, 2020 and September 30, 2019 were 21.2% and 27.3% respectively and for the nine months ended September 30, 2020 and 2019 were 17.8% and 26.3% respectively. The reduction of the effective tax rate for the three month period ended September 30, 2020 was due to the application of capital losses carry-forward to the gain on sale of property, plant and equipment. The reduction in the effective tax rate for the nine months ended September 2020 was due to the loss carry-back provisions of the U.S. CARES Act, enacted on March 27, 2020.

## NOTE 17 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

<i>(millions)</i>	September 30 2020	December 31 2019
Provision for decommissioning liabilities	\$ 1.7	\$ 1.8
Deferred compensation and employee incentives	13.3	12.2
	15.0	14.0
Less: current portion	(2.2)	(2.4)
	\$ 12.8	\$ 11.6

Deferred compensation includes the RSU and DSU liabilities. The RSU and DSU liabilities that will be paid within the current year amounting to \$2.2 million have been reclassified to 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 September 30, 2020 the inter-segment revenues from steel distributors to metals service centers were \$5.1 million (2019: \$11.1 million) and for the nine months ended September 30, 2020 were \$20.6 million (2019: \$50.0 million). These sales, which are at market rates, are eliminated in the following table.

a) *Results by business segment:*

<i>(millions)</i>	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Segment Revenues</b>				
Metals service centers	\$ 393.3	\$ 473.6	\$ 1,202.6	\$ 1,546.4
Energy products	157.5	297.7	621.6	968.1
Steel distributors	61.9	93.7	188.3	315.3
	612.7	865.0	2,012.5	2,829.8
Other	2.2	4.2	5.2	8.7
	\$ 614.9	\$ 869.2	\$ 2,017.7	\$ 2,838.5
<b>Segment Operating Profits</b>				
Metals service centers	\$ 26.2	\$ 15.5	\$ 68.3	\$ 64.9
Energy products	1.7	17.6	3.7	70.6
Steel distributors	1.6	3.3	4.3	19.0
	29.5	36.4	76.3	154.5
Corporate expenses	(4.7)	(3.9)	(11.9)	(14.4)
Gain on sale of property, plant and equipment	6.1	-	6.1	-
Asset impairment	-	-	(3.7)	-
Other income	1.3	2.4	1.4	3.9
Earnings before interest expense and provision for income taxes	32.2	34.9	68.2	144.0
Interest expense, net	(9.1)	(10.0)	(27.7)	(31.0)
Provision for income taxes	(4.9)	(6.8)	(7.2)	(29.8)
Net earnings	\$ 18.2	\$ 18.1	\$ 33.3	\$ 83.2
<b>Capital Expenditures</b>				
Metals service centers	\$ 5.8	\$ 7.3	\$ 15.9	\$ 18.5
Energy products	0.4	1.9	2.2	4.0
Steel distributors	0.1	0.2	0.3	0.6
Other	0.1	0.3	0.4	0.5
	\$ 6.4	\$ 9.7	\$ 18.8	\$ 23.6
<b>Depreciation and Amortization Expense</b>				
Metals service centers	\$ 8.9	\$ 8.5	\$ 26.9	\$ 25.8
Energy products	5.5	4.7	17.4	13.8
Steel distributors	0.4	0.4	1.2	1.2
Other	0.2	0.2	0.5	0.6
	\$ 15.0	\$ 13.8	\$ 46.0	\$ 41.4

<i>(millions)</i>	September 30 2020	December 31 2019
<b>Current Identifiable Assets</b>		
Metals service centers	\$ 474.3	\$ 482.9
Energy products	554.4	747.6
Steel distributors	117.7	131.3
	1,146.4	1,361.8
<b>Non-Current Identifiable Assets</b>		
Metals service centers	314.6	318.3
Energy products	167.9	187.3
Steel distributors	6.8	7.5
Total identifiable assets included in segments	1,635.7	1,874.9
Assets not included in segments		
Cash and cash equivalents	121.5	16.0
Income tax assets	20.4	23.7
Financial and other assets	4.9	4.0
Pension and benefits	0.8	5.4
Corporate and other operating assets	4.4	0.9
Total assets	\$ 1,787.7	\$ 1,924.9
<b>Liabilities</b>		
Metals service centers	\$ 223.2	\$ 220.1
Energy products	125.3	181.0
Steel distributors	9.3	18.3
Liabilities by segment	357.8	419.4
Liabilities not included in segments		
Bank indebtedness	-	62.1
Income taxes payable and deferred income tax liabilities	20.2	13.5
Long-term debt	445.7	444.8
Pension and benefits	12.4	10.4
Corporate and other liabilities	34.1	30.1
Total liabilities	\$ 870.2	\$ 980.3

*b) Results by geographic segment:*

<i>(millions)</i>	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Segment Revenues</b>				
Canada	\$ 421.4	\$ 610.7	\$ 1,354.1	\$ 1,978.2
United States	191.3	254.3	658.4	851.6
	\$ 612.7	\$ 865.0	\$ 2,012.5	\$ 2,829.8
<b>Segment Operating Profits</b>				
Canada	\$ 40.9	\$ 35.4	\$ 93.2	\$ 136.1
United States	(5.3)	1.0	(10.8)	18.4
	\$ 35.6	\$ 36.4	\$ 82.4	\$ 154.5

<i>(millions)</i>	September 30 2020	December 31 2019
<b>Identifiable Assets</b>		
Canada	\$ 1,137.5	\$ 1,248.7
United States	498.2	626.2
	\$ 1,635.7	\$ 1,874.9

c) *Revenues by product:*

(millions)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Carbon</b>				
Structurals (WF & I Beams, Angles, Channels, Hollow Tubes)	\$ 179.0	\$ 214.9	\$ 541.6	\$ 683.6
Plate (Discrete & Plate in Coil)	105.6	154.3	342.3	542.8
Flanges, Valves, Fittings and other Energy Products	84.0	159.8	334.4	509.5
Tubing/Pipe (Standard, Oil Country Tubular Goods)	83.1	146.3	314.3	480.9
Flat Rolled (Sheet & Coil)	58.8	69.5	170.1	225.8
Bars (Hot Rolled and Cold Finished)	39.2	45.5	120.3	144.2
Grating/ Expanded/Rails	7.1	8.5	22.1	27.7
<b>Total Carbon</b>	<b>556.8</b>	<b>798.8</b>	<b>1,845.1</b>	<b>2,614.5</b>
Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.)	29.7	33.1	86.6	105.2
Other	28.4	37.3	86.0	118.8
	<b>\$ 614.9</b>	<b>\$ 869.2</b>	<b>\$ 2,017.7</b>	<b>\$ 2,838.5</b>

**NOTE 19 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT**

a) *Financial assets and liabilities*

Financial assets and liabilities are as follows:

<i>September 30, 2020 (millions)</i>	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	\$ 121.5	\$ -	\$ 121.5
Accounts receivable	346.6	-	346.6
Financial assets	3.6	-	3.6
Accounts payables and accrued liabilities	-	(271.3)	(271.3)
Lease obligations	-	(107.8)	(107.8)
Long-term debt	-	(445.7)	(445.7)
<b>Total</b>	<b>\$ 471.7</b>	<b>\$ (824.8)</b>	<b>\$ (353.1)</b>

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

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

(millions)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Embedded derivatives	\$ (0.1)	\$ 0.3	\$ 1.1	\$ (3.8)
Forward contracts	-	(0.6)	(0.2)	0.5

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 September 30, 2020 and December 31, 2019 was estimated based on the last quoted trade price, where it exists, or based on current rates available to the Company for similar debt with the same period to maturity.

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

	Primary Debt Instrument	
	Carrying Amount	Fair Value Level 2
<i>September 30, 2020 (millions)</i>		
6% \$300 million Senior Notes due April 19, 2022	\$ 298.6	\$ 300.6
6% \$150 million Senior Notes due March 16, 2026	147.1	150.7
<b>Total</b>	<b>\$ 445.7</b>	<b>\$ 451.3</b>
<b>Current portion</b>	<b>\$ -</b>	
<b>Long-term portion</b>	<b>\$ 445.7</b>	
<i>December 31, 2019 (millions)</i>		
6% \$300 million Senior Notes due April 19, 2022	\$ 298.0	\$ 303.9
6% \$150 million Senior Notes due March 16, 2026	146.8	157.2
<b>Total</b>	<b>\$ 444.8</b>	<b>\$ 461.1</b>
<b>Current portion</b>	<b>\$ -</b>	
<b>Long-term portion</b>	<b>\$ 444.8</b>	

### *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 September 30, 2020, nearly all cash and cash equivalents were held in institutions that were R1 High by DBRS;
- ◆ Counterparties to derivative contracts are members of the syndicated banking facility (Note 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 September 30, 2020 and December 31, 2019, other than the allowance for doubtful accounts. As at September 30, 2020, trade accounts receivable greater than 90 days represented less than 2% of trade accounts receivable (December 31, 2019: 5%).

### *d) Interest rate risk*

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

*e) Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company uses foreign exchange contracts with maturities of less than a year to manage foreign exchange risk on certain future committed cash outflows. As at September 30, 2020, the Company had outstanding forward foreign exchange contracts in the amount of US\$16.4 million maturing in 2020 (2019: US\$21.1 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. As at September 30, 2020, the Company has access to \$521 million from cash on hand and the undrawn portion of its committed credit facility. 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 September 30, 2020, 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
2020	\$ 271.3	\$ -	\$ 9.0	\$ 6.4	\$ 286.7
2021	-	-	27.0	23.1	50.1
2022	-	300.0	17.3	19.4	336.7
2023	-	-	9.0	17.3	26.3
2024	-	-	9.0	14.4	23.4
2025 and beyond	-	150.0	13.9	65.7	229.6
Total	\$ 271.3	\$ 450.0	\$ 85.2	\$ 146.3	\$ 952.8

At September 30, 2020, the Company was contractually obligated to repay its borrowings and letters of credit under its bank facilities (Note 8). Lease obligations in the above table include on balance sheet leases in addition to short-term and low value leases. In October 2020, the Company announced the redemption of the \$300 million 6% senior notes due April 19, 2022 and issuance of \$150 million 5.75% senior notes due October 27, 2025 (Note 22).

*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. During and subsequent to the third quarter ended September 30, 2020, the Company amended its capital structure by the extension of its bank facility, redemption of its \$300 million 6% senior notes due April 19, 2022 and the issuance of \$150 million 5.75% senior notes due October 27, 2025.

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

*b) Decommissioning liability*

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

The Company has asset retirement obligations relating to the land lease for 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.

**NOTE 21 OTHER COMPREHENSIVE INCOME**

Income taxes on other comprehensive income are as follows:

<i>(millions)</i>	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Tax on items that may not be reclassified to earnings				
Income tax recovery (expense) on actuarial losses/ gains on pension and similar obligations	\$ (1.3)	\$ (0.4)	\$ 1.8	\$ 0.5

**NOTE 22 SUBSEQUENT EVENTS**

*a) Debt Issuance*

On October 27, 2020, the Company issued \$150 million 5.75% senior unsecured notes due on October 27, 2025, for total net proceeds of \$147 million. Interest on these senior notes is due semi-annually on April 27 and October 27 of each year. From the second anniversary of issue date through the maturity date, the Company has an option to redeem the notes in whole or in part at the applicable redemption price set forth in the governing trust indenture together with unpaid accrued interest.

*b) Redemption of 6% Senior Unsecured Notes*

On October 1, 2020, the Company announced an irrevocable notice of redemption, at par plus accrued interest, for \$150 million of its 6% senior unsecured notes due on April 19, 2022 on November 5, 2020.

On October 13, 2020, the Company announced a conditional redemption, at par plus accrued interest, for the remaining \$150 million of its 6% senior unsecured notes due on April 19, 2022 on November 12, 2020. The conditions of the redemption were met on October 27, 2020.

The after-tax effect of these redemptions on net earnings will be approximately \$1.0 million relating to the write-off of deferred financing costs.