

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2025

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 our audited Consolidated Financial Statements for the year ended December 31, 2025, including the notes thereto and should be read in conjunction with these financial statements. 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 February 11, 2026.

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 product prices; cyclical nature of the industry; future acquisitions; 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; 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 are 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, free cash flow, 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.

Basic Earnings per Share before Stock-based Compensation - represents net earnings less stock-based compensation divided by average shares outstanding.

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 materials.

Gross Margin Percentage - represents gross margin over revenues.

Gross Margin per Ton - represents gross margin divided by tons shipped.

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

Invested Capital - net debt plus shareholders' equity.

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

Net Debt - long-term debt less cash on hand.

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

Stock-based Compensation - represents the mark-to-market of stock-based compensation.

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) excluding the Kloeckner assets from the average invested capital, as the acquisition closed on December 31, 2025.

RECONCILIATION OF NET EARNINGS TO EBITDA ¹

The following table provides a reconciliation of net earnings to EBITDA ¹:

(\$ millions except per share data)	Three Months Ended			Year Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
Net earnings	\$ 30.4	\$ 35.0	\$ 26.9	\$ 168.8	\$ 161.0
Provision for income tax	9.7	11.2	8.8	53.7	53.1
Interest (income) expense, net	5.1	5.4	4.0	21.1	7.7
EBIT ¹	45.2	51.6	39.7	243.6	221.8
Depreciation and amortization	23.4	23.4	21.6	93.5	76.7
EBITDA ¹	\$ 68.6	\$ 75.0	\$ 61.3	\$ 337.1	\$ 298.5
Basic earnings per share	\$ 0.55	\$ 0.63	\$ 0.47	\$ 3.01	\$ 2.73

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

OVERVIEW OF THE 2025 FOURTH QUARTER AND ANNUAL RESULTS

Our fourth quarter 2025 and full year 2025 results reflected a continuation of improving trend line metrics, as we are starting to generate the benefits from our 2024 acquisitions and internal investment initiatives.

- Revenues were \$1.1 billion for the fourth quarter of 2025, which represented a 5% increase over the fourth quarter of 2024. Total revenues for 2025 represented a 9% increase over 2024. The increases were primarily related to the two acquisitions that were completed in the second half of 2024.
- Our average gross margin percentage for the fourth quarter of 2025 was 21.2%, which was an 80 basis point increase over the fourth quarter of 2024. For 2025, our average gross margin percentage was 21.8% which was a 90 basis point increase over 2024. These improvements were related to a pick-up in market conditions as well as the continuation of our value-added investment initiatives.
- In the fourth quarter of 2025, our EBITDA was \$69 million, which was a 12% improvement over the fourth quarter of 2024. For 2025, our EBITDA was \$337 million, which was a 13% increase over 2024.
- The metal service centers segment had solid shipments in the fourth quarter of 2025, even though it is typically a seasonally slower period. The fourth quarter 2025 tons shipped were down 5% versus the third quarter of 2025, but up 1% versus the fourth quarter of 2024. For 2025, our tons shipped achieved an annual record of almost 1.6 million tons, which was 15% higher than the 2024 tons shipped.

On December 31, 2025, we closed the acquisition of seven service centers from Kloeckner Metals Corporation ("Kloeckner") for approximately US\$95 million, subject to closing working capital and other normal course adjustments. This acquisition is a complimentary fit with our existing U.S. locations, as they will tie into our footprint in key regions of Florida/Georgia/Carolinas, Iowa/Wisconsin and Texas. As a result of this transaction, we expect our average annual revenues to grow by approximately US\$500 million and expand the relative contribution from our U.S. based businesses to over 50%.

In 2025, we generated \$200 million of cash from operating activities. In the fourth quarter of 2025, we generated \$105 million of cash from operating activities, including \$53 million from non-cash working capital.

For the year ended December 31, 2025, our revenues, EBITDA, and earnings per share were \$4.6 billion, \$337 million and \$3.01 per share, respectively, compared to \$4.3 billion, \$299 million and \$2.73 per share in 2024.

In the 2025 fourth quarter, our revenues, EBITDA and earnings per share were \$1.1 billion, \$69 million and \$0.55 per share, respectively compared to \$1.0 billion, \$61 million and \$0.47 per share in the fourth quarter of 2024 and \$1.2 billion, \$75 million and \$0.63 per share in the third quarter of 2025. Our 2025 fourth quarter results declined relative to our 2025 third quarter primarily due to the typical seasonal dynamic. In addition, our fourth quarter results were impacted by several non-recurring items, including: (i) \$3 million expense for the mark-to-market on stock-based compensation; (ii) \$2 million of operating losses in certain locations in Western Canada that are undergoing operational changes; (iii) \$1 million expense for transaction and transition costs for the Kloeckner acquisition; (iv) \$2 million expense reversal for the tariff that was recently recovered from the Canadian government for an expense that was incurred in the third quarter; and (v) \$1 million gain related to equipment sales.

In 2025, we invested \$74 million in capital expenditures, including \$14 million in the fourth quarter, that included a series of value-added equipment and facility modernization initiatives in both Canada and the U.S. Going forward, we expect to invest approximately \$100 million per year over the next two years, as our pipeline of internal investment opportunities continues to grow.

Market Conditions

The implementation of tariffs on steel and aluminum in the first quarter of 2025 led to an increase in metal prices late in the first quarter of 2025. Steel prices moderated over the subsequent six months before stabilizing in the latter part of the year. The 2025 average price for hot rolled coil was US\$849 per ton, which was higher than the US\$772 per ton average for 2024. Plate prices averaged US\$1,035 per ton in 2025, which was down from the 2024 average of US\$1,070 per ton.

Capital Investment Growth Initiatives

In 2025, we grew the business through a series of internal and external investments, which resulted in an increase of our invested capital from \$1.6 billion at the end of 2024 to almost \$1.8 billion at the end of 2025. Our return on invested capital was 15% for 2025 and averaged 18% over the past three years. These results reflect a strong focus on growing invested capital in an efficient manner, as return on capital is the key element of our pay-for-performance culture.

In addition to our new investments, we also repatriated redundant capital in certain areas. During 2025, we announced a series of business improvement initiatives related to our Western Canadian operations, including the rationalization of locations in British Columbia and a related property sale. Once completed, we will have exceeded the upper end of our targeted capital reduction initiative from the 2024 acquisition of the Samuel branches.

The recent capital investment and repatriation initiatives are also part of our strategy to diversify and expand our business in a number of areas.

- U.S. operations represented 44% of consolidated 2025 revenues and will be over 50% after taking into account the Kloeckner acquisition.
- Approximately 11% of our 2025 revenues were stainless and aluminum products as compared to 9% in 2024 and 8% in 2023.
- Our value-added equipment and facility modernization initiatives are ongoing and will further increase our average margins through the cycle.

Returning Capital to Shareholders

Our approach to returning capital to shareholders is a balance between dividends and share buybacks. In 2025, we paid \$96 million of dividends and repurchased \$86 million of our shares (excluding the impact of the federal tax on share repurchases).

During the first quarter of 2025, we announced a 2.4% increase in our quarterly dividend from \$0.42 per share to \$0.43 per share. More recently, we just declared a dividend of \$0.43 per share, payable on March 16, 2026, to shareholders of record at the close of business on February 27, 2026. Our 2025 dividend payments of \$96 million were lower than the 2024 payments of \$98 million, as the impact of our share repurchases more than offset the increase in our dividend per share.

In the fourth quarter of 2025, we purchased 0.6 million common shares at an average price per share of \$40.58. In the full year of 2025, we purchased 2.1 million common shares, which represented approximately 4% of our beginning shares outstanding, at an average price per share of \$41.06. In the period since the August 2022 normal course issuer bid was established, we purchased approximately 8.6 million common shares, which represents approximately 14% of our then outstanding shares, at an average price per share of \$37.96 for total consideration of \$326 million (excluding the impact of the federal tax on share repurchases).

Liquidity and Capital Structure

One of our key strategies is to maintain a strong capital structure in order to navigate through market cycles and be in a position to capitalize on opportunities. In 2025, we further strengthened our capital structure by issuing term debt and amending and extending our credit facility. We ended the year with a strong capital structure, with a net debt to invested capital ratio of approximately 10% and liquidity of \$515 million.

On March 28, 2025, we completed an inaugural offering of investment grade term debt, with \$300 million of 4.423% senior unsecured notes due March 28, 2030. On April 29, 2025, we amended and extended our credit facility to remove the springing lien feature, cancel the \$150 million sidecar facility that was set to expire in 2026 and extend the maturity of the main facilities to 2029. On October 27, 2025, S&P Global upgraded our credit rating from BB+ to BBB-. We are now rated as an investment grade credit by both S&P Global and DBRS Morningstar.

SUMMARIZED FINANCIAL INFORMATION

The following tables disclose selected information related to revenues, earnings and common shares over the last three years.

2025

<i>(in millions, except per share data and volumes)</i>	Quarters Ended				Year Ended
	Mar. 31	June 30	Sept. 30	Dec. 31	Dec. 31
Revenues	\$ 1,173.6	\$ 1,207.3	\$ 1,166.9	\$ 1,093.7	\$ 4,641.5
EBITDA ¹	85.7	107.8	75.0	68.6	337.1
Net earnings	43.0	60.4	35.0	30.4	168.8
Basic and diluted earnings per common share	\$ 0.75	\$ 1.07	\$ 0.63	\$ 0.55	\$ 3.01
Total assets	\$ 2,707.9	\$ 2,629.7	\$ 2,622.8	\$ 2,684.6	\$ 2,684.6
Non-current financial liabilities	\$ 457.5	\$ 451.1	\$ 445.7	\$ 455.2	\$ 455.2
Dividends paid	\$ 0.42	\$ 0.43	\$ 0.43	\$ 0.43	\$ 1.71
Market price of common shares					
High	\$ 43.29	\$ 43.97	\$ 45.55	\$ 44.69	\$ 45.55
Low	\$ 36.17	\$ 34.62	\$ 39.64	\$ 39.09	\$ 34.62
Shares outstanding end of quarter	56,522,055	55,988,355	55,658,155	55,061,755	55,061,755
Average shares outstanding	56,984,456	56,343,386	55,866,943	55,606,546	56,149,744
Number of common shares traded on the TSX	12,081,902	9,140,845	8,717,701	11,239,404	41,179,852

2024

<i>(in millions, except per share data and volumes)</i>	Quarters Ended				Year Ended
	Mar. 31	June 30	Sept. 30	Dec. 31	Dec. 31
Revenues	\$ 1,061.1	\$ 1,071.5	\$ 1,089.4	\$ 1,039.2	\$ 4,261.2
EBITDA ¹	84.0	85.8	67.4	61.3	298.5
Net earnings	49.7	49.9	34.5	26.9	161.0
Basic and diluted earnings per common share	\$ 0.82	\$ 0.84	\$ 0.59	\$ 0.47	\$ 2.73
Total assets	\$ 2,590.7	\$ 2,431.2	\$ 2,484.0	\$ 2,346.7	\$ 2,346.7
Non-current financial liabilities	\$ 410.1	\$ 262.4	\$ 305.0	\$ 161.0	\$ 161.0
Dividends paid	\$ 0.40	\$ 0.42	\$ 0.42	\$ 0.42	\$ 1.66
Market price of common shares					
High	\$ 47.39	\$ 45.07	\$ 41.65	\$ 46.87	\$ 47.39
Low	\$ 41.79	\$ 36.13	\$ 35.20	\$ 38.52	\$ 35.20
Shares outstanding end of quarter	60,084,926	58,667,141	57,451,222	57,133,088	57,133,088
Average shares outstanding	60,313,886	59,659,653	58,238,501	57,334,211	58,880,546
Number of common shares traded on the TSX	11,927,057	11,895,186	12,841,743	9,510,839	46,174,825

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

2023

<i>(in millions, except per share data and volumes)</i>	Quarters Ended				Year Ended
	Mar. 31	June 30	Sept. 30	Dec. 31	Dec. 31
Revenues	\$ 1,186.7	\$ 1,189.6	\$ 1,109.5	\$ 1,019.3	\$ 4,505.1
EBITDA ¹	116.4	131.4	95.6	82.2	425.6
Net earnings	73.9	85.0	60.6	47.2	266.7
Basic and diluted earnings per common share	\$ 1.19	\$ 1.37	\$ 0.99	\$ 0.78	\$ 4.33
Total assets	\$ 2,630.8	\$ 2,647.1	\$ 2,632.4	\$ 2,570.1	\$ 2,570.1
Non-current financial liabilities	\$ 406.8	\$ 406.0	\$ 405.0	\$ 406.8	\$ 406.8
Dividends paid	\$ 0.38	\$ 0.40	\$ 0.40	\$ 0.40	\$ 1.58
Market price of common shares					
High	\$ 37.28	\$ 37.85	\$ 40.52	\$ 45.44	\$ 45.44
Low	\$ 28.63	\$ 31.24	\$ 35.42	\$ 33.38	\$ 28.63
Shares outstanding end of quarter	62,428,342	61,307,326	60,778,726	60,388,426	60,388,426
Average shares outstanding	62,243,466	62,014,641	61,184,940	60,689,696	61,527,975
Number of common shares traded on the TSX	23,543,332	16,261,518	10,156,617	9,545,403	59,506,870

¹ Refer to Non-GAAP Measures and Ratios 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 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 consolidated financial statements.

(\$ millions, except percentages)	Three Months Ended			Year Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
Segment Revenues					
Metals service centers	\$ 778.2	\$ 823.2	\$ 723.0	\$ 3,297.2	\$ 2,866.5
Energy field stores	221.3	226.7	220.3	943.0	983.9
Steel distributors	91.6	112.2	89.2	386.1	389.4
Other	2.6	4.8	6.7	15.2	21.4
	\$ 1,093.7	\$ 1,166.9	\$ 1,039.2	\$ 4,641.5	\$ 4,261.2
Segment Gross Margins ¹					
Metals service centers	\$ 158.4	\$ 166.3	\$ 131.5	\$ 695.3	\$ 551.1
Energy field stores	54.8	58.2	59.8	232.3	251.4
Steel distributors	16.3	17.0	13.8	69.4	66.0
Other	2.6	4.8	6.7	15.2	21.4
Total operations	\$ 232.1	\$ 246.3	\$ 211.8	\$ 1,012.2	\$ 889.9
Segment Operating Profits and EBIT ¹					
Metals service centers	\$ 27.3	\$ 27.5	\$ 20.9	\$ 161.6	\$ 119.6
Energy field stores	15.1	19.1	20.2	72.4	89.5
Steel distributors	9.2	8.1	4.4	36.4	32.6
Corporate expenses	(6.9)	(5.1)	(9.8)	(31.7)	(30.9)
Other	0.5	2.0	4.0	4.9	11.0
Earnings before interest and income taxes	\$ 45.2	\$ 51.6	\$ 39.7	\$ 243.6	\$ 221.8
Segment Gross Margin as a % of Revenues ¹					
Metals service centers	20.3%	20.2%	18.2%	21.1%	19.2%
Energy field stores	24.8%	25.7%	27.1%	24.6%	25.6%
Steel distributors	17.8%	15.1%	15.5%	18.0%	16.9%
Total operations	21.2%	21.1%	20.4%	21.8%	20.9%
Segment Operating Profit and EBIT as a % of Revenues ¹					
Metals service centers	3.5%	3.3%	2.9%	4.9%	4.2%
Energy field stores	6.8%	8.4%	9.2%	7.7%	9.1%
Steel distributors	10.2%	7.2%	4.9%	9.5%	8.4%
Total operations	4.1%	4.4%	3.8%	5.3%	5.5%

Results of our U.S. operations for the year ended December 31, 2025, were converted at \$1.3979 per US\$1 compared to \$1.3700 per US\$1 for the year ended December 31, 2024. Our U.S. operations represented approximately 44% of our total revenues. The exchange rate used to translate the balance sheet on December 31, 2025, was \$1.3706 per US\$1 versus \$1.4389 per US\$1 at December 31, 2024.

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

METALS SERVICE CENTERS

a) *Description of operations*

We provide processing and distribution services to a broad base of approximately 47,000 end users through a network of 51 Canadian locations and 31 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, Northeast and Midwest regions in the United States.

b) *Metals service centers segment results*

	Three Months Ended			Year Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
<i>Financial Highlights</i>					
Revenues (\$ millions)	\$ 778	\$ 823	\$ 723	\$ 3,297	\$ 2,866
Tons shipped (thousands of imperial tons)	365	386	359	1,559	1,350
Gross margin (\$ millions) ¹	158	166	132	695	551
Gross margin per ton (\$)	433	430	368	441	408
Gross margin (%) ¹	20.3%	20.2%	18.2%	21.1%	19.2%
Operating profits (\$ millions) ¹	27	28	21	162	120

The 2025 revenues and tons shipped for our metals service center operations increased 15% from 2024 primarily due to a full year of the former Samuel branches that were acquired on August 12, 2024, and Tampa Bay that was acquired on December 4, 2024. Same store tons shipped were consistent with 2024. The average selling price per ton in 2025 was also consistent with 2024. In the fourth quarter of 2025, our shipments were 5% lower than the third quarter of 2025 and 1% higher than the comparable fourth quarter of 2024.

Gross margin as a percentage of revenues was 21.1% for the year ended December 31, 2025, which was higher than 19.2% in 2024 due to the significant increase in metal prices in the 2025 first quarter and the benefits from our ongoing investments in value-added processing. The gross margin per ton of \$433 in the fourth quarter was consistent with the \$430 per ton in the third quarter of 2025, as both average price realizations and average cost of goods sold per ton were consistent in the third and fourth quarters. However, as a result of favourable market conditions that evolved during the fourth quarter, there was an increase in margins towards the end of the fourth quarter that resulted in the December gross margins being higher than the fourth quarter average.

Operating expenses in 2025 were 24% higher than 2024 mostly due to a full year of operating expenses from business units acquired during 2024. Operating expenses in the fourth quarter of 2025 were \$131 million, which was \$8 million lower than the third quarter of 2025, as the third quarter included non-recurring costs related to the restructuring provision for the Delta branch closure as well as other operating costs incurred in conjunction with our Western Canadian business improvement initiatives.

Metals service centers operating profit for the year ended December 31, 2025, was \$162 million compared to \$120 million reported for 2024. Our operating profit of \$27 million in the fourth quarter approximated the \$28 million reported in the third quarter of 2025.

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 46 Canadian and 12 U.S. facilities in our operations. We purchase our products from 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 on page 2

b) Energy field stores segment results

	Three Months Ended			Year Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
Financial Highlights					
Revenues (\$ millions)	\$ 221	\$ 227	\$ 220	\$ 943	\$ 984
Gross margin (\$ millions) ¹	55	58	60	232	251
Gross margin (%) ¹	24.8%	25.7%	27.1%	24.6%	25.6%
Operating profits (\$ millions) ¹	15	19	20	72	90

The 2025 revenues in our energy field stores segment were 4% lower than 2024 due to strong project-related activity in 2024 and more moderate business activity in the early part of 2025 compared to the early part of 2024. Revenues in the 2025 fourth quarter were consistent with the 2024 fourth quarter.

Gross margin as a percentage of revenues of 24.6% in 2025 compared to 25.6% in 2024. In the fourth quarter of 2025, our gross margin was 24.8% compared to 25.7% in the third quarter. These levels are all within the typical range for this business segment.

Operating expenses of \$160 million in 2025 were consistent with the 2024 level of \$162 million. The fourth quarter operating expenses of \$40 million were consistent with the third quarter 2025 amount of \$39 million and the fourth quarter 2024 amount of \$40 million.

This segment generated operating profits of \$72 million for 2025 compared to \$90 million in 2024.

STEEL DISTRIBUTORS

a) Description of operations

Our steel distributors act as master distributors selling steel in large volumes to 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

	Three Months Ended			Year Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
Financial Highlights					
Revenues (\$ millions)	\$ 92	\$ 112	\$ 89	\$ 386	\$ 389
Gross margin (\$ millions) ¹	16	17	14	69	66
Gross margin (%) ¹	17.8%	15.1%	15.5%	18.0%	16.9%
Operating profits (\$ millions) ¹	9	8	4	36	33

The 2025 revenues in our steel distributors operations were consistent with 2024, despite the challenging market environment.

Gross margins in this segment vary based on steel prices, product mix and macro-economic factors. Gross margin as a percentage of revenues was 18.0% for 2025, which was higher than the 16.9% for 2024 due to higher steel prices and product mix. In the fourth quarter of 2025, margins were 17.8% compared to 15.1% in the 2025 third quarter due to a \$2 million expense reversal for the tariff that was recently recovered from the Canadian government for an expense that was incurred in the third quarter by our Canadian operations.

Operating expenses of \$33 million in 2025 were consistent with the same period in 2024.

Operating profits for 2025 of \$36 million were higher than the \$33 million generated in 2024. In the fourth quarter of 2025, operating profits of \$9 million were higher compared to the third quarter of 2025 and the fourth quarter of 2024.

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

CORPORATE EXPENSES AND OTHER

(\$ millions)	Three Months Ended			Year Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
Corporate expenses	\$ 5	\$ 7	\$ 7	\$ 29	\$ 31
Stock-based compensation	3	(2)	3	3	-
Other income	(1)	(2)	(4)	(5)	(11)
	\$ 7	\$ 3	\$ 6	\$ 27	\$ 20

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

Corporate expenses of \$29 million in 2025 were lower than the \$31 million reported in 2024. The mark-to-market on our stock-based compensation was an expense of \$3 million in 2025 compared to \$nil in 2024. In the fourth quarter of 2025, the corporate expenses were lower than the 2025 third quarter due in part to acquisition transaction costs in the 2025 third quarter.

INTEREST EXPENSE

(\$ millions)	Three Months Ended			Year Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
Interest on Senior Unsecured Notes	\$ 3	\$ 3	\$ 1	\$ 10	\$ 13
Interest on lease obligations	4	4	4	15	12
Other interest (income) expense, net	(2)	(2)	(1)	(4)	(17)
	\$ 5	\$ 5	\$ 4	\$ 21	\$ 8

Net interest expense of \$21 million for 2025 was higher compared to \$8 million for 2024 due to the utilization of cash for growth activities.

INCOME TAXES

We recorded a provision for income taxes of \$54 million for 2025 compared to a provision of \$53 million for 2024. Our effective income tax rate for 2025 was 24.1% compared to 24.8% for 2024.

NET EARNINGS

Net earnings for 2025 were \$169 million compared to \$161 million in 2024. Basic earnings per share for 2025 were \$3.01 compared to \$2.73 in 2024.

SHARES OUTSTANDING AND DIVIDENDS

Common shares outstanding on December 31, 2025, and February 11, 2026, were 55.1 million compared to 57.1 million on December 31, 2024, due to the share repurchases. The weighted average number of common shares outstanding decreased to 56.1 million for 2025 compared to 58.9 million for 2024 primarily as a result of the share repurchases.

We paid common share dividends of \$96 million or \$1.71 per share in 2025 and \$98 million or \$1.66 per share in 2024. We raised our common share dividend to \$0.43 per share from \$0.42 per share in May 2025.

CAPITAL EXPENDITURES

(\$ millions)	Three Months Ended			Year Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
Capital expenditures -					
property, plant and equipment	\$ 14	\$ 15	\$ 21	\$ 74	\$ 90
Additions - right-of-use assets	6	1	3	15	19
Depreciation - property, plant and equipment	13	14	12	55	44
Depreciation - right-of-use assets	7	7	6	28	22

Capital expenditures and right-of-use assets exclude additions relating to acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

On December 31, 2025, we had net debt, defined as bank indebtedness and term debt less cash, of \$184 million, compared to \$(32) million on December 31, 2024.

Cash Flows

The following table represents our cash flow movement for the periods noted:

(\$ millions)	Three Months Ended			Twelve Months Ended	
	Dec 31 2025	Sep 30 2025	Dec 31 2024	Dec 31 2025	Dec 31 2024
Cash flow from operating activities	\$ 106	\$ 63	\$ 110	\$ 200	\$ 344
Cash flow (used) in financing activities	(55)	(44)	(181)	78	(538)
Cash flows used in investing activities	(142)	(15)	(127)	(201)	(418)
Effect of exchange rates on cash and cash equivalents	(6)	13	21	(8)	28
Increase (decrease) in cash and cash equivalents	(97)	17	(177)	69	(584)

Cash Flow from Operating Activities

During the twelve months ended December 31, 2025, we generated \$322 million in cash from operations, utilized \$85 million for changes in non-cash working capital and \$38 million for the payment of income taxes. For the three months ended December 31, 2025, we generated \$106 million in cash from operating activities.

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.

Cash Flow from Financing Activities

During the twelve months ended December 31, 2025, we generated \$78 million of cash flow in financing including \$300 million for the issue of our inaugural investment grade notes and utilized \$87 million for the repurchase of our shares and \$96 million for dividends. During the three months ended December 31, 2025, we utilized \$55 million of cash for financing activities including \$25 million for the repurchase of our shares and \$24 million for dividends.

Cash Flow Used in Investing Activities

During the twelve months ended December 31, 2025, we utilized \$201 million in cash for investing activities and capital expenditures including \$130 million for the acquisition of the seven Kloeckner branches on December 31, 2025. During the three months ended December 31, 2025, we utilized \$142 million in cash for investing activities and capital expenditures.

Working Capital

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 \$2.7 billion on December 31, 2025, compared to \$2.3 billion on December 31, 2024. On December 31, 2025, current assets, excluding cash, represented 65% of our total assets compared to 63% on December 31, 2024.

Inventories represented 42% of our total assets, excluding cash, on December 31, 2025, and 40% on December 31, 2024.

<i>Inventories by Segment</i> (\$ millions)	Dec 31 2025	Sep 30 2025	Jun 30 2025	Mar 31 2025	Dec 31 2024
Metals service centers	\$ 726	\$ 626	\$ 662	\$ 652	\$ 595
Energy field stores	225	221	217	220	229
Steel distributors	133	126	133	122	96
Total	\$ 1,084	\$ 973	\$ 1,012	\$ 994	\$ 920

Cost of Materials by Segment (\$ millions)	Dec 31 2025	Sep 30 2025	Jun 30 2025	Mar 31 2025	Dec 31 2024
Metals service centers	\$ 620	\$ 657	\$ 661	\$ 664	\$ 591
Energy field stores	167	169	190	186	161
Steel distributors	75	95	75	71	75
Total	\$ 862	\$ 921	\$ 926	\$ 921	\$ 827

Inventory Turns (quarters ended)	Dec 31 2025	Sep 30 2025	Jun 30 2025	Mar 31 2025	Dec 31 2024
Metals service centers	3.4	4.2	4.0	4.1	4.0
Energy field stores	3.0	3.0	3.5	3.4	2.8
Steel distributors	2.3	3.0	2.3	2.3	3.1
Total	3.2	3.8	3.7	3.7	3.6

For the quarter ended December 31, 2025, our inventory turns in metals service centers, excluding the December 31, 2025, Kloeckner acquisition, would have been 3.9 turns and our total turns would have been 3.5 turns.

On December 31, 2025, our metals service center same store tons were approximately 5% higher than our tons on December 31, 2024, and tons for steel distributors were approximately 37% higher. The average cost of inventory in our metals service centers on December 31, 2025, was approximately 7% higher than on December 31, 2024, on a same store basis and for steel distributors was approximately 3% lower. Inventory levels in our energy field stores were consistent between the levels at December 31, 2025 and December 31, 2024.

Accounts receivable utilized cash of \$23 million in 2025 and represented 22% of our total assets, excluding cash, on December 31, 2025, compared to 21% on December 31, 2024.

DEBT

As of December 31 (\$ millions)	2025	2024
4.423% \$300 million Senior Unsecured Notes due March 28, 2030	\$ 298	\$ -
	\$ 298	\$ -

CASH AND BANK CREDIT FACILITY

(\$ millions)	2025	2024
Bank borrowings	\$ -	\$ (13)
Cash net of outstanding cheques	115	45
Net cash	115	32
Letters of credit	(24)	(26)
	\$ 91	\$ 6
Facility		
Borrowings and letters of credit	\$ 400	\$ 400
Borrowings	-	150
Letters of credit	50	50
Facility availability	\$ 450	\$ 600

We have a \$450 million committed, unsecured credit facility with a syndicate of Canadian and U.S. banks that provides: (i) Facility A - \$400 million for borrowings or additional letters of credit and (ii) Facility B - \$50 million for letters of credit; which expire on April 30, 2029.

On December 31, 2025, we had no borrowings and \$24 million of letters of credit outstanding under the facilities. On December 31, 2024, we had \$13 million of borrowings and letters of credit were \$26 million.

On December 31, 2025, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facility we have access to approximately \$515 million of cash at December 31, 2025. 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 December 31, 2025, we were contractually obligated to make payments as per the following table:

Contractual Obligations (\$ millions)	Payments due in				Total
	2026	2027 and 2028	2029 and 2030	2031 and thereafter	
Accounts payable	\$ 552	\$ -	\$ -	\$ -	\$ 552
Long-term debt	-	-	300	-	300
Long-term debt interest	13	27	20	-	60
Operating leases	43	77	52	88	260
Total	\$ 608	\$ 104	\$ 372	\$ 88	\$ 1,172

We are obligated to pay \$24 million in letters of credit when they mature in 2026. We have outstanding US\$106 million (2024: US\$236 million) in forward exchange contracts that mature in 2026.

We expect our 2026 capital expenditure level to be approximately \$100 million. These investments are being planned but are 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 and one defined benefit plan in the U.S., as disclosed in Note 16 of our 2025 consolidated financial statements.

As provided in the Canadian plan text, we are using our defined benefit surplus to fund the employer portion of our defined contribution plan contributions. During 2025 we used \$4 million of our defined benefit plan surplus to fund our defined contribution benefit plan. We expect to contribute \$nil to these plans during 2026 and expect to pay \$4 million from our plan surplus in one of our defined benefit plans to fund our defined contribution plan. 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 \$2 million.

On December 31, 2025, we assumed the benefit obligations for a U.S. defined benefit pension plan as part of the Kloeckner acquisition. We expected to contribute \$0.4 million to these plans in 2026. We estimate the impact of a 0.25% change in the discount rate on the solvency obligation would be approximately \$1 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 credit losses 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 December 31, 2025, approximated our reserve level on December 31, 2024.

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. The inventory reserve level on December 31, 2025, approximated the level on December 31, 2024.

Other areas involving significant estimates and judgements include:

Long-lived Asset Impairment

The determination of whether long-lived assets, including goodwill and intangible assets, 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 higher of the value in use or its fair value less costs to sell. The assessment of future cash flows and a discount rate requires significant judgement.

During 2025, no long-lived asset impairments were recorded. There is no certainty that there will not be 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 net 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, intangible assets 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 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.

Our Canadian plan assets decreased approximately \$30 million from December 31, 2024, to \$101 million on December 31, 2025, due in part to the \$23 million premium paid for the buy-out portion of the annuitization. The discount rate used on the employee benefit plan obligation for December 31, 2025, was 4.9%, which is 20 basis points higher than the discount rate on December 31, 2024. Our U.S. plan assets were approximately \$23 million on December 31, 2025, the date the plan obligations were assumed.

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. In accordance with National Instrument 52-109 we have limited our scope for reporting on disclosure controls and procedures and internal controls over financial reporting during the first year of acquiring the seven Kloeckner locations. For a period after the acquisition, we are utilizing the Kloeckner ERP and shared services to manage these locations prior to their integration into our ERP platform through a Transitional Services Agreement.

Based on our evaluation, excluding the operations acquired as part of the Kloeckner acquisition, we have concluded that our disclosure controls and procedures and our internal controls over financial reporting were effective to provide reasonable assurance that information related to our consolidated results and decisions to be made on those results were appropriate as at December 31, 2025.

Summary Financial Information - Kloeckner Locations

At December 31, 2025 (\$ millions)

Current assets	\$ 145
Current liabilities	(86)
Property, plant and equipment (including right-of-use assts)	85
Lease liabilities	(14)

The line items that could be affected by this limited scope at the Kloeckner locations are current assets, current liabilities, property, plant and equipment (including right-of-use assets) and lease liabilities.

No changes were made in our internal controls over financial reporting during 2025 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 facility modernization initiative and our value-added processing investments enable us to better service our customers and enhance 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 leaders a basis to proactively adjust costs and working capital to local market conditions. Management believes that this strategy will result in higher average earnings over the cycle and in the top quartile of the industry. In 2025 we expended \$74 million on capital expenditures.

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. During 2025, we completed the acquisition of seven service center locations from Kloeckner.

Returning capital to our shareholders through our ongoing dividends and opportunistic share buy backs 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. In the case of significant increases in tariffs, we evaluate alternative sources of supply and when these are not available, tariff increases are passed onto our customers.

During 2025, the U.S. government increased the tariff rates for steel and aluminum to 50%. The Canadian government responded with 25% retaliatory tariffs and implemented a quota of 2.6 million tons with a tariff rate of 50% on steel mill products from free trade countries. As a result of the announcements, there is continued risk related to the imposition of various tariffs. We will continue to evaluate existing or potential tariffs and quotas and adjust our procurement activities as required.

A portion of our revenues are 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 other businesses in the sector as their products are used in maintenance and repair as well as new drilling activity and large energy products.

The impact of inflation, interest rate changes, geopolitical uncertainty, 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 intangible assets, provisions for inventory and credit losses.

OUTLOOK

During 2025, steel prices were impacted by various tariffs that were initiated by the U.S. government and countered by other countries, including Canada. Future steel price changes may be impacted by further changes in such tariffs.

Our metal service center gross margins came down in the early part of the third quarter but stabilized over the latter part of the third quarter and into the fourth quarter. Going into the first quarter of 2026, there has been an improvement in market tone and an increase in most steel prices, which should lead to an improvement in our margins in the first quarter of 2026 as compared to the fourth quarter of 2025. In addition, we expect to see a seasonal recovery in shipments in the first quarter of 2026, subject to weather-related factors, that is similar in magnitude to the seasonal improvement that had been experienced in the past.

Over the medium-term, we expect to benefit from further rebuilding of the U.S. industrial manufacturing base, Canadian nation building projects, as well as infrastructure related investments in areas such as data centers. In addition, we are positioned to gain market share through our ongoing investments in value-added equipment, facility modernizations and acquisitions. As a result of the closing of the Kloeckner acquisition on December 31, 2025, we will benefit from an increased presence in the U.S.

Our energy field stores are expected to continue to benefit from solid energy activity in 2026. Our energy field store segment is also expected to continue to gain market share while maintaining a solid margin profile.