

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Russel Metals Inc. and its subsidiaries provides information to assist readers of, and should be read in conjunction with, the condensed consolidated financial statements for the nine months ended September 30, 2022, including the notes thereto, and the MD&A and the audited consolidated financial statements for the year ended December 31, 2021, including the notes thereto. In the opinion of management, such condensed consolidated financial statements contain all adjustments necessary for a fair presentation of the results for such periods. The results of operations for the periods shown are not necessarily indicative of what our results will be for the full year. All dollar references in our financial statements and in this report are in Canadian dollars unless otherwise stated.

Additional information related to Russel Metals Inc., including our Annual Information Form, may be obtained from SEDAR at www.sedar.com or on our website at www.russelmetals.com.

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of November 9, 2022.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements or information within the meaning of applicable securities laws, including statements as to our future capital expenditures, our outlook, the availability of future financing and our ability to pay dividends. Forward-looking statements relate to future events or our future performance. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us, inherently involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including the factors described below.

We are subject to a number of risks and uncertainties which could have a material adverse effect on our future profitability and financial position, including the risks and uncertainties listed below, which are important factors in our business and the metals distribution industry. Such risks and uncertainties include, but are not limited to: volatility in metal prices; cyclical nature of the metals industry; volatility in oil and natural gas prices; capital budgets in the energy industry; climate change; product claims; significant competition; sources of metals supply; manufacturers selling directly; material substitution; credit risk; currency exchange risk; restrictive debt covenants; asset impairments; the unexpected loss of key individuals; decentralized operating structure; future acquisitions; the failure of our key computer-based systems, labour interruptions; laws and governmental regulations; litigious environment; environmental liabilities; carbon emissions; health and safety laws and regulations and common share risk.

While we believe that the expectations reflected in our forward-looking statements are reasonable, no assurance can be given that these expectations will prove to be correct, and our forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A and, except as required by law, we do not assume any obligation to update our forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements including as a result of the risk factors described above and under the heading "Risk" later in this MD&A, and under the heading "Risk Management and Risks Affecting Our Business" in our most recent Annual Information Form and as otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.

NON-GAAP MEASURES

This MD&A includes a number of measures that are not prescribed by International Financial Reporting Standards ("IFRS" or "GAAP") and as such may not be comparable to similar measures presented by other companies. We believe these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and other interested parties to evaluate financial performance and our ability to incur and service debt to support our business activities. Investors may find these non-GAAP measures, which include non-GAAP financial measures and non-GAAP ratios as defined in *National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure*, useful in understanding how management views underlying business performance.

These measures and ratios are defined below and include EBIT, EBITDA, free-cashflow, liquidity and inventory turns. We believe that these may be useful in assessing our operating performance and as an indicator of our ability to service or incur indebtedness, make capital expenditures and finance working capital. The items excluded in determining EBIT, EBITDA and free cash flow are significant in assessing operating results and liquidity. EBIT, EBITDA and free cash flow should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP. A reconciliation of EBITDA to net income in accordance with GAAP and a reconciliation of free cashflow to cash from operating activities before changes in non-cash working capital in accordance with GAAP are found below.

EBIT or Operating Profits - represents net earnings before interest and income taxes.

EBITDA - represents net earnings before interest, income taxes, depreciation and amortization.

Free Cash Flow - represents cash from operating activities before changes in non-cash working capital less capital expenditures.

Gross Margin - represents revenues less cost of sales.

Gross Margin Percentage - represents gross margin divided by revenues.

Inventory Turns - represents annualized cost of sales divided by ending inventory.

Liquidity - represents cash on hand less bank indebtedness plus excess availability under our bank credit facility.

Selling Price per Ton - represents revenues divided by tons shipped.

Tons Shipped - represents revenue volumes in our standardized metal service center unit of measure, which is imperial tons.

ADJUSTED NON-GAAP MEASURES

We assess our results on a reported and adjusted basis and consider both as useful measures of performance. Adjusted measures include Adjusted Net Earnings, Adjusted EBITDA and Adjusted EBIT, in addition to other adjusted measures noted below. We remove items of note from reported results to calculate our adjusted results. Items of note include certain items of significance that arise from time to time which we believe are not reflective of our underlying business performance. We have assessed that long-lived asset impairment is an item of note. We believe that adjusted measures provide the reader with a better understanding of how we assess our underlying business performance which facilitates a more informed analysis of trends. While we believe that adjusted measures may facilitate comparisons between our results and those of some of our peer group, which may make similar adjustments in their public disclosure, it should be noted that there is no standardized meaning for adjusted measures under GAAP.

Adjusted Net Earnings - we adjust our reported net earnings to remove long-lived asset impairment, net of income taxes.

Adjusted Net Earnings per Share - we adjust our reported net earnings to remove the impact of long-lived asset impairment, net of income taxes, to calculate the adjusted net earnings per share.

Adjusted EBIT - we adjust our EBIT to remove the impact of long-lived asset impairment.

Adjusted EBITDA - we adjust our EBITDA to remove the impact of long-lived asset impairment.

OVERVIEW OF THE 2022 THIRD QUARTER

Our basic earnings per share of \$1.45 for the quarter ended September 30, 2022, while lower than the record \$2.10 per share recorded in the third quarter of 2021 and the \$1.96 recorded in the 2022 second quarter, was a strong quarter. For the nine months ended September 30, 2022, our basic earnings per share of \$4.98 compared to \$5.28 for the same period in 2021. Revenues of \$1.3 billion were higher than the \$1.1 billion experienced in third quarter of 2021 and was the third highest quarterly revenue. Our overall gross margins of 21.5% reflected the benefits from our balanced and diversified business portfolio. Our EBITDA for the quarter was \$140 million compared to EBITDA of \$196 million in the same quarter of 2021 and \$189 million in the second quarter of 2022. Our strong EBITDA in the third quarter of 2022 was achieved in spite of two non-cash items that negatively impacted the results, as we recorded an inventory reserve increase of \$6 million and the mark-to-market on our stock-based compensation was \$nil in the 2022 third quarter compared to a benefit of \$3 million in the 2021 third quarter and a benefit of \$4 million in the 2022 second quarter.

Each of our business segments continued to generate strong operating results as they navigated through volatile market conditions. In the 2022 third quarter, our metals service centers segment reported revenues of \$865 million and operating profits of \$67 million. Value-added processing initiatives and our solid market share offset the effect of lower steel prices. Metals service centers experienced an increase in selling price per ton of 4% compared to the 2021 third quarter but a decrease of 6% compared to the 2022 second quarter. Tons shipped in metals service centers increased 9% from the same period in 2021 but decreased 5% from the 2022 second quarter due to both seasonal factors and customer destocking amidst the recent price volatility. Our steel distributors reported comparable revenues to the second quarter of 2022 but generated lower margins due to the moderation of steel prices, which resulted in operating profits of \$13 million versus \$28 million in the 2022 second quarter. In our energy field stores, the continued recovery of energy sector activity and customer demand led to higher revenues, strong margins and operating profits of \$30 million compared to the \$12 million reported in the 2021 third quarter and the \$29 million in the 2022 second quarter.

Market Conditions

Demand from our metals service centers' customers, which includes industrial manufacturers and fabricators, non-residential construction, agriculture, ship building, infrastructure and energy, remains active relative to their local markets. In addition, our energy field stores continue to experience solid demand due to world-wide supply shortages and rising rig counts. On September 30, 2022, the Canadian rig counts were 213 compared to 162 in the 2021 third quarter and the U.S. rig counts were 765 compared to 521 on September 30, 2021.

Capital Investment Growth Initiatives

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

We have targeted approximately \$30 million per year of discretionary investments related to value-added equipment projects. These initiatives have been underway for several years and are expected to continue for several more years. In the 2022 third quarter, we advanced several value-added projects, including ones in Saskatchewan, Alberta and Quebec.

In terms of facility modernizations, we have targeted \$50-75 million of investments in the coming years for projects focused on consolidating multi-site regions into larger and modern facilities. These projects will provide opportunities for growth, improve material handling efficiencies, improve health and safety practices, and monetize the value related to redundant real estate at legacy locations. In the quarter, we approved a project in Saskatoon, Saskatchewan, which will involve a net investment of approximately \$7 million. This project is targeted for completion in early 2024.

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

Returning Capital to Shareholders

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

In the 2022 third quarter, we paid dividends of \$24 million or \$0.38 per common share. In addition, we declared a dividend of \$0.38 per share, payable on December 15, 2022, to shareholders of record at the close of business on November 28, 2022.

We recently initiated a normal course issuer bid to purchase for cancellation up to 3.2 million of our common shares over 12 months, representing 5% of our issued and outstanding shares. In the 2022 third quarter, we purchased and cancelled 582,908 shares for total consideration of \$16 million.

Liquidity and Capital Structure

During the 2022 third quarter, we generated \$41 million of cash from operating activities and ended the quarter with total available liquidity of \$541 million.

RECONCILIATION OF THE NET EARNINGS TO EBITDA¹

The following table provides a reconciliation of net earnings for the three and nine months ended September 30, 2022, and 2021 to EBITDA¹.

(millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Net earnings	\$ 91.3	\$ 131.6	\$ 314.0	\$ 330.0
Provision for income taxes	25.5	42.9	99.5	109.6
Interest expense	6.6	6.5	19.9	19.4
EBIT ¹	123.4	181.0	433.4	459.0
Depreciation and amortization	16.2	14.5	48.1	43.3
EBITDA ¹	\$ 139.6	\$ 195.5	\$ 481.5	\$ 502.3
Net earnings per share	\$ 1.45	\$ 2.10	\$ 4.98	\$ 5.28

RECONCILIATION OF FREE CASH FLOW

(millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Cash from operating activities before non-cash working capital	\$ 118.8	\$ 187.6	\$ 440.4	\$ 482.7
Purchase of property, plant and equipment	(10.2)	(7.6)	(26.2)	(20.3)
Free cash flow ¹	\$ 108.6	\$ 180.0	\$ 414.2	\$ 462.4

QUARTERLY FINANCIAL HIGHLIGHTS

(for the quarters ended)	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020
Revenues (\$ millions)	\$ 1,270	\$ 1,362	\$ 1,339	\$ 1,147	\$ 1,108	\$ 1,068	\$ 885	\$ 671
EBITDA ¹ (\$ millions)	140	189	153	162	196	178	129	11
Adjusted EBITDA ¹ (\$ millions)	140	189	153	164	196	178	129	41
Net earnings (\$ millions)	91	124	99	102	132	118	81	(9)
Basic earnings per share (\$)	1.45	1.96	1.56	1.62	2.10	1.88	1.29	(0.14)

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

RESULTS OF OPERATIONS

We are one of the largest metals distribution companies in North America. We conduct business primarily in three segments: metals service centers, energy field stores and steel distributors.

The following table provides segment information including segment revenues, gross margins and earnings before interest and income taxes. The corporate expenses included are not allocated to specific operating segments. Gross margins as a percentage of revenues for the operating segments are also shown below. The table shows the segments as they are reported to management and are consistent with the segment reporting in our condensed consolidated financial statements.

<i>(in millions, except percentages)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Segment Revenues				
Metals service centers	\$ 865.5	\$ 749.6	\$ 2,772.4	\$ 2,051.1
Energy field stores	250.7	189.3	691.4	620.7
Steel distributors	147.6	165.4	496.4	382.7
Other	6.1	3.8	10.6	7.2
	\$ 1,269.9	\$ 1,108.1	\$ 3,970.8	\$ 3,061.7
Segment Gross Margins ¹				
Metals service centers	\$ 173.9	\$ 231.7	\$ 612.5	\$ 657.5
Energy field stores	67.8	40.6	182.6	119.6
Steel distributors	25.9	54.0	102.7	128.9
Other	6.0	3.8	10.6	7.2
Total operations	\$ 273.6	\$ 330.1	\$ 908.4	\$ 913.2
Segment Operating Profits and EBIT ¹				
Metals service centers	\$ 67.0	\$ 132.0	\$ 282.6	\$ 373.6
Energy field stores	29.7	11.8	80.6	29.4
Steel distributors	13.3	37.9	65.8	85.3
Corporate expenses and other	(1.5)	(3.5)	(16.2)	(32.1)
Earnings from joint venture	14.9	2.8	20.6	2.8
Earnings before interest and income taxes	\$ 123.4	\$ 181.0	\$ 433.4	\$ 459.0
Segment Gross Margin as a % of Revenues ¹				
Metals service centers	20.1%	30.9%	22.1%	32.1%
Energy field stores	27.0%	21.4%	26.4%	19.3%
Steel distributors	17.5%	32.6%	20.7%	33.7%
Total operations	21.5%	29.8%	22.9%	29.8%
Segment Operating Profit and EBIT as a % of Revenues ¹				
Metals service centers	7.7%	17.6%	10.2%	18.2%
Energy field stores	11.8%	6.2%	11.7%	4.7%
Steel distributors	9.0%	22.9%	13.3%	22.3%
Total operations	9.7%	16.3%	10.9%	15.0%

Results of our U.S. operations reported for the nine months ended September 30, 2022, were converted at \$1.2830 per US\$1 compared to \$1.2516 per US\$1 for the nine months ended September 30, 2021. Our U.S. operations represented approximately 40% of our total revenues. The exchange rate used to translate the balance sheet on September 30, 2022, was \$1.3707 per US\$1 versus \$1.2678 per US\$1 on December 31, 2021.

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 32,000 end users through a network of 46 Canadian locations and 23 U.S. locations. Our metals service centers carry a broad line of products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel and aluminum. We purchase these products primarily from steel producers in North America and process and package them in accordance with end user specifications. We service all major geographic regions of Canada as well as the Southeastern and Midwestern regions in the United States.

b) Metals service centers segment results

(millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Financial Highlights				
Revenue	\$ 866	\$ 750	\$ 2,772	\$ 2,051
Tons shipped	318	291	989	942
Gross margin (\$) ¹	174	232	613	658
Gross margin (%) ¹	20.1%	30.9%	22.1%	32.1%
Operating profits ¹	67	132	283	374

Revenues in our metals service center operations increased 16% from the 2021 third quarter, due to the acquisition of Boyd Metals in late 2021. Same store tons shipped in the third quarter of 2022 were approximately 2% lower than the third quarter of 2021 and 7% lower than the second quarter of 2022. Year to date same store tons shipped were 5% lower than the nine months ended September 30, 2021. In the quarter, the average selling price per ton was 4% higher compared to the 2021 third quarter but 6% lower than the second quarter of 2022. Year to date selling prices were 25% higher than the nine months ended September 30, 2021.

Gross margin as a percentage of revenues of 20.1% was lower than the 30.9% in the same quarter last year and the 24.1% in the second quarter of 2022 due to higher cost of sales. Gross margin as a percentage of revenues of 22.1% for the nine months ended September 30, 2022, compared to the 32.1% for the same period in 2021.

Operating expenses were \$107 million in the third quarter of 2022 compared to \$100 million in the 2021 third quarter and \$116 million in the 2022 second quarter. The increase versus 2021 is due to the impact from the Boyd acquisition in late 2021. The reduction versus the 2022 second quarter is due to lower variable incentive compensation that is tied to the segment's operating results. For the nine months ended September 30, 2022, operating expenses of \$330 million were 16% higher than the same period of 2021. Same store operating expenses approximated 2021 operating expenses.

Metals service centers operating profits for the three months ended September 30, 2022, of \$67 million were lower than the \$132 million reported for the same period in 2021 and the \$120 million in the second quarter of 2022. Year to date operating profit of \$283 million compared to \$374 million for the nine months ended September 30, 2021.

ENERGY FIELD STORES

a) Description of operations

We distribute flanges, valves, fittings and other products, primarily to the energy industry in Western Canada and the United States. We operate from 45 Canadian and 15 U.S. facilities in our operations. We purchase our products from the pipe division of North American steel mills, independent manufacturers of flanges, valves and fittings and other products, international steel mills and other distributors.

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

b) Energy field stores segment results

(millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Financial Highlights				
Revenue	\$ 251	\$ 189	\$ 691	\$ 621
Gross margin (\$) ¹	68	41	183	120
Gross margin (%) ¹	27.0%	21.4%	26.4%	19.3%
Operating profits ¹	30	12	81	29

Revenues in our energy field stores segment increased by 32% in the 2022 third quarter compared to the 2021 third quarter and 9% compared to the second quarter of 2022 due to continued recovery in the energy sector. In September 2022, average Canadian rig counts were 199 compared to 151 in September 2021 while the average U.S. rig counts were 761 compared to 496 in September 2021. Revenues for the nine months ended September 30, 2022, were 11% higher than the same nine month period in 2021.

Gross margin as a percentage of revenues for the three months ended September 30, 2022, improved to 27.0% compared to 21.4% for the same period in 2021 and was comparable to the 27.4% in the second quarter of 2022. For the nine months ended September 30, 2022, gross margin as a percentage of revenues was 26.4% compared to 19.3% for the same period of 2021. The divestiture of the lower margin OCTG/line pipe businesses and improved sector demand resulted in higher margins.

Operating expenses for the 2022 third quarter of \$38 million were higher compared to \$29 million in the 2021 third quarter and \$34 million in the 2022 second quarter, due to higher activity and variable compensation. For the nine months ended September 30, 2022, operating expenses were \$102 million compared to \$90 million for 2021.

Energy field stores generated operating profits of \$30 million for the three months ended September 30, 2022, compared to \$12 million for the same period in 2021 and \$29 million in the second quarter of 2022. Operating profits were \$81 million for the nine months ended September 30, 2022, compared to operating profits of \$29 million for the same period in 2021.

STEEL DISTRIBUTORS

a) Description of operations

Our steel distributors act as master distributors selling steel in large volumes to other steel service centers and equipment manufacturers mainly on an "as is" basis. Our U.S. operation has a cut-to-length facility located in Houston, Texas, where it processes coil for its customers. Our steel distributors source their steel both domestically and off shore.

The main steel products sourced by this segment are structural beam, plate, coils, pipe and tubing; however, product volumes vary based on the economy and trade actions in North America.

b) Steel distributors segment results

(millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Financial Highlights				
Revenue	\$ 148	\$ 165	\$ 496	\$ 383
Gross margin (\$) ¹	26	54	103	129
Gross margin (%) ¹	17.5%	32.6%	20.7%	33.7%
Operating profits ¹	13	38	66	85

Revenues in our steel distributor operations were 11% lower in the 2022 third quarter compared to the same quarter in 2021 and were similar to the revenues in the second quarter of 2022. Customer activity in Canada was strong, as some of the recent port congestion issues improved. Activity in the U.S declined as a result of volatile steel prices and more cautious buying by our customers.

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

Gross margin as a percentage of revenues was 17.5% for the three months ended September 30, 2022, compared to 32.6% for the three months ended September 30, 2021, and 27.6% in the second quarter of 2022. The gross margin was 20.7% for the nine months ended September 30, 2022, compared to 33.7% for the same period in 2021.

Operating expenses were \$13 million for the third quarter of 2022 compared to \$16 million for the third quarter of 2021 and consistent with the second quarter of 2022.

Steel distributors generated operating profits for the three months ended September 30, 2022, of \$13 million compared to \$38 million for the three months ended September 30, 2021, and \$28 million for the second quarter of 2022. Operating profits for the nine months ended September 30, 2022, were \$66 million compared to \$85 million for the nine months ended September 30, 2021.

CORPORATE EXPENSES AND OTHER

Corporate expenses and other includes corporate expenses and our non-metals operation. Corporate expenses of \$5 million for the three months ended September 30, 2022, were lower than the \$6 million in the three months ended September 30, 2021, and the \$7 million in the second quarter of 2022. The decrease from the second quarter of 2022 was due to limits on variable compensation. Corporate expenses for the nine months ended September 30, 2022, were \$20 million compared to \$35 million in the same period in 2021 due to increased non-cash stock-based compensation expense in 2021.

SHARE OF EARNINGS FROM JOINT VENTURE

We recorded income from our share of the earnings from the TriMark joint venture of \$13 million in the three months ended September 30, 2022, and \$27 million in the nine months ended September 30, 2022, compared to \$3 million for the three and nine months ended September 30, 2021. We also recorded income on preferred share dividends of \$2 million for the three and nine months ended September 30, 2022. In the three months ended June 30, 2022, we recorded an accounting valuation loss on our TriMark preferred shares of \$8 million.

During the third quarter, we received cash from preferred share dividends of \$2 million and common share dividends of \$12 million. In October 2022, TriMark declared, and we received cash from preferred share dividends of \$1 million and common share dividends of \$6 million.

INTEREST EXPENSE

Net interest expense of \$7 million for the three months ended September 30, 2022, compared to \$6 million for the same quarter of 2021. Net interest expense was \$20 million for the nine months ended September 30, 2022, and \$19 million for the same period in 2021.

INCOME TAXES

We recorded a provision for income taxes of \$26 million for the third quarter of 2022 compared to \$43 million for the third quarter of 2021. Our effective income tax rate for the three months ended September 30, 2022, of 21.9% was lower compared to 24.6% for the three months ended September 30, 2021, since our share of earnings from the joint venture is recorded on an after-tax basis. For the nine months ended September 30, 2022, our effective income tax rate was 24.1% compared to 24.9% for the same period in 2021.

NET EARNINGS

Net earnings for the third quarter of 2022 of \$91 million compared to \$132 million in the third quarter of 2021. Basic earnings per share for the third quarter of 2022 of \$1.45 compared to the record \$2.10 per share for the third quarter of 2021. Basic earnings per share for the nine months ended September 30, 2022, of \$4.98 compared to \$5.28 for the same period last year.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the third quarter of 2022 was 62,997,539 compared to 62,636,186 for the third quarter of 2021. The weighted average number of common shares outstanding for the nine months ended September 30, 2022, was 63,071,197 compared to 62,542,388 for the nine months ended September 30, 2021. Common shares outstanding on September 30, 2022, were 62,529,312 and shares outstanding on November 9, 2022, were 62,439,312.

We paid common share dividends of \$24 million or \$0.38 per share in the third quarter of 2022 and 2021.

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

Under our syndicated bank facility, the payment of dividends is subject to excess borrowing base availability of not less than four times the declared dividend. We do not believe this requirement will restrict our ability to pay dividends.

CAPITAL EXPENDITURES

<i>(millions)</i>	Three Month Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Capital expenditures - property, plant and equipment	\$ 10	\$ 8	\$ 26	\$ 20
Additions - right-of-use assets	2	1	14	9
Depreciation - property, plant and equipment	9	8	27	25
Depreciation - right-of-use assets	4	4	12	12

LIQUIDITY

On September 30, 2022, we had net cash, defined as cash less bank indebtedness, of \$204 million compared to \$133 million on December 31, 2021. We generated \$440 million from operations activities before non-cash working capital in the nine months ended September 30, 2022 and utilized \$128 million for working capital. We utilized \$26 million for capital expenditures, \$160 million in income tax payments, \$16 million to repurchase shares and \$72 million for dividends. An additional \$2 million of cash was utilized in early October 2022 for shares repurchased in September 2022 but settled in October 2022.

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

Total assets were \$2.6 billion on September 30, 2022, and \$2.3 billion on December 31, 2021. On September 30, 2022, current assets excluding cash represented 74% of our total assets compared to 72% on December 31, 2021.

Inventories represented 44% of our total assets, excluding cash, on September 30, 2022, compared to 45% on December 31, 2021.

<i>Inventory by Segment</i> <i>(millions)</i>	Sept 30 2022	June 30 2022	Mar 31 2022	Dec 31 2021	Sept 30 2021
Metals service centers	\$ 673	\$ 683	\$ 611	\$ 639	\$ 535
Energy field stores	166	152	130	119	131
Steel distributors	211	190	153	228	121
Total	\$ 1,050	\$ 1,025	\$ 894	\$ 986	\$ 787

<i>Cost of Sales by Segment</i> <i>(millions)</i>	Sept 30 2022	June 30 2022	Mar 31 2022	Dec 31 2021	Sept 30 2021
Metals service centers	\$ 691	\$ 743	\$ 726	\$ 576	\$ 518
Energy field stores	183	167	158	140	149
Steel distributors	122	108	164	132	111
Total	\$ 996	\$ 1,018	\$ 1,048	\$ 848	\$ 778

<i>Inventory Turns</i> <i>(quarters ended)</i>	Sept 30 2022	June 30 2022	Mar 31 2022	Dec 31 2021	Sept 30 2021
Metals service centers	4.1	4.3	4.8	3.6	3.9
Energy field stores	4.4	4.4	4.9	4.7	4.6
Steel distributors	2.3	2.3	4.3	2.3	3.7
Total	3.8	4.0	4.7	3.4	4.0

On September 30, 2022, inventory tons in our metals service centers were approximately 3% lower than our tons on September 30, 2021, and tons for steel distributors were approximately 33% higher. On September 30, 2022, the average cost of inventory in our metals service centers was 19% higher than September 30, 2021 and for steel distributors the average cost of inventory was 30% higher. Inventory levels increased in our energy field stores segment on September 30, 2022, to meet increased demand.

Accounts receivable utilized cash of \$105 million due to higher revenues in the nine months ended September 30, 2022. Accounts receivable represented 28% of our total assets, excluding cash, on September 30, 2022, compared to 25% on December 31, 2021.

The balances disclosed in our consolidated cash flow statements are adjusted to remove the non-cash component related to foreign exchange rate fluctuations impacting inventory, accounts receivable, accounts payable and income tax balances of our U.S. operations.

DEBT

<i>Long-term Debt</i> (millions)	September 30 2022	December 31 2021
5 ³ / ₄ % \$150 million Senior Notes due October 27, 2025	\$ 148	\$ 147
6% \$150 million Senior Notes due March 16, 2026	148	148
	\$ 296	\$ 295

CASH, DEBT AND CREDIT FACILITIES

<i>Cash Facilities</i> (millions)	September 30 2022	December 31 2021
Bank loans	\$ -	\$ -
Cash net of outstanding cheques	204	133
Net cash	204	133
Letters of credit	(97)	(78)
	\$ 107	\$ 55
Facilities		
Borrowings and letters of credit	\$ 400	\$ 400
Letters of credit	50	50
Facilities availability	\$ 450	\$ 450
Available line based on borrowing base	\$ 450	\$ 450

We have a committed credit facility with a syndicate of Canadian and U.S. banks that provides \$50 million for letters of credit and \$400 million which can be utilized for borrowings or additional letters of credit. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of our eligible accounts receivable and inventories, to a maximum of \$450 million.

On September 30, 2022, we were entitled to borrow and issue letters of credit totaling \$450 million under this facility. On September 30, 2022, and December 31, 2021, we had no borrowings. We had \$97 million in letters of credit on September 30, 2022, compared to \$78 million on December 31, 2021.

On September 30, 2022, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facilities we have access to approximately \$541 million of cash based on our September 30, 2022, balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases.

CONTRACTUAL OBLIGATIONS

On September 30, 2022, we were contractually obligated to make payments as per the following table:

Contractual Obligations <i>(millions)</i>	Payments due in				Total
	2022	2023 and 2024	2025 and 2026	2027 and thereafter	
Accounts payable	\$ 596	\$ -	\$ -	\$ -	\$ 596
Debt	-	-	300	-	300
Long-term debt interest	4	35	23	-	62
Operating leases	7	52	40	88	187
Total	\$ 607	\$ 87	\$ 363	\$ 88	\$ 1,145

In addition, we are obligated to pay \$97 million in letters of credit when they mature in 2022 and 2023.

We provide defined contribution pension plans for a majority of our Canadian and U.S. employees; however, we have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 17 of our annual 2021 consolidated financial statements. During the nine months ended September 30, 2022, we contributed \$2 million to these plans, and we do not expect to contribute to these plans during the remainder of 2022. The defined benefit obligations reported in the consolidated financial statements use different assumptions than the going concern actuarial valuations prepared for funding. In addition, the actuarial valuations provide a solvency valuation, which is a valuation assuming the plan is wound up at the valuation date. We do not have additional funding obligations on a solvency basis and no additional funding would be required based on solvency if the plans were wound up. We estimate the impact of a 0.25% change in the discount rate on the solvency obligation would be approximately \$5 million.

On October 4, 2022, we paid a premium of \$35 million to annuitize \$34 million of our defined benefit obligations, as measured on an accounting basis, through a buy-out transaction with an insurance company. On February 1, 2023, the insurance company will commence payment of the retiree benefits at which time our obligations to the affected retirees will cease.

We have disclosed our obligations related to environmental litigation, regulatory actions and remediation in our Annual Information Form under the heading "Environmental Regulation". These obligations, which are not material, relate to previously divested or discontinued operations and do not relate to the metals distribution business.

OFF-BALANCE SHEET ARRANGEMENTS

Our off-balance sheet arrangements consist of the letters of credit disclosed in the bank credit facilities table and short-term and low value operating lease obligations disclosed in the contractual obligations table.

ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements requires management to make estimates and judgements that affect the reported amounts. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventory valuation, useful lives of fixed assets, asset impairment, fair values, income taxes, pensions and benefits obligations, guarantees, decommissioning liabilities, contingencies, litigation and assigned values on net assets acquired. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Our most significant assets are accounts receivable and inventories.

Accounts Receivable

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of our customers to make required payments. Assessments are based on aging of receivables, legal issues (bankruptcy status), past collection experience, current financials, credit agency reports and the experience of our credit personnel. Accounts receivable which we determine to be uncollectible are reserved in the period in which the determination is made. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Our reserve for bad debts on September 30, 2022, approximated our reserve on December 31, 2021. Bad debt expense for the nine months ended September 30, 2022, as a percentage of revenue was less than 1% and approximates that of 2021.

Inventories

We review our inventories to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow-moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. During the quarter ended September 30, 2022, we increased our inventory provisions by \$6 million due to a reduction in steel prices.

Other areas involving significant estimates and judgements include:

Long-lived Asset Impairment

The determination of whether long-lived assets, including goodwill and intangibles, are impaired requires the estimation of future cash flows and an appropriate discount rate to determine value in use. An impairment occurs when the book value of the assets associated with a particular cash generating unit is greater than the value in use. The assessment of future cash flows and a discount rate requires significant judgement.

During the quarter ended September 30, 2022, no long-lived asset impairments were recorded. There is no certainty that there will not be a future impairment should the economic markets in which we operate deteriorate.

Income Taxes

We believe that we have adequately provided for income taxes based on the information that is currently available. The calculation of income taxes in many cases requires significant judgement in interpreting tax rules and regulations, which are constantly changing. Our tax filings are also subject to audits, which could materially change the amount of current and future income tax assets and liabilities. Any change would be recorded as a charge or reduction in income tax expense.

Business Combinations

For each acquisition we review the fair value of assets acquired. Where we deem it appropriate, we hire outside business valuers to assist in the assessment of the fair value of property, plant, equipment, intangibles and contingent consideration of acquired businesses.

Investment in TriMark Joint Venture

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

Contingent Liabilities

Provisions for claims and potential claims are determined on a case by case basis. We recognize contingent loss provisions when it is determined that a loss is probable and when we are able to reasonably estimate the obligation. This determination takes significant judgement and actual cash outflows might be materially different from estimates. In addition, we may receive claims in the future that could have a material impact on our financial results.

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

Employee Benefit Plans

At least every three years, our actuaries perform a valuation for each defined benefit plan to determine the actuarial present value of the benefits. The valuation uses management's assumptions for the interest rate, rate of compensation increase, rate of increase in government benefits and expected average remaining years of service of employees. While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect employee benefit obligations and future net benefit plan cost. We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance immediately in other comprehensive income.

We had approximately \$154 million in plan assets on September 30, 2022, which is a decrease of approximately \$25 million from December 31, 2021. The discount rate used on the employee benefit plan obligation for the quarter ended September 30, 2022, was 5.00% which is 200 basis points higher than the discount rate on December 31, 2021.

The annuitization of a portion of our defined benefit pension obligation on October 4, 2022, resulted in a reduction of plan assets of approximately \$35 million and a reduction in our benefit obligation of approximately \$34 million.

Leases

We recognize right-of-use assets and lease obligations which includes our arrangements that contain a lease. The determination of the asset and obligation requires an assessment of whether we are reasonably certain that an extension option will be exercised, calculation of a discount rate inherent in the lease or an incremental borrowing rate and whether the right-of-use asset is impaired. These determinations require significant judgement.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The purpose of internal controls over financial reporting as defined by the Canadian Securities Administrators is to provide reasonable assurance that:

- (i) financial statements prepared for external purposes are in accordance with the Company's generally accepted accounting principles,
- (ii) transactions are recorded as necessary to permit the preparation of financial statements, and records are maintained in reasonable detail,
- (iii) receipts and expenditures of the Company are made only in accordance with authorizations of the Company's management and directors, and
- (iv) unauthorized acquisitions, uses or dispositions of the Company's assets that could have a material effect on the financial statements will be prevented or detected in order to prevent material error in financial statements.

The President & Chief Executive Officer and the Executive Vice President & Chief Financial Officer have caused management and other employees to design and document our disclosure controls and procedures and our internal controls over financial reporting. The design of internal controls was completed using the framework and criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

No changes were made in our disclosure controls and procedures of our internal controls over financial reporting during the third quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

VISION AND STRATEGY

The metals distribution business is a mature and cyclical industry. We believe we enhance returns by managing costs and working capital throughout the cycle. Capital allocation priorities and limits are managed centrally with day-to-day decision making delegated to the various operations. Furthermore, our variable compensation model is based on the return on net assets for each business unit, which provides our business managers an incentive to proactively adjust costs and working capital to local market conditions. Management believes that this strategy will result in higher average profits and that we will generate earnings over the cycle in the top quartile of the industry.

Growth from selective acquisitions is also part of our strategy. We focus on investment opportunities in businesses that have strong market niches or provide scale to our existing operations. New acquisitions could be either major stand-alone operations or ones that complement our existing operations. In addition, we will continue to invest in value-added processing that allows for growth and will further stabilize our returns.

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

We believe that the steel pricing cycle will continue to be highly volatile, and that our decentralized management structure and philosophy allows the fastest reaction to changes that affect the industry will be the most successful. We will continue to invest in our business systems to enable faster reaction times to changing business conditions.

RISK

A summary of the risks affecting our business is described under the heading "Risk Management and Risks Affecting Our Business" in our most recent Annual Information Form, which section is incorporated by reference in this "Risk" section of our MD&A.

The pandemic created uncertainty in the health and welfare of the communities where we operate and resulted in temporary business closures and reduced economic activity. While COVID related have eased, we continue to remain vigilant with our safety protocols to ensure the health and safety of our employees, customers and suppliers.

The timing and extent of future price changes from steel producers and their impact on us cannot be predicted with any certainty due to the cyclical nature of the steel industry, capacity utilization rates for North American steel producers and changing import levels and tariffs. Future tariff changes to country or product exemptions, including possible modifications to the section 232 trade actions, may impact steel prices and product availability.

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

The continued impact of inflation, rising interest rates, prevailing oil price conditions, the pandemic and other macro-economic factors may lead to changes in estimates in our financial statements and the effect of such changes could be material and result in impairments of long-lived assets, including goodwill and intangibles, provisions for inventory and credit losses.

OUTLOOK

The broader economy is expected to encounter general uncertainty as a result of higher inflation and increasing interest rates. While these factors typically impact sectors such as homebuilding and retailing more than industrial consumers of steel products, we expect to see some cautious near-term buying activity amongst our industrial customers in the coming months. In addition, we typically experience a lower number of operating days due to seasonality during the fourth quarter. By contrast, we expect the energy sector to continue to improve as our energy field stores have a solid backlog of business heading into the fourth quarter.