

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.

August 5, 2021

(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> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------------------------------------------------|----------------------------|----------|--------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues | \$ 1,068.2 | \$ 588.1 | \$ 1,953.6 | \$ 1,402.8 |
| Cost of materials (Note 3) | 740.3 | 478.0 | 1,370.6 | 1,140.3 |
| Employee expenses (Note 13) | 103.1 | 55.7 | 187.7 | 123.6 |
| Other operating expenses (Note 13) | 61.3 | 38.3 | 117.3 | 99.2 |
| Asset impairment (Note 5) | - | - | - | 3.7 |
| Earnings before interest and provision for income taxes | 163.5 | 16.1 | 278.0 | 36.0 |
| Interest expense (Note 14) | 6.5 | 9.2 | 12.9 | 18.6 |
| Earnings before provision for income taxes | 157.0 | 6.9 | 265.1 | 17.4 |
| Provision for income taxes (Note 15) | 39.2 | 2.3 | 66.7 | 2.3 |
| Net earnings for the period | \$ 117.8 | \$ 4.6 | \$ 198.4 | \$ 15.1 |
| Basic earnings per common share (Note 12) | \$ 1.88 | \$ 0.07 | \$ 3.18 | \$ 0.24 |
| Diluted earnings per common share (Note 12) | \$ 1.88 | \$ 0.07 | \$ 3.18 | \$ 0.24 |

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

| <i>(in millions of Canadian dollars)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-------------------------------------------------------------------------------------|----------------------------|-----------|--------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Net earnings for the period | \$ 117.8 | \$ 4.6 | \$ 198.4 | \$ 15.1 |
| Other comprehensive (loss) income | | | | |
| Items that may be reclassified to earnings | | | | |
| Unrealized foreign exchange (losses) gains on translation of foreign operations | (7.4) | (23.3) | (13.8) | 26.8 |
| Items that may not be reclassified to earnings | | | | |
| Actuarial gains (losses) on pension and similar obligations, net of taxes (Note 20) | 1.6 | (6.9) | 18.1 | (8.6) |
| Other comprehensive (loss) income | (5.8) | (30.2) | 4.3 | 18.2 |
| Total comprehensive income (loss) | \$ 112.0 | \$ (25.6) | \$ 202.7 | \$ 33.3 |

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> | June 30 2021 | December 31 2020 |
|---------------------------------------------------------------|-----------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 175.2 | \$ 26.3 |
| Accounts receivable | 529.5 | 344.0 |
| Inventories (Note 3) | 772.7 | 716.4 |
| Prepaid and other | 18.0 | 13.6 |
| Income taxes receivable | 10.0 | 19.8 |
| | 1,505.4 | 1,120.1 |
| Property, Plant and Equipment (Note 4) | 263.6 | 269.5 |
| Right-of-Use Assets (Note 5) | 85.8 | 81.4 |
| Deferred Income Tax Assets | 3.2 | 5.9 |
| Pension and Benefits (Note 9) | 21.6 | 5.1 |
| Financial and Other Assets | 4.3 | 4.7 |
| Goodwill and Intangibles (Note 6) | 104.0 | 109.6 |
| | \$ 1,987.9 | \$ 1,596.3 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 489.4 | \$ 294.6 |
| Short-term lease obligations (Note 5) | 15.7 | 16.9 |
| Income taxes payable | 33.6 | 3.7 |
| | 538.7 | 315.2 |
| Long-Term Debt (Note 8) | 294.2 | 293.7 |
| Pensions and Benefits (Note 9) | 5.6 | 13.0 |
| Deferred Income Tax Liabilities | 10.1 | 9.5 |
| Long-term Lease Obligations (Note 5) | 94.5 | 88.8 |
| Provisions and Other Non-Current Liabilities (Note 16) | 15.4 | 11.4 |
| | 958.5 | 731.6 |
| Shareholders' Equity (Note 10) | | |
| Common shares | 557.3 | 546.2 |
| Retained earnings | 381.5 | 212.5 |
| Contributed surplus | 14.1 | 15.7 |
| Accumulated other comprehensive income | 76.5 | 90.3 |
| Total Shareholders' Equity | 1,029.4 | 864.7 |
| Total Liabilities and Shareholders' Equity | \$ 1,987.9 | \$ 1,596.3 |

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

ON BEHALF OF THE BOARD,

(signed) J. Clark
Director

(signed) A. Laberge
Director

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

| <i>(in millions of Canadian dollars)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|----------------------------------------------------------------|----------------------------|----------------|--------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Operating activities | | | | |
| Net earnings for the period | \$ 117.8 | \$ 4.6 | \$ 198.4 | \$ 15.1 |
| Depreciation and amortization | 14.3 | 15.4 | 28.8 | 31.0 |
| Provision for income taxes | 39.2 | 2.3 | 66.7 | 2.3 |
| Interest expense | 6.5 | 9.2 | 12.9 | 18.6 |
| Gain on sale of property, plant and equipment | (0.1) | (0.1) | (0.3) | (0.2) |
| Asset impairment | - | - | - | 3.7 |
| Share-based compensation | 0.1 | 0.1 | 0.1 | 0.2 |
| Difference between pension expense and amount funded | 0.3 | - | 0.6 | - |
| Debt accretion, amortization and other | 0.2 | 0.3 | 0.5 | 0.6 |
| Interest paid, including interest on lease obligations | (6.3) | (11.3) | (12.6) | (18.1) |
| Cash from operating activities before non-cash working capital | 172.0 | 20.5 | 295.1 | 53.2 |
| Changes in non-cash working capital items | | | | |
| Accounts receivable | (61.5) | 150.7 | (189.2) | 141.1 |
| Inventories | (56.5) | 34.3 | (67.3) | 34.0 |
| Accounts payable and accrued liabilities | 77.5 | (93.8) | 202.1 | (47.3) |
| Other | (1.6) | 4.0 | (4.3) | 3.6 |
| Change in non-cash working capital | (42.1) | 95.2 | (58.7) | 131.4 |
| Income tax paid, net | (20.2) | (0.1) | (30.7) | (0.9) |
| Cash from operating activities | 109.7 | 115.6 | 205.7 | 183.7 |
| Financing activities | | | | |
| Decrease in bank indebtedness | - | (39.4) | - | (50.8) |
| Issue of common shares | 9.4 | - | 9.4 | 0.2 |
| Dividends on common shares | (23.8) | (23.7) | (47.5) | (47.3) |
| Lease obligations | (4.0) | (4.9) | (7.9) | (9.4) |
| Cash used in financing activities | (18.4) | (68.0) | (46.0) | (107.3) |
| Investing activities | | | | |
| Purchase of property, plant and equipment | (6.8) | (5.3) | (12.7) | (12.4) |
| Proceeds on sale of property, plant and equipment | 0.1 | 0.8 | 0.5 | 3.3 |
| Cash used in investing activities | (6.7) | (4.5) | (12.2) | (9.1) |
| Effect of exchange rates on cash and cash equivalents | (1.7) | (6.4) | 1.4) | 5.8) |
| Increase in cash and cash equivalents | 82.9 | 36.7 | 148.9 | 73.1 |
| Cash and cash equivalents, beginning of the period | 92.3 | 52.4 | 26.3 | 16.0 |
| Cash and cash equivalents, end of the period | \$ 175.2 | \$ 89.1 | \$ 175.2 | \$ 89.1 |

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, 2021 | \$ 546.2 | \$ 212.5 | \$ 15.7 | \$ 90.3 | \$ 864.7 |
| Payment of dividends | - | (47.5) | - | - | (47.5) |
| Net earnings for the period | - | 198.4 | - | - | 198.4 |
| Other comprehensive income for the period | - | - | - | 4.3 | 4.3 |
| Recognition of share-based compensation | - | - | 0.1 | - | 0.1 |
| Share options exercised | 11.1 | - | (1.7) | - | 9.4 |
| Transfer of net actuarial gains on defined benefit plans | - | 18.1 | - | (18.1) | - |
| Balance, June 30, 2021 | \$ 557.3 | \$ 381.5 | \$ 14.1 | \$ 76.5 | \$ 1,029.4 |

| <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 | - | (47.3) | - | - | (47.3) |
| Net earnings for the period | - | 15.1 | - | - | 15.1 |
| Other comprehensive income for the period | - | - | - | 18.2 | 18.2 |
| Recognition of share-based compensation | - | - | 0.2 | - | 0.2 |
| Share options exercised | 0.3 | - | (0.1) | - | 0.2 |
| Transfer of net actuarial losses on defined benefit plans | - | (8.6) | - | 8.6 | - |
| Balance, June 30, 2020 | \$ 544.0 | \$ 243.7 | \$ 15.8 | \$ 127.5 | \$ 931.0 |

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 August 5, 2021.

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, 2020. 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, 2020. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020.

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 INVENTORIES

| <i>(millions)</i> | June 30 2021 | December 31 2020 |
|------------------------|-----------------|---------------------|
| Inventory | | |
| Metals service centers | \$ 400.7 | \$ 278.9 |
| Energy products | 269.1 | 373.0 |
| Steel distributors | 102.9 | 64.5 |
| | \$ 772.7 | \$ 716.4 |

Inventories expensed in cost of sales for the quarter ended June 30, 2021 were \$740.3 million (2020: \$478.0 million) and for the six months ended June 30 2021 were \$1.4 billion (2020: \$1.1 billion). During the quarter ended June 30, 2021, the Company recorded a net reduction in inventory provisions of \$2.7 million (2020: net increase of \$4.8 million) and a net reduction of \$9.3 million for the six months ended June 30, 2021 (2020: net increase of \$12.0 million).

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

| <i>Cost (millions)</i> | Land and Buildings | Machinery and Equipment | Leasehold Improvements | Total |
|-------------------------------|-----------------------|----------------------------|---------------------------|-----------------|
| Balance, December 31, 2020 | \$ 270.4 | \$ 403.2 | \$ 23.2 | \$ 696.8 |
| Additions | 0.8 | 11.7 | 0.2 | 12.7 |
| Disposals | (0.1) | (5.2) | (0.2) | (5.5) |
| Foreign exchange | (1.8) | (2.8) | - | (4.6) |
| Balance, June 30, 2021 | \$ 269.3 | \$ 406.9 | \$ 23.2 | \$ 699.4 |

| Accumulated Depreciation and Amortization (millions) | Land and Buildings | Machinery and Equipment | Leasehold Improvements | Total |
|----------------------------------------------------------------|--------------------|-------------------------|------------------------|-----------------|
| Balance, December 31, 2020 | \$ 130.6 | \$ 279.5 | \$ 17.2 | \$ 427.3 |
| Additions | 4.2 | 11.5 | 0.4 | 16.1 |
| Disposals | (0.1) | (5.1) | (0.1) | (5.3) |
| Foreign exchange | (0.3) | (1.9) | (0.1) | (2.3) |
| Balance, June 30, 2021 | \$ 134.4 | \$ 284.0 | \$ 17.4 | \$ 435.8 |

| Net Book Value (millions) | |
|----------------------------------|-----------------|
| December 31, 2020 | \$ 269.5 |
| June 30, 2021 | \$ 263.6 |

Land, included in land and buildings, was \$42.7 million (December 31, 2020: \$42.9 million).

| Depreciation Expense (millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-------------------------------------------|----------------------------|---------------|--------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Depreciation - cost of materials | \$ 2.0 | \$ 1.9 | \$ 3.8 | \$ 3.8 |
| Depreciation - other operating expense | 6.0 | 6.5 | 12.3 | 13.0 |
| | \$ 8.0 | \$ 8.4 | \$ 16.1 | \$ 16.8 |

NOTE 5 RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

Leased land and buildings represented approximately 83% (2020: 81%) of the right-of-use assets with the remainder comprised of vehicles and equipment leases.

| (millions) | Right-of-use Assets | Lease Obligations |
|-------------------------------|---------------------|-------------------|
| Balance, December 31, 2020 | \$ 81.4 | \$ 105.7 |
| Additions | 7.8 | 7.8 |
| Disposals and modification | 5.0 | 5.0 |
| Depreciation and amortization | (8.1) | - |
| Lease payments | - | (7.9) |
| Foreign exchange | (0.3) | (0.4) |
| Balance, June 30, 2021 | \$ 85.8 | \$ 110.2 |
| Current portion | | \$ 15.7 |
| Long-term portion | | \$ 94.5 |

During the quarter ended March 31, 2020, the Company determined that the carrying amount of one of the CGUs was less than recoverable amount and recorded an asset impairment of \$3.7 million.

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

| Right-of-use Assets (millions) | June 30 2021 | December 31 2020 |
|------------------------------------------|----------------|------------------|
| Land and buildings | \$ 71.5 | \$ 66.8 |
| Machinery and equipment | 14.3 | 14.6 |
| | \$ 85.8 | \$ 81.4 |

| Depreciation Expense (millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-------------------------------------------|----------------------------|---------------|--------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Land and buildings | \$ 2.5 | \$ 2.9 | \$ 5.1 | \$ 5.9 |
| Machinery and equipment | 1.5 | 1.6 | 3.0 | 3.2 |
| | \$ 4.0 | \$ 4.5 | \$ 8.1 | \$ 9.1 |

NOTE 6 GOODWILL AND INTANGIBLES

| <i>(millions)</i> | June 30 2021 | December 31 2020 |
|-------------------|-----------------|---------------------|
| Goodwill | \$ 38.8 | \$ 39.2 |
| Intangibles | 65.2 | 70.4 |
| | \$ 104.0 | \$ 109.6 |

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

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

| <i>Cost</i> <i>(millions)</i> | Metals Service Centers | Energy Products | Total |
|----------------------------------|---------------------------|--------------------|-----------------|
| Balance, December 31, 2020 | \$ 25.6 | \$ 103.6 | \$ 129.2 |
| Foreign exchange | (0.2) | (0.7) | (0.9) |
| Balance, June 30, 2021 | \$ 25.4 | \$ 102.9 | \$ 128.3 |

| <i>Accumulated Amortization</i> <i>(millions)</i> | Metals Service Centers | Energy Products | Total |
|------------------------------------------------------|---------------------------|--------------------|------------------|
| Balance, December 31, 2020 | \$ (14.6) | \$ (44.2) | \$ (58.8) |
| Amortization | (0.8) | (3.5) | (4.3) |
| Balance, June 30, 2021 | \$ (15.4) | \$ (47.7) | \$ (63.1) |

| <i>Net Book Value</i> <i>(millions)</i> | | |
|-----------------------------------------|--|----------------|
| December 31, 2020 | | \$ 70.4 |
| June 30, 2021 | | \$ 65.2 |

The remaining amortization period for customer relationships is 3 to 14 years.

NOTE 7 REVOLVING CREDIT FACILITIES

The Company has a syndicated credit facility 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 June 30, 2021. The Company had no borrowings as at June 30, 2021 and December 31, 2020 and letters of credit of \$100.9 million (December 31, 2020: \$68.0 million) under this facility.

NOTE 8 LONG-TERM DEBT

| <i>(millions)</i> | June 30 2021 | December 31 2020 |
|------------------------------------------------------|-----------------|---------------------|
| 5 ¾% \$150 million Senior Notes due October 27, 2025 | \$ 146.8 | \$ 146.5 |
| 6% \$150 million Senior Notes due March 16, 2026 | 147.4 | 147.2 |
| | \$ 294.2 | \$ 293.7 |

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 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 June 30, 2021.

b) On October 27, 2020, the Company issued \$150 million 5 ¾% Unsecured Senior Notes due October 27, 2025, for total net proceeds of \$147 million. Interest is due semi-annually on April 27 and October 27 of each year.

The Company may redeem the notes in whole or in part at any time after October 27, 2022 at 102.9% of the principal amount declining rateably to 100% of the principal amount on or after October 27, 2024.

These notes contain certain restrictions on the payment of common share dividends in excess of \$1.60 per share in any fiscal year. The Company was in compliance with these covenants at June 30, 2021.

NOTE 9 PENSIONS AND BENEFITS

As at June 30, 2021, the Company determined its accrued benefit obligations related to the employee future benefit plans using a discount rate of 3.00% (December 31, 2020: 2.50%) 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 \$2.1 million for the quarter ended June 30, 2021 (2020: loss of \$9.4 million) and an actuarial gain of \$24.5 million for the six months ended June 30, 2021 (2020: loss of \$11.7 million).

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

| <i>(millions)</i> | June 30 2021 | December 31 2020 |
|------------------------------------------------------|-----------------|---------------------|
| Present value of defined benefit pension obligations | \$ 152.3 | \$ 163.8 |
| Fair value of plan assets | 170.9 | 158.7 |
| Other post-retirement benefit obligations | 18.6 | (5.1) |
| Defined benefit assets (obligations) | (2.6) | (2.8) |
| | \$ 16.0 | \$ (7.9) |

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

| Defined Benefit Obligations <i>(millions)</i> | Pension Plans | | Other Benefit Plans | |
|---------------------------------------------------------|-----------------|---------------------|---------------------|---------------------|
| | June 30 2021 | December 31 2020 | June 30 2021 | December 31 2020 |
| Plans with surplus | \$ 21.6 | \$ 5.1 | \$ - | \$ - |
| Partially funded plans | (3.0) | (10.2) | - | - |
| Unfunded plans | - | - | (2.6) | (2.8) |
| Defined benefit assets (obligations) | \$ 18.6 | \$ (5.1) | \$ (2.6) | \$ (2.8) |

NOTE 10 SHAREHOLDERS' EQUITY

a) At June 30, 2021 and 2020, the authorized share capital of the Company consisted of:

- (i) an unlimited number of common shares without nominal or par value;
- (ii) an unlimited number of Class I preferred shares without nominal or par value, issuable in series; and
- (iii) an unlimited number of Class II preferred shares without nominal or par value, issuable in series.

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

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

| | Number of Shares | Amount (millions) |
|-------------------------------|-------------------|-------------------|
| Balance, December 31, 2020 | 62,295,441 | \$ 546.2 |
| Share options exercised | 394,145 | 11.1 |
| Balance, June 30, 2021 | 62,689,586 | \$ 557.3 |

The continuity of contributed surplus is as follows:

| <i>(millions)</i> | |
|----------------------------------|----------------|
| Balance, December 31, 2020 | \$ 15.7 |
| Share-based compensation expense | 0.1 |
| Options exercised | (1.7) |
| Balance, June 30, 2021 | \$ 14.1 |

Dividends paid and declared are as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------------------------------------------------------------|----------------------------|---------|--------------------------|---------|
| | 2021 | 2021 | 2021 | 2020 |
| Dividends paid <i>(millions)</i> | \$ 23.8 | \$ 23.7 | \$ 47.5 | \$ 47.3 |
| Dividends per share | \$ 0.38 | \$ 0.38 | \$ 0.76 | \$ 0.76 |
| Quarterly dividend per share declared on August 5, 2021 (August 6, 2020) | \$ 0.38 | \$ 0.38 | | |

NOTE 11 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 | |
|------------------------------|-------------------|------------------|---------------------------------|------------------|
| | June 30 2021 | December 31 2020 | June 30 2021 | December 31 2020 |
| Balance, beginning of period | 1,583,793 | 1,666,534 | \$ 26.20 | \$ 26.00 |
| Granted | 49,065 | 109,615 | 25.08 | 18.94 |
| Exercised | (394,145) | (122,011) | 23.99 | 18.27 |
| Expired or forfeited | (178,432) | (70,345) | 25.81 | 23.87 |
| Balance, end of period | 1,060,281 | 1,583,793 | \$ 27.04 | \$ 26.20 |
| Exercisable | 885,947 | 1,366,046 | \$ 27.92 | \$ 26.66 |

The outstanding options had exercise price ranges as follows:

| <i>(number of options)</i> | June 30 2021 | December 31 2020 |
|----------------------------|--------------|------------------|
| \$ 29.00 - \$ 31.46 | 213,987 | 213,987 |
| \$ 25.37 - \$ 28.99 | 472,821 | 810,890 |
| \$ 14.61 - \$ 25.36 | 373,473 | 558,916 |
| Options outstanding | 1,060,281 | 1,583,793 |

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

| | June 30 2021 | December 31 2020 |
|------------------------------------------------|-----------------|---------------------|
| Dividend yield | 5% | 5% |
| Expected volatility | 33% | 32% |
| Expected life | 5 yrs | 5 yrs |
| Risk free rate of return | 1.21% | 0.72% |
| Weighted average fair value of options granted | \$ 4.28 | \$ 2.86 |

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

Share Appreciation Rights (SAR)

The following is a continuity of SARs outstanding:

| | Number of SARs | | Weighted Average Exercise Price | |
|------------------------------|-----------------|---------------------|---------------------------------|---------------------|
| | June 30 2021 | December 31 2020 | June 30 2021 | December 31 2020 |
| Balance, beginning of period | 352,871 | 232,871 | \$ 25.48 | \$ 27.31 |
| Granted | 88,766 | 120,000 | 25.08 | 21.94 |
| Paid out | (80,862) | - | 23.04 | - |
| Balance, end of period | 360,775 | 352,871 | \$ 25.93 | \$ 25.48 |

The SARs liability as at June 30, 2021 was \$1.1 million (December 31, 2020: \$nil). The fair value of SARs was \$2.9 million (December 31, 2020: \$nil).

Deferred Share Units (DSU)

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

| <i>(number of units)</i> | June 30 2021 | December 31 2020 |
|----------------------------------|-----------------|---------------------|
| Balance, beginning of the period | 353,058 | 288,030 |
| Granted | 24,094 | 80,432 |
| Paid out | (72,608) | (15,404) |
| Balance, end of the period | 304,544 | 353,058 |

The liability and fair value of DSUs was \$10.3 million at June 30, 2021 (December 31, 2020: \$8.0 million). Dividends declared on common shares accrue to units in the DSU plan in the form of additional DSUs.

Restricted Share Units (RSU)

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

| <i>(number of units)</i> | June 30 2021 | December 31 2020 |
|----------------------------------|-----------------|---------------------|
| Balance, beginning of the period | 409,779 | 389,429 |
| Granted | 50,877 | 166,911 |
| Paid out | (7,644) | (146,561) |
| Balance, end of the period | 453,012 | 409,779 |

The RSU liability at June 30, 2021 was \$12.3 million (December 31, 2020: \$7.1 million). The fair value of RSUs was \$15.3 million at June 30, 2021 (December 31, 2020: \$9.3 million). Dividends declared on common shares accrue to units in the RSU plan in the form of additional RSUs.

NOTE 12 EARNINGS PER SHARE

The net income used in the calculation of basic and diluted earnings per share for the quarter ended June 30, 2021 was \$117.8 million (2020: \$4.6 million) and for the six months ended June 30, 2021 was \$198.4 million (2020: \$15.1 million).

| <i>(number of shares)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------------------------|----------------------------|------------|--------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Weighted average shares outstanding | 62,488,175 | 62,184,978 | 62,392,338 | 62,182,055 |
| Dilution impact of share options | 128,504 | - | 22,247 | 2,188 |
| Diluted weighted average shares outstanding | 62,616,679 | 62,184,978 | 62,414,585 | 62,184,243 |

NOTE 13 EXPENSES

| <i>(millions)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------------------------------|----------------------------|---------|--------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Employee Expenses | | | | |
| Wages and salaries | \$ 90.4 | \$ 45.4 | \$ 162.7 | \$ 100.2 |
| Other employee related costs | 12.7 | 10.3 | 25.0 | 23.4 |
| | \$ 103.1 | \$ 55.7 | \$ 187.7 | \$ 123.6 |
| Other Operating Expenses | | | | |
| Plant and other expenses | \$ 38.6 | \$ 20.9 | \$ 73.7 | \$ 58.0 |
| Delivery expenses | 15.0 | 12.2 | 28.0 | 26.3 |
| Repairs and maintenance | 3.5 | 3.1 | 6.8 | 7.0 |
| Selling expenses | 2.1 | 1.6 | 4.5 | 4.7 |
| Professional fees | 3.2 | 1.8 | 5.0 | 3.2 |
| Gain on sale of property, plant and equipment | (0.2) | (0.1) | (0.3) | (0.2) |
| Foreign exchange (gain) loss | (0.9) | (1.2) | (0.4) | 0.2 |
| | \$ 61.3 | \$ 38.3 | \$ 117.3 | \$ 99.2 |

In response to the COVID-19 pandemic, the Government of Canada announced the Canadian Emergency Wage Subsidy program ("CEWS") commencing March 15, 2020. Wages and salaries for the comparable three months and six months ended June 30, 2020 benefited from \$20.1 million relating to CEWS.

NOTE 14 INTEREST EXPENSE

| <i>(millions)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------------------------|----------------------------|--------|--------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest on 6% \$300 million Senior Notes | \$ - | \$ 4.8 | \$ - | \$ 9.6 |
| Interest on 6% \$150 million Senior Notes | 2.3 | 2.3 | 4.6 | 4.5 |
| Interest on 5 ¾% \$150 million Senior Notes | 2.4 | - | 4.7 | - |
| Interest on lease obligations | 1.8 | 1.9 | 3.6 | 3.8 |
| Other interest expense | - | 0.2 | - | 0.7 |
| Interest expense | \$ 6.5 | \$ 9.2 | \$ 12.9 | \$ 18.6 |

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 June 30, 2021 was \$0.2 million (2020: \$0.3 million) and for the six months ended June 30, 2021 was \$0.5 million (2020: \$0.6 million)

NOTE 15 INCOME TAXES

The consolidated effective tax rates for the quarters ended June 30, 2021 and June 30, 2020 were 24.9% and 33.2% respectively and for the six months ended June 30, 2021 and 2020 were 25.2% and 13.3% respectively. The higher effective tax rate for the three months ended June 30, 2020 was due to losses in U.S. operations. The reduction in the effective tax rate for the six months ended June 30, 2020, was due to the loss carry-back provisions of the U.S. CARES Act, enacted on March 27, 2020, which reduced the provision for income taxes for the quarter ended March 31, 2020 by \$3.3 million.

NOTE 16 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

| <i>(millions)</i> | June 30 2021 | December 31 2020 |
|-----------------------------------------------|-----------------|---------------------|
| Provision for decommissioning liabilities | \$ 1.6 | \$ 1.7 |
| Deferred compensation and employee incentives | 23.7 | 15.1 |
| | 25.3 | 16.8 |
| Less: current portion | (9.9) | (5.4) |
| | \$ 15.4 | \$ 11.4 |

Deferred compensation and employee incentives are comprised of the RSU, DSU and SAR liabilities. The RSU, DSU and SAR liabilities that will be paid within the current year amounting to \$9.9 million have been reclassified to current accrued liabilities.

NOTE 17 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 aluminum. 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 tubes, valves, flanges, fittings, oil country tubular products and line pipe, 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 June 30, 2021 the inter-segment revenues from steel distributors to metals service centers were \$18.5 million (2020: \$7.3 million) and for the six months ended June 30, 2021 were \$26.1 million (2020: \$15.5 million). These sales, which are at market rates, are eliminated in the following table.

a) *Results by business segment:*

| <i>(millions)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------------------------------------------------------|----------------------------|----------|--------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Segment Revenues | | | | |
| Metals service centers | \$ 717.0 | \$ 372.7 | \$ 1,301.5 | \$ 809.3 |
| Energy products | 205.3 | 148.6 | 431.4 | 464.1 |
| Steel distributors | 142.9 | 64.0 | 217.3 | 126.4 |
| | 1,065.2 | 585.3 | 1,950.2 | 1,399.8 |
| Other | 3.0 | 2.8 | 3.4 | 3.0 |
| | \$ 1,068.2 | \$ 588.1 | \$ 1,953.6 | \$ 1,402.8 |
| Segment Operating Profits | | | | |
| Metals service centers | \$ 135.8 | \$ 24.5 | \$ 241.6 | \$ 42.1 |
| Energy products | 12.1 | (4.4) | 17.6 | 2.0 |
| Steel distributors | 31.6 | 1.9 | 47.4 | 2.7 |
| | 179.5 | 22.0 | 306.6 | 46.8 |
| Corporate expenses | (17.6) | (7.2) | (29.2) | (7.2) |
| Asset impairment | - | - | - | (3.7) |
| Other income | 1.6 | 1.3 | 0.6 | 0.1 |
| Earnings before interest expense and provision for income taxes | 163.5 | 16.1 | 278.0 | 36.0 |
| Interest expense, net | (6.5) | (9.2) | (12.9) | (18.6) |
| Provision for income taxes | (39.2) | (2.3) | (66.7) | (2.3) |
| Net earnings | \$ 117.8 | \$ 4.6 | \$ 198.4 | \$ 15.1 |
| Capital Expenditures | | | | |
| Metals service centers | \$ 6.4 | \$ 4.4 | \$ 11.9 | \$ 10.1 |
| Energy products | 0.2 | 0.8 | 0.6 | 1.8 |
| Steel distributors | 0.2 | 0.1 | 0.2 | 0.2 |
| Other | - | - | - | 0.3 |
| | \$ 6.8 | \$ 5.3 | \$ 12.7 | \$ 12.4 |
| Depreciation and Amortization Expense | | | | |
| Metals service centers | \$ 9.3 | \$ 9.1 | \$ 18.4 | \$ 18.0 |
| Energy products | 4.4 | 5.8 | 9.2 | 11.9 |
| Steel distributors | 0.4 | 0.4 | 0.8 | 0.8 |
| Other | 0.2 | 0.1 | 0.4 | 0.3 |
| | \$ 14.3 | \$ 15.4 | \$ 28.8 | \$ 31.0 |

| <i>(millions)</i> | June 30 2021 | December 31 2020 |
|----------------------------------------------------------|-----------------|---------------------|
| Current Identifiable Assets | | |
| Metals service centers | \$ 734.1 | \$ 473.6 |
| Energy products | 413.3 | 506.8 |
| Steel distributors | 170.6 | 97.4 |
| | 1,318.0 | 1,077.8 |
| Non-Current Identifiable Assets | | |
| Metals service centers | 316.2 | 322.3 |
| Energy products | 125.5 | 128.9 |
| Steel distributors | 8.9 | 6.4 |
| Total identifiable assets included in segments | 1,768.6 | 1,535.4 |
| Assets not included in segments | | |
| Cash and cash equivalents | 175.2 | 26.3 |
| Income tax assets | 13.2 | 25.7 |
| Financial and other assets | 4.3 | 3.7 |
| Pension and benefits | 21.6 | 5.1 |
| Corporate and other operating assets | 5.0 | 0.1 |
| Total assets | \$ 1,987.9 | \$ 1,596.3 |
| Liabilities | | |
| Metals service centers | \$ 412.7 | \$ 243.3 |
| Energy products | 123.9 | 116.8 |
| Steel distributors | 23.5 | 17.0 |
| Liabilities by segment | 560.1 | 377.1 |
| Liabilities not included in segments | | |
| Income taxes payable and deferred income tax liabilities | 43.7 | 13.2 |
| Long-term debt | 294.2 | 293.7 |
| Pension and benefits | 5.6 | 13.0 |
| Corporate and other liabilities | 54.9 | 34.6 |
| Total liabilities | \$ 958.5 | \$ 731.6 |

b) Results by geographic segment:

| <i>(millions)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|----------------------------------|----------------------------|----------|--------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Segment Revenues | | | | |
| Canada | \$ 687.0 | \$ 385.9 | \$ 1,286.4 | \$ 932.7 |
| United States | 378.2 | 199.4 | 663.8 | 467.1 |
| | \$ 1,065.2 | \$ 585.3 | \$ 1,950.2 | \$ 1,399.8 |
| Segment Operating Profits | | | | |
| Canada | \$ 110.7 | \$ 25.3 | \$ 195.8 | \$ 52.3 |
| United States | 68.8 | (6.9) | 110.8 | (9.1) |
| | \$ 179.5 | \$ 18.4 | \$ 306.6 | \$ 43.2 |

| <i>(millions)</i> | June 30 2021 | December 31 2020 |
|----------------------------|-----------------|---------------------|
| Identifiable Assets | | |
| Canada | \$ 1,240.1 | \$ 1,070.8 |
| United States | 528.5 | 464.6 |
| | \$ 1,768.6 | \$ 1,535.4 |

c) *Revenues by product:*

| <i>(millions)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|------------------------------------------------------------|----------------------------|-----------------|--------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Carbon | | | | |
| Structurals (WF & I Beams, Angles, Channels, Hollow Tubes) | \$ 305.8 | \$ 176.6 | \$ 555.8 | \$ 362.6 |
| Plate (Discrete & Plate in Coil) | 248.6 | 103.7 | 416.1 | 236.7 |
| Flanges, Valves, Fittings and other Energy Products | 97.1 | 85.6 | 191.8 | 250.4 |
| Tubing/Pipe (Standard, Oil Country Tubular Goods) | 130.7 | 72.4 | 279.4 | 231.2 |
| Flat Rolled (Sheet & Coil) | 138.0 | 53.4 | 231.3 | 111.3 |
| Bars (Hot Rolled and Cold Finished) | 56.6 | 37.3 | 107.5 | 81.1 |
| Grating/ Expanded/Rails | 9.5 | 6.5 | 17.1 | 15.0 |
| Total Carbon | 986.3 | 535.5 | 1,799.0 | 1,288.3 |
| Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.) | 41.4 | 26.6 | 78.2 | 56.9 |
| Other | 40.5 | 26.0 | 76.4 | 57.6 |
| | \$ 1,068.2 | \$ 588.1 | \$ 1,953.6 | \$ 1,402.8 |

NOTE 18 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

a) *Financial assets and liabilities*

Financial assets and liabilities are as follows:

| <i>June 30, 2021 (millions)</i> | Loans and Receivables | Other | Total |
|-------------------------------------------|-----------------------|-----------------------|-------------------|
| | | Financial Liabilities | |
| Cash and cash equivalents | \$ 175.2 | \$ - | \$ 175.2 |
| Accounts receivable | 529.5 | - | 529.5 |
| Financial assets | 3.3 | - | 3.3 |
| Accounts payables and accrued liabilities | - | (489.4) | (489.4) |
| Lease obligations | - | (110.2) | (110.2) |
| Long-term debt | - | (294.2) | (294.2) |
| Total | \$ 708.0 | \$ (893.8) | \$ (185.8) |

| <i>December 31, 2020 (millions)</i> | Loans and Receivables | Other | Total |
|-------------------------------------------|-----------------------|-----------------------|-------------------|
| | | Financial Liabilities | |
| Cash and cash equivalents | \$ 26.3 | \$ - | \$ 26.3 |
| Accounts receivable | 344.0 | - | 344.0 |
| Financial assets | 3.4 | - | 3.4 |
| Accounts payables and accrued liabilities | - | (294.6) | (294.6) |
| Lease obligations | - | (105.7) | (105.7) |
| Long-term debt | - | (293.7) | (293.7) |
| Total | \$ 373.7 | \$ (694.0) | \$ (320.3) |

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> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|----------------------|----------------------------|----------|--------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Embedded derivatives | \$ 2.3 | \$ (1.5) | \$ 1.9 | \$ 1.2 |
| Forward contracts | (1.4) | - | (1.9) | (0.2) |

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 June 30, 2021 and December 31, 2020 was estimated based on the last quoted trade price, where it exists, or based on current rates available to the Company for similar debt with the same period to maturity.

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

| | Primary Debt Instrument | |
|------------------------------------------------------|-------------------------|--------------------|
| | Carrying Amount | Fair Value Level 2 |
| <i>June 30, 2021 (millions)</i> | | |
| 5 ¾% \$150 million Senior Notes due October 27, 2025 | \$ 146.8 | \$ 159.3 |
| 6% \$150 million Senior Notes due March 16, 2026 | 147.4 | 157.3 |
| Total | \$ 294.2 | \$ 316.6 |
| Current portion | \$ - | |
| Long-term portion | \$ 294.2 | |
| | | |
| | Primary Debt Instrument | |
| | Carrying Amount | Fair Value Level 2 |
| <i>December 31, 2020 (millions)</i> | | |
| 5 ¾% \$150 million Senior Notes due October 27, 2025 | \$ 146.5 | \$ 157.3 |
| 6% \$150 million Senior Notes due March 16, 2026 | 147.2 | 152.6 |
| Total | \$ 293.7 | \$ 309.9 |
| Current portion | \$ - | |
| Long-term portion | \$ 293.7 | |

c) Credit risk

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

The Company attempts to minimize credit exposure as follows:

- Cash investments are placed with high-quality financial institutions with limited exposure to any one institution. At June 30, 2021, 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 7);
- 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 June 30, 2021 and December 31, 2020, other than the allowance for doubtful accounts. As at June 30, 2021, trade accounts receivable greater than 90 days represented less than 1% of trade accounts receivable (December 31, 2020: 5%).

d) Interest rate risk

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

e) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company uses foreign exchange contracts with maturities of less than a year to manage foreign exchange risk on certain future committed cash outflows. As at June 30, 2021, the Company had outstanding forward foreign exchange contracts in the amount of US\$174.6 million maturing in 2021 and 2022 (2020: US\$16.5 million). A 1% change in foreign exchange rates would not result in a significant increase or decrease in accounts payable or net earnings.

f) Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations when due. Liquidity adequacy is assessed in view of seasonal needs, growth requirements, capital expenditures, and the maturity profile of indebtedness. As at June 30, 2021, the Company has access to \$514.2 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 June 30, 2021, 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 |
|-------------------|------------------|---------------------------|-------------------------|-------------------|------------|
| 2021 | \$ 489.4 | \$ - | \$ 8.8 | \$ 11.7 | \$ 509.9 |
| 2022 | - | - | 17.6 | 20.8 | 38.4 |
| 2023 | - | - | 17.6 | 19.0 | 36.6 |
| 2024 | - | - | 17.6 | 17.0 | 34.6 |
| 2025 | - | 150.0 | 17.5 | 14.2 | 181.7 |
| 2026 and beyond | - | 150.0 | 5.0 | 67.5 | 222.5 |
| Total | \$ 489.4 | \$ 300.0 | \$ 84.1 | \$ 150.2 | \$ 1,023.7 |

At June 30, 2021, the Company was contractually obligated to repay its borrowings and letters of credit under its bank facilities at maturity (Note 7). 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 19 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 20 OTHER COMPREHENSIVE INCOME

Income taxes on other comprehensive income are as follows:

| <i>(millions)</i> | Three Months Ended June 30 2021 | 2020 | Six Months Ended June 30 2021 | 2020 |
|------------------------------------------------------------------------------|------------------------------------|--------|----------------------------------|--------|
| Tax on items that may not be reclassified to earnings | | | | |
| Income taxes on actuarial gains/losses on pension and similar obligations | \$ (0.5) | \$ 2.5 | \$ (6.4) | \$ 3.1 |

NOTE 21 SUBSEQUENT EVENT

On July 6, 2021, the Company completed the transaction whereby its Canadian OCTG and line pipe business was combined with that of Marubeni-Itochu Tubulars America Inc. into a new joint venture called TriMark Tubulars Ltd. The Company contributed net assets with a book value of approximately \$110 million, primarily comprised of inventories less accounts payable. As consideration, the Company received: (i) cash of \$78 million; (ii) preferred shares with a face value of \$32 million and an annual dividend rate of 7%; and (iii) a 50% common equity interest in the joint venture. In addition, the Company retained accounts receivable of approximately \$32 million. In total, the transaction will result in a near term cash realization of approximately \$110 million.