MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2026

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Russel Metals Inc. and its subsidiaries provides information to assist readers of, and should be read in conjunction with, the condensed consolidated financial statements for the nine months ended September 30, 2026, including the notes thereto, and the MD&A and the audited consolidated financial statements for the year ended December 31, 2025, including the notes thereto. In the opinion of management, such condensed consolidated financial statements contain all adjustments necessary for a fair presentation of the results for such periods. The results of operations for the periods shown are not necessarily indicative of what our results will be for the full year. All dollar references in our financial statements and in this report are in Canadian dollars unless otherwise stated.

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

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of November 4, 2026.

FORWARD-LOOKING STATEMENTS

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

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

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

NON-GAAP MEASURES AND RATIOS

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

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

Cash from Working Capital - represents cash generated from changes in non-cash working capital.
EBIT or Operating Profits - represents net earnings before interest and income taxes.
EBITDA - represents net earnings before interest, income taxes, depreciation and amortization.
Free Cash Flow - represents cash from operating activities before changes in non-cash working capital less capital expenditures.
Gross Margin - represents revenues less cost of sales.
Gross Margin Percentage - represents gross margin divided by revenues.
Gross Margin per Ton - represents gross margin divided by tons shipped.
Inventory Turns - represents annualized cost of sales divided by ending inventory.
Invested Capital - net debt plus shareholders' equity.
Liquidity - represents cash on hand less bank indebtedness plus excess availability under our bank credit facility.
Net Debt - long-term debt less cash on hand.
Selling Price per Ton - represents revenues divided by tons shipped.
Tons Shipped - represents revenue volumes in our standardized metal service center unit of measure, which is imperial tons.
Return on Invested Capital - represents EBIT divided by average invested capital (net debt plus shareholders' equity).

For adjusted EBITDA, adjusted net earnings and adjusted earnings per share, the following items have been excluded:

- Mark-to-market on stock-based compensation - the mark-to-market on stock-based compensation is a non-cash expense on a quarterly basis, it does not impact the ongoing operating decisions taken by management, and is excluded to facilitate period-to-period comparability of our operating performance.
- Gain on sale of Delta property - the gain on sale of a property related to our branch in Delta, British Columbia was a one-time event that does not impact the ongoing operating decisions taken by management and is excluded to facilitate period-to-period comparability of the Company's operating performance.
- Gain on sale of Color Steels Inc. - the gain on sale of Color Steels Inc. ("Color Steels") was a one-time event that does not impact the ongoing operating decisions taken by management and is excluded to facilitate period-to-period comparability of the Company's operating performance.

A reconciliation of net earnings in accordance with GAAP to EBITDA and adjusted EBITDA, as well as a reconciliation of net earnings to adjusted net earnings and adjusted earnings per share can be found below.

RECONCILIATION OF THE NET EARNINGS TO EBITDA AND ADJUSTED EBITDA

	Three Months Ended			Nine Months Ended	
($ millions)	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Net earnings	$ 125.5	$ 78.5	$ 35.0	$ 275.8	$ 138.4
Provision for income taxes	40.9	26.6	11.2	86.4	44.0
Interest (income) expense, net	6.8	6.9	5.4	20.7	16.0
EBIT [1]	173.2	112.0	51.6	382.9	198.4
Depreciation and amortization	26.7	26.4	23.4	79.1	70.1
EBITDA [1]	$ 199.9	$ 138.4	$ 75.0	$ 462.0	$ 268.5
Mark-to-market on Stock-based compensation	37.3	15.3	(2.1)	57.4	0.5
Gain on sale of Delta property	-	-	-	(35.6)	-
Gain on sale of Color Steels	(7.1)	-	-	(7.1)	-
Adjusted EBITDA [1]	$ 230.1	$ 153.7	$ 72.9	$ 476.7	$ 269.0

RECONCILIATION OF THE NET EARNINGS TO ADJUSTED NET EARNINGS

	Three Months Ended			Nine Months Ended	
($ millions except per share data)	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Net earnings	$ 125.5	$ 78.5	$ 35.0	$ 275.8	$ 138.4
Mark-to-market on stock-based compensation, net of tax	27.6	11.3	(1.6)	42.5	0.4
Gain on sale of Delta property, net of tax	-	-	-	(30.9)	-
Gain on sale of Color Steels, net of tax	(6.7)	-	-	(6.7)	-
Adjusted net earnings [1]	$ 146.4	$ 89.8	$ 33.4	$ 280.7	$ 138.8
Earnings per share	$ 2.29	$ 1.43	$ 0.63	$ 5.02	$ 2.45
Adjusted earnings per share [1]	$ 2.67	$ 1.63	$ 0.60	$ 5.11	$ 2.46

QUARTERLY FINANCIAL HIGHLIGHTS

(for the quarters ended)	Sep 30 2026	Jun 30 2026	Mar 31 2026	Dec 31 2025	Sep 30 2025	Jun 30 2025	Mar 31 2025	Dec 31 2024
Revenues *($ millions)*	$ 1,819	$ 1,655	$ 1,418	$ 1,094	$ 1,167	$ 1,207	$ 1,174	$ 1,039
EBITDA [1] *($ millions)*	200	138	124	69	75	108	86	61
Adjusted EBITDA [1] *(millions)*	230	154	93	72	73	113	83	64
Net earnings *(millions)*	126	79	72	30	35	60	43	27
Adjusted net earnings [1] *(millions)*	146	90	45	33	33	64	41	29
Earnings per share	2.29	1.43	1.30	0.55	0.63	1.07	0.75	0.47
Adjusted earnings per share [1]	2.67	1.63	0.81	0.59	0.60	1.14	0.72	0.50

OVERVIEW OF THE 2026 THIRD QUARTER

Our third quarter 2026 results reflected a continuation of improving trend line metrics and illustrated our earnings generation capabilities during the favourable market environment. In particular, we saw revenue and margin improvements, as we benefited from strong market conditions across a broad base of our operating units and geographic areas. We set new records for quarterly revenues, adjusted EBITDA and adjusted earnings per share.

- Revenues reached a record quarterly level of $1.8 billion in the third quarter of 2026, which represented a 10% increase over the second quarter of 2026 and a 56% increase over the third quarter of 2025.
- In the third quarter of 2026, we generated record quarterly EBITDA and adjusted EBITDA of $200 million and $230 million, respectively. For the last twelve months ended September 30, 2026, we generated EBITDA and adjusted EBITDA of $531 million and $548 million, respectively.

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

- Our average gross margin for the third quarter of 2026 was 25.9%, which represented an improvement over the 22.6% in the second quarter of 2026. The improvement reflected the continuation of favourable market conditions, the ongoing improvement in the relative margin profile for the branches acquired from Kloeckner Metals Corporation ("Kloeckner"), as well as an improvement in the relative margin profile of our Canadian service center operations.
- The metal service centers generated solid shipments for the third quarter of 2026. The third quarter tons shipped decreased 3% compared to the second quarter of 2026 due to normal seasonal factors, but increased 29% in total, or 7% on a same store basis, compared to the third quarter of 2025.
- The former Kloeckner branches contributed revenues of $237 million and EBITDA of $33 million in the third quarter of 2026, which were increases compared to revenue of $213 million and EBITDA of $16 million in the second quarter of 2026. For the first nine months of 2026, the former Kloeckner branches contributed revenues of $633 million and EBITDA of $57 million, which represented 13% of our consolidated revenues and 12% of our consolidated adjusted EBITDA. Through the first nine months of 2026, the acquisition generated an annualized return on invested capital of 42%.
- In the third quarter of 2026, our U.S. operations represented 57% of our revenues compared to 54% in the second quarter of 2026 and 43% in the third quarter of 2025. We expect to continue this evolution of a U.S. weighted business mix, as that market continues to present incremental growth opportunities.

In the third quarter of 2026, we generated earnings per share of $2.29 and adjusted earnings per share of $2.67 which were higher than the $1.43 earnings per share and $1.63 adjusted earnings per share recorded in the second quarter of 2026. In the third quarter of 2026, we generated an annualized return on invested capital of 35%, compared to 24% in the second quarter of 2026. For the nine months ended September 30, 2026, we generated an annualized return on invested capital of 27%.

During our 2026 third quarter, we generated $182 million of cash from operating activities before non-cash working capital and used $204 million in non-cash working capital. We invested $26 million for capital expenditures to further our internal growth initiatives and returned $24 million of capital to our shareholders through a dividend.

Market Conditions

Market conditions in the third quarter were strong across most of our business units and regions. The average price for U.S. plate and hot rolled coil averaged US$1,444 per ton and US$1,201 per ton, respectively, in the third quarter of 2026, which represented an increase of 12% for plate and 11% for hot rolled coil versus the second quarter of 2026. At September 30, 2026, the U.S. prices for plate and hot rolled coil were up 3% and 4%, respectively, as compared to the average prices for the third quarter of 2026.

Capital Investment Growth Initiatives

During the three months ended September 30, 2026, we invested $26 million in capital expenditures and for the nine months ended September 30, 2026, we invested $62 million in capital expenditures. We have an active pipeline of both facility modernization and value-added processing projects.

We are continuing to evaluate potential acquisition opportunities with the focus on expanding our metals service center platform in the U.S., with an emphasis on tuck-in situations over the near term.

As part of the continuing focus to refine our portfolio and optimize return on capital, we sold Color Steels, a wholly owned subsidiary of the Company. The transaction closed on September 30, 2026, which resulted in cash proceeds of $42 million and a pre-tax gain on sale of $7 million. Color Steels was included in the metal service centers operating segment.

Returning Capital to Shareholders

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

In the third quarter of 2026, we paid a dividend of $24 million or $0.44 per share. We have declared our quarterly dividend of $0.44 per share payable on December 15, 2026, to shareholders of record at the close of business on November 26, 2026. In the third quarter of 2026, we were not active on our share buyback program. In the period since the normal course issuer bid was established in August 2022, we have purchased varying amounts each quarter, with the cumulative purchases being 8.7 million common shares, which represented 14% of our then shares outstanding, at an average price per share of $38.13 for total consideration of $333 million (excluding the impact of the federal tax on share repurchases).

Liquidity and Capital Structure

One of our key strategies is to maintain a strong capital structure in order to navigate through market cycles and be in a position to capitalize on opportunities. We ended the quarter with net debt of $214 million and total available liquidity of $418 million.

RESULTS OF OPERATIONS

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

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

	Three Months Ended			Nine Months Ended	
($ millions, except percentages)	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Segment Revenues					
Metals service centers	$ 1,344.4	$ 1,215.6	$ 823.2	$ 3,615.3	$ 2,519.0
Energy field stores	316.5	296.2	226.7	866.8	721.7
Steel distributors	151.0	137.3	112.2	397.0	294.5
Other	7.2	5.9	4.8	13.3	12.6
	$ 1,819.1	$ 1,655.0	$ 1,166.9	$ 4,892.4	$ 3,547.8
Segment Gross Margins [1]					
Metals service centers	$ 347.8	$ 270.2	$ 166.3	$ 838.7	$ 536.9
Energy field stores	71.7	68.7	58.2	202.7	177.5
Steel distributors	44.4	30.1	17.0	94.1	53.1
Other	7.3	5.8	4.8	13.3	12.6
Total operations	$ 471.2	$ 374.8	$ 246.3	$ 1,148.8	$ 780.1
Segment Operating Profits and EBIT [1]					
Metals service centers	$ 155.0	$ 86.4	$ 27.5	$ 290.0	$ 134.3
Energy field stores	27.0	25.9	19.1	73.3	57.3
Steel distributors	28.7	18.3	8.1	55.3	27.2
	210.7	130.6	54.7	418.6	218.8
Gain on sale of Delta property	-	-	-	35.6	-
Gain on sale of Color Steels	7.1	-	-	7.1	-
Corporate expenses	(49.0)	(21.9)	(5.1)	(83.7)	(24.8)
Other	4.4	3.3	2.0	5.3	4.4
Earnings before interest and income taxes	$ 173.2	$ 112.0	$ 51.6	$ 382.9	$ 198.4
Segment Gross Margin as a % of Revenues [1]					
Metals service centers	25.9%	22.2%	20.2%	23.2%	21.3%
Energy field stores	22.7%	23.2%	25.7%	23.4%	24.6%
Steel distributors	29.4%	21.9%	15.1%	23.7%	18.0%
Total operations	25.9%	22.6%	21.1%	23.5%	22.0%
Segment Operating Profit and EBIT as a % of Revenues [1]					
Metals service centers	11.5%	7.1%	3.3%	8.0%	5.3%
Energy field stores	8.5%	8.7%	8.4%	8.5%	7.9%
Steel distributors	19.0%	13.3%	7.2%	13.9%	9.2%

Results of our U.S. operations reported for the nine months ended September 30, 2026, were converted at $1.3847 per US$1 compared to $1.3989 per US$1 for the nine months ended September 30, 2025. For the nine months ended September 30, 2026, our U.S. operations represented approximately 57% of our total revenues. The exchange rate on September 30, 2026, used to translate the balance sheet was $1.4188 per US$1 versus $1.3706 per US$1 on December 31, 2025.

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

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 47,000 end users through a network of 49 Canadian locations and 31 U.S. locations. Our metals service centers carry a broad line of products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel and aluminum. We purchase these products primarily from steel producers in North America and process and package them in accordance with end user specifications. We service all major geographic regions of Canada as well as the South, Northeast and Midwestern regions in the United States.

b) Metals service centers segment results

	Three Months Ended			Nine Months Ended	
	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Financial Highlights					
Revenue *($ millions)*	$ 1,344	$ 1,216	$ 823	$ 3,615	$ 2,519
Tons shipped *(thousands of imperial tons)*	497	510	386	1,490	1,203
Gross margin *($ millions)* [1]	348	270	166	839	537
Gross margin per ton *($)*	700	529	430	563	446
Gross margin *(%)* [1]	25.9%	22.2%	20.2%	23.2%	21.3%
Operating profits *($ millions)* [1]	155	86	28	290	134

Revenues increased 11% from the second quarter of 2026 and increased 63% from the third quarter of 2025 due to positive market conditions. Tons shipped in the third quarter of 2026 were 3% lower than the second quarter of 2026 and 29% higher than the third quarter of 2025. On a same store basis, our third quarter 2026 shipments increased 7% as compared to the third quarter of 2025. Our average selling price was 13% higher than the second quarter of 2026 and 25% higher than the third quarter of 2025 due to higher steel prices.

Gross margin as a percentage of revenues of 25.9% in the third quarter of 2026, was higher than the 22.2% in the second quarter of 2026 and higher than the 20.2% in the same quarter last year. The gross margin per ton was $700 in the third quarter of 2026, which was an increase of $171 as compared to the second quarter of 2026 due to favourable market conditions and the continuing relative margin improvements for the former Kloeckner branches and our Canadian operations.

Operating expenses were $193 million in the third quarter of 2026 compared to $184 million in the second quarter of 2026 and $139 million in the third quarter of 2025 due to the impact of the Kloeckner acquisition and an increase in variable compensation that is tied to the improved operating results. For the nine months ended September 30, 2026, operating expenses were $549 million compared to $403 million for the nine months ended September 30, 2025.

Operating profits for the three months ended September 30, 2026, were $155 million versus $86 million in the second quarter of 2026 and $28 million for the same period in 2025. Operating profits for the nine months ended September 30, 2026, of $290 million were higher than the $134 million for the same period of 2025.

ENERGY FIELD STORES

a) Description of operations

We distribute flanges, valves, fittings and tubular goods, primarily to the energy industry in Western Canada and the United States. We operate from 45 Canadian and 12 U.S. facilities in our operations. We purchase our products from North American mills, independent manufacturers of flanges, valves and fittings and other products, international steel mills and other distributors.

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

b) Energy field stores segment results

	Three Months Ended			Nine Months Ended	
	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Financial Highlights					
Revenue *($ millions)*	$ 317	$ 296	$ 227	$ 867	$ 722
Gross margin *($ millions)* [1]	72	69	58	203	178
Gross margin *(%)* [1]	22.7%	23.2%	25.7%	23.4%	24.6%
Operating profits *($ millions)* [1]	27	26	19	73	57

Revenues in the third quarter of 2026 increased 7% compared to the second quarter of 2026 and increased 40% compared to the third quarter of 2025 due to positive market conditions.

Gross margin as a percentage of revenues for the three months ended September 30, 2026, was 22.7% compared to 23.2% in the second quarter of 2026 and 25.7% in the same period in 2025. The lower margin was a result of product and business mix impacts. For the nine months ended September 30, 2026, gross margin as a percentage of revenues was 23.4% compared to 24.6% in the same period in 2025.

Operating expenses of $45 million were higher compared to $43 million in the second quarter of 2026 and $39 million in the third quarter of 2025. Operating expenses as a percentage of revenues for the three months ended September 30, 2026, were 14% compared to 14% in the second quarter of 2026 and 17% in the third quarter of 2025. For the nine months ended September 30, 2026, operating expenses were $129 million compared to $120 million for 2025.

Operating profits of $27 million for the three months ended September 30, 2026, increased compared to an operating profit of $26 million in the three months ended June 30, 2026, and the $19 million for the three months ended September 30, 2025. Operating profits were $73 million for the nine months ended September 30, 2026, compared to operating profits of $57 million for the same period in 2025.

STEEL DISTRIBUTORS

a) Description of operations

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

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

b) Steel distributors segment results

	Three Months Ended			Nine Months Ended	
	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Financial Highlights					
Revenue *($ millions)*	$ 151	$ 137	$ 112	$ 397	$ 295
Gross margin *($ millions)* [1]	44	30	17	94	53
Gross margin *(%)* [1]	29.4%	21.9%	15.1%	23.7%	18.0%
Operating profits *($ millions)* [1]	29	18	8	55	27

Revenues increased 10% compared to the second quarter of 2026 and 35% compared to the 2025 third quarter. The improvement was due to higher prices and strong demand.

Gross margin as a percentage of revenues was 29.4% for the three months ended September 30, 2026, which was higher than the 21.9% in the second quarter of 2026 and higher than the 15.1% for the three months ended September 30, 2025.

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

Operating expenses were $16 million for the third quarter of 2026 compared to $12 million during the second quarter of 2026 and $9 million in the third quarter of 2025. The increase in operating expenses is related to an increase in variable compensation that is tied to the improved operating results.

Operating profits of $29 million for the three months ended September 30, 2026, compared to $18 million in the second quarter of 2026 and $8 million in the third quarter of 2025. The operating profits for the nine months ended September 30, 2026 and 2025, were $55 million and $27 million, respectively.

CORPORATE EXPENSES AND OTHER

	Three Months Ended			Nine Months Ended	
($ millions)	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Corporate expenses	$ 12	$ 7	$ 7	$ 27	$ 24
Mark-to-market stock-based compensation	37	15	(2)	57	-
	49	$ 22	$ 5	84	$ 24
Other expenses (income)	$ (4)	$ (3)	$ (2)	$ (5)	$ (4)

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

Corporate expenses were $12 million for the third quarter of 2026, which was higher than the $7 million in both the second quarter of 2026 and the third quarter of 2025 due to higher variable compensation expenses and professional fees. For the nine months ended September 30, 2026, corporate expenses were higher compared to the same period in 2025. The mark-to-market impact on stock-based compensation was an expense of $37 million in the third quarter of 2026 due to the approximate $30 per share increase in our stock price during the 2026 third quarter compared to an expense of $15 million in the second quarter of 2026 and a $2 million expense recovery in the third quarter of 2025. The other expenses (income) relates to our Thunder Bay terminal operation.

INTEREST EXPENSE

	Three Months Ended			Nine Months Ended	
($ millions)	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Interest on Senior Unsecured Notes	$ 3	$ 4	$ 3	$ 10	$ 7
Interest on lease obligations	4	3	4	11	11
Other interest (income) expense, net	-	-	(2)	-	(2)
	$ 7	$ 7	$ 5	$ 21	$ 16

Net interest expense was $7 million for the third quarter of 2026 and the second quarter of 2026 and was $5 million for the third quarter of 2025.

INCOME TAXES

We recorded a provision for income taxes of $41 million for the third quarter of 2026 compared to $11 million for the third quarter of 2025. Our effective income tax rate was 24.6% for the third quarter of 2026 and 24.2% for the third quarter of 2025. Our effective income tax rate was 23.9% for the nine months ended September 30, 2026 and 24.1% for the nine months ended September 30, 2025. The lower effective tax in 2026 is due to a portion of pre-tax earnings being capital gains, for which lower effective rates are applied.

ADJUSTED NET EARNINGS AND NET EARNINGS

Adjusted net earnings for the third quarter of 2026 were $146 million compared to $90 million in the second quarter of 2026 and $33 million for the third quarter of 2025. Net earnings for the third quarter of 2026 were $126 million compared to $79 million in the second quarter of 2026 and $35 million for the third quarter of 2025. Adjusted earnings per share for the third quarter of 2026 were $2.67 per share compared to $1.63 per share in the second quarter of 2026 and $0.60 for the third quarter of 2025. Earnings per share for the third quarter of 2026 were $2.29 per share compared to $1.43 per share in the second quarter of 2026 and $0.63 per share for the third quarter of 2025. Earnings per share for the nine months ended September 30, 2026, of $5.02 compared to $2.45 for the same period last year.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the third quarter of 2026 was 54.9 million compared to 55.9 million for the third quarter of 2025. The weighted average number of common shares outstanding for the nine months ended September 30, 2026, was 54.9 million compared to 56.4 million for the nine months ended September 30, 2025. Common shares outstanding on September 30, 2026, and November 4, 2026, were 54.9 million.

We paid common share dividends of $24 million or $0.44 per share in the third quarter of 2026 and $24 million or $0.43 per share in the third quarter of 2025.

CAPITAL EXPENDITURES

	Three Months Ended			Nine Months Ended	
($ millions)	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Capital expenditures - property, plant and equipment	$ 26	$ 18	$ 15	$ 62	$ 60
Additions - right-of-use assets	2	2	1	10	9
Depreciation - property, plant and equipment	16	15	14	46	42
Depreciation - right-of-use assets	8	8	7	25	21

LIQUIDITY AND CAPITAL RESOURCES

On September 30, 2026, we had net debt, defined as bank indebtedness less cash, of $214 million compared to $184 million on December 31, 2025. At September 30, 2026, we had $300 million of senior unsecured notes due March 28, 2030.

Cash Flows

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

	Three Months Ended			Nine Months Ended	
($ millions)	Sep 30 2026	Jun 30 2026	Sep 30 2025	Sep 30 2026	Sep 30 2025
Cash flow (used) from operating activities	$ (58)	$ 64	$ 63	$ 29	$ 94
Cash flow from (used) in financing activities	(32)	(32)	(44)	(103)	133
Cash flow from (used) in investing activities	19	(13)	(15)	27	(59)
Effect of exchange rates on cash and cash equivalents	1	7	13	17	(2)
Increase (decrease) in cash and cash equivalents	(69)	26	17	(30)	166

Cash Flow from Operating Activities

For the three months ended September 30, 2026, we generated $182 million in cash from operating activities before non-cash working capital and used $204 million of cash for working capital. For the nine months ended September 30, 2026, we generated $395 million in cash from operating activities before non-cash working capital and utilized $298 million for working capital and $69 million for tax payments.

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

Cash Flow for Financing Activities

For the three months ended September 30, 2026, we used $32 million of cash for financing activities, of which we utilized $24 million for dividends. For the nine months ended September 30, 2026, we used $103 million for financing activities, of which we utilized $7 million for share buybacks and $72 million for dividends.

Cash Flow From/Used in Investing Activities

During the three and nine months ended September 30, 2026, we generated $19 million and $27 million, respectively. We generated $42 million from the sale of Color Steels during the three months ended September 30, 2026 and utilized $26 million in cash for capital expenditures. We generated $43 million from the sale of real estate during the nine months ended September 30, 2026, $42 million from the sale of Color Steels and utilized $62 million in cash for capital expenditures.

Working Capital

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

Total assets were $3.2 billion on September 30, 2026, $3.1 billion on June 30, 2026, and $2.7 billion on December 31, 2025. On September 30, 2026 and December 31, 2025, current assets excluding cash represented 72% and 65% of our total assets respectively.

Inventories represented 41% of our total assets, excluding cash, on September 30, 2026, compared to 42% on December 31, 2025.

Inventory by Segment *($ millions)*	Sep 30 2026	Jun 30 2026	Mar 31 2026	Dec 31 2025	Sep 30 2025
Metals service centers	$ 878	$ 805	$ 737	$ 726	$ 626
Energy field stores	232	225	227	225	221
Steel distributors	178	145	107	133	126
Total	$ 1,288	$ 1,175	$ 1,071	$ 1,084	$ 973

Cost of Sales by Segment *($ millions)*	Sep 30 2026	Jun 30 2026	Mar 31 2026	Dec 31 2025	Sep 30 2025
Metals service centers	$ 996	$ 945	$ 835	$ 620	$ 657
Energy field stores	245	228	192	167	169
Steel distributors	107	107	89	75	95
Total	$ 1,348	$ 1,280	$ 1,116	$ 862	$ 921

Inventory Turns *(quarters ended)*	Sep 30 2026	Jun 30 2026	Mar 31 2026	Dec 31 2025	Sep 30 2025
Metals service centers	4.5	4.7	4.5	3.4	4.2
Energy field stores	4.2	4.0	3.4	3.0	3.0
Steel distributors	2.4	3.0	3.3	2.3	3.0
Total	4.2	4.4	4.2	3.2	3.8

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

Our inventory turns for the quarter ended September 30, 2026, were slightly lower than the second quarter of 2026. On September 30, 2026, our inventory tonnage at our metals service centers increased 1% compared with levels on June 30, 2026, and the average cost was 8% higher compared to June 30, 2026. Inventory at our energy field stores remained consistent with previous periods. In steel distributors, inventory levels at September 30, 2026, were higher than at June 30, 2026.

Accounts receivable utilized cash of $365 million due to higher revenues in the nine months ended September 30, 2026. Accounts receivable represented 29% of our total assets, excluding cash, on September 30, 2026, compared to 22% on December 31, 2025.

During the nine months ended September 30, 2026, we made income tax payments of $69 million compared to $26 million for the nine months ended September 30, 2025.

DEBT

($ millions)	September 30 2026	December 31 2025
4.423% $300 million Senior Unsecured Notes due March 28, 2030	$ 299	$ 298

Cash and Bank Credit Facilities

($ millions)	September 30 2026	December 31 2026
Bank borrowings	$ -	$ -
Cash net of outstanding cheques	85	115
Net cash	85	115
Letters of credit	(109)	(24)
	$ (24)	$ 91
Facilities		
Borrowings and letters of credit	$ 400	$ 400
Borrowings	-	-
Letters of credit	50	50
Facilities availability	$ 450	$ 450

We have a $450 million committed, unsecured credit facility with a syndicate of Canadian and U.S. banks that provides: (i) Facility A - $400 million for borrowings or additional letters of credit and (ii) Facility B - $50 million for letters of credit, which expires on May 29, 2030.

On September 30, 2026, we had no borrowings and $109 million of letters of credit outstanding under the facilities. On December 31, 2025, we had no borrowings and $24 million of letters of credit.

On September 30, 2026, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facilities we had access to approximately $418 million of cash on September 30, 2026. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases.

CONTRACTUAL OBLIGATIONS

On September 30, 2026, we were contractually obligated to make payments as per the following table:

	Payments due in				
($ millions)	2026	2027 and 2028	2029 and 2030	2031 and thereafter	Total
Accounts payable	$ 781	$ -	$ -	$ -	$ 781
Long-term debt	-	-	300	-	300
Long-term debt interest	-	26	20	-	46
Operating leases	11	83	59	96	249
Total	$ 792	$ 109	$ 379	$ 96	$ 1,376

We are obligated to pay $109 million in letters of credit when they mature in 2026. We have outstanding US$96 million in forward exchange contracts that mature in 2026.

We expect our multi-year average annual capital expenditure level to be approximately $100 million. These investments are being planned but not legally committed expenditures.

We provide defined contribution pension plans for a majority of our Canadian and U.S. employees; however, we have obligations related to multiple defined benefit pension plans in Canada and in the U.S., as disclosed in Note 16 of our annual 2025 consolidated financial statements.

For our Canadian plans as provided in the plan text, we are using our defined benefit surplus to fund some of the employer portion of our defined contribution plan contributions. During the nine months ended September 30, 2026, we used $3 million of our defined benefit surplus to fund our defined contribution plan, and we expect to use approximately $1 million of our defined benefit surplus to fund the defined contribution plan during the remainder of 2026. The defined benefit obligations reported in the consolidated financial statements use different assumptions than the going concern actuarial valuations prepared for funding. In addition, the actuarial valuations provide a solvency valuation, which is a valuation assuming the plan is wound up at the valuation date. We do not have additional funding obligations on a solvency basis and no additional funding would be required based on solvency if the plans were wound up. We estimate the impact of a 0.25% change in the discount rate on the solvency obligation would be approximately $2 million.

For our U.S. defined benefit pension plans, we expect to contribute $0.4 million to these plans in 2026. We estimate the impact of a 0.25% change in the discount rate on the solvency obligation would be approximately $2 million.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING ESTIMATES

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

Our most significant assets are accounts receivable and inventories.

Accounts Receivable

An allowance for expected credit losses is maintained for estimated losses resulting from the inability of our customers to make required payments. Assessments are based on aging of receivables, legal issues (bankruptcy status), past collection experience, current financial information, credit agency reports and the experience of our credit personnel. Accounts receivable which we determine to be uncollectible are reserved in the period in which the determination is made. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for expected credit losses on September 30, 2026, has increased by $2 million compared to December 31, 2025.

Inventories

We review our inventories to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow-moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. Our inventory reserves at September 30, 2026, increased $2 million compared to our allowance on December 31, 2025.

Other areas involving significant estimates and judgements include:

Long-lived Asset Impairment

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

During the quarter ended September 30, 2026, no long-lived asset impairments were recorded. There is no certainty that there will not be a future impairment should the economic markets in which we operate deteriorate.

Income Taxes

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

Business Combinations
For each acquisition we review the fair value of assets acquired. Where we deem it appropriate, we hire outside business valuators to assist in the assessment of the fair value of property, plant, equipment, intangible assets and contingent consideration, if any, of acquired businesses.

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

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

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

Our Canadian plan assets were approximately $96 million on September 30, 2026, compared to $101 million on December 31, 2025. The discount rate used on the Canadian employee benefit plan obligation for the quarter ended September 30, 2026, was 5.4% which was higher than the 4.9% discount rate used on December 31, 2025. Our U.S. plan assets were approximately $23 million on September 30, 2026, which approximate the plan assets at December 31, 2025. The discount rate used on the U.S. employee benefit plan obligation for the quarter ended September 30, 2026, was 6.4% which was higher than the 5.4% used on December 31, 2025.

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

CONTROLS AND PROCEDURES

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

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

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

The President & Chief Executive Officer and the Executive Vice President & Chief Financial Officer have caused management and other employees to design and document our disclosure controls and procedures and our internal controls over financial reporting. The design of internal controls was completed using the framework and criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. In accordance with National Instrument 52-109 we have limited our scope for reporting on disclosure controls and procedures and internal controls over financial reporting during the first year of acquiring the Kloeckner locations.

No changes were made in our internal controls over financial reporting at our non-Kloeckner locations during the third quarter of 2026 that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Summary Financial Information – Kloeckner Locations

For the period ended September 30, 2026 ($ millions)	Three months	Nine months
Revenue	$ 237	$ 633
Earnings before interest, taxes, depreciation and amortization	33	57

As at September 30, 2026 ($ millions)	
Current assets	$ 224
Current liabilities	(22)
Property, plant and equipment and right-of-use assets	83
Long-term lease obligations	(12)

The line items that could be affected by this limited scope at the Kloeckner locations are revenue, earnings before interest, taxes, depreciation and amortization, current assets and current liabilities.

VISION AND STRATEGY

The metals distribution business is a mature and cyclical industry. We believe we enhance returns by managing costs and working capital throughout the cycle.

Capital allocation priorities and limits are managed centrally with day-to-day decision making delegated to the various operations. Furthermore, our variable compensation model is based on the return on net assets for each business unit, which provides our business leaders a basis to proactively adjust costs and working capital to local market conditions. We continue our facility modernization initiative which, along with our multi-year expansion of our value-added processing equipment, will enhance our capabilities and provide improved service to our customer base.

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

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

Management believes that, over the cycle, this strategy will result in higher average earnings and returns in the top quartile of the industry.

RISK

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

The timing and extent of future price changes from steel producers and their impact on us cannot be predicted with any certainty due to the cyclical nature of the steel industry, capacity utilization rates for North American steel producers and changing import levels and tariffs. Future tariff changes to country or product exemptions, including possible modifications to the section 232 trade actions, may impact steel prices and product availability. In the case of significant increases in tariffs, we evaluate alternative sources of supply and when these are not available, tariff increases are passed onto our customers.

During the first three quarters of 2026, the U.S. issued multiple presidential proclamations modifying the application of Section 232 tariffs on various products including steel and steel derivative products and the Canadian government responded in various manners. There is continued risk related to the imposition of various tariffs, including risks related to the potential impacts on certain of our customers. We will continue to evaluate existing or potential tariffs and quotas and adjust our procurement and sales activities as required.

During the third quarter, the conflict in Iran has continued to have significant impact on global energy and transportation costs and affected the availability of some products out of that region causing prices on some products to increase. We will continue to evaluate the impact of the conflict in Iran and adjust our supply chain or pricing accordingly.

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

The impact of inflation, interest rates changes, geopolitical uncertainty, prevailing oil price conditions, governments and private sector debt levels and their ability to sustain capital investment initiatives and other macro-economic factors may lead to changes in estimates in our financial statements and the effect of such changes could be material and result in impairments of long-lived assets, including goodwill and intangible assets, provisions for inventory and credit losses.

OUTLOOK

Over the first three quarters of 2026, metal prices increased as a result of favourable demand, limited international supply into North America, extended lead times from North American suppliers and inflationary impacts on energy and transportation costs. We expect these market dynamics to continue in the near term. We expect our fourth quarter service center daily shipments to remain at comparable levels to those experienced in the first three quarters of the year, but with fewer operating days in the fourth quarter as a result of holiday schedules in both Canada and the U.S.

Over the medium-term, we expect to continue to benefit from further rebuilding of the U.S. industrial manufacturing base, Canadian nation building projects, as well as infrastructure related investments in areas such as data centers and energy related projects. In addition, we continue to be positioned to gain market share through our ongoing investments in value-added equipment, facility modernizations and acquisitions.

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