# INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations and all information in the Annual Report have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

These consolidated financial statements were prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board, and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report with that contained in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company has developed, documented and maintained a system of internal controls in order to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. In addition, the Company has developed and maintained a system of disclosure controls in order to provide reasonable assurance that the financial information is relevant, reliable and accurate. The Company has evaluated its internal and disclosure controls for the year ended December 31, 2024, and has disclosed the results of this evaluation in its Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's Audit Committee is appointed annually by the Board of Directors. The Audit Committee, which is composed entirely of outside directors, meets with management to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations for presentation to the shareholders.

The consolidated financial statements have been audited on behalf of the shareholders by the external auditors, KPMG LLP, in accordance with Canadian generally accepted auditing standards. KPMG LLP has full and free access to the Audit Committee.

February 19, 2025

/s/ J. G. Reid
President and
Chief Executive Officer

/s/ M. L. Juravsky
Executive Vice President and
Chief Financial Officer

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Russel Metals Inc.

## *Opinion*

We have audited the consolidated financial statements of Russel Metals Inc. (the "Company"), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of earnings for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of changes in equity for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor’s Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

### ***Evaluation of the existence of inventories***

*Description of the matter*

We draw attention to note 7 of the financial statements. The Company has $919.8 million of inventories across Metals service centers, Energy field stores, and Steel distributors as at December 31, 2024.

*Why the matter is a key audit matter*

We identified the evaluation of the existence of inventories as a key audit matter. We identified this as a key audit matter because it required significant auditor attention in performing the audit given the magnitude of inventories, geographical dispersion of the inventories, and timing of physical inventory counts.

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*KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.*

*How the matter was addressed in the audit*

The primary procedures we performed to address the key audit matter included the following:

- Analyzed locations with inventories to determine where to attend the Company's physical inventory counts
- Evaluated the design and tested the operating effectiveness of certain controls over the Company's inventory management process at certain locations, including internal controls related to inbound and outbound movements of inventories at those locations
- Performed test counts for a sample of inventories and compared the results to the Company's inventory records
- For certain locations where the inventory count was performed prior to year end, we tested a sample of inventory movements during the roll-forward period by inspecting relevant third-party documentation
- We involved Information Technology (IT) professionals with specialized skills and knowledge, who assisted in evaluating the design and testing the operating effectiveness of certain general IT controls and automated controls relevant to certain of the Company's inventory management systems.

### *Other Matter - Comparative Information*

The financial statements for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on February 8, 2024.

### *Other Information*

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report. We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Mark C. Lehman.

/s/ KPMG LLP
Vaughan, Canada
February 19, 2025

## CONSOLIDATED STATEMENTS OF EARNINGS

| *For the years ended December 31*<br>*(in millions of Canadian dollars, except per share data)* | 2024 | 2023 |
|---|---|---|
| Revenues | $ 4,261.2 | $ 4,505.1 |
| Cost of materials (Note 7) | 3,371.3 | 3,528.1 |
| Employee expenses (Note 20) | 392.2 | 396.3 |
| Other operating expenses (Note 20) | 275.1 | 250.2 |
| Asset impairment (Note 9) | 0.8 | - |
| Gain on sale of investment in joint venture (Note 8) | - | (9.8) |
| Earnings from joint venture (Note 8) | - | (17.3) |
| **Earnings before interest and provision for income taxes** | 221.8 | 357.6 |
| Interest expense, net (Note 21) | 7.7 | 8.9 |
| **Earnings before provision for income taxes** | 214.1 | 348.7 |
| Provision for income taxes (Note 22) | 53.1 | 82.0 |
| Net earnings for the year | $ 161.0 | $ 266.7 |
| **Basic earnings per common share (Note 19)** | $ 2.73 | $ 4.33 |
| **Diluted earnings per common share (Note 19)** | $ 2.73 | $ 4.33 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| *For the years ended December 31*<br>*(in millions of Canadian dollars)* | 2024 | 2023 |
|---|---|---|
| **Net earnings for the year** | $ 161.0 | $ 266.7 |
| Other comprehensive income (loss) | | |
| **Items that may be reclassified to earnings** | | |
| Unrealized foreign exchange gains (losses) on translation of foreign operations | 82.9 | (21.4) |
| **Items that may not be reclassified to earnings** | | |
| Actuarial gains on pension and similar obligations, net of taxes of $1.4 million (2023: $0.8 million) | 3.9 | 2.2 |
| Other comprehensive income (loss) | 86.8 | (19.2) |
| **Total comprehensive income** | $ 247.8 | $ 247.5 |

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*As at December 31*
*(in millions of Canadian dollars)*

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents (Note 5) | $ 45.6 | $ 629.2 |
| Accounts receivable (Note 6) | 490.4 | 457.4 |
| Inventories (Note 7) | 919.8 | 840.3 |
| Prepaids and other | 29.0 | 26.2 |
| Income taxes receivable | 14.5 | 8.2 |
| | 1,499.3 | 1,961.3 |
| **Property, Plant and Equipment (Note 9)** | 492.4 | 339.9 |
| **Right-of-Use Assets (Note 10)** | 157.0 | 100.0 |
| **Deferred Income Tax Assets (Note 22)** | 0.8 | 1.2 |
| **Pension and Benefits (Note 16)** | 45.5 | 43.6 |
| **Financial and Other Assets (Note 11)** | 5.9 | 3.9 |
| **Goodwill and Intangible Assets (Note 12)** | 145.8 | 120.2 |
| **Total Assets** | $ 2,346.7 | $ 2,570.1 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Bank indebtedness (Note 13) | $ 13.4 | $ - |
| Accounts payable and accrued liabilities (Note 14) | 442.1 | 454.2 |
| Short-term lease obligations (Note 10) | 22.4 | 15.7 |
| Income taxes payable | 0.7 | 3.6 |
| | 478.6 | 473.5 |
| **Long-Term Debt (Note 15)** | - | 297.2 |
| **Pensions and Benefits (Note 16)** | 1.5 | 2.0 |
| **Deferred Income Tax Liabilities (Note 22)** | 25.8 | 17.5 |
| **Long-term Lease Obligations (Note 10)** | 161.0 | 109.6 |
| **Provisions and Other Non-Current Liabilities (Note 23)** | 21.4 | 30.4 |
| | 688.3 | 930.2 |
| **Shareholders' Equity (Note 17)** | | |
| Common shares | 528.1 | 556.3 |
| Retained earnings | 918.7 | 954.6 |
| Contributed surplus | 10.0 | 10.3 |
| Accumulated other comprehensive income | 201.6 | 118.7 |
| **Total Shareholders' Equity** | 1,658.4 | 1,639.9 |
| **Total Liabilities and Shareholders' Equity** | $ 2,346.7 | $ 2,570.1 |

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

## CONSOLIDATED STATEMENTS OF CASH FLOW

*For the years ended December 31*
*(in millions of Canadian dollars)*

| | 2024 | 2023 |
|---|---|---|
| ***Operating Activities*** | | |
| Net earnings for the year | $ 161.0 | $ 266.7 |
| Depreciation and amortization | 76.7 | 68.0 |
| Provision for income taxes | 53.1 | 82.0 |
| Interest expense, net | 7.7 | 8.9 |
| Gain on sale of property, plant and equipment | (0.7) | (0.8) |
| Gain on sale of investment in joint venture | - | (9.8) |
| Earnings from joint venture | - | (17.3) |
| Difference between pension expense and amount funded | 3.0 | 1.9 |
| Asset impairment | 0.8 | - |
| Interest paid net, including interest on lease obligations | (5.0) | (7.8) |
| Cash from operating activities before non-cash working capital | 296.6 | 391.8 |
| ***Changes in Non-cash Working Capital Items*** | | |
| Accounts receivable | 75.2 | 39.3 |
| Inventories | 78.7 | 111.9 |
| Accounts payable and accrued liabilities | (50.0) | (13.2) |
| Other | (1.2) | 9.6 |
| Change in non-cash working capital | 102.7 | 147.6 |
| Income tax paid, net | (55.4) | (77.7) |
| **Cash from operating activities** | 343.9 | 461.7 |
| ***Financing Activities*** | | |
| Increase in bank indebtedness | 13.4 | - |
| Issue of common shares | 1.9 | 11.8 |
| Repurchase of common shares | (133.6) | (81.5) |
| Dividends on common shares | (97.6) | (97.2) |
| Repayment of long-term debt | (300.0) | - |
| Deferred financing costs | (2.1) | - |
| Lease obligations | (19.9) | (18.0) |
| **Cash used in financing activities** | (537.9) | (184.9) |
| ***Investing Activities*** | | |
| Purchase of property, plant and equipment | (90.2) | (72.7) |
| Proceeds on sale of property, plant and equipment | 1.3 | 1.2 |
| Proceeds on sale of joint venture | - | 60.0 |
| Dividends received from joint venture | - | 13.7 |
| Business acquisitions (Note 4) | (328.8) | (7.5) |
| **Cash used in investing activities** | (417.7) | (5.3) |
| **Effect of exchange rates on cash and cash equivalents** | 28.1 | (5.3) |
| (Decrease) increase in cash and cash equivalents | (583.6) | 266.2 |
| Cash and cash equivalents, beginning of the year | 629.2 | 363.0 |
| **Cash and cash equivalents, end of the year** | $ 45.6 | $ 629.2 |

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

# Consolidated Statements of Changes in Equity

| (in millions of Canadian dollars) | Common Shares | Retained Earnings | Contributed Surplus | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|
| Balance, January 1, 2024 | $ 556.3 | $ 954.6 | $ 10.3 | $ 118.7 | $ 1,639.9 |
| Payment of dividends | - | (97.6) | - | - | (97.6) |
| Net earnings for the year | - | 161.0 | - | - | 161.0 |
| Other comprehensive income for the year | - | - | - | 86.8 | 86.8 |
| Share options exercised | 2.2 | - | (0.3) | - | 1.9 |
| Shares repurchased | (30.4) | (103.2) | - | - | (133.6) |
| Transfer of net actuarial gains on defined benefit plans | - | 3.9 | - | (3.9) | - |
| **Balance, December 31, 2024** | $ 528.1 | $ 918.7 | $ 10.0 | $ 201.6 | $ 1,658.4 |

| (in millions of Canadian dollars) | Common Shares | Retained Earnings | Contributed Surplus | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|
| Balance, January 1, 2023 | $ 562.4 | $ 844.6 | $ 12.2 | $ 140.1 | $ 1,559.3 |
| Payment of dividends | - | (97.2) | - | - | (97.2) |
| Net earnings for the year | - | 266.7 | - | - | 266.7 |
| Other comprehensive loss for the year | - | - | - | (19.2) | (19.2) |
| Share options exercised | 13.7 | - | (1.9) | - | 11.8 |
| Shares repurchased | (19.8) | (61.7) | - | - | (81.5) |
| Transfer of net actuarial gains on defined benefit plans | - | 2.2 | - | (2.2) | - |
| Balance, December 31, 2023 | $ 556.3 | $ 954.6 | $ 10.3 | $ 118.7 | $ 1,639.9 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 GENERAL BUSINESS DESCRIPTION

Russel Metals Inc. (the "Company"), a Canadian corporation with common shares listed on the Toronto Stock Exchange ("TSX"), is a metals distribution company operating in various locations within North America.

The Company primarily distributes steel and other metal products in three principal business segments:

*Metals Service Centers*

The Company's network of metals service centers carry an extensive line of metal products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel, aluminum and other non-ferrous specialty metals. The Company purchases these products primarily from North American steel producers and processes, packages and sells them to end users in accordance with their specific needs.

*Energy Field Stores*

The Company's energy field store operations carry a specialized product line focused on the needs of energy industry customers. These operations distribute flanges, valves, fittings and other products through our field store operations in Western Canada and the United States.

*Steel Distribution*

The Company's steel distributors operations act as master distributors selling steel to customers in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis. The main steel products sourced by this segment are carbon steel plate, flat rolled products, beams, channel and pipe.

The Company's registered office is located at 6600 Financial Drive, Mississauga, Ontario, L5N 7J6.

## NOTE 2 BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through the consolidated statements of earnings. Historical cost is generally based on the fair value of the consideration given in exchange for assets at the time of the transaction.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. These consolidated financial statements were authorized for issue by the Board of Directors on February 12, 2025.

ACCOUNTING POLICIES

*a) Basis of consolidation*

The consolidated financial statements include the accounts of Russel Metals Inc. and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. Accounting policies for all subsidiaries are consistent with those of the parent and all intercompany transactions, balances, income and expenses are eliminated on consolidation.

To facilitate a better understanding of the Company's consolidated financial statements, material accounting policies, estimates and judgements are disclosed with the related financial note disclosure.

*b) Revenue from contracts with customers*

Revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer applying the following steps:

1. Identify the contract with a customer
2. Identify the performance obligation
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company generates revenue primarily from the delivery of metal and metal products to customers. The primary contracts to provide goods and services to customers are purchase orders (written or verbal) which provide the Company's performance obligations and transaction prices. The primary performance obligation in the Company's contracts is to provide metal products to customers in accordance with their specifications. These specifications could require the Company to cut, bend and provide other metal processing prior to delivery. The Company's performance obligation is satisfied upon transfer of control of product to the customers, which occurs when it has been packed and loaded for delivery. Credit terms for customers are short-term in nature.

*c) Impairment of long lived non-financial assets*

Non-financial tangible and definite life intangible assets are reviewed for an indication of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in net earnings for the period. Impairment losses recognized relating to CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

*d) Foreign currency*

The accounts of foreign subsidiaries whose functional currency is the U.S. dollar are translated from U.S. dollars to Canadian dollars at the closing rate in effect at the statement of financial position date, which was $1.4389 per US$1 at December 31, 2024 (December 31, 2023: $1.3226 per US$1). Monetary items receivable or payable to a foreign subsidiary for which settlement is neither planned nor likely to occur form part of the net investment in the foreign subsidiary. Revenues and expenses are translated at the average rate of exchange during the year. For the year ended December 31, 2024, the average U.S. dollar Bank of Canada closing exchange rate was $1.3700 per US$1 (2023: $1.3495 per US$1). The resulting gains or losses from the translation of foreign subsidiaries and those items forming part of the net investment are included in other comprehensive income.

Goodwill, intangible assets and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and translated at the rate in effect at the statement of financial position date.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make certain judgements and estimates about the future. Judgement is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company's management also makes estimates for net realizable value and obsolescence provisions relating to inventory, fair values, guarantees, long-lived asset and goodwill impairment, decommissioning obligations, lease obligations, contingencies and litigation. These estimates are based 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.

## NOTE 3 ACCOUNTING CHANGES -- CURRENT AND FUTURE

CURRENT CHANGES

*IAS 1 Presentation of Financial Statements*

The amendments to IAS 1 clarify the impact of loan arrangement covenants on the classification of liabilities as current or non-current at the reporting date. The amendments were effective for annual reporting periods beginning January 1, 2024. The implementation of these amendments did not have a significant impact on the Company's financial position or results of operations.

*IFRS 16 Leases*

The amendments to IFRS 16 add subsequent measurement requirements for sale and lease back transactions for seller-lessees. The amendments were effective for annual reporting periods beginning January 1, 2024. The implementation of these amendments did not have a significant impact on the Company's financial position or results of operations.

FUTURE CHANGES

*IFRS 18 Presentation and Disclosure in Financial Statements*

IFRS 18 will replace IAS 1 Presentation of Financial Statements and is expected to have a significant impact on how the Company presents and discloses its financial statements and the notes thereto. The new standard will provide guidance on a more structured income statement presentation, introduce disclosure requirements on management-defined performance measures and provide guidance on when additional disaggregation is required for items presented on the face of the financial statements or in the notes thereto. The standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted and is to be applied retrospectively. The new standard will affect the Company’s disclosure and presentation of its financial performance but not measurement or recognition.

The Company is currently evaluating the standard and developing an implementation plan.

## NOTE 4 BUSINESS ACQUISITIONS

ACCOUNTING POLICIES

The Company accounts for its acquisitions using the acquisition method whereby assets acquired and liabilities assumed are recorded at their estimated fair values with the surplus of the aggregate consideration relative to the fair value for the identifiable net assets recorded as goodwill.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

(i) cost of consideration is measured as the fair value of the assets provided, equity instruments issued, liabilities incurred or assumed and any non-controlling interest acquired at the acquisition date;

(ii) identifiable assets acquired and liabilities assumed are measured at fair value at the acquisition date;

(iii) the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;

(iv) if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any residual difference is recognized directly in net earnings;

(v) any costs directly attributable to the business combination are expensed as incurred; and

(vi) contingent consideration, if any, is measured at fair value at the acquisition date and subsequent changes in fair value are recognized in net earnings.

## ACCOUNTING ESTIMATES AND JUDGEMENTS

The fair value of assets acquired and liabilities assumed in a business combination are estimated based on information available at the date of acquisition and involves considerable judgement in determining the fair values assigned to property, plant, equipment, right-of-use assets and intangible assets acquired and liabilities, including any contingent consideration or lease obligations, assumed on acquisition. The determination of these fair values involves analysis including the use of discounted cash flow models, estimated future margins, future growth rates and estimated future customer attrition. There is measurement uncertainty inherent in this analysis, and actual results could differ from estimates.

## SUPPORTING INFORMATION

*2024 Acquisitions*

On August 12, 2024, the Company completed its acquisition of the assets and certain liabilities of seven service centers from Samuel, Son & Co., Limited ("Samuel"). The Company acquired Samuel's metal service centers in Winnipeg (Manitoba), Calgary (Alberta), Nisku (Alberta), Langley (British Columbia), Surrey (British Columbia), Buffalo (New York) and Pittsburgh (Pennsylvania). In addition, the Company acquired the working capital and certain fixed assets of the Samuel location in Delta (British Columbia). The five Canadian locations were integrated into our Western Canada operations and the two U.S. Northeast locations provide an eastern extension for our operations in the U.S. Mid-West. The following summarizes the allocation of the consideration for this acquisition:

| *($ millions)* | |
|---|---|
| Inventories | $ 113.9 |
| Accounts receivable | 70.2 |
| Prepaids and other | 0.6 |
| Property, plant and equipment | 30.7 |
| Right-of-use assets | 48.3 |
| Intangible assets | 6.7 |
| Accounts payable and accrued liabilities | (0.8) |
| Lease obligations | (46.4) |
| Net identifiable assets acquired | $ 223.2 |
| Consideration: | |
| Cash | $ 223.2 |

Accounts receivable of $70.2 million represented net contractual accounts receivable of which none were considered uncollectible at the time of acquisition.

The consolidated statement of earnings for the year ended December 31, 2024, includes revenues of $182.8 million and contributed segment operating profits of $1.6 million (after depreciation and amortization expense of $1.7 million).

If the acquisition had taken place at the beginning of the 2024 fiscal year, management estimates that the acquired business would have provided revenues of approximately $536 million and contributed segment operating profits of $11.2 million (after depreciation and amortization expense of $5.2 million).

The transaction costs for this acquisition were $2.0 million and were included in other operating expenses in the consolidated statement of earnings.

On December 4, 2024, the Company completed its acquisition of 100% of the issued and outstanding shares of Tampa Bay Steel Corporation ("Tampa Bay"). The following summarizes the preliminary allocation of the consideration for this acquisition:

| *($ millions)* | |
|---|---|
| Inventories | $ 14.7 |
| Accounts receivable | 13.6 |
| Prepaids and other | 1.1 |
| Property, plant and equipment | 60.6 |
| Right-of-use assets | 2.3 |
| Intangible assets | 8.9 |
| Goodwill | 12.7 |
| Accounts payable and accrued liabilities | (6.0) |
| Lease obligations | (2.3) |
| Net identifiable assets acquired | $ 105.6 |
| Consideration: | |
| Cash, net of cash acquired of $10.7 million | $ 105.6 |

The preliminary allocation is subject to change following the final settlement of the holdbacks which may result in an adjustment to working capital. Accounts receivable of $13.6 million represents net contractual accounts receivable of which none was considered uncollectible at the time of acquisition.

Goodwill represents the expansion of our geographical footprint into the U.S. Florida market and the expected growth potential of the business. The goodwill is deductible for tax purposes. The consolidated statement of earnings for the year ended December 31, 2024, includes revenues of $9.6 million and contributed segment operating profits of $0.4 million (after depreciation and amortization expense of $0.5 million). If the acquisition had taken place at the beginning of the 2024 fiscal year, management estimates that the acquired business would have provided revenues of approximately $136 million and contributed segment operating profits of $9 million (after depreciation and amortization expense of $4 million).

The transaction costs for this acquisition were $0.3 million and were included in other operating expenses in the consolidated statement of earnings.

*2023 Acquisition*

On October 2, 2023, the Company completed its acquisition of 100% of the issued and outstanding shares of Alliance Supply Ltd. ("Alliance") which were integrated into our Canadian energy field store operations. The following summarizes the allocation of the consideration for this acquisition:

| *($ millions)* | |
|---|---|
| Working capital | $ 3.8 |
| Property, plant and equipment and right-of-use assets | 0.7 |
| Intangible assets | 3.3 |
| Goodwill | 1.2 |
| Deferred tax liability | (0.9) |
| Lease obligations | (0.6) |
| Net identifiable assets acquired | $ 7.5 |
| Consideration: | |
| Cash, net of cash acquired of $0.2 million | $ 7.5 |

The goodwill represents our geographic expansion and operational synergies and is not tax deductible.

## NOTE 5 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash includes demand deposits and cash equivalents includes bank term deposits and short-term investments with a maturity of less than three months at time of purchase. The financial instrument designation for cash and cash equivalents is loans and receivables.

SUPPORTING INFORMATION

| ($ millions) | 2024 | 2023 |
|---|---|---|
| Cash | $ 39.7 | $ 191.6 |
| Cash equivalents | 5.9 | 437.6 |
| | $ 45.6 | $ 629.2 |

## NOTE 6 ACCOUNTS RECEIVABLE

ACCOUNTING POLICIES

Trade receivables are amounts due from customers from the sale of goods or rendering of services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. The financial instrument designation for trade receivables is loans and receivables. Trade receivables are measured at amortized cost, which approximates fair value.

The Company maintains an allowance for expected credit losses to provide for the impairment of trade receivables. The expense relating to expected credit losses is included within "Other operating expenses" in the consolidated statements of earnings.

In order to minimize the risk of uncollectability of trade receivables, the Company performs regular credit reviews for all customers with significant credit limits. Trade receivables are analyzed on a case-by-case basis taking into account a customer's past credit history as well as its current ability to pay and forward-looking macro-economic factors.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company evaluates the collectability of accounts receivable by recording an allowance for expected credit losses which is based on customer creditworthiness, current economic trends and past experience.

SUPPORTING INFORMATION

| ($ millions) | 2024 | 2023 |
|---|---|---|
| Trade receivables | $ 463.7 | $ 444.2 |
| Other receivables | 26.7 | 13.2 |
| | $ 490.4 | $ 457.4 |

As at December 31, 2024, other receivables includes a $11.4 million unrealized gain (2023: $nil) on forward contracts. (Note 11)

The following is the continuity of the allowance for expected credit losses:

| ($ millions) | 2024 | 2023 |
|---|---|---|
| ***Allowance for Expected Credit Losses*** | | |
| Balance, beginning of the year | $ 5.2 | $ 4.4 |
| Increases to reserve | 2.0 | 1.8 |
| Amounts written off | (2.4) | (1.4) |
| Adjustments | 0.3 | 0.4 |
| Balance, end of the year | $ 5.1 | $ 5.2 |

At December 31, 2024 and 2023, the allowance for expected credit losses was less than 2% of accounts receivable. An increase in the allowance of 1% of accounts receivable would decrease pre-tax earnings by approximately $4.8 million for the year ended December 31, 2024 (2023: $4.6 million).

| *As at December 31, 2024 ($ millions)* | Current | Past Due 1-30 Days | Past Due 31-60 Days | Past Due Over 60 Days | Total Trade Receivables |
|---|---|---|---|---|---|
| ***Trade Receivables*** | | | | | |
| Gross trade receivables | $ 279.0 | $ 134.4 | $ 42.7 | $ 12.7 | $ 468.8 |
| Allowance for expected credit losses | (0.1) | (0.1) | (0.2) | (4.7) | (5.1) |
| **Total net trade receivables** | $ 278.9 | $ 134.3 | $ 42.5 | $ 8.0 | $ 463.7 |

| As at December 31, 2023 ($ millions) | Current | Past Due 1-30 Days | Past Due 31-60 Days | Past Due Over 60 Days | Total Trade Receivables |
|---|---|---|---|---|---|
| ***Trade Receivables*** | | | | | |
| Gross trade receivables | $ 248.1 | $ 153.8 | $ 32.3 | $ 15.2 | $ 449.4 |
| Allowance for expected credit losses | (0.1) | (0.1) | (0.2) | (4.8) | (5.2) |
| Total net trade receivables | $ 248.0 | $ 153.7 | $ 32.1 | $ 10.4 | $ 444.2 |

## NOTE 7 INVENTORIES

ACCOUNTING POLICIES

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be greater than the recoverable amount due to declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's determination of the net realizable value of inventory requires the use of assumptions such as future selling prices and costs to sell. Inventories are reviewed to ensure that the cost of inventories is not in excess of their estimated net realizable value. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less costs to sell and when product is determined to be slow moving or obsolete. Where the selling prices cannot be estimated based on recent transactional information, they are estimated using current replacement cost plus an applicable margin.

There is measurement uncertainty in these estimates. Actual selling prices and costs to sell could differ from these estimates.

SUPPORTING INFORMATION

| ***Inventory*** *($ millions)* | 2024 | 2023 |
|---|---|---|
| Metals service centers | $ 594.4 | $ 499.5 |
| Energy field stores | 229.3 | 237.5 |
| Steel distributors | 96.1 | 103.3 |
| Total | $ 919.8 | $ 840.3 |

Inventories expensed in cost of materials for the year ended December 31, 2024, were $3.4 billion (2023: $3.5 billion).

For the year ended December 31, 2024, the Company recorded a net reduction of $0.9 million in inventory provisions (2023: $nil).

## NOTE 8 INVESTMENT IN JOINT VENTURE

ACCOUNTING POLICIES

Joint arrangements that involve the establishment of a separate entity in which parties to the arrangement have joint control over the economic activity of the entity and rights to the net assets are referred to as joint ventures. Joint control exists when the joint arrangements require the unanimous consent of the parties sharing control for decisions about relevant activities.

Investments in the common shares of a joint venture are included in the Company's consolidated financial statements and accounted for using the equity method, whereby the investment is initially recognized at cost, and adjusted thereafter to recognize the Company's share of the net earnings or loss attributable to common shareholders from the date of acquisition. The Company's share of the joint venture earnings or loss is included in the consolidated statements of earnings.

ACCOUNTING ESTIMATES AND JUDGEMENTS

An investment in the joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on future cash flows and can be reliably estimated.

The Company makes judgements to determine whether a joint arrangement should be classified as a joint venture and in determining whether there is any objective evidence of impairment and if so, estimating the amount of loss. Impairments require judgement in determining the indicators of impairment and estimates used to measure impairment losses.

SUPPORTING INFORMATION
On September 1, 2023, the Company sold its interest in the TriMark joint venture for $60.0 million and recorded a gain on sale of $9.8 million. The Company's investment included 50% of the common shares and preferred shares with a face value of $31.5 million. Earnings from joint venture in 2023 were $17.3 million.

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES
Property, plant, equipment and leasehold improvements are recorded at cost. Component accounting is used for both buildings and machinery and equipment. Components that make up a material portion of the original cost of the asset and have an estimated useful life that is significantly different than the parent asset are considered to be significant components. For buildings, roofs are the only significant component. For machinery and equipment there are various significant components depending on the asset. Depreciation starts when the asset or significant component is ready for use and is provided on a straight-line basis at rates that charge the original cost of such asset, less residual values, to operations over their estimated useful lives. Periods of depreciation are 15 to 25 years for roofs, 20 to 40 years for buildings, 3 to 10 years for machinery and equipment components, 10 to 25 years for machinery and equipment, and over the lease term for leasehold improvements. Depreciation ceases at the earlier of when the asset or component is derecognized, or when it is held for sale or included in a group that is classified as held for sale. Residual values and useful lives are reviewed at the end of each annual reporting period and whenever facts and circumstances indicate a reduction in residual value or useful life. Changes in the estimates of residual values and useful lives are reflected in earnings in the period of the change and future periods, as appropriate.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

ACCOUNTING ESTIMATES AND JUDGEMENTS
The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period and whenever events or circumstances indicate a change in useful life. Estimated useful lives of items of property, plant and equipment are based on a best estimate and the actual useful lives may be different.

SUPPORTING INFORMATION

| ***Cost*** *($ millions)* | Land and Buildings | Machinery and Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|
| Balance, December 31, 2022 | $ 306.6 | $ 465.2 | $ 24.4 | $ 796.2 |
| Business acquisition (Note 4) | - | 0.1 | - | 0.1 |
| Additions | 18.5 | 53.2 | 1.0 | 72.7 |
| Disposals | (1.4) | (12.2) | (0.5) | (14.1) |
| Foreign exchange | (2.8) | (5.9) | 0.2 | (8.5) |
| Balance, December 31, 2023 | $ 320.9 | $ 500.4 | $ 25.1 | $ 846.4 |
| Business acquisition (Note 4) | 32.5 | 56.4 | 2.4 | 91.3 |
| Additions | 37.4 | 51.9 | 0.9 | 90.2 |
| Disposals | (0.6) | (13.6) | (0.3) | (14.5) |
| Asset impairment | - | (0.8) | - | (0.8) |
| Foreign exchange | 10.9 | 16.8 | 0.4 | 28.1 |
| **Balance, December 31, 2024** | $ 401.1 | $ 611.1 | $ 28.5 | $ 1,040.7 |

| ***Accumulated Depreciation and Amortization*** *($ millions)* | Land and Buildings | Machinery and Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|
| Balance, December 31, 2022 | $ 149.3 | $ 314.5 | $ 18.6 | $ 482.4 |
| Additions | 9.5 | 28.2 | 1.4 | 39.1 |
| Disposals | (1.4) | (11.7) | (0.6) | (13.7) |
| Foreign exchange | (0.2) | (1.0) | (0.1) | (1.3) |
| Balance, December 31, 2023 | $ 157.2 | $ 330.0 | $ 19.3 | $ 506.5 |
| Additions | 8.6 | 34.6 | 1.0 | 44.2 |
| Disposals | (0.1) | (13.5) | (0.3) | (13.9) |
| Foreign exchange | 3.0 | 7.7 | 0.8 | 11.5 |
| **Balance, December 31, 2024** | $ 168.7 | $ 358.8 | $ 20.8 | $ 548.3 |

| ***Net Book Value*** *($ millions)* | |
|---|---|
| December 31, 2023 | $ 339.9 |
| **December 31, 2024** | $ 492.4 |

All items of property, plant and equipment are recorded and held at cost.

On December 31, 2024, land, included in land and buildings, was $49.9 million (2023: $47.5 million).

During 2024, an impairment loss of $0.8 million was recorded for processing equipment within our metals service center segment.

| ***Depreciation expense*** *($ millions)* | 2024 | 2023 |
|---|---|---|
| Depreciation - cost of materials | $ 6.7 | $ 6.6 |
| Depreciation - other operating expenses | 37.5 | 32.5 |
| | $ 44.2 | $ 39.1 |

## NOTE 10 RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

ACCOUNTING POLICIES

The Company recognizes right-of-use assets at the commencement date of the lease. The Company leases warehouse locations, field stores, office space, land, equipment, trucks and other vehicles. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs and costs to dismantle and remove the underlying asset less any lease incentives. The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. In addition, the right-of-use assets are subject to impairment and adjusted for any remeasurement of lease liabilities. Amortization expense is recorded in other operating expenses.

The lease liability is initially measured at the present value of lease payments to be paid and discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in interest expense in the consolidated statements of earnings.

In the consolidated statements of cash flow, the Company records the principal portion of lease payments in financing activities and the interest portion in operating activities.

Lease payments on short-term leases and leases of low-value assets are recognized in other operating expense on a straight-line basis over the lease term.

ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Termination options are only considered if the lease is reasonably certain to be terminated. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The Company's determination of lease liability requires the use of assumptions to determine incremental borrowing rates.

SUPPORTING INFORMATION

| *($ millions)* | Right-of-use Assets | Lease Obligations |
|---|---|---|
| Balance, December 31, 2022 | $ 102.7 | $ 126.9 |
| Additions | 14.4 | 14.4 |
| Business acquisitions (Note 4) | 0.6 | 0.6 |
| Disposals and modifications | 2.5 | 2.5 |
| Depreciation and amortization | (19.3) | - |
| Lease payments | - | (18.0) |
| Foreign exchange | (0.9) | (1.1) |
| Balance, December 31, 2023 | $ 100.0 | $ 125.3 |
| Additions | 19.1 | 19.1 |
| Business acquisitions (Note 4) | 50.6 | 48.7 |
| Disposals and modifications | 5.8 | 5.7 |
| Depreciation and amortization | (22.3) | - |
| Lease payments | - | (19.9) |
| Foreign exchange | 3.8 | 4.5 |
| **Balance December 31, 2024** | $ 157.0 | $ 183.4 |
| Current portion | | $ 22.4 |
| Long-term portion | | $ 161.0 |

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

| ***Right-of-use Assets*** *($ millions)* | 2024 | 2023 |
|---|---|---|
| Land and buildings | $ 126.3 | $ 76.9 |
| Machinery and equipment | 30.7 | 23.1 |
| | $ 157.0 | $ 100.0 |

| ***Depreciation Expense*** *($ millions)* | 2024 | 2023 |
|---|---|---|
| Land and buildings | $ 13.5 | $ 10.6 |
| Machinery and equipment | 8.8 | 8.7 |
| | $ 22.3 | $ 19.3 |

For the year ended December 31, 2024, and 2023, the Company expensed $0.6 million for short-term and low value leases.

## NOTE 11 FINANCIAL AND OTHER ASSETS

ACCOUNTING POLICIES

Eligible costs incurred relating to the revolving credit facility are deferred and amortized on a straight-line basis over the period of the related financing. Deferred financing charges are recorded at cost less accumulated amortization. Eligible costs related to long-term debt financing are capitalized to the carrying amount of the associated debt and amortized using the effective interest method.

SUPPORTING INFORMATION

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| Deferred charges on revolving credit facility | $ 1.8 | $ 0.5 |
| Financial assets | 11.4 | - |
| Other assets | 4.1 | 3.4 |
| | 17.3 | 3.9 |
| Less: current portion of financial assets (Note 6); | (11.4) | - |
| | $ 5.9 | $ 3.9 |

For the year ended December 31, 2024, the amortization of deferred financing charges was $0.7 million (2023: $0.6 million).

## NOTE 12 GOODWILL AND INTANGIBLE ASSETS

ACCOUNTING POLICIES

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. The Company reviews goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When testing goodwill, the carrying values of the CGUs or group of CGUs including goodwill are compared with their respective recoverable amounts (higher of fair value less costs to sell or value in use) and an impairment loss, if any, is recognized for the excess. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Intangible assets are comprised of customer relationships and trademarks. They are recorded at cost, which for business acquisitions represents the fair value at the date of acquisition, less accumulated amortization and accumulated impairment losses. Customer relationships are amortized on a straight-line basis over their estimated useful lives which is typically 12 to 20 years. Non-competition agreements are amortized over the period of the agreement. Useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

Trademarks are not amortized as they have an indefinite life; however, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Intangible assets and goodwill arise from business combinations. Upon acquisition, the Company identifies and attributes the fair value of intangible assets with the residual value allocated to goodwill acquired. These determinations involve estimates and assumptions regarding cash flow projections, economic risk and the weighted average cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges.

The determination of impairment of goodwill and intangible assets involves estimates and assumptions regarding cash flow projections and estimated discount rates. There is measurement uncertainty inherent in this analysis.

SUPPORTING INFORMATION

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| Goodwill | $ 66.6 | $ 51.3 |
| Intangible assets | 79.2 | 68.9 |
| | $ 145.8 | $ 120.2 |

*a) Goodwill*

The continuity of goodwill is as follows:

| ***Goodwill*** *($ millions)* | 2024 | 2023 |
|---|---|---|
| Balance, beginning of the year | $ 51.3 | $ 50.8 |
| Business acquisition (Note 4) | 12.7 | 1.2 |
| Foreign exchange | 2.6 | (0.7) |
| Balance, end of the year | $ 66.6 | $ 51.3 |

*b) Impairment of goodwill*

In determining whether goodwill is impaired, the Company estimates the recoverable amount of CGUs or groups of CGUs to which goodwill is allocated. Management considers the operations below to be CGUs or groups of CGUs as they represent the lowest level at which goodwill is monitored for internal management purposes. Accordingly, goodwill was allocated to each CGU or group of CGUs as follows:

| ***Allocation of Goodwill*** *($ millions)* | 2024 | 2023 |
|---|---|---|
| Metals Service Centers | | |
| U.S. | | |
| South | $ 39.0 | $ 24.1 |
| Mid-West | 3.3 | 2.9 |
| Canadian | | |
| Alberta | 11.0 | 11.0 |
| Ontario | 10.1 | 10.1 |
| Atlantic | 2.0 | 2.0 |
| Energy Field Stores | | |
| Canadian | | |
| Alberta | 1.2 | 1.2 |
| | $ 66.6 | $ 51.3 |

*c) Intangible assets*

The continuity of intangible assets within the metals service centers and energy field stores segments is as follows:

| ***Cost*** *($ millions)* | Metals Service Centers | Energy Field Stores | Total 2024 | Total 2023 |
|---|---|---|---|---|
| Balance, beginning of the year | $ 49.6 | $ 106.7 | $ 156.3 | $ 154.1 |
| Business acquisitions (Note 4) | 15.6 | - | 15.6 | 3.3 |
| Foreign exchange | 2.3 | 1.9 | 4.2 | (1.1) |
| Balance, end of the year | $ 67.5 | $ 108.6 | $ 176.1 | $ 156.3 |

| ***Accumulated Amortization*** *($ millions)* | Metals Service Centers | Energy Field Stores | Total 2024 | Total 2023 |
|---|---|---|---|---|
| Balance, beginning of the year | $ (23.1) | $ (64.3) | $ (87.4) | $ (78.4) |
| Amortization | (2.6) | (6.9) | (9.5) | (9.0) |
| Balance, end of the year | $ (25.7) | $ (71.2) | $ (96.9) | $ (87.4) |

| ***Carrying Amount*** | |
|---|---|
| December 31, 2023 | $ 68.9 |
| **December 31, 2024** | $ 79.2 |

The carrying amount of intangible assets as at December 31, 2024 relates to customer relationships and trademarks arising from the acquisition of Alberta Industrial Metals, Apex Distribution, Color Steels, City Pipe, Sanborn, Boyd, Alliance, Samuel and Tampa Bay. The remaining amortization period for customer relationships is 1 to 20 years.

## NOTE 13 REVOLVING CREDIT FACILITY

On July 15, 2024, the Company entered into a new $600 million credit agreement with a syndicate of banks replacing its previous $450 million facility, which consists of: (i) $400 million under Facility A to be utilized for borrowings and letters of credit, (ii) $50 million under Facility B to be utilized only for letters of credit; and (iii) $150 million under Facility C to be used for borrowings. Letters of credit are issued under Facility B first and additional needs are issued under Facility A. Facilities A and B expire on July 15, 2028, and Facility C expires on July 15, 2026. These facilities are unsecured and are guaranteed by the Company and certain of its subsidiaries.

At December 31, 2024, the Company had borrowings of $13.4 million (2023: $nil) and letters of credit of $26.2 million (2023: $25.5 million) under this facility. The Company was in compliance with the financial covenants at December 31, 2024.

## NOTE 14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

ACCOUNTING POLICIES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

SUPPORTING INFORMATION

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| Trade payables and accrued expenses | $ 442.1 | $ 450.0 |
| Accrued interest | - | 4.2 |
| | $ 442.1 | $ 454.2 |

## NOTE 15 LONG-TERM DEBT

ACCOUNTING POLICIES

Long-term debt is recognized initially at fair value, net of transaction costs incurred. Long-term debt is subsequently recorded at amortized cost with any difference between the proceeds (net of transaction costs) and the redemption value recognized in net earnings over the term of the debt using the effective interest method.

Debt is classified as a current liability unless the Company has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

SUPPORTING INFORMATION

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| 5 ¾% $150 million Senior Notes due October 27, 2025 | $ - | $ 148.5 |
| 6% $150 million Senior Notes due March 16, 2026 | - | 148.7 |
| | $ - | $ 297.2 |

Fees associated with the issuance of the debt are included in the carrying amount of debt and are amortized using the effective interest method.

*a)* On October 27, 2024, the Company redeemed the $150 million 5 ¾% unsecured senior notes at par plus accrued and unpaid interest. The pre-tax charge related to the redemption was $0.9 million due to the non-cash write-off of deferred financing charges.

*b)* On May 2, 2024, the Company redeemed $150 million 6% unsecured senior notes at par plus accrued and unpaid interest. The pre-tax charge related to the redemption was $1.1 million due to the non-cash write-off of deferred financing charges.

## NOTE 16 PENSIONS AND BENEFITS

ACCOUNTING POLICIES

For defined benefit pension plans and other post-employment benefits, the net periodic pension and benefit expense is actuarially determined on an annual basis by independent actuaries using the projected benefit method, prorated on service and is charged to expense as services are rendered. The determination of a benefit expense requires assumptions such as the discount rate to measure obligations, the expected mortality, the expected rate of future compensation increases and the expected healthcare cost trend rate.

The past service costs arising from plan amendments is recognized immediately in net earnings. The asset or liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for asset ceiling limits. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in the consolidated statements of comprehensive income. Net interest on the defined benefit liability (asset) represents the net defined benefit liability (asset), multiplied by the discount rate and is recorded in employee expenses in the consolidated statements of earnings. The net interest expense (income) on the net defined benefit liability (asset) is comprised of interest cost on the defined benefit obligation and interest income on plan assets. The Company contributes to three multi-employer pension plans which are accounted for as defined contribution plans.

The Company closes out actuarial gains and losses recognized in other comprehensive income into retained earnings at the end of each reporting period.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's determination of employee benefit expenses and obligations requires the use of assumptions such as the discount rate to measure obligations, expected mortality, the expected rate of increase of future compensation and the expected healthcare cost trend rate. Since the determination of the costs and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results could differ from estimated results.

SUPPORTING INFORMATION

*a)* The Company maintains a defined contribution pension plan ("DCPP") for most of its Canadian salaried employees as its defined benefits plans were closed for new employees over 20 years ago. The Company merged six of its defined benefit plans into the DCPP (the "merged plan") and maintains one other defined benefit plan. The Company also maintains executive plans, post-retirement benefit plans and two additional defined contribution plans in Canada and 401(k) defined contribution plans in the United States.

The defined benefit pension plans are administered by a master trust, which is legally separate from the Company and is monitored by a pension committee. The pension committee is responsible for policy setting. The defined benefit pension plans expose the Company to actuarial risk, currency risk, interest rate risk and market risk.

The merged plan had a valuation date of January 1, 2022, and the other defined benefit plan had a valuation date of January 1, 2024.

In addition, under three labour contracts, the Company participates in multi-employer pension plans established for the benefit of certain employees covered by collective bargaining contracts in both Canada and U.S. One of the multi-employer plans is a defined benefit plan; however, this plan is accounted for as a defined contribution plan as the Company has insufficient information to apply defined benefit plan accounting.

The components of the Company's pension and benefit expense recorded in net earnings included the following:

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| ***Defined Benefit Pension Plans*** | | |
| Current service cost | $ 1.8 | $ 1.6 |
| Plan administration cost | 0.2 | 0.3 |
| | 2.0 | 1.9 |
| Post-retirement benefits | 0.1 | 0.1 |
| Defined contribution plans | 8.2 | 7.0 |
| Pension and benefit expense | $ 10.3 | $ 9.0 |

The components of the Company's pension and benefit changes recorded in other comprehensive income included the following:

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| ***Remeasurements of the Net Defined Benefit Liability*** | | |
| Actuarial gains due to actuarial experience | $ 0.9 | $ - |
| Actuarial gains (loss) due to financial assumption changes | 1.1 | (4.4) |
| Return on plan assets greater than the discount rate | 3.3 | 7.4 |
| Remeasurement effect recognized in other comprehensive income | $ 5.3 | $ 3.0 |
| ***Cumulative Actuarial Gains Relating to Pensions and Benefits*** | | |
| Balance of actuarial gains at January 1 | $ 41.5 | $ 38.5 |
| Net actuarial gains recognized in the year | 5.3 | 3.0 |
| Balance of actuarial gains at December 31 | $ 46.8 | $ 41.5 |

There were no adjustments related to asset ceiling limits in other comprehensive income for the years ended December 31, 2024, and 2023.

The actuarial determinations were based on the following assumptions:

| | 2024 | 2023 |
|---|---|---|
| Assumed discount rate - year end | 4.70% | 4.60% |
| Rate of increase in future compensation | 3.00% | 3.00% |
| Rate of increase in future government benefits | 2.75% | 2.75% |

The discount rate is based on a review of current market interest rates of AA corporate bonds with a similar duration as the expected future cash outflows for the pension payments. A 0.25% increase or decrease in the discount rate would decrease or increase the defined benefit obligation by approximately $2.8 million as of December 31, 2024 (2023: $2.9 million).

The mortality assumptions used to assess the defined benefit obligation are based on the Mortality Improvement Scale (MI-2017). Informal practices that give rise to constructive obligations are included in the measurement of the defined benefit obligation.

The Company has obligations included under other benefit plans for dental and medical costs for a group of retired employees. The health care cost trend rates used were 5% for dental and 5% for medical. A 1% change in trend rates would not result in a significant increase or decrease in either the present value of the defined benefit obligation or the net periodic cost.

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected benefit method at the end of the reporting period, which is consistent with the defined benefit obligation liability calculation recognized in the consolidated statements of financial position.

*b)* The following information pertains to the Company's defined benefit pension and other benefit plans, excluding those which are in the process of being wound up.

| | Pension Plans | | Other Benefit Plans | |
|---|---|---|---|---|
| *($ millions)* | 2024 | 2023 | 2024 | 2023 |
| ***Reconciliation of Present Value of the Defined Benefit Obligation*** | | | | |
| Balance, beginning of the year | $ 86.1 | $ 80.8 | $ 1.5 | $ 1.5 |
| Current service costs | 1.8 | 1.6 | - | - |
| Participant contributions | 0.1 | 0.1 | - | - |
| Interest cost | 3.8 | 3.9 | 0.1 | 0.1 |
| Benefits paid | (3.8) | (4.7) | (0.2) | (0.1) |
| Actuarial (gains) losses | (1.6) | 4.4 | (0.4) | - |
| Balance, end of the year | $ 86.4 | $ 86.1 | $ 1.0 | $ 1.5 |

| | Pension Plans | | Other Benefit Plans | |
|---|---|---|---|---|
| *($ millions)* | 2024 | 2023 | 2024 | 2023 |
| ***Reconciliation of Present Value of the Plan Assets*** | | | | |
| Balance, beginning of the year | $ 129.2 | $ 122.8 | $ - | $ - |
| Interest income | 5.8 | 5.9 | - | - |
| Employer contributions | (3.0) | (2.0) | 0.2 | 0.1 |
| Employee contributions | 0.1 | 0.1 | - | - |
| Benefits paid | (3.8) | (4.7) | (0.2) | (0.1) |
| Plan administration costs | (0.2) | (0.3) | - | - |
| Return on plan assets greater (less) than discount rate | 3.3 | 7.4 | - | - |
| Balance, end of the year | $ 131.4 | $ 129.2 | $ - | $ - |
| Defined benefit (asset) obligations, net | $ (45.0) | $ (43.1) | $ 1.0 | $ 1.5 |

The fair values of the defined benefit pension plan assets at the end of the reporting period for each category are as follows:

| ($ millions) | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | $ 12.1 | $ 23.5 |
| ***Equities*** | | |
| Canadian equity | 0.9 | 23.8 |
| Global equity fund | 35.2 | 35.1 |
| | 36.1 | 58.9 |
| ***Fixed Income Investments Categorized by Type of Issuer*** | | |
| Government guaranteed | 4.6 | 10.0 |
| Provincials | 51.4 | 20.6 |
| Corporate | 27.2 | 16.2 |
| | 83.2 | 46.8 |
| | $ 131.4 | $ 129.2 |

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

| | Pension Plans | | Other Benefit Plans | |
|---|---|---|---|---|
| ($ millions) | 2024 | 2023 | 2024 | 2023 |
| ***Defined Benefit (Assets) Obligations*** | | | | |
| Plans with surplus | $ (45.5) | $ (43.6) | $ - | $ - |
| Partially funded plans | 0.5 | 0.5 | - | - |
| Unfunded plans | - | - | 1.0 | 1.5 |
| Defined benefit (assets) obligations | $ (45.0) | $ (43.1) | $ 1.0 | $ 1.5 |

*c)* As at December 31, 2024 approximately 28% (2023: 46%) of the fair value of all pension plan assets was invested in equities, 63% (2023: 36%) in fixed income securities, and 9% (2023: 18%) in cash and cash equivalents. The plan assets are not invested in derivatives or real estate assets. Management endeavours to have an asset mix of approximately 20% - 40% in equities, 55% - 75% in fixed income securities and 0% - 30% in cash and cash equivalents.

*d)* The weighted average duration of defined benefit obligations is 13.9 years (2023: 14.5 years) for defined benefit pension plans, 9.3 years (2023: 9.6 years) for executive pension arrangements and 5.6 years (2023: 6.0 years) for other post retirement benefit plans. The Company expects to make contributions of $0.1 million to its defined benefit pension plans and post retirement benefits medical plans in the next financial year.

## NOTE 17 SHAREHOLDERS' EQUITY

*a)* At December 31, 2024 and 2023, the authorized share capital of the Company consisted of:

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

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

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

| | Number of Shares | Amount (*$ millions*) |
|---|---|---|
| Balance, December 31, 2022 | 62,112,220 | $ 562.4 |
| Share options exercised | 435,862 | 13.7 |
| Shares repurchased | (2,159,656) | (19.8) |
| Balance, December 31, 2023 | 60,388,426 | $ 556.3 |
| Share options exercised | 88,281 | 2.2 |
| Shares repurchased | (3,343,619) | (30.4) |
| **Balance, December 31, 2024** | 57,133,088 | $ 528.1 |

During the year ended December 31, 2024, the Company purchased 3,343,619 shares under the Company's normal course issuer bid at an average cost of $39.17 per share for a total cost of $131.0 million excluding the impact of the recently enacted 2% federal tax on share repurchase amounting to $2.6 million. The original cost of these shares of $30.4 million was recorded as a reduction of share capital and the balance of $103.2 million as a reduction of retained earnings. The common shares purchased through this bid have been cancelled.

During the year ended December 31, 2023, the Company purchased 2,159,656 shares under the Company's normal course issuer bid at an average cost of $37.75 per share for a total cost of $81.5 million. The original cost of these shares of $19.8 million was recorded as a reduction of share capital and the balance of $61.7 million as a reduction of retained earnings. The common shares purchased through this bid have been cancelled.

Dividends paid and declared were as follows:

| | 2024 | 2023 |
|---|---|---|
| Dividends paid ($ millions) | $ 97.6 | $ 97.2 |
| Dividends per share | $ 1.66 | $ 1.58 |
| Quarterly dividend per share declared on February 12, 2025 (February 8, 2024) | $ 0.42 | $ 0.40 |

## NOTE 18 SHARE-BASED COMPENSATION

ACCOUNTING POLICIES

The Company accounts for Share Options and Share Appreciation Rights ("SARs") at fair value. The Company utilizes the Black-Scholes option pricing model to estimate the fair value of SARs and share options on the grant date.

Compensation expense is recognized for share options on a graded vesting basis, where the fair value of each tranche is determined at the grant date based on the Company's estimate of options that will eventually vest and is recognized over its respective vesting period, except for employees who are eligible to retire during the vesting period whose options are expensed immediately. At the end of each reporting period, the Company revises its estimate of the number of options expected to vest. The impact of the revision of the original estimate, if any, is recognized in net earnings such that the cumulative expense reflects the revised estimate with a corresponding adjustment to contributed surplus.

Changes in the fair value of outstanding SARs are calculated at each reporting period as well as at settlement dates. The fair value of the award is recorded over the award vesting period.

Compensation expense for deferred share units is recognized when the units are issued and for changes in the quoted market price from the issue date to the reporting date until the units are redeemed. Compensation expense for restricted share units is recognized over the vesting period and for changes in the quoted market price from the issue date to the reporting period date until the units mature.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The inputs for the Black-Scholes option pricing model require significant judgements including share price volatility, expected dividends, expected life of the options and the risk-free interest rate.

SUPPORTING INFORMATION

*Share Options*

The Company has a shareholder approved share option plan, the purpose of which is to provide the employees of the Company and its subsidiaries with the opportunity to participate in the growth and development of the Company. The number of common shares that may be issued under the share option plan is 4,498,909 and the options vest over a period of four years in the amount of one quarter each year and expire ten years from their grant date. Other terms and conditions of the plan include a 10 year life and immediate vesting under certain change of control provisions. The consideration paid by employees for the purchase of common shares is added to share capital. From 2014, employees other than certain senior officers no longer receive share options.

The following is a continuity of options outstanding:

| | Number of Options | | Weighted Average Exercise Price | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Balance, beginning of year | 100,548 | 575,785 | $ 21.89 | $ 26.27 |
| Exercised | (88,281) | (435,862) | 21.45 | 27.03 |
| Expired or forfeited | - | (39,375) | - | 28.99 |
| Balance, end of the year | 12,267 | 100,548 | $ 25.08 | $ 21.89 |
| Exercisable | - | 48,611 | $ - | $ 21.94 |

These options will expire in 2031 and have a remaining contractual life of 6 years (2023: 3.5 years)

*Share Appreciation Rights (SAR)*

In February 2017, the Board of Directors approved a Share Appreciation Rights Plan. Under this plan the Company may award SARs to officers and full-time employees as determined by the Board of Directors. The SARs are cash settled and vest over a period of four years in the amount of one quarter each year and expire ten years from their grant date.

The continuity of SARs is as follows:

| | Number of SARs | | Weighted Average Exercise Price | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Balance, beginning of year | 280,321 | 332,830 | $ 28.63 | $ 26.27 |
| Granted | 44,279 | 55,768 | 45.96 | 36.67 |
| Paid out | - | (108,277) | - | 25.51 |
| Balance, end of the year | 324,600 | 280,321 | $ 31.00 | $ 28.63 |

The SARs liability and fair value at December 31, 2024, was $3.4 million and $3.8 million respectively (December 31, 2023: $3.3 million and $4.6 million respectively).

*Deferred Share Units (DSU)*

The Company has a Deferred Share Unit ("DSU") Plan for non-executive directors. A DSU is a unit of equivalent value to one common share based on market price, which is defined as the volume weighted average price of a common share on the Toronto Stock Exchange for the last five trading days immediately prior to the grant date. DSUs are granted quarterly to the account of each non-executive director by dividing the quarterly allocation by the market price. At the option of the individual director, they may elect to receive other board fees in the form of DSUs. DSUs vest immediately and are redeemable for cash only when a non-executive director leaves the Board.

The continuity of DSUs is as follows:

| *(number of units)* | 2024 | 2023 |
|---|---|---|
| Balance, beginning of the year | 386,183 | 343,104 |
| Granted | 45,409 | 43,079 |
| Paid out | (71,462) | - |
| Balance, end of the year | 360,130 | 386,183 |

The liability and fair value of DSUs was $15.2 million at December 31, 2024, (2023: $17.4 million). Dividends declared on common shares accrue to units in the DSU plan in the form of additional DSUs.

*Restricted Share Units (RSU)*

The Company has a Restricted Share Unit ("RSU") Plan for eligible employees as designated by the Board of Directors. The plan was established to provide medium-term compensation. RSUs are awarded by the Board of Directors to eligible employees annually. RSUs vest one third on the first and second anniversary after the grant date and the remaining one third on the expiry date. RSUs expire on the earlier of: (i) December 5 of the third calendar year following the year in which the services were provided to which such grant of RSU's relates; and (ii) the third anniversary of the grant date. The Company is obligated to pay in cash an amount equal to the number of RSUs multiplied by the market price, which is defined as the volume weighted average price of a common share on the Toronto Stock Exchange for the last five trading days immediately prior to the expiry date. Continuity of RSUs outstanding is as follows:

| *(number of units)* | 2024 | 2023 |
|---|---|---|
| Balance, beginning of the year | 513,586 | 312,464 |
| Granted | 243,097 | 256,393 |
| Paid out | (281,151) | (55,271) |
| Balance, end of the year | 475,532 | 513,586 |

The RSU liability at December 31, 2024, was $14.6 million (2023: $17.0 million). The fair value of RSUs was $20.0 million at December 31, 2024, (2023: $23.1 million). Dividends declared on common shares accrue to units in the RSU plan in the form of additional RSUs.

*Employee Share Purchase Plan*

The Company has an Employee Share Purchase Plan to provide employees with the opportunity to purchase common shares. Employees may make contributions of between 1% and 5% of their base pay and the Company will contribute an amount equal to one-third of the employee's contribution. Employees are eligible to make contributions above the 5% of base pay threshold but the Company contributes only to a maximum of one-third of 5% of base pay. The plan does not provide for a discount for employee purchases and is administered by a trustee who purchases shares for the plan through the TSX. Dividends paid on the shares are used to purchase additional shares.

Components of share-based compensation expense are as follows:

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| DSUs, SARs and RSUs | $ 9.2 | $ 19.0 |
| Employee Share Purchase Plan | 0.7 | 0.7 |
| | $ 9.9 | $ 19.7 |

## NOTE 19 EARNINGS PER SHARE

ACCOUNTING POLICIES

Basic earnings per common share is calculated using the weighted average number of common shares outstanding. Diluted earnings per share is calculated using the treasury share method.

SUPPORTING INFORMATION

The following table provides the numerator and denominator used to compute basic and diluted earnings per share:

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| Net income used in calculation of basic and diluted earnings per share | $ 161.0 | $ 266.7 |

| *(number of shares)* | 2024 | 2023 |
|---|---|---|
| Weighted average shares outstanding | 58,880,546 | 61,527,975 |
| Dilution impact of share options | 4,762 | 39,479 |
| Diluted weighted average shares outstanding | 58,885,308 | 61,567,454 |

## NOTE 20 EXPENSES

| ($ millions) | 2024 | 2023 |
|---|---|---|
| ***Employee Expenses*** | | |
| Wages and salaries | $ 337.4 | $ 347.7 |
| Other employee related costs | 54.8 | 48.6 |
| | $ 392.2 | $ 396.3 |
| ***Other Operating Expenses*** | | |
| Plant and other expenses | $ 140.9 | $ 124.4 |
| Delivery expenses | 83.2 | 84.9 |
| Repairs and maintenance | 23.4 | 20.5 |
| Selling expenses | 14.0 | 14.1 |
| Professional fees | 13.2 | 8.9 |
| Gain on sale of property, plant and equipment | (0.7) | (0.8) |
| Foreign exchange loss (gain) | 1.1 | (1.8) |
| | $ 275.1 | $ 250.2 |

## NOTE 21 INTEREST EXPENSE

| ($ millions) | 2024 | 2023 |
|---|---|---|
| Interest on 6% $150 million Senior Notes | $ 4.3 | $ 9.5 |
| Interest on 5 ¾% $150 million Senior Notes | 8.5 | 9.3 |
| Interest on lease obligations | 11.9 | 10.0 |
| Other interest income, net | (17.0) | (19.9) |
| Interest expense, net | $ 7.7 | $ 8.9 |

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

Interest expense on long-term debt is comprised of the interest calculated on the face value of long-term debt, issue costs and accretion of the carrying value of the long-term debt. Debt accretion and issue cost amortization for the year ended December 31, 2024, was $2.7 million (2023: $1.3 million).

## NOTE 22 INCOME TAXES

ACCOUNTING POLICIES

Income tax expense comprises of current and deferred tax. Income tax is recognized in the consolidated statements of earnings except to the extent that it relates to items recognized directly in equity in which case the related tax is recognized in equity.

Current income tax expense is based on the results for the period which is adjusted for items that are not taxable or not deductible for tax. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

*Deferred Tax Liabilities*

- generally recognized for all taxable temporary differences;
- recognized for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and

  not recognized on differences that arise from goodwill at acquisition.

*Deferred Tax Assets*

- recognized to the extent it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax losses and credits can be utilized; and
- reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense are finalized upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, the estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. In interim periods, the income tax provision is based on an estimate of earnings for a full year by jurisdiction. The estimated average annual effective income tax rates are reviewed at each reporting date, based on projections of full year earnings. To the extent that forecasts differ from actual results, adjustments are recorded through earnings in subsequent periods.

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. It is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provision in the period in which such determination is made.

SUPPORTING INFORMATION

*a)* The components of the provision for income taxes are as follows:

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| Current tax expense | $ 39.5 | $ 84.5 |
| Deferred tax expense (recovery) | 13.6 | (2.5) |
| | $ 53.1 | $ 82.0 |

*b)* The Company's effective income tax rate was derived as follows:

| | 2024 | 2023 |
|---|---|---|
| Applicable combined Canadian statutory rate | 25.7% | 25.9% |
| Rate difference of U.S. companies | (1.2%) | (0.6%) |
| Share-based compensation and non-deductible items | 1.0% | 0.2% |
| Share of earnings from joint venture | - | (1.8%) |
| Other | (0.7%) | (0.2%) |
| Average effective tax rate | 24.8% | 23.5% |

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 15.0% for both 2024 and 2023 and the average provincial rate of 10.7% for 2024 and 10.9% for 2023. The 2024 and 2023 average effective tax rate differed from the average Canadian corporate tax rate principally due to differing tax rules applicable to certain of the Company's subsidiaries outside Canada.

*c)* Deferred income tax assets and liabilities were as follows:

| ***Deferred Income Tax Assets*** *($ millions)* | Losses | Property Plant and Equipment | Pension And Benefits | Goodwill And Intangibles | Other Timing | Total |
|---|---|---|---|---|---|---|
| Balance December 31, 2022 | $ - | $ 0.5 | $ 0.1 | $ (0.1) | $ 0.7 | $ 1.2 |
| Benefit (expense) to consolidated statement of earnings | - | (0.1) | - | - | 0.4 | 0.3 |
| Reclass assets/liabilities and other | - | - | - | - | (0.3) | (0.3) |
| Balance December 31, 2023 | $ - | $ 0.4 | $ 0.1 | $ (0.1) | $ 0.8 | $ 1.2 |
| Benefit (expense) to consolidated statement of earnings | - | (0.6) | (0.3) | 0.1 | 0.4 | (0.4) |
| **Balance December 31, 2024** | $ - | $ (0.2) | $ (0.2) | $ - | $ 1.2 | $ 0.8 |

| ***Deferred Income Tax Liabilities*** *($ millions)* | Losses | Property Plant and Equipment | Pension And Benefits | Goodwill And Intangibles | Other Timing | Total |
|---|---|---|---|---|---|---|
| Balance December 31, 2022 | $ (1.2) | $ 20.6 | $ 10.7 | $ 0.8 | $ (12.5) | $ 18.4 |
| (Benefit) expense to consolidated statement of earnings | - | 2.4 | (0.6) | (0.9) | (3.1) | (2.2) |
| Benefits to other comprehensive income | - | - | 0.8 | - | - | 0.8 |
| Business acquisition (Note 4) | - | - | - | 0.9 | - | 0.9 |
| Reclass assets/liabilities and other | - | (0.3) | - | (0.1) | - | (0.4) |
| Balance December 31, 2023 | $ (1.2) | $ 22.7 | $ 10.9 | $ 0.7 | $ (15.6) | $ 17.5 |
| (Benefit) expense to consolidated statement of earnings | (0.2) | 9.9 | (0.6) | (0.2) | 4.4 | 13.3 |
| Benefits to other comprehensive income | - | - | 1.4 | - | - | 1.4 |
| Reclass assets/liabilities and other | 1.1 | 1.4 | - | (0.2) | (8.7) | (6.4) |
| **Balance December 31, 2024** | $ (0.3) | $ 34.0 | $ 11.7 | $ 0.3 | $ (19.9) | $ 25.8 |

| | |
|---|---|
| Net deferred income tax liability at December 31, 2023 | $ 16.3 |
| **Net deferred income tax liability at December 31, 2024** | $ 25.0 |

*d)* At December 31, 2024, the Company had U.S. state tax losses of $25.9 million (2023: $21.1 million) for which no deferred tax asset has been recognized. The Company has capital losses of $4.9 million for the year ended December 31, 2024, and 2023 for which no deferred tax asset has been recognized. These capital losses can be carried forward indefinitely. The majority of the state tax losses carried forward will expire between 2031 and 2036, if not utilized. Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the probability of generating taxable income from operations in the future in the jurisdictions in which the tax losses arose.

*e)* At December 31, 2024, the aggregate amount of temporary differences associated with undistributed earnings of non-Canadian subsidiaries was $882 million. No liability has been recognized in respect of these differences because the Company is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

## NOTE 23 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

ACCOUNTING POLICIES

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognized in other finance expense.

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of the estimated future decommissioning and rehabilitation costs are capitalized to the related asset along with a corresponding increase in the provision in the period incurred. Pre-tax discount rates that reflect the time value of money are used to calculate the net present value.

The estimates of decommissioning costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset or net earnings with a corresponding adjustment to the provision. The estimates are reviewed annually for changes in regulatory requirements and changes in estimates. Changes in the net present value are recognized in net earnings.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company has recorded a provision for decommissioning liabilities. The determination of these liabilities involved analysis to estimate expected cash outflows over a long period of time which is inherently uncertain.

SUPPORTING INFORMATION

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| Provision for decommissioning liabilities | $ 3.4 | $ 3.1 |
| Deferred compensation and employee incentives (Note 18) | 33.2 | 37.7 |
| | 36.6 | 40.8 |
| Less: current portion | (15.2) | (10.4) |
| | $ 21.4 | $ 30.4 |

Deferred compensation includes the RSU, DSU and SAR liabilities. RSU, DSU and SAR liabilities that will be paid within the current year amounting to $15.2 million have been reclassified to current liabilities.

## NOTE 24 SEGMENTED INFORMATION

ACCOUNTING POLICIES

The Company's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which is the Chief Executive Officer.

SUPPORTING INFORMATION

For the purpose of segment reporting, operating segments are identified as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Accordingly, the Company conducts business in Canada and the U.S. in three operating and reportable segments.

*Metals Service Centers*

The Company's network of metals service centers carry an extensive line of metal products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel, aluminum and other non-ferrous specialty metals. The Company purchases these products primarily from North American steel producers, and processes, packages and sells them to end users in accordance with their specific needs.

*Energy Field Stores*

The Company's energy field stores operations carry a specialized product line focused on the needs of energy industry customers. These operations distribute flanges, valves, fittings and other products through our field store operations in Western Canada and the United States.

*Steel Distributors*

The Company's steel distributors operations act as master distributors selling steel to customers in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis. The main steel products sourced by this segment are carbon steel plate, flat rolled products, beams, channel and pipe.

The Company has segmented its operations on the basis of management reporting. The inter-segment sales from steel distributors to metals service centers were $81.3 million (2023: $113.5 million). These sales, which are at market rates, are eliminated in the following table.

a) *Results by business segment:*

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| ***Segment Revenues*** | | |
| Metals service centers | $ 2,866.5 | $ 3,034.5 |
| Energy field stores | 983.9 | 987.2 |
| Steel distributors | 389.4 | 466.3 |
| | 4,239.8 | 4,488.0 |
| Other | 21.4 | 17.1 |
| | $ 4,261.2 | $ 4,505.1 |
| ***Segment Operating Profits*** | | |
| Metals service centers | $ 119.6 | $ 202.5 |
| Energy field stores | 89.5 | 105.1 |
| Steel distributors | 32.6 | 57.8 |
| | 241.7 | 365.4 |
| Corporate expenses and other | (19.1) | (34.9) |
| Asset impairment | (0.8) | - |
| Gain on sale of investment in joint venture | - | 9.8 |
| Earnings from joint venture | - | 17.3 |
| Earnings before interest and provision for income taxes | 221.8 | 357.6 |
| Interest expense, net | (7.7) | (8.9) |
| Provision for income taxes | (53.1) | (82.0) |
| Net earnings | $ 161.0 | $ 266.7 |
| ***Capital Expenditures*** | | |
| Metals service centers | $ 78.7 | $ 60.0 |
| Energy field stores | 7.5 | 9.9 |
| Steel distributors | 2.0 | 1.6 |
| Other | 2.0 | 1.2 |
| | $ 90.2 | $ 72.7 |
| ***Depreciation and Amortization Expense*** | | |
| Metals service centers | $ 54.0 | $ 46.8 |
| Energy field stores | 19.9 | 18.7 |
| Steel distributors | 1.3 | 1.4 |
| Other | 1.5 | 1.1 |
| | $ 76.7 | $ 68.0 |

| ($ millions) | 2024 | 2023 |
|---|---|---|
| ***Current Identifiable Assets*** | | |
| Metals service centers | $ 926.4 | $ 793.0 |
| Energy field stores | 370.0 | 392.4 |
| Steel distributors | 130.5 | 139.5 |
| | 1,426.9 | 1,324.9 |
| ***Non-Current Identifiable Assets*** | | |
| Metals service centers | 658.4 | 424.6 |
| Energy field stores | 118.1 | 121.7 |
| Steel distributors | 12.8 | 11.2 |
| Total identifiable assets included in segments | 2,216.2 | 1,882.4 |
| ***Assets Not Included in Segments*** | | |
| Cash and cash equivalents | 45.6 | 629.2 |
| Income taxes receivable and deferred income tax assets | 15.3 | 9.4 |
| Financial and other assets | 17.3 | 3.9 |
| Pension and benefits | 45.5 | 43.6 |
| Corporate and other operating assets | 6.8 | 1.6 |
| Total assets | $ 2,346.7 | $ 2,570.1 |
| ***Liabilities*** | | |
| Metals service centers | $ 417.8 | $ 365.6 |
| Energy field stores | 139.1 | 134.6 |
| Steel distributors | 23.0 | 34.9 |
| Total liabilities included in segment | 579.9 | 535.1 |
| ***Liabilities Not Included in Segments*** | | |
| Bank indebtedness | 13.4 | - |
| Income taxes payable and deferred income tax liabilities | 26.5 | 21.1 |
| Long-term debt | - | 297.2 |
| Pension and benefits | 1.5 | 2.0 |
| Corporate and other liabilities | 67.0 | 74.8 |
| Total liabilities | $ 688.3 | $ 930.2 |

*b) Enterprise-wide disclosure - results by geographic region:*

| ($ millions) | 2024 | 2023 |
|---|---|---|
| ***Revenues*** | | |
| Canada | $ 2,565.4 | $ 2,720.5 |
| United States | 1,674.4 | 1,767.5 |
| | $ 4,239.8 | $ 4,488.0 |
| ***Operating Profits*** | | |
| Canada | $ 155.0 | $ 236.3 |
| United States | 86.7 | 129.1 |
| | $ 241.7 | $ 365.4 |
| ***Identifiable Assets*** | | |
| Canada | $ 1,328.3 | $ 1,172.1 |
| United States | 887.9 | 710.3 |
| | $ 2,216.2 | $ 1,882.4 |

*c) Enterprise-wide disclosure - revenues by product:*

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| ***Carbon*** | | |
| Structurals (WF & I Beams, Angles, Channels, Hollow Tubes) | $ 1,515.7 | $ 1,787.2 |
| Plate (Discrete & Plate in Coil) | 830.3 | 938.8 |
| Flanges, Valves, Fittings and other related products | 700.6 | 636.1 |
| Flat Rolled (Sheet & Coil) | 460.4 | 413.6 |
| Bars (Hot Rolled and Cold Finished) | 208.9 | 239.4 |
| Grating/ Expanded/Rails | 50.2 | 51.3 |
| ***Total Carbon (excluding Stainless)*** | 3,766.1 | 4,066.4 |
| Stainless Steel | 154.3 | 134.3 |
| Aluminum | 212.1 | 186.7 |
| Other Non-Ferrous | 29.3 | 20.3 |
| ***Total Non-Ferrous*** | 395.7 | 341.3 |
| Other | 99.4 | 97.5 |
| | $ 4,261.2 | $ 4,505.2 |

## NOTE 25 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2024, and 2023, the Company did not have any transactions with subsidiaries outside the normal course of business. All subsidiaries are wholly owned and all transactions with subsidiaries are recorded at fair value and have been eliminated upon consolidation.

At December 31, 2024, there were no loans or credit transactions outstanding with key management personnel or directors. Key management personnel includes the Chief Executive Officer, Chief Financial Officer and certain Vice Presidents or Directors. Compensation costs of key management personnel and directors were as follows:

| *($ millions)* | 2024 | 2023 |
|---|---|---|
| Salaries and other benefits | $ 13.8 | $ 15.8 |
| Share based compensation cost | 9.1 | 8.1 |
| Post-employment benefits | 0.1 | 0.1 |
| | $ 23.0 | $ 24.0 |

## NOTE 26 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

ACCOUNTING POLICIES

*a) Fair value measurement*

The Company measures certain financial and non-financial assets and liabilities at fair value at each statement of financial position date. In addition, fair value measurements are disclosed for certain financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements, are classified using a three-level fair value hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements. Each level is based on the following:

Level 1
Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2
Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3
Values based on prices or valuation techniques that require inputs which are both unobservable and significant to the overall fair value measurement.

*b) Financial assets*

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the instruments have expired or have transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

*Financial Assets at Fair Value through Profit or Loss*

- Classification

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category include preferred shares, forward exchange contracts and embedded derivatives in inventory purchases.

- Recognition and measurement

Financial assets carried at fair value are initially recognized, and subsequently carried, at fair value with changes recognized in net earnings. Transaction costs are expensed.

- Fair value of preferred shares

Preferred shares which are not held for trading are carried at fair value with changes recognized in net income.

*Loans and Receivables*

- Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Assets in this category include cash and cash equivalents and accounts receivable and are classified as current assets in the consolidated statements of financial position.

- Recognition and measurement

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost, less impairment.

*c) Financial liabilities and equity instruments*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*Other Financial Liabilities*

- Classification

Other financial liabilities include bank indebtedness, accounts payable and accrued liabilities and long-term debt.

- Recognition and measurement

Short-term borrowings are recorded at the fair value of the proceeds received. Long-term debt is measured at amortized cost using the effective interest method, with interest expense recognized in net earnings. Eligible costs related to long-term debt financing are carried at amortized cost and amortized using the effective interest method over the period of the related financing.

*d) Derivative financial instruments*

Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

*Embedded Derivatives*

An embedded derivative is a feature within a contract, where the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative. The Company has embedded foreign currency derivatives in certain purchase contracts where the currency of the contract is different from the functional or local currencies of the parties involved. These derivatives are accounted for as separate instruments and are measured at fair value and included in accounts payable and accrued liabilities at the end of the reporting period. Changes in their fair values are recognized within "Other operating expense" in the consolidated statements of earnings.

*e) Impairment of financial assets*

At each financial position date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. When impairment has occurred, the asset's carrying value is reduced with the loss recognized in net earnings.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

In a subsequent period, if the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net earnings. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

SUPPORTING INFORMATION

*a) Financial assets and liabilities*

Financial assets and liabilities were as follows:

| *December 31, 2024 ($ millions)* | Loans and Receivables | Other Financial Liabilities | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 45.6 | $ - | $ 45.6 |
| Accounts receivable | 479.0 | - | 479.0 |
| Other financial assets | 15.5 | - | 15.5 |
| Bank indebtedness | - | (13.4) | (13.4) |
| Accounts payable and accrued liabilities | - | (442.1) | (442.1) |
| Lease obligations | - | (183.4) | (183.4) |
| Total | $ 540.1 | $ (638.9) | $ (98.8) |

| *December 31, 2023 ($ millions)* | Loans and Receivables | Other Financial Liabilities | Total |
|---|---|---|---|
| Cash and cash equivalents | $ 629.2 | $ - | $ 629.2 |
| Accounts receivable | 457.4 | - | 457.4 |
| Other financial assets | 3.4 | - | 3.4 |
| Accounts payable and accrued liabilities | - | (454.2) | (454.2) |
| Lease obligations | - | (125.3) | (125.3) |
| Long-term debt | - | (297.2) | (297.2) |
| Total | $ 1,090.0 | $ (876.7) | $ 213.3 |

For the year ended December 31, 2024, the fair value of derivative financial instruments on the consolidated statements of earnings was a gain of $11.7 million (2023: gain of $2.9 million) including embedded derivative and forward contracts. These financial instruments are valued based on Level 2 fair value hierarchy.

*b) Fair value*

The fair value of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments.

The fair values of long-term debt are set forth below.

*Carrying Amounts*

Amounts recorded in the consolidated statements of financial position are referred to as "carrying amounts". The carrying amounts of primary debt are reflected in "Long-term debt" and "Current portion long-term debt".

*Fair Value*

The Company records its debt at amortized cost using the effective interest method. The fair value of long-term debt is estimated based on the last quoted trade price, where it exists, or based on current rates available to the Company for similar debt with the same period to maturity. During 2024, the Company redeemed its long-term debt at par plus accrued and unpaid interest.

*Fair Value of Preferred Shares*

Preferred shares which are not held for trading are carried at fair value with changes recognized in net income.

*c) Credit risk*

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

The Company attempts to minimize credit exposure as follows:

- Cash investments are placed with high-quality financial institutions with limited exposure to any one institution. At December 31, 2024, nearly all cash and cash equivalents were held in institutions that were rated R1 High by DBRS;
- Counterparties to derivative contracts are members of the syndicated banking facility (Note 13);
- Credit limits minimize exposure to any one customer; and
- The customer base is geographically diverse and in different industries.

No allowance for expected credit losses on financial assets was required as of December 31, 2024, and 2023, other than the allowance for expected credit losses in accounts receivable (Note 6). As at December 31, 2024, trade accounts receivable greater than 90 days represented less than 3% of trade accounts receivable (2023: 4%).

*d) Interest rate risk*

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

*e) Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company uses foreign exchange contracts with maturities of less than a year to manage foreign exchange risk on certain future committed cash outflows. As at December 31, 2024, the Company had outstanding forward foreign exchange contracts in the amount of US$235.7 million, maturing in 2025 (2023: US$32.3 million). A 1% change in foreign exchange rates would not result in a significant increase or decrease in accounts receivable, accounts payable or net earnings.

*f) Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations when due. Liquidity adequacy is assessed in view of seasonal needs, growth requirements, capital expenditures, and the maturity profile of indebtedness. Cash is managed by the centralized treasury function and is invested in money market instruments or bank deposits, with durations ranging up to sixty days. A centralized treasury function ensures that the Company maintains funding flexibility by assessing future cash flow expectations and by maintaining its committed borrowing facilities.

As at December 31, 2024, the Company was contractually obligated to make payments under its financial liabilities that come due during the following periods:

| *($ millions)* | Accounts Payable | Lease Obligations | Total |
|---|---|---|---|
| 2025 | $ 442.1 | $ 37.4 | $ 479.5 |
| 2026 | - | 36.3 | 36.3 |
| 2027 | - | 34.4 | 34.4 |
| 2028 | - | 29.6 | 29.6 |
| 2029 | - | 24.0 | 24.0 |
| 2030 and beyond | - | 101.1 | 101.1 |
| Total | $ 442.1 | $ 262.8 | $ 704.9 |

At December 31, 2024, the Company was contractually obligated to repay its letters of credit under its bank facilities (Note 13).

*g) Capital management*

The Company manages capital in order to safeguard its ability to continue as a going concern, provide returns to shareholders through its dividend policy and provide the ability to finance future growth. Capital includes shareholders' equity, bank indebtedness and long-term debt, net of cash. The Company manages its capital structure and may make adjustments to the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to issuer bids, issue new shares, issue new debt, repurchase existing debt and extend or amend its banking facilities.

In 2024, the Company entered into a new $600 million credit facility (Note 13), redeemed its long-term debt, repurchased 3.3 million shares for $133.6 million under its normal course issuer bid and paid dividends of $97.6 million to its shareholders.

## NOTE 27 CLAIMS, COMMITMENTS AND GUARANTEES

*a) Lawsuits and legal claims*

The Company recognizes loss provisions for losses that are probable when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss provision based on its best estimate of the probable loss. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used. Estimates of losses may be developed before the ultimate loss is known and are revalued each accounting period as additional information becomes known. In instances where the Company is unable to develop a reasonable loss estimate, no loss provision is recorded at that time. Estimates are reviewed quarterly and revised when expectations change.

An outcome that deviates from the Company’s estimate may result in an additional expense or income in a future accounting period.

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

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

*b) Decommissioning liability*

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

The Company has asset retirement obligations relating to the land lease for the Thunder Bay Terminal operation whose lease term expires in 2031. The landlord has the option to retain the equipment or to require the Company to remove it. In addition, the Company has end-of-lease obligations in certain service center operations.