

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2024

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 six months ended June 30, 2024, including the notes thereto, and the MD&A and the audited consolidated financial statements for the year ended December 31, 2023, 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.sedarplus.ca or on our website at www.russelmetals.com.

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of July 31, 2024.

FORWARD-LOOKING STATEMENTS

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

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

NON-GAAP MEASURES AND RATIOS

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

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

Cash from Working Capital - represents cash generated from changes in non-cash working capital.

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

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

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

Gross Margin - represents revenues less cost of sales.

Gross Margin Percentage - represents gross margin 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.

Return on Invested Capital - represents EBIT divided by average invested capital (net debt plus shareholders' equity).

RECONCILIATION OF THE NET EARNINGS TO EBITDA

The following table provides a reconciliation of net earnings for the three and six months ended June 30, 2024, and 2023 and March 31, 2024, to EBITDA.

(\$ millions except per share data)	Three Months Ended			Six Months Ended	
	Jun 30 2024	Mar 31 2024	Jun 30 2023	Jun 30 2024	Jun 30 2023
Net earnings	\$ 49.9	\$ 49.7	\$ 85.0	\$ 99.6	\$ 158.9
Provision for income taxes	16.9	16.7	26.9	33.6	49.2
Interest (income) expense, net	1.4	(0.1)	2.8	1.3	6.6
EBIT ¹	68.2	66.3	114.7	134.5	214.7
Depreciation and amortization	17.6	17.7	16.7	35.3	33.1
EBITDA ¹	\$ 85.8	\$ 84.0	\$ 131.4	\$ 169.8	\$ 247.8
Basic earnings per share	\$ 0.84	\$ 0.82	\$ 1.37	\$ 1.66	\$ 2.56

QUARTERLY FINANCIAL HIGHLIGHTS

(for the quarters ended)	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022
Revenues (\$ millions)	\$ 1,072	\$ 1,061	\$ 1,019	\$ 1,110	\$ 1,189	\$ 1,187	\$ 1,100	\$ 1,270
EBITDA ¹ (\$ millions)	86	84	82	96	131	116	97	140
Net earnings (\$ millions)	50	50	47	61	85	74	58	91
Basic earnings per share (\$)	0.84	0.82	0.78	0.99	1.37	1.19	0.93	1.45

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

OVERVIEW OF THE 2024 SECOND QUARTER

Our earnings per share of \$0.84 for the quarter ended June 30, 2024, was higher than the \$0.82 recorded in the 2024 first quarter but lower than the \$1.37 per share recorded in the second quarter of 2023. For the six months ended June 30, 2024, our earnings per share of \$1.66 compared to \$2.56 for the same period in 2023. Revenues of \$1.1 billion were consistent with the 2024 first quarter and lower than the \$1.2 billion experienced in second quarter of 2023. Our gross margins of 21.0% compared to 22.4% in the 2024 first quarter and 23.1% in the same quarter of 2023.

Our EBITDA for the quarter was \$86 million compared to \$84 million in the first quarter of 2024 and \$131 million in the same quarter of 2023. EBITDA in the second quarter of 2024 was negatively impacted by \$1 million in non-recurring expenses relating to the announced acquisition from Samuel, Son & Co., Limited ("Samuel") and positively impacted by an \$8 million expense recovery related to the non-cash mark-to-market on our stock-based compensation.

Market Conditions

The average price for hot rolled coil and plate decreased by 17% and 12%, respectively, in the second quarter of 2024 as compared to the first quarter of 2024. By contrast, our metals service centers only experienced a 4% reduction in its average selling prices for the second quarter of 2024 as compared to the first quarter of 2024. We shipped 2% higher volumes in the second quarter of 2024 as compared to the first quarter of 2024, due to slightly higher demand. Our energy field stores have reported consistent revenues over the past several quarters as a reflection of steady business activity.

Capital Investment Growth Initiatives

On June 4, 2024, we announced that we had received regulatory clearance to proceed with our previously announced transaction with Samuel, whereby we agreed to acquire five of their service center locations in Western Canada and two of their locations in the Northeastern United States. We expect this transaction to close in the 2024 third quarter. At the time of the acquisition announcement, we had a plan to substantially reduce the capital invested in the business in order to achieve our target return on capital. In the period since the acquisition announcement, Samuel's inventory position has declined by approximately \$40 million between September 30, 2023 and June 30, 2024. As a result, our purchase price will be adjusted on a dollar-for-dollar basis for the change in working capital.

In the 2024 second quarter, we made capital expenditure investments of \$24 million and for the six months ended June 30, 2024, we invested \$48 million. To date, our capital expenditures included metals service center facility modernizations of: (i) \$11 million for our greenfield facility in Saskatoon (Saskatchewan) that is scheduled to open in the fall of 2024; (ii) \$7 million for the expansion of our Texarkana (Texas) facility that is scheduled to be complete in the 2024 fourth quarter, and (iii) \$7 million for the expansions of our locations in Joplin, Missouri and Little Rock, Arkansas to be complete in the 2024 fourth quarter.

Returning Capital to Shareholders

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

In May 2024, we announced a 5% increase in our quarterly dividend from \$0.40 to \$0.42 per share and in the 2024 second quarter, we paid dividends of \$25 million. We have declared a dividend of \$0.42 per share, payable on September 16, 2024, to shareholders of record at the close of business on August 28, 2024.

In August 2023, we renewed our normal course issuer bid to purchase for cancellation up to 6.1 million of our common shares over 12 months. In the 2024 second quarter, we purchased and cancelled 1.5 million common shares at an average price per share of \$38.08 for total consideration of \$56 million (excluding the impact of the recently enacted 2% federal tax on share repurchases). In the period since the August 2022 normal course issuer bid was established, we purchased approximately 5 million common shares, which represents approximately 8% of our then outstanding shares, at an average price per share of \$36.31 for total consideration of \$180 million. In August 2024, we intend to renew our normal course issuer bid, subject to approval from the Toronto Stock Exchange, to purchase for cancellation up to approximately 5.8 million of our common shares representing 10% of our public float over a 12-month period.

Liquidity and Capital Structure

During the 2024 second quarter, we generated \$69 million of cash from operating activities and ended the quarter with total available Liquidity of \$768 million.

On May 2, 2024, we redeemed the \$150 million 6% senior unsecured notes at par plus accrued and unpaid interest. This redemption will reduce our interest expense while maintaining strong ongoing liquidity.

On July 15, 2024, we entered into a new credit facility with an extended term. The new credit facility's total availability increased by \$150 million to \$600 million, is unsecured with no borrowing base restrictions and includes more flexible investment grade type financial covenants.

The new bank structure, in combination with the recent redemption of the \$150 million 6% senior unsecured notes and the flexibility that we will have to par call the remaining \$150 million of our legacy term notes in October 2024, will provide us with greater flexibility as we continue with our growth initiatives.

RESULTS OF OPERATIONS

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

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

(\$ millions, except percentages)	Three Months Ended			Six Months Ended	
	Jun 30 2024	Mar 31 2024	Jun 30 2023	Jun 30 2024	Jun 30 2023
Segment Revenues					
Metals service centers	\$ 713.0	\$ 723.6	\$ 820.1	\$ 1,436.6	\$ 1,627.0
Energy field stores	250.8	247.1	249.0	497.9	501.1
Steel distributors	100.4	90.1	115.6	190.5	243.0
Other	7.3	0.3	4.9	7.6	5.2
	\$ 1,071.5	\$ 1,061.1	\$ 1,189.6	\$ 2,132.6	\$ 2,376.3
Segment Gross Margins ¹					
Metals service centers	\$ 138.9	\$ 154.8	\$ 178.1	\$ 293.7	\$ 342.4
Energy field stores	62.1	63.4	66.3	125.5	134.4
Steel distributors	17.1	19.4	26.1	36.5	53.7
Other	7.3	0.3	4.9	7.6	5.2
Total operations	\$ 225.4	\$ 237.9	\$ 275.4	\$ 463.3	\$ 535.7
Segment Operating Profits and EBIT ¹					
Metals service centers	\$ 33.4	\$ 43.8	\$ 71.2	\$ 77.2	\$ 128.8
Energy field stores	21.9	22.7	28.0	44.6	57.4
Steel distributors	8.7	10.5	17.4	19.2	35.4
Corporate expenses	(0.3)	(8.9)	(11.5)	(9.2)	(23.7)
Other	4.5	(1.8)	3.1	2.7	1.4
Earnings from joint venture	-	-	6.5	-	15.4
Earnings before interest and income taxes	\$ 68.2	\$ 66.3	\$ 114.7	\$ 134.5	\$ 214.7
Segment Gross Margin as a % of Revenues ¹					
Metals service centers	19.5%	21.4%	21.7%	20.4%	21.0%
Energy field stores	24.8%	25.7%	26.6%	25.2%	26.8%
Steel distributors	17.0%	21.6%	22.5%	19.2%	22.1%
Total operations	21.0%	22.4%	23.1%	21.7%	22.5%
Segment Operating Profit and EBIT as a % of Revenues ¹					
Metals service centers	4.7%	6.1%	8.7%	5.4%	7.9%
Energy field stores	8.7%	9.2%	11.2%	9.0%	11.5%
Steel distributors	8.8%	11.7%	15.0%	10.1%	14.6%
Total operations	6.4%	6.2%	9.6%	6.3%	9.0%

Results of our U.S. operations reported for the six months ended June 30, 2024, were converted at \$1.3586 per US\$1 compared to \$1.3475 per US\$1 for the six months ended June 30, 2023. Our U.S. operations represented approximately 40% of our total revenues. The exchange rate on June 30, 2024, used to translate the balance sheet was \$1.3687 per US\$1 versus \$1.3226 per US\$1 on December 31, 2023.

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 34,000 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 South and Midwestern regions in the United States.

b) Metals service centers segment results

	Three Months Ended			Six Months Ended	
	Jun 30 2024	Mar 31 2024	Jun 30 2023	Jun 30 2024	Jun 30 2023
Financial Highlights					
Revenue (\$ millions)	\$ 713	\$ 724	\$ 820	\$ 1,437	\$ 1,627
Tons shipped (thousands of imperial tons)	328	322	332	651	672
Gross margin (\$ millions) ¹	139	155	178	294	342
Gross margin per ton (\$)	424	481	536	452	509
Gross margin (%) ¹	19.5%	21.4%	21.7%	20.4%	21.0%
Operating profits (\$ millions) ¹	33	44	71	77	129

Revenues decreased 1% from the 2024 first quarter and 13% from the 2023 second quarter. As a result of steady business activity, tons shipped in the second quarter of 2024 were 2% higher than the 2024 first quarter, and 1% lower than the second quarter of 2023. Our average selling price decreased 4% compared to the 2024 first quarter and 13% compared to the same quarter in 2023.

Gross margin as a percentage of revenues was 19.5% in the 2024 second quarter, which was lower than the 21.4% in the 2024 first quarter and the 21.7% in the same quarter last year. The gross margin per ton was \$424 in the 2024 second quarter, which was a decrease of \$57 as compared to the 2024 first quarter.

Operating expenses were \$106 million in the second quarter of 2024 compared to \$111 million in the first quarter of 2024 and \$107 million in the 2023 second quarter. The variation in operating expenses from the first quarter of 2024 reflects the change in profitability and the related impact on variable compensation. For the six months ended June 30, 2024, operating expenses of \$217 million were 1% higher than the same period of 2023. The 2024 operating expenses include integration costs relating to the Samuel acquisition of \$1 million.

Operating profits for the three months ended June 30, 2024, were \$33 million versus \$44 million in the 2024 first quarter and \$71 million for the same period in 2023. Operating profits for the six months ended June 30, 2024, of \$77 million were lower than the \$129 million for the same period of 2023 due to lower revenues and gross margins.

ENERGY FIELD STORES

a) Description of operations

We distribute flanges, valves, fittings and tubular goods, primarily to the energy industry in Western Canada and the United States. We operate from 49 Canadian and 14 U.S. facilities in our operations. We purchase our products from the pipe division of North American steel mills, independent manufacturers of flanges, valves and fittings and other products, international steel mills and other distributors.

b) Energy field stores segment results

	Three Months Ended			Six Months Ended	
	Jun 30 2024	Mar 31 2024	Jun 30 2023	Jun 30 2024	Jun 30 2023
Financial Highlights					
Revenue (\$ millions)	\$ 251	\$ 247	\$ 249	\$ 498	\$ 501
Gross margin (\$ millions) ¹	62	63	66	126	134
Gross margin (%) ¹	24.8%	25.7%	26.6%	25.2%	26.8%
Operating profits (\$ millions) ¹	22	23	28	45	57

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

Revenues increased 2% in the 2024 second quarter compared to the 2024 first quarter and increased 1% compared to the 2023 second quarter, as a reflection of steady business activity.

Gross margin as a percentage of revenues for the three months ended June 30, 2024, was 24.8% compared to 25.7% in the 2024 first quarter and 26.6% in the same period in 2023. For the six months ended June 30, 2024, gross margin as a percentage of revenues was 25.2% compared to 26.8% in the same period in 2023.

Operating expenses of \$40 million were relatively steady compared to the \$41 million in the 2024 first quarter and the \$38 million in the 2023 second quarter. Operating expenses as a percentage of revenues for the three months ended June 30, 2024, were 16.0% compared to 15.4% in the 2023 second quarter. For the six months ended June 30, 2024, operating expenses were \$81 million compared to \$77 million for 2023. Operating expenses were higher due to the opening of greenfield locations in Western Canada.

Operating profits of \$22 million for the three months ended June 30, 2024, decreased compared to an operating profit of \$23 million in the three months ended March 31, 2024, and \$28 million for the three months ended June 30, 2023 due to lower gross margins and slightly higher operating costs. Operating profits were \$45 million for the six months ended June 30, 2024, compared to operating profits of \$57 million for the same period in 2023.

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

b) Steel distributors segment results

	Three Months Ended			Six Months Ended	
	Jun 30 2024	Mar 31 2024	Jun 30 2023	Jun 30 2024	Jun 30 2023
Financial Highlights					
Revenue (\$ millions)	\$ 100	\$ 90	\$ 116	\$ 191	\$ 243
Gross margin (\$ millions) ¹	17	19	26	37	54
Gross margin (%) ¹	17.0%	21.6%	22.5%	19.2%	22.1%
Operating profits (\$ millions) ¹	9	11	17	19	35

Revenues increased 11% compared to the 2024 first quarter and decreased 13% compared to the 2023 second quarter. There was a recent improvement in the overseas shipping issues that negatively impacted the first quarter of 2024 and the early part of the second quarter. The improvement in logistics has allowed the delayed inbound product to be delivered to our customers towards the end of the second quarter and into the early part of the 2024 third quarter.

Gross margin as a percentage of revenues was 17.0% for the three months ended June 30, 2024, which was lower than the 21.6% in the first quarter of 2024 and lower than the 22.5% for the three months ended June 30, 2023.

Operating expenses were \$8 million for the second quarter of 2024 compared to \$9 million for the first quarter of 2024 and \$9 million in 2023 due to lower variable compensation.

Operating profits of \$9 million for the three months ended June 30, 2024, compared to \$11 million in the 2024 first quarter and \$17 million in the 2023 second quarter. The operating profits for the six months ended June 30, 2024, were \$19 million compared to \$35 million for the six months ended June 30, 2023.

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

CORPORATE EXPENSES AND OTHER

(\$ millions)	Three Months Ended			Six Months Ended	
	Jun 30 2024	Mar 31 2024	Jun 30 2023	Jun 30 2024	Jun 30 2023
Corporate expenses	\$ 8	\$ 9	\$ 9	\$ 17	\$ 16
Stock-based compensation	(8)	-	2	(8)	7
Other expenses (income)	(4)	2	(3)	(2)	(1)
	\$ (4)	\$ 11	\$ 8	\$ 7	\$ 22

Corporate expenses in the above table excludes the mark-to-market on stock-based compensation, which is disclosed in the line below.

Corporate expenses were \$8 million for the quarter ended June 30, 2024, which was lower than the \$9 million in the first quarter of 2024 and in the second quarter of 2023 due to lower variable compensation. The mark-to-market benefit on stock-based compensation was \$8 million in the 2024 second quarter compared to \$nil in the 2024 first quarter and an expense of \$2 million in the 2023 second quarter. Other income of \$4 million in the second quarter of 2024 compared to an expense of \$2 million in the first quarter of 2024, due to the normal seasonal improvement in activity from our Thunder Bay Terminal operation.

EARNINGS FROM TRIMARK

On September 1, 2023, we sold our retained interest in TriMark to our venture partner for \$60 million in cash. Our earnings from the joint venture for the three months ended June 30, 2023, was \$7 million and the for the six months ended \$15 million.

INTEREST EXPENSE

(\$ millions)	Three Months Ended			Six Months Ended	
	Jun 30 2024	Mar 31 2024	Jun 30 2023	Jun 30 2024	Jun 30 2023
Interest on Senior Notes	\$ 4	\$ 5	\$ 5	\$ 9	\$ 9
Interest on lease obligations	2	2	2	5	5
Other interest (income) expense, net	(5)	(7)	(4)	(13)	(7)
	\$ 1	\$ -	\$ 3	\$ 1	\$ 7

Net interest expense of \$1 million in the 2024 second quarter was higher than \$nil in the 2024 first quarter but lower than the \$3 million in the 2023 second quarter. Interest expense in the 2024 second quarter included the write-off of deferred financing charges of \$1 million from the redemption of the \$150 million 6% senior unsecured notes. Interest income generated from our cash and cash equivalents was \$5 million in the 2024 second quarter compared to \$7 million in the 2024 first quarter and \$4 million in the 2023 second quarter. Net interest expense was \$1 million for the six months ended June 30, 2024, compared to \$7 million for the six months ended June 30, 2023.

INCOME TAXES

We recorded a provision for income taxes of \$17 million for the second quarter of 2024 compared to \$27 million for the second quarter of 2023. Our effective income tax rate for the three months ended June 30, 2024 and for the three months ended March 31, 2024 was 25.2% compared to 24.0% for the three months ended June 30, 2023. For the six months ended June 30, 2024, our effective income tax rate was 25.2% compared to 23.6% for the same period in 2023.

NET EARNINGS

Net earnings for the second quarter of 2024 were \$50 million compared to \$85 million for the second quarter of 2023. Basic earnings per share for the second quarter of 2024 was \$0.84 per share compared to \$1.37 per share for the second quarter of 2023. Basic earnings per share for the six months ended June 30, 2024, of \$1.66 compared to \$2.56 for the same period last year.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the second quarter of 2024 was 59.7 million compared to 62.0 million for the second quarter of 2023. The weighted average number of common shares outstanding for the six months ended June 30, 2024, was 60.0 million compared to 62.1 million for the six months ended June 30, 2023. During the 2024 second quarter, we purchased and cancelled 1.5 million common shares for total consideration of \$56 million. During the 2024 second quarter, there were 41,015 options exercised for proceeds of \$1 million. As a result of the recent option exercises, we have only 24,533 options that remain outstanding. Common shares outstanding on June 30, 2024, and July 31, 2024, were 58.7 million.

We paid common share dividends of \$25 million or \$0.42 per share in the second quarter of 2024 and \$0.40 per share in the second quarter of 2023.

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

Under our syndicated bank facility, the payment of dividends is subject to excess borrowing base availability of not less than four times the declared dividend. On July 15, 2024, we entered into a new unsecured credit agreement which no longer has borrowing base restrictions on dividends.

CAPITAL EXPENDITURES

(\$ millions)	Three Months Ended			Six Months Ended	
	Jun 30 2024	Mar 31 2024	Jun 30 2023	Jun 30 2024	Jun 30 2023
Capital expenditures -					
property, plant and equipment	\$ 24	\$ 24	\$ 16	\$ 48	\$ 30
Additions - right-of-use assets	4	6	6	10	8
Depreciation -					
property, plant and equipment	11	10	10	21	20
Depreciation - right-of-use assets	5	5	5	10	9

LIQUIDITY

On June 30, 2024, we had net cash, defined as cash less bank indebtedness, of \$386 million, compared to \$629 million on December 31, 2023. We generated \$170 million from operating activities before non-cash working capital in the six months ended June 30, 2024, and \$2 million from the exercise of stock options. We utilized \$60 million for additional working capital, \$48 million for capital expenditures, \$39 million in income tax payments, \$70 million for the purchase of our shares, \$150 million for the redemption of our 6% senior unsecured notes and \$49 million for dividends.

Inventory and accounts receivable represent a large percentage of our total assets employed and comprise our largest liquidity risks. However, our cash flows are counter cyclical, and we typically generate cash from working capital during market downturns.

Total assets were \$2.4 billion on June 30, 2024, and \$2.6 billion on December 31, 2023. On June 30, 2024, current assets excluding cash represented 68% of our total assets compared to 69% on December 31, 2023.

Inventories represented 42% of our total assets, excluding cash, on June 30, 2024, compared to 43% on December 31, 2023.

Inventory by Segment (\$ millions)	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023
Metals service centers	\$ 500	\$ 495	\$ 500	\$ 514	\$ 547
Energy field stores	218	232	237	249	276
Steel distributors	143	116	103	120	125
Total	\$ 861	\$ 843	\$ 840	\$ 883	\$ 948

Cost of Sales by Segment (\$ millions)	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023
Metals service centers	\$ 574	\$ 569	\$ 547	\$ 588	\$ 642
Energy field stores	189	183	164	202	183
Steel distributors	83	71	92	95	89
Total	\$ 846	\$ 823	\$ 803	\$ 885	\$ 914

Inventory Turns (quarters ended)	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023
Metals service centers	4.6	4.6	4.4	4.6	4.7
Energy field stores	3.5	3.2	2.8	3.3	2.6
Steel distributors	2.3	2.4	3.5	3.2	2.9
Total	3.9	3.9	3.8	4.0	3.9

Our inventory turns for the quarter ended June 30, 2024, were consistent with the first quarter of 2024. On June 30, 2024, our inventory tonnage at our metals service centers was 1% higher, and the average cost was 2% lower than the levels on March 31, 2024. Inventory at our energy field stores decreased from March 31, 2024, as a result of increased shipments coming out of spring breakup. In steel distributors, inventory levels at June 30, 2024, were higher than March 31, 2024, due to the delivery of previously delayed shipments.

Accounts receivable utilized cash of \$37 million due to higher revenues in the six months ended June 30, 2024. Accounts receivable represented 24% of our total assets, excluding cash, on June 30, 2024, and December 31, 2023.

During the six months ended June 30, 2024, we made income tax payments of \$39 million compared to \$35 million for the six months ended June 30, 2023.

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>(\$ millions)</i>	June 30 2024	December 31 2023
Long-term debt		
5 ³ / ₄ % \$150 million Senior Notes due October 27, 2025	\$ 149	\$ 148
6% \$150 million Senior Notes due March 16, 2026	-	149
	\$ 149	\$ 297

On May 2, 2024, we redeemed our 6% senior unsecured notes at par plus accrued and unpaid interest.

CASH AND BANK CREDIT FACILITIES

<i>(\$ millions)</i>	June 30 2024	December 31 2023
Bank loans	\$ -	\$ -
Cash net of outstanding cheques	386	629
Net cash	386	629
Letters of credit	(50)	(26)
	\$ 336	\$ 603
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

At June 30, 2024, we had 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.

As of June 30, 2024, we were entitled to borrow and issue letters of credit totaling \$450 million under this facility. On June 30, 2024, and December 31, 2023, we had no borrowings. We had \$50 million in letters of credit on June 30, 2024, compared to \$26 million on December 31, 2023.

On June 30, 2024, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facilities we had access to approximately \$768 million of cash based on our June 30, 2024, balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases.

On July 15, 2024, we entered into a new credit facility with a syndicate of Canada and U.S. that provides total availability of \$600 million and is comprised of a \$50 million for letters of credit, \$400 million for borrowings and additional letters of credit both of which mature in July 2028 and an additional \$150 million revolving credit facility which matures in July 2026. The new facility is unsecured.

CONTRACTUAL OBLIGATIONS

On June 30, 2024, we were contractually obligated to make payments as per the following table:

(\$ millions)	Payments due in				Total
	2024	2025 and 2026	2027 and 2028	2029 and thereafter	
Accounts payable	\$ 446	\$ -	\$ -	\$ -	\$ 446
Debt	-	150	-	-	150
Long-term debt interest	4	9	-	-	13
Operating leases	17	53	44	70	184
Total	\$ 467	\$ 212	\$ 44	\$ 70	\$ 793

We are obligated to pay \$50 million in letters of credit when they mature in 2024.

We expect our 2024 capital expenditure level to be greater than \$100 million which are planned but not legally committed expenditures.

We provide defined contribution pension plans for a majority of our Canadian and U.S. employees; however, we have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 16 of our annual 2023 consolidated financial statements. As provided in the plan text, we are using our defined benefit surplus to fund the employer portion of our defined contribution plan contributions. During the six months ended June 30, 2024, we used \$1 million of our defined benefit surplus to fund our defined contribution plan, and we expect to use approximately \$2 million of our defined benefit surplus to fund the defined contribution plan during the remainder of 2024. The defined benefit obligations reported in the consolidated financial statements use different assumptions than the going concern actuarial valuations prepared for funding. In addition, the actuarial valuations provide a solvency valuation, which is a valuation assuming the plan is wound up at the valuation date. We do not have additional funding obligations on a solvency basis and no additional funding would be required based on solvency if the plans were wound up. We estimate the impact of a 0.25% change in the discount rate on the solvency obligation would be approximately \$3 million.

We have disclosed our obligations related to environmental litigation, regulatory actions and remediation in our Annual Information Form under the heading "Environmental Regulation". These obligations, which are not material, relate to previously divested or discontinued operations and do not relate to the current 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 financial information, 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 June 30, 2024, was slightly higher than our reserve on December 31, 2023. Bad debt expense for the six months ended June 30, 2024, as a percentage of revenue was less than 1%.

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 June 30, 2024, our inventory reserves approximated those in the 2024 first quarter.

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 or its fair value less costs to sell. The assessment of future cash flows and a discount rate requires significant judgment.

During the quarter ended June 30, 2024, 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, if any, of acquired businesses.

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 benefit. 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 \$130 million in plan assets on June 30, 2024, which is an increase of approximately \$1 million from December 31, 2023. The discount rate used on the employee benefit plan obligation for the quarter ended June 30, 2024, was 5.00% which is 40 basis points higher than the discount rate used on December 31, 2023.

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 internal controls over financial reporting during the second quarter of 2024 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. In addition, our facilities modernization initiative and our on-going value-added processing investments will enable us to better service our customers and lead to enhanced margins.

Capital allocation priorities and limits are managed centrally with day-to-day decision making delegated to the various operations. Furthermore, our variable compensation model is based on the return on net assets for each business unit, which provides our business managers a basis to proactively adjust costs and working capital to local market conditions. Management believes that this strategy will result in higher average profits and that we will generate earnings over the cycle in the top quartile of the industry. In 2023, we commenced a facilities modernization initiative which, along with our multi-year expansion of our value-added processing equipment, will enhance our capabilities and provide improved service to our customer base.

Growth from selective acquisitions is also part of our strategy. We focus on investment opportunities in businesses that have strong market niches or provide scale to our existing operations. New acquisitions could be either major stand-alone operations or ones that complement our existing operations.

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

RISK

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

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

A portion of our revenues is dependent on the oil and gas industry, whose activity fluctuates with oil and gas prices. Our energy field store operations provide a more stable stream of earnings than the divested OCTG/line pipe operations as their products are used in maintenance and repair as well as new drilling activity and large energy projects.

The continued impact of inflation, rising interest rates, prevailing oil price conditions 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

Steel prices declined over the past several quarters but are expected to stabilize at levels that are above historical averages, as the industry exhibits inventory discipline. Our average margins, however, are expected to be lower in the third quarter versus the second quarter, as a result of the lower margins towards the end of the second quarter as compared to the second quarter average. Margins should rebound once the lag effect of lower cost inventories continue to work through our cost of goods sold and selling prices stabilize.

Our end market activity remains steady and is expected to continue into the third quarter, other than the impact from reduced shipping days from various seasonal holidays in North America. We expect to benefit from higher shipment activity in both Western Canada and the U.S. once the Samuel acquisition closes later in the third quarter. Over the medium-term, we expect growth in North American steel consumption as a result of onshoring activities and infrastructure spending initiatives in both Canada and the U.S. In addition, we are positioned to gain market share through our ongoing investment initiatives. Our energy field stores are expected to continue to benefit from solid energy activity in 2024.