Russel Metals

2017 ANNUAL REPORT

Seamless Transition

CONTINUITY

CULTURE

We believe that our entrepreneurial culture provides us with a competitive advantage. We empower our general managers to run their business units as if they were owners by utilizing their local knowledge and their relationships to react quickly to changes in the markets that we serve. This unique culture is fostered by our performance-based compensation plans which allow us to attract and retain the best people and align the goals of our people with our shareholders.

PEOPLE

Our people have been and will continue to be what sets Russel Metals apart. Succession planning and the development of our people are a priority and imperative to maintaining our unique culture and profitability. Management is focused on leaving a legacy of leadership in place. Initiatives such as our Next Generation Conference and our Continuous Improvement Initiatives in our Health & Safety programs will further enable us to have a safe and seamless transition to our future leadership.

SHAREHOLDERS

Russel Metals is a dividend and growth story. Providing returns to our shareholders remains a primary goal of your leadership team and the dividend is a key component of this strategy. We endeavour to have our disclosure documents be clear, concise and easily understood. We believe that this clarity will aid our shareholders in understanding our cyclical business model and thereby enhance their decision making process.

GROWTH

We will continue our disciplined approach to growth opportunities presented that will expand our product offerings or geographic coverage and that add value to shareholders and enable us to sustain the dividend. Our Color Steels acquisition, for example, was immediately accretive. The expansion of our U.S. Metals Service Centers and our Energy Field Store footprint through acqusitions or greenfields will be a primary growth strategy.

VALUE-ADDED

Expanding our value-added proposition will continue to be a priority. The new state of the art plate processing facility in Edmonton has allowed us to enhance our processing capabilities, grow market share and reduce costs. We continue to augment our processing capabilities across North America with the addition of fiber lasers, tube lasers, and combination machines that cut, drill and machine finished parts and have added leveling capabilities, such as stretcher leveling, to our cut-to-length lines. This value added approach will continue to grow our service center market share.

TECHNOLOGY

We continue to challenge ourselves to leverage technology to improve our productivity. Over the last several years, we implemented technology which included bar-coding, electronic invoicing, receiving and payments, and real time inventory. Our ERP systems will continue to be modernized which will allow us to benefit from technological advances while maintaing our industry-leading enhancements.

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FINANCIAL HIGHLIGHTS

	<------------	-------------	Years Ended	-------------	------------>
	2017	2016	2015	2014	2013
OPERATING RESULTS (millions)					
Revenues	**$3,296.0**	$2,578.6	$3,111.6	$3,869.3	$3,187.8
Net earnings	**123.8**	62.8	(87.6)	123.6	83.3
EBIT	**206.4**	119.0	(86.1)	217.0	146.0
EBIT as a % of revenue	**6.3%**	4.6%	(2.8%)	5.6%	4.6%
EBITDA	**240.6**	154.1	(51.0)	251.8	179.6
EBITDA as a % of revenue	**7.3%**	6.0%	(1.6%)	6.5%	5.6%
Basic earnings per common share ($)	**$2.00**	$1.02	($1.42)	$2.01	$1.37
BALANCE SHEET INFORMATION (millions)					
Metals					
Accounts receivable	**$445.8**	$358.9	$333.4	$566.6	$455.9
Inventories	**819.9**	615.8	712.5	930.8	766.3
Prepaid expenses and other assets	**17.2**	8.5	10.7	11.6	5.9
Accounts payable and accruals	**(347.4)**	(276.3)	(269.7)	(486.0)	(383.7)
Net working capital - Metals	**935.5**	706.9	786.9	1,023.0	844.4
Fixed assets	**246.5**	239.7	267.8	249.8	228.4
Goodwill and intangibles	**90.5**	85.7	92.0	214.3	218.7
Net assets employed in metals operations	**1,272.5**	1,032.3	1,146.7	1,487.1	1,291.5
Other operating assets	**(0.8)**	(1.1)	(1.9)	1.5	10.1
Net income tax assets (liabilities)	**(30.0)**	(7.3)	25.4	(23.4)	(11.3)
Pension and benefit assets (liabilities)	**(12.0)**	(11.0)	(21.7)	(26.1)	(23.1)
Other corporate assets and liabilities	**(24.4)**	(38.5)	(33.1)	(42.3)	(42.6)
Total net assets employed	**$1,205.3**	$974.4	$1,115.4	$1,396.8	$1,224.6
CAPITALIZATION (millions)					
Bank indebtedness, net of (cash)	**$82.0**	$(146.8)	$(49.2)	$(29.2)	$(116.2)
Long-term debt (incl. current portion)	**296.5**	295.9	295.7	461.0	458.4
Total interest bearing debt, net of (cash)	**378.5**	149.1	246.5	431.8	342.2
Market capitalization	**1,805.3**	1,579.2	991.6	1,597.4	1,913.1
Total firm value	**$2,183.8**	$1,728.3	$1,238.1	$2,029.2	$2,255.3
OTHER INFORMATION (Notes)					
Shareholders' equity (millions)	**$826.8**	$825.3	$868.9	$965.0	$882.4
Book value per share ($)	**$13.36**	$13.37	$14.08	$15.65	$14.48
Free cash flow (millions)	**$180.4**	$77.4	$0.6	$124.8	$92.0
Capital expenditures (millions)	**$35.7**	$16.7	$38.3	$48.2	$27.2
Depreciation and amortization (millions)	**$34.2**	$35.1	$35.1	$34.8	$33.6
Earnings multiple	**14.6**	25.1	nm	12.9	22.9
Firm value as a multiple of EBIT	**10.6**	14.5	nm	9.4	15.4
Firm value as a multiple of EBITDA	**9.1**	11.2	nm	8.1	12.6
Interest bearing debt/EBITDA	**1.6**	1.9	nm	1.8	2.6
Debt as a % of capitalization	**31%**	26%	25%	32%	34%
Market capitalization as a % of book value	**218%**	191%	114%	166%	217%
Return on capital employed	**17%**	12%	(8%)	16%	12%
Return on equity	**15%**	8%	(10%)	13%	9%
COMMON SHARE INFORMATION					
Ending outstanding common shares	**61,890,197**	61,735,485	61,702,560	61,674,228	60,946,393
Average outstanding common shares	**61,788,013**	61,704,990	61,696,592	61,321,767	60,780,520
Dividend yield	**5.2%**	5.9%	9.5%	5.9%	4.5%
Dividend per share	**$1.52**	$1.52	$1.52	$1.52	$1.40
Dividends paid as a % of free cash flow	**52%**	121%	nm	72%	92%
Share price - High	**$29.78**	$27.78	$27.81	$37.63	$31.62
Share price - Low	**$23.67**	$13.95	$14.36	$25.07	$23.23
Share price - Ending	**$29.17**	$25.58	$16.07	$25.90	$31.39

This chart includes certain financial measures that are not prescribed by Canadian generally accepted accounting principles (GAAP) or have standardized meanings, and thus, may not be comparable to similar measures presented by other companies, for example EBIT and EBITDA and Other Information. Management believes that EBIT and EBITDA 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 requirements. EBIT and EBITDA should not be considered in isolation or as an alternative to cash from operating activities or other combined income or cash flow data. EBIT, EBITDA and a number of the ratios provided under Other Information are used by debt and equity analysts to compare our performance against other public companies. This terminology is defined on the inside back cover of our Annual Report. See financial statements for GAAP earnings.

REPORT TO SHAREHOLDERS

Our 2017 strong earnings reflected positive trends in all three of our business segments. Our 2017 earnings of $2.00 per share were comparable to 2014 and achieved with revenues that were $573 million lower. These improved earnings validate our improved operating efficiencies, value-added growth initiatives and our strategic acquisition of Apex which diversified our mix in our energy products segment. Our energy products segment significantly outperformed all of our major public competitors and our service centers and steel distributors segments continued to maintain industry-leading results.

In 2017 we continued to both grow our market share and invest in the future by expanding our processing capabilities in North America. We completed the $26 million acquisition of Color Steels, a complementary eastern Canadian niche operation that expanded our product offerings through painted flat rolled steel. We invested $36 million in capital expenditures, much of which was focused on value-added processing. To highlight a few, during 2017 Edmonton added a new beam yard along with the associated value-added processing equipment to allow them to target new markets; Saskatoon added a new state-of-the-art fiber laser to add capacity to their existing robust processing capabilities; JMS continued grow market share through value-added processing with an additional tube laser; and Quebec broadened their value-added offering with a new combination plasma and machining table to augment their capabilities.

We continued to emphasize shareholders returns through dividends totaling $94 million for the year.

MANAGEMENT

We welcome the team from Color Steels, a well-managed operation that was immediately accretive to earnings.

In our metals service centers Joe Mangialardi, our Regional General Manager - Ontario, retired after 39 years of service. We thank Joe for his tremendous service over his long career and welcome his internal successor Tony Defina to his new role. The Ontario Region will be well served as Tony brings more than 25 years of commercial and operations experience to the region. In our energy product operations, Mike Harris of Pioneer Pipe has decided to step back from his current role and play an oversight and mentoring role in advance of his retirement in 2018. Reynold Wilden, who has more than 31 years of commercial and operational experience at Pioneer, has assumed the role of President.

BOARD OF DIRECTORS

We thank two of our directors, Lise Lachapelle and John Hanna, who are not standing for re-election. Lise joined our Board in 1996 and brought remarkable wisdom along with a unique perspective to our Board. Lise always had a view to represent our shareholders to the best of her considerable abilities. John joined our Board in 2012. With his distribution background, John brought an insight into the distribution industry to our Board, Health & Safety and Audit Committees.

We welcome our newest Board member, Annie Thabet. Annie brings more than 35 years of business experience and an in-depth knowledge of the Quebec marketplace to our Board.

THE FUTURE

At the end of 2017, commodity prices were stronger than they've been for several years. Demand was also steady. As we move forward in 2018, we are buoyed by the positive trends in both demand and pricing in our markets. We believe, in light of the 232 tariffs, that steel prices will remain near current levels which should result in increased margins in our steel distributors and metals service centers segments. We will continue to increase our value-added processing capabilities in our metal service centers with the addition of state of the art equipment in several of our operations.

Jim Dinning
Chair of the Board

Brian Hedges
Chief Executive Officer

John Reid
President & COO

In 2017 our energy operations benefited from stronger oil prices, higher rig counts and tighter inventory levels in the industry. In 2018 we expect an increase in project activity in line pipe, rig count volumes in Canada similar to 2017 and rig count volumes consistent to slightly increased in the United States. Inventory management will continue to be a priority for the energy products management team.

Our cost reduction programs enhanced our productivity and had a positive impact on earnings. In 2018 we will continue to benefit from these productivity gains and expect that demand levels will remain steady.

We believe there will be acquisition opportunities in the service center and energy segments in 2018. With our well-capitalized balance sheet we are positioned to take advantage of these opportunities.

Brian R. Hedges	James F. Dinning	John G. Reid
Chief Executive Officer	Chair of the Board	President and COO

A TRIBUTE TO BRIAN R. HEDGES

We celebrate Brian's retirement with mixed emotions as we reflect on the indelible impact of Brian's 24 years of leadership; including nine as CEO. We are thrilled for Brian to move to the next chapter of his life; yet professionally we will miss his active leadership in the business.

When we look back on Brian's tenure with us, it can be best summed up in the phrase, "doing the right thing".

In 1997, Brian, then our CFO, and our CEO Bud Siegel emerged as the key leadership team following a proxy battle. They were charged with restructuring a struggling business, which required divesting non-core assets and strengthening our Canadian service center brand. Growth ensued through major Canadian acquisitions in the early 2000's and a significant U.S. acquisition in 2007 established our U.S. Service Center presence. Doing the right thing meant focusing our Company on what we do well; ensuring that we had sufficient operating capital and dealing with under-performing assets.

More importantly Brian was an unwavering sponsor of our cultural transformation as we flattened our organization structure, empowered the operators to concentrate on the success of their business units and moved the corporate group to a supportive role in this new decentralized culture. We re-designed our compensation plans to reward pay-for-performance and excellence at all levels, not just the executives, thereby fostering an entrepreneurial environment with a keen focus on managing working capital.

In 2009 Brian became CEO at a time when even the longest serving and savviest CEO's were challenged. His primary concern was maintaining the corporate culture during the economic downturn that affected all businesses. The downturn was particularly severe in our industry with an unprecedented drop in demand and steel prices. Doing the right thing meant leading by example by reducing executive pay and empowering our operators to adjust their own operations to the economics of their local markets. Our theme in his first year was "resilience" as the Company put plans in place to minimize the disruption for our customers, suppliers, employees and shareholders.

By the end of 2009, the business environment had improved and in 2010 and 2011 we returned to profitability. Brian, with the support of our Board, remained focused on both shareholders and employees as we increased the dividend and ensured that our pay-for-performance incentives rewarded operations that performed well. Brian also emphasized shareholder value by stepping away from acquisition opportunities that were not accretive. Our growth was focused on moving further up the value chain by adding processing equipment, implementing bar coding and other technology, and expanding our existing operations.

In 2012, Brian led the acquisition of industry leader Apex Distribution and related companies, our largest acquisition to date. Apex added a new supply channel to our energy portfolio providing our shareholders with a more stable income stream. Brian's capital markets experience led us to a Canadian first: our issue of high yield debt instrument through a bought deal. Doing the right thing also meant spearheading a new pension plan vehicle, a Defined Contribution Pension Plan, to support our employees in their retirement planning goals.

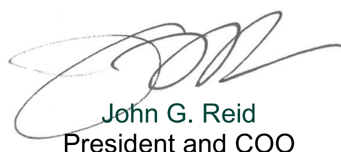
During 2013 and 2014 we continued to grow our Apex field store presence in Canada and the U.S. In early 2015, Brian's leadership would again be put to the test with yet another economic headwind as North American energy and steel markets tumbled.

Doing the right thing meant supporting our operations by encouraging them to adjust their businesses according to the activity levels in their respective markets and actively managing corporate costs. Our variable compensation plans, designed years before, allowed us to reduce costs to match the lower economic activity. During a time when cutting the dividend was a popular trend among energy-related companies, Brian worked with the support of the Board to emphasize our commitment to shareholders by maintaining our dividend through the downturn. Our countercyclical cash flows supported the dividend and his message was clear: we should reward shareholders who maintained their position.

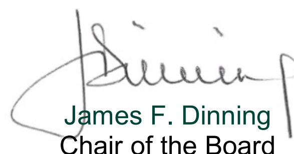
Much of his last two years have been devoted to the development of our leadership team. Brian focused on mentoring management in the areas where he excels: capital markets, shareholder value and promoting our entrepreneurial culture. The acquisitions that Brian had quarterbacked were now led by our management team with Brian coaching from the sidelines; a nod to his football past.

Brian's tenure as CFO and CEO has served our shareholders and employees well. When he became CFO, our market capitalization was $338 million and shareholders' equity was $314 million. Today, our market capitalization is almost $1.8 billion, shareholders' equity is $830 million and shareholders have received dividends totaling $1.1 billion over the last 24 years; a solid base for the future.

For those of us who have had the privilege of working with Brian during his journey, we thank him for his counsel, friendship, and leadership.



John G. Reid
President and COO



James F. Dinning
Chair of the Board

FAREWELL

After nine years as Chief Executive Officer, it is time to step aside and let the next generation take the helm. My years at Russel have been the highlight of my career: leading and working with our excellent team, challenged with maintaining and growing your world-class metals distribution business passed on by my predecessor, Bud Siegel. My successor, John Reid, with the full support of our Board of Directors, will be your new Chief Executive Officer. With John's appointment, we have a third generation of consistent leadership that will build on our prior successes.

Our Annual Report theme when I was appointed CEO is still relevant today - Great Company, Great Balance Sheet, and Easily Understood. I'm proud of our continued market leadership when measured by Return on Net Assets, Return on Equity and Shareholder Returns through our industry-leading dividend. Our shareholder base has been very stable during my tenure. I believe that is because we remain focused on shareholder returns and constantly and clearly communicate our direction and thinking. Our proactive business decisions, such as the Apex acquisition, were crucial in our remaining a top quartile performer. Just as important are the numerous "no" decisions we made because they did not add shareholder value. Since 2008, we have returned $726 million to shareholders through dividends. In the same period we invested $653 million in acquisitions and capital expenditures.

In the last nine years, despite the stresses of two major economic downturns, we continued to improve and grow our businesses through acquisitions, greenfields and organic growth. During this time our dedicated employees embraced change and remain our most important intangible asset. Our decentralized culture, which is the backbone of our performance, has been embraced by our colleagues. Our regional management teams foster strong relationships with employees, customers and suppliers. This results in business decisions made in the local areas by leaders and managers who are best qualified to make these decisions. Our corporate infrastructure has remained lean, in a supportive role, allowing our operations to remain focused on buying and selling steel.

We take pride in our strong governance, ethical standards and our focus on being the best possible partner for our employees, customers, suppliers and shareholders. This is achieved by consistently applying our values and not letting them be compromised by short term profit motives. I would like to thank our Board of Directors for their guidance to ensure we have integrity in all aspects of our business and reporting activities. In addition, as a shareholder, I fully support their most important decision - the selection of my partner for nine years, John Reid, as our new CEO.

The past 23 years have produced great memories and I'll begin by thanking my family for their love, support and understanding throughout my career. Without their sacrifices this journey would not have been possible or as enjoyable.

Next I thank my mentor, Bud Siegel, for sharing his wealth of industry knowledge, unique perspective, and keeping me focused during our frequent discussions; which continue today. I'd like to extend my thanks to Prem Watsa for his support in the early years as a major shareholder and for his continued counsel. Tony Griffiths and Jim Dinning have been insightful and supportive Chairmen and have provided guidance on how to handle new situations that crop up in a company of our size. Bill O'Reilly has filled numerous company roles in the last twenty-four years; he has been a valuable partner since my first interview for the CFO position and provided grounding and perspective when needed.

The heart of our company is our colleagues who buy, sell and ship the steel, pipe, valves, fittings, flanges and other metals that we sell. Without their dedication to outstanding service there would not be a successful business. I have had the pleasure of working with a great group and would like to thank those operators who go back a long way - Michel Vaillancourt in Quebec, Bruce Robb in Western Canada, Joe Mangialardi in Ontario, Derek Currah at Comco, Mike Harris at Pioneer, Glenn Peel at Sunbelt and Doug Thompson at Wirth. Their partners, the regional controllers, have also made major contributions to our success.

Running a decentralized company puts considerable stress on the corporate office but I have had the luxury of the support of the strongest corporate staff in the industry led by Maureen Kelly our VP Information Systems, Marion Britton our Chief Financial Officer, Lesley Coleman our VP Controller, David Halcrow our VP Purchasing, and Rick Greaves our VP Credit. During a long career we all have special people we turn to for every day assistance and I would like to thank several that have always been there for me - Hanan Eskandar, Cheri Saxon, Sherri McKelvey, and Rose Sequeira in corporate, Wayne McCormick, Shelly MacIvor, and Shaun Wright in information systems and Beverley Downer in human resources; all long time employees of the company.

To all of our stakeholders, thank you for all the encouragement and support that you have provided over my 24 years of service. I look forward to continuing my service as a member of your Board.

Brian R. Hedges
Chief Executive Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, Management's Discussion and Analysis of Financial Condition 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 International Financial Reporting 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 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 International Financial Reporting Standards. 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, 2017, and has disclosed the results of this evaluation in its Management Discussion and Analysis of Financial Condition.

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. 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 for presentation to the shareholders.

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

February 14, 2018

B. R. Hedges
Chief Executive Officer

M. E. Britton
Executive Vice President and
Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Russel Metals Inc. and its subsidiaries provides information to assist readers of our audited Consolidated Financial Statements for the year ended December 31, 2017, including the notes thereto and should be read in conjunction with these financial statements. All dollar references in our financial statements and in this report are in Canadian dollars unless otherwise stated.

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

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of February 14, 2018.

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: the volatility in metal prices; volatility in oil and natural gas prices; cyclicality of the metals industry and the industries that purchase our products; decreased capital and other expenditures in the energy industry; product claims from customers; significant competition that could reduce our market share; the interruption in sources of metals supply; manufacturers selling directly to our customer base; material substitution; credit risk of our customers; lack of credit availability; change in our credit ratings; currency exchange risk; restrictive debt covenants; non-cash asset impairments; the unexpected loss of key individuals; decentralized operating structure; the availability of future acquisitions and their integration; the failure of our key computer-based systems, including our enterprise resource and planning systems; failure to renegotiate any of our collective agreements and work stoppages; litigious business environment; environmental liabilities; environmental concerns or changes in government regulations; legislation on carbon emissions; workplace health and safety laws and regulations; significant changes in laws and governmental regulations; fluctuation of our common share price; dilution; and variability of dividends.

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

NON-GAAP MEASURES

This MD&A includes a number of measures that are not prescribed by Canadian generally accepted accounting principles ("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. The measures we use are specifically defined where they are first used in this report.

While we believe that non-GAAP measures are helpful supplemental information, they should not be considered in isolation 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.

OVERVIEW

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

Our net earnings for 2017 of $124 million were almost double our net earnings of $63 million in 2016. Basic earnings per share was $2.00 for 2017 compared to $1.02 for 2016. The earnings per share in 2016 included a gain of $0.27 per share on the sale of properties. Higher demand and steel prices led to increased revenues and operating profits in all of our segments.

SUMMARIZED FINANCIAL INFORMATION

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

2017

(in millions, except per share data and volumes)	Quarters Ended				**Year Ended**
	Mar. 31	June 30	Sept. 30	Dec. 31	**Dec. 31**
Revenues	$ 803.5	$ 816.5	$ 850.9	$ 825.1	**$ 3,296.0**
Earnings before interest, finance expense and taxes	47.9	54.1	57.5	46.9	**206.4**
Net earnings	29.6	32.5	33.7	28.0	**123.8**
Basic earnings per common share	$ 0.48	$ 0.52	$ 0.55	$ 0.45	**$ 2.00**
Diluted earnings per common share	$ 0.48	$ 0.52	$ 0.55	$ 0.45	**$ 2.00**
Total assets	$ 1,611.4	$ 1,665.4	$ 1,796.7	$ 1,759.1	**$ 1,759.1**
Non-current financial liabilities	$ 296.0	$ 296.1	$ 296.3	$ 296.5	**$ 296.5**
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	**$ 1.52**
Market price of common shares					
High	$ 29.78	$ 28.65	$ 28.47	$ 29.51	**$ 29.78**
Low	$ 25.13	$ 23.67	$ 24.61	$ 27.16	**$ 23.67**
Shares outstanding end of quarter	61,792,194	61,792,194	61,792,194	61,890,197	**61,890,197**
Average shares outstanding	61,754,827	61,733,614	61,779,875	61,812,162	**61,788,013**
Number of common shares traded on the TSX	17,146,636	12,951,578	10,603,339	9,812,965	**50,514,518**

2016

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 662.1	$ 623.7	$ 639.2	$ 653.6	$ 2,578.6
Earnings before interest, finance expense and taxes	16.6	30.0	27.6	44.8	119.0
Net earnings	7.8	16.4	15.9	22.7	62.8
Basic earnings per common share	$ 0.13	$ 0.27	$ 0.26	$ 0.37	$ 1.02
Diluted earnings per common share	$ 0.13	$ 0.27	$ 0.26	$ 0.36	$ 1.01
Total assets	$ 1,541.8	$ 1,569.0	$ 1,556.7	$ 1,508.5	$ 1,508.5
Non-current financial liabilities	$ 295.4	$ 295.6	$ 295.7	$ 295.8	$ 295.8
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	$ 1.52
Market price of common shares					
High	$ 20.19	$ 24.89	$ 24.92	$ 27.78	$ 27.78
Low	$ 13.95	$ 19.34	$ 19.92	$ 19.81	$ 13.95
Shares outstanding end of quarter	61,702,560	61,703,560	61,703,560	61,735,485	61,735,485
Average shares outstanding	61,702,560	61,702,736	61,703,560	61,711,054	61,704,990
Number of common shares traded on the TSX	19,655,847	16,045,311	7,357,465	9,655,118	52,713,741

2015

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 903.9	$ 761.3	$ 773.4	$ 673.0	$ 3,111.6
Earnings (loss) before interest, finance expense and taxes	36.6	31.1	19.0	(172.8)	(86.1)
Net earnings (loss)	18.5	16.4	12.8	(135.3)	(87.6)
Basic earnings (loss) per common share	$ 0.30	$ 0.27	$ 0.21	$ (2.19)	$ (1.42)
Diluted earnings (loss) per common share	$ 0.30	$ 0.27	$ 0.21	$ (2.19)	$ (1.42)
Total assets	$ 1,981.8	$ 1,901.2	$ 1,877.3	$ 1,607.0	$ 1,607.0
Non-current financial liabilities	$ 480.8	$ 483.1	$ 315.2	$ 295.2	$ 295.2
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	$ 1.52
Market price of common shares					
High	$ 26.34	$ 27.81	$ 23.14	$ 24.05	$ 27.81
Low	$ 22.39	$ 22.35	$ 18.23	$ 14.36	$ 14.36
Shares outstanding end of quarter	61,701,628	61,701,628	61,701,628	61,702,560	61,702,560
Average shares outstanding	61,678,145	61,701,628	61,701,628	61,702,226	61,696,592
Number of common shares traded on the TSX	17,543,301	15,792,944	15,319,931	18,350,285	67,006,461

RESULTS OF OPERATIONS

The following table provides earnings before interest, other finance expense and income taxes. The corporate expenses included are not allocated to specific operating segments. Gross margins (revenue minus cost of sales) as a percentage of revenues for the operating segments are also shown below. The table shows the segments as they are reported to management and are consistent with the segment reporting in our consolidated financial statements.

(in millions, except percentages)	**2017**	2016	2017 change as a % of 2016
Segment Revenues			
Metals service centers	**$ 1,635.2**	$ 1,383.5	**18%**
Energy products	**1,270.2**	881.2	**44%**
Steel distributors	**380.1**	304.5	**25%**
Other	**10.5**	9.4	
	$ 3,296.0	$ 2,578.6	**28%**
Segment Operating Profits			
Metals service centers	**$ 80.0**	$ 58.1	**38%**
Energy products	**106.8**	18.9	**465%**
Steel distributors	**34.2**	29.0	**18%**
Corporate expenses	**(19.2)**	(18.6)	**(3%)**
Gain on sale of properties	**-**	27.7	
Other	**4.6**	3.9	
Earnings before interest, finance expense and income taxes	**$ 206.4**	$ 119.0	**73%**
Segment Gross Margin as a % of Revenues			
Metals service centers	**20.7%**	21.6%	
Energy products	**19.5%**	15.5%	
Steel distributors	**17.5%**	18.5%	
Total operations	**20.1%**	19.5%	
Segment Operating Profit as a % of Revenues			
Metals service centers	**4.9%**	4.2%	
Energy products	**8.4%**	2.1%	
Steel distributors	**9.0%**	9.5%	
Total operations	**6.3%**	4.6%	

Results of our U.S. operations for the year ended December 31, 2017 were converted at $1.2981 per US$1 compared to $1.3256 per US$1 for the year ended December 31, 2016. The decline of the U.S. dollar in 2017 versus 2016 decreased revenues, expenses and profits for our U.S. operations when translated to Canadian dollars. Our U.S. operations represented approximately 30% of our total revenues. The exchange rate used to translate the balance sheet at December 31, 2017 was $1.2545 per US$1 versus $1.3427 per US$1 at December 31, 2016.

ANNUAL FINANCIAL HIGHLIGHTS

(in millions, except per share amounts)	**2017**	2016	2015
Revenues	**$ 3,296**	$ 2,579	$ 3,112
Earnings before interest, finance expense and income taxes	**206**	119	(86)
Net earnings (loss)	**124**	63	(88)
Basic earnings (loss) per share	**2.00**	1.02	(1.42)

METALS SERVICE CENTERS

a) *Description of operations*

We provide processing and distribution services to a broad base of approximately 46,000 end users through a network of 51 Canadian locations and 14 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 and the Southeastern and Midwestern regions in the United States. Within Canada, our service centers operate under the names Russel Metals, Métaux Russel, A.J. Forsyth, Acier Leroux, Acier Loubier, Alberta Industrial Metals, B&T Steel, Color Steels, Leroux Steel, Mégantic Métal, Russel Metals Processing, Russel Metals Specialty Products, Métaux Russel Produits Spécialisés, McCabe Steel and York-Ennis. Our U.S. service centers operate under the names Russel Metals Williams Bahcall, JMS Russel Metals, Norton Metals and Baldwin International.

b) *Factors affecting results*

The following is a general discussion of the significant factors affecting our metals service centers results. More specific information on how these factors impacted 2017 and 2016 is found in the section that follows.

Steel prices fluctuate significantly throughout the steel cycle. Steel prices are influenced by overall international demand, trade sanctions, iron ore prices, scrap steel prices and product availability. Volatile metal prices cause fluctuations in our operating results. Steel prices at the beginning of 2017 were significantly higher than most of 2016 and the price environment was more stable than the two prior years. Steel price increases were announced in late 2017 and in the first quarter of 2018 resulting in increased selling prices in the 2018 first quarter.

In April 2017, the U.S. Department of Commerce self-initiated an investigation under section 232 of the Trade Expansion Act of 1962 to determine whether imports of foreign-made steel were harming U.S. national security. Trade sanctions from both the U.S. Department of Commerce and the Canadian International Trade Tribunal have been awaiting the results of the U.S. section 232 investigation. On January 11, 2018, the U.S. Department of Commerce presented the executive branch with their preliminary report, which has not been made public. The executive branch has 90 days to decide whether it will take action.

Supply side management, practiced by steel producers in North America, and international supply and demand, which impact steel imports, affect product availability. Trade sanctions are initiated either by steel mills or by government agencies in North America. During the fourth quarter of 2017, the Canadian International Trade Tribunal initiated an expiry review on carbon steel welded pipe from various countries. The U.S. Department of Commerce announced an affirmative final determination of countervailing duties of cold drawn mechanical tubing from China and India.

Our operating results are affected by the inherent risk of the cyclicality of the metals industry and the industries that purchase our products. Demand for our products is significantly affected by economic cycles. Revenues and operating profits fluctuate with the level of general business activity in the markets served. We are most impacted by the manufacturing, resource (including oil and gas), and construction segments of the North American economy.

Canadian service centers, which represent the majority of our metals service center operations, have operations in all regions of Canada and are affected by general regional economic conditions. Our large market share and diverse customer base of approximately 29,000 Canadian customers means that our results tend to mirror the performance of the regional economies of Canada. In 2017 we acquired Color Steels, which expanded our Canadian service center product line into pre-painted flat rolled product. Our U.S. operations, which have approximately 17,000 customers, are impacted by the local economic conditions in the regions that they serve.

Results of our Canadian operations can be affected by the U.S. dollar exchange rate since some products are sourced outside of Canada and are priced in U.S. dollars. Movement in the Canadian dollar has a short-term impact on inventory prices.

c) *Metals service centers segment results -- 2017 compared to 2016*

Revenues for 2017 increased 18% to $1.6 billion compared to 2016 revenues of $1.4 billion due to stronger activity and the acquisition of Color Steels. Tons shipped in the metals service centers segment in 2017, excluding Color Steels, increased 6% over tons shipped in 2016. Alberta and Ontario experienced the most significant increases. The return of activity related to oil and gas in Alberta and increased value-added processing led to stronger activity in those regions. The average selling price of metal for 2017 was approximately 11% higher than the average selling price for 2016.

Gross margin as a percentage of revenues was 20.7% which was lower than 2016 gross margins of 21.6%. Rising inventory costs throughout 2016 and 2017 resulted in a lower gross margin as a percentage of revenues in 2017.

Our average revenue per invoice for 2017 was approximately $1,846 compared to $1,603 for 2016, reflecting larger order sizes and price increases. We handled approximately 3,514 transactions per day in 2017 compared to 3,405 per day in 2016.

Operating expenses as a percentage of revenues improved for 2017 at 16% compared to 17% in 2016. Operating expense dollars were 7% higher than 2016 to support the increased tons shipped in 2017.

Metals service centers operating profits for 2017 were $80 million compared to $58 million for 2016 mainly related to higher steel prices, stronger demand and increased value-added processing.

ENERGY PRODUCTS

a) *Description of operations*

We distribute oil country tubular goods (OCTG), line pipe, tubes, valves and fittings, primarily to the energy industry in Western Canada and the United States. A significant portion of our business units are clustered in Alberta and Saskatchewan, Canada, and in the U.S., in Colorado and Texas. A large portion of our inventories are located in third party yards ready for distribution to customers throughout North America. In addition, we operate from 48 Canadian and 20 U.S. facilities mainly to support our valve and fitting operations. The majority of these facilities are oil field stores which form the Apex Distribution network. We purchase our products from the pipe division of North American steel mills, independent manufacturers of pipe, valves and fittings, international steel mills and other distributors. Our energy products segment operates under the names Apex Distribution, Apex Monarch, Apex Remington, Apex Western Fiberglass, Comco Pipe and Supply Company, Fedmet Tubulars, Triumph Tubular & Supply, Pioneer Pipe and Spartan Energy Tubulars.

b) *Factors affecting results*

The following is a general discussion of the factors affecting our energy products segment operations. More specific information on how these factors impacted 2017 and 2016 is found in the section that follows.

The price of oil and natural gas can impact rig counts and drilling activities, which affects demand for our products. Oil and gas prices stabilized in 2016 and increased slightly in 2017. Rig activity in both Canada and the U.S. recovered in 2017 to the strongest level since 2014, benefiting our energy products segment.

Prices for pipe products are influenced by overall demand, trade sanctions, product availability and metal prices. Trade sanctions are initiated either by steel mills or by government agencies in North America. Both the Canadian and U.S. governments have imposed duties on certain Chinese pipe, which remain in effect and have reduced imports of these products. In the first half of 2017, the U.S. Department of Commerce completed an administrative review of OCTG from South Korea. In January 2018, U.S. pipe mills announced a trade petition on imported large diameter pipe from six countries including Canada and the Canadian International Trade Tribunal initiated an expiry review on certain seamless casing from China. The U.S. section 232 investigation, referred to under metal service centers, may have an effect on pipe prices the extent of which is unknown. Prices of valves and fittings are not as sensitive to steel price fluctuations because they are highly engineered products.

Results of our Canadian operations can be affected by the U.S. dollar exchange rate since some products are sourced outside of Canada and are priced in U.S. dollars. Movement in the Canadian dollar has a short-term impact on inventory prices. Drilling related to oil and natural gas in Western Canada historically peaks during the period from October to March.

c) *Energy products segment results -- 2017 compared to 2016*

Revenues in our energy products segment increased 44% to $1.3 billion for 2017, compared to $0.9 billion for 2016 due to higher activity at all operations in the segment. Improved selling prices and increased demand in response to higher drilling activity led to increased revenues.

Gross margin as a percentage of revenue was 19.5% for 2017 compared to 15.5% in 2016. The reduction of excess inventory in the industry, product shortages and stronger demand resulted in stronger margins.

Operating expenses as a percentage of revenues improved to 11% compared to 13% in 2016. Operating expense dollars increased 20% which was a result of higher volumes and variable compensation offset by continued operating efficiencies.

Stronger demand and higher selling prices generated higher segment operating profits of $107 million for 2017 compared to $19 million for 2016.

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 operating under the name Arrow Steel, located in Houston, Texas where it processes coil for its customers. Our steel distributors source their steel both domestically and off shore.

The main steel products sourced by this segment are structural beam, plate, coils, pipe and tubing; however, product volumes vary based on the economy and trade actions in North America. Our steel distributors operate under the names Wirth Steel and Sunbelt Group. Arrow Steel processes and levels coil products.

b) *Factors affecting results*

The following is a general discussion of the significant factors affecting our steel distributors. More specific information on how these factors impacted 2017 and 2016 is found in the section that follows.

Steel prices are influenced by overall demand, trade sanctions and product availability both domestically and worldwide. Trade sanctions are initiated either by steel mills or government agencies in North America. Trade actions currently exist on plate and pipe from specified countries. New duties on imports from additional countries were levied by the U.S. Department of Commerce in 2017 and early in 2018. We continue to monitor the section 232 investigation discussed in more detail under the metals service center section.

Demand for steel that is sourced off shore fluctuates significantly and is mainly driven by price and product availability in North America. Our steel distributors have a significant number of customers who buy product from them on a periodic basis which can result in large fluctuations in revenues reported from period to period.

Our Canadian operations source product outside of Canada that is priced in U.S. dollars and may be subject to movements in the Canadian dollar.

c) *Steel distributors segment results -- 2017 compared to 2016*

Steel distributors revenues increased 25% to $380 million for 2017 compared to $305 million in 2016, due to increased volumes.

Gross margin as a percentage of revenues was 17.5% for 2017 compared to 18.5% for 2016.

Operating expenses as a percentage of revenue were 9% for 2017 and 2016. Operating expenses increased 17% mainly related to increases in volume and variable compensation.

Steel distributors operating income was $34 million compared to $29 million in 2016 due to increased volumes.

CORPORATE EXPENSES -- 2017 COMPARED TO 2016

Corporate expenses were $19 million in 2017 and 2016.

CONSOLIDATED RESULTS -- 2017 COMPARED TO 2016

Operating profits more than doubled to $206 million in 2017 compared to $91 million in 2016 due to higher revenues and stronger demand in all segments.

GAIN ON SALE OF PROPERTIES

In December 2016 we closed the sale of our Blytheville, Arkansas property. We entered into a 20 year lease for approximately one third of the square footage to house our JMS Russel Metals coil processing operation. In addition, we sold excess land in Quebec, entered into a sale and leaseback transaction for the Comco Pipe branch in Ontario and closed and sold our branch in Campbell River, British Columbia. These transactions resulted in a pre-tax gain of $28 million. In December 2017, we merged two of our Quebec locations and sold the excess property for a small gain.

INTEREST EXPENSE AND INCOME

Net interest expense was $24 million for 2017 compared to $22 million for 2016 as higher revenues resulted in higher debt levels to support increased working capital.

OTHER FINANCE EXPENSE AND INCOME

We recorded finance expense of $3.3 million in 2017 related to the fair value of the contingent consideration on our Apex Distribution acquisition. Their improved 2017 earnings resulted in this final payment under the agreement, which ended in 2017.

INCOME TAXES

We recorded a provision for income taxes of $55 million in 2017 compared to a provision of $35 million for 2016. Our effective income tax rate for 2017 was 30.9% compared to 35.5% for 2016. The U.S. Tax Reform, which passed in December 2017, did not result in a significant change in the provision for income taxes as net timing differences were negligible at December 31, 2017. In 2018, the U.S. Tax Reform will have a positive effect on net earnings as a result of the reduction of the U.S. federal tax rate from 35% to 21%. Our U.S. combined federal and state statutory rate should approximate our combined Canadian statutory rate.

NET EARNINGS

Net earnings for 2017 were $124 million compared to $63 million in 2016. Basic earnings per share for 2017 was $2.00 per share compared to $1.02 per share in 2016 as all segments experienced improved results.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for 2017 was 61,788,013 compared to 61,704,990 for 2016 as a result of the exercise of options. Common shares outstanding at December 31, 2017 and February 14, 2018 were 61,890,197.

We paid common share dividends of $94 million or $1.52 per share in 2017 and 2016.

We have outstanding $300 million principal amount 6% Senior Notes due April 19, 2022. The indenture for our Senior Notes has restrictions related to the payment of quarterly dividends in excess of $0.35 per share. At the current dividend rate, there is sufficient room to continue to pay the dividend to the maturity of the Senior Notes.

Under our syndicated bank facility, the payment of dividends is subject to excess borrowing base availability of not less than four times the declared dividend. We do not believe this requirement will restrict our ability to pay dividends. In addition, if our excess borrowing base were to be insufficient we believe we would be able to obtain a waiver or finance our short-term cash requirements with alternate financing structures and pay the dividend.

EBITDA

The following table shows the reconciliation of net earnings to EBITDA:

(millions)	**2017**	2016
Net earnings	**$ 123.8**	$ 62.8
Provision for income taxes	**55.4**	34.5
Interest and finance expense, net	**27.2**	21.7
Earnings before interest, finance expense and income taxes (EBIT)	**206.4**	119.0
Depreciation and amortization	**34.2**	35.1
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	**$ 240.6**	$ 154.1

We believe that EBITDA, a non-GAAP measure, 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 requirements. The items excluded in determining EBITDA are significant in assessing our operating results and liquidity. Therefore, EBITDA should not be considered in isolation or as an alternative to cash from operating activities or other combined income or cash flow data prepared in accordance with GAAP.

CAPITAL EXPENDITURES

Capital expenditures were $36 million in 2017 compared to $17 million in 2016. The increase in expenditures included the expansion of our Edmonton facility to include a structural yard, the purchase of a previously leased facility in Wisconsin, the merger of two of our Quebec facilities and continued investment in value-added processing equipment. The property changes are expected to reduce costs long-term, and the investment in processing equipment is expected to increase gross margins at our metals service centers. Depreciation expense was $28 million in 2017 and $29 million in 2016.

LIQUIDITY

At December 31, 2017, we had net debt, defined as cash less bank indebtedness, of $82 million compared to net cash of $147 million at December 31, 2016. We generated cash of $216 million from operations during 2017 due to strong earnings and $251 million of cash was utilized for working capital to support higher revenues. We utilized cash of $36 million for capital expenditures, $94 million for dividends to shareholders and $26 million for the Color Steels acquisition.

Due to our cyclical business, we experience significant swings in working capital which impact cash flow. Inventory and accounts receivable represent a large percentage of our total assets employed and vary throughout each cycle. Accounts receivable and inventory comprise our largest liquidity risks and the increased business activity in 2017 utilized $294 million in cash to support increases in these balances.

Total assets were $1.8 billion at December 31, 2017 compared to $1.5 billion at December 31, 2016. At December 31, 2017 current assets excluding cash represented 79% of our total assets excluding cash versus 75% at December 31, 2016.

Inventory purchases utilized cash of $208 million in 2017. Inventories were higher in all segments, particularly energy products, during 2017 due to increased demand and steel prices. Inventories represented 47% of our total assets at December 31, 2017 compared to 41% at December 31, 2016.

Inventory by Segment *(millions)*	**Dec. 31 2017**	Sept. 30 2017	June 30 2017	Mar. 31 2017	Dec. 31 2016
Metals service centers	**$ 302**	$ 306	$ 282	$ 280	$ 252
Energy products	**414**	345	314	267	288
Steel distributors	**104**	125	120	81	76
Total	**$ 820**	$ 776	$ 716	$ 628	$ 616

Inventory Turns *(quarters ended)*	**Dec. 31 2017**	Sept. 30 2017	June 30 2017	Mar. 31 2017	Dec. 31 2016
Metals service centers	**4.5**	4.4	4.6	4.3	4.2
Energy products	**2.3**	3.1	3.1	4.2	2.9
Steel distributors	**3.2**	2.6	2.7	3.0	3.5
Total	**3.2**	3.5	3.6	4.1	3.5

At December 31, 2017, our metals service centers had higher inventory tons at higher average prices compared to December 31, 2016. Tons increased to support stronger activity levels.

During 2017 inventory levels increased in our energy products operations to support the stronger activity in the oil and gas sector in 2017 and which is expected to continue into the first quarter of 2018.

Inventory levels at our steel distributors increased to support higher demand.

Accounts receivable utilized cash of $86 million in 2017 reflecting higher revenues. Accounts receivable represented 27% of our total assets excluding cash at December 31, 2017 and 2016.

During 2017, we made income tax payments less recoveries of $34 million compared to $3 million for 2016, due to increased earnings.

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.

FREE CASH FLOW

(millions)	**2017**	2016
Cash from operating activities before non-cash working capital	**$ 216.1**	$ 94.1
Purchase of property, plant and equipment	**(35.7)**	(16.7)
	$ 180.4	$ 77.4

We believe that free cash flow may be useful in assessing our ability to pay dividends, interest, reduce outstanding debt and fund working capital growth. Free cash flow is a non-GAAP measure regularly used by investors and analysts to evaluate companies.

DEBT

As at December 31 *(millions)*	**2017**	2016
Long-term debt		
6% $300 million Unsecured Senior Notes due April 19, 2022	**$ 297**	$ 296

CASH AND BANK CREDIT FACILITY

(millions)	**2017**	2016
Bank loans	**$ (223)**	$ (43)
Cash net of outstanding cheques	**141**	190
Net (debt) cash	**(82)**	147
Letters of credit	**(34)**	(39)
	$ (116)	$ 108
Facility		
Borrowings and letters of credit	**$ 350**	$ 350
Letters of credit	**50**	50
Facility availability	**$ 400**	$ 400
Available line based on borrowing base	**$ 400**	$ 400

At December 31, 2017, we had a credit facility with a syndicate of Canadian and U.S. banks totaling $400 million expiring September 21, 2019. The facility provides $50 million for letters of credit and $350 million which can be utilized for borrowings or additional letters of credit. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of our eligible accounts receivable and inventories, to a maximum of $400 million. On February 6, 2018, we amended and extended this facility to increase total borrowings and letters of credit from $400 million to $450 million expiring September 21, 2021.

As of December 31, 2017, we were entitled to borrow and issue letters of credit totaling $400 million under this facility. At December 31, 2017, we had $223 million in borrowings and $34 million of letters of credit outstanding. At December 31, 2016 we had $43 million in borrowings and letters of credit of $39 million.

At December 31, 2017, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facility we have access to approximately $264 million of cash based on our December 31, 2017 balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases.

CONTRACTUAL OBLIGATIONS

As at December 31, 2017, we were contractually obligated to make payments as per the following table:

	Payments due in				
Contractual Obligations *(millions)*	2018	2019 and 2020	2021 and 2022	2023 and thereafter	Total
Bank indebtedness	$ 208	$ -	$ -	$ -	$ 208
Accounts payable	366	-	-	-	366
Long-term debt	-	-	300	-	300
Long-term debt interest	18	36	28	-	82
Operating leases	23	35	22	22	102
Total	$ 615	$ 71	$ 350	$ 22	$ 1,058

As part of the purchase consideration for Apex Monarch we agreed to pay additional cash consideration during the five years ending 2018, based on earnings before interest and taxes and return on net assets. We do not forecast any additional payment related to this earnout.

We provide defined contribution pension plans for a majority of our Canadian and U.S. employees; however, we have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 14 of our 2017 consolidated financial statements. During 2017, we contributed $5 million to these plans. We expect to contribute approximately $6 million to these plans during 2018. 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. Our reported funding obligations would increase by $11 million on a solvency basis and thus additional funding could be required based on solvency if the plans were wound up. We estimate the impact of a 0.25% change in the discount rate on the solvency obligation would be approximately $5 million.

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

OFF-BALANCE SHEET ARRANGEMENTS

Our off-balance sheet arrangements consist of the letters of credit disclosed in the bank credit facility table and 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, contingent consideration, litigation and assigned values on net assets acquired. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Our most significant assets are accounts receivable and inventories.

Accounts Receivable

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of our customers to make required payments. Assessments are based on aging of receivables, legal issues (bankruptcy status), past collection experience, current financials, credit agency reports and the experience of our credit personnel. Accounts receivable which we determine to be uncollectible are reserved in the period in which the determination is made. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Our reserve for bad debts at December 31, 2017 was approximately $1 million lower than our reserve at December 31, 2016.

Inventories

We review our inventories to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. The inventory reserve level at December 31, 2017 was $19 million lower than the level at December 31, 2016 due to a stronger price environment and the sale of slow moving product which utilized a portion of the reserves as intended.

Other areas involving significant estimates and judgements include:

Goodwill Impairment

The determination of whether goodwill and intangibles are impaired requires the estimation of future cash flows and an appropriate discount rate to determine value in use. An impairment occurs when the book value of the assets associated with a particular cash generating unit is greater than the value in use. The assessment of future cash flows and the discount rate requires significant judgment. Goodwill is tested for impairment on an annual basis which resulted in no impairment for the years ended December 31, 2017 and 2016.

Income Taxes
We believe that we have adequately provided for income taxes based on all of 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, intangibles and contingent consideration of acquired businesses. The assessment of fair values for contingent consideration is completed quarterly and requires significant judgement.

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.

During 2017 we settled and paid an energy products customer claim relating to product that was distributed from 2010 to 2012. We had previously provided for this claim.

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

We had approximately $138 million in plan assets at December 31, 2017, which is approximately $10 million higher than December 31, 2016. The discount rate used on the employee benefit plan obligation for December 31, 2017 was 3.25%, which is 50 basis points lower than the discount rate at December 31, 2016.

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 Chief Executive Officer and the Executive Vice President and 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. An evaluation of the design and operating effectiveness of the disclosure controls and internal controls over financial reporting was conducted as at December 31, 2017. The design and evaluation 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.

Based on our evaluation, we have concluded that our disclosure controls and procedures and our internal controls over financial reporting were effective to provide reasonable assurance that information related to our consolidated results and decisions to be made on those results were appropriate.

VISION AND STRATEGY

The metals and energy product distribution business is a mature, cyclical industry. We believe we enhance profitability by operating with the lowest possible net assets at all times. This reduces borrowings and minimizes interest expense in all periods of the economic cycle and creates returns on net assets that are more stable. Our conservative management approach creates relatively stronger trough earnings but could cause potential peak earnings to be somewhat muted. Management believes that this strategy will result in higher average profits and that we will generate earnings over the cycle in the top quartile of the industry.

Growth from selective acquisitions is also part of our strategy. We focus on investment opportunities in metals and energy distribution businesses that have strong market niches or provide mass to our existing operations. New acquisitions could be either major stand-alone operations or ones that complement our existing operations. In addition, we will continue to invest in value-added processing that allows for growth and will further stabilize our returns. We completed the acquisition of Color Steels in 2017 which provided a new product line to our Canadian service center operations and we continue to review opportunities for additional acquisitions.

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

RISK

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, modest capacity utilization rates for North American steel producers and import availability.

A large portion of our revenues are dependent on the oil and gas industry whose activity fluctuates with oil and gas prices. Our acquisitions between 2012 and 2015 of oil field store operations increased our exposure to the oil and gas industry; however, they have provided a more stable stream of earnings for the energy products segment and made us one of the largest energy services companies in Canada.

We have implemented an enterprise risk management program. The enterprise risk management program and 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.

FOURTH QUARTER RESULTS

The following table provides earnings before interest, taxes and other income or expense in a format consistent with our annual results.

(millions, except percentages)	Quarters Ended December 31		2017 change as a % of 2016
	2017	2016	
Segment Revenues			
Metals service centers	**$ 418.4**	$ 329.5	27%
Energy products	**299.9**	241.7	24%
Steel distributors	**104.4**	79.3	32%
Other	**2.4**	3.1	
	$ 825.1	$ 653.6	26%
Segment Operating Profits			
Metals service centers	**$ 15.7**	$ 7.2	
Energy products	**27.6**	5.3	
Steel distributors	**7.5**	7.6	
Corporate expenses	**(4.8)**	(4.6)	
Gain on sale of properties	**-**	27.7	
Other	**0.9**	1.6	
Earnings before interest, finance expense and income taxes	**$ 46.9**	$ 44.8	
Segment Gross Margin as a % of Revenues			
Metals service centers	**19.3%**	20.6%	
Energy products	**21.3%**	13.8%	
Steel distributors	**14.9%**	16.1%	
Total operations	**19.7%**	17.9%	
Segment Operating Profit as a % of Revenues			
Metals service centers	**3.8%**	2.2%	
Energy products	**9.2%**	2.2%	
Steel distributors	**7.1%**	9.6%	
Total operations	**5.7%**	6.9%	

Revenues in the fourth quarter of 2017 were 26% higher than the same quarter in 2016. Operating income was $47 million compared to $17 million in 2016.

Metals service centers revenues were 27% higher than the same quarter in 2016 as a result of increased activity, higher selling prices and the Color Steels acquisition. Same store tons shipped in the fourth quarter of 2017 for metals service centers were 13% higher than the fourth quarter of 2016 and same store selling prices were 9% higher than the fourth quarter of 2016. Gross margin as a percentage of revenues decreased to 19.3% for the fourth quarter of 2017 from 20.6% for the fourth quarter of 2016.

The operating profits in our energy products segment of $28 million for the fourth quarter of 2017 were approximately five times higher compared to the same quarter last year. Stronger oil and gas prices led to higher demand in all of our energy operations.

Our steel distributors reported 2017 operating income which approximated that of the same quarter last year as higher 2017 revenues were offset by lower margins.

Earnings per share for the fourth quarter of 2017 was $0.45 compared $0.37 for the fourth quarter of 2016. The fourth quarter of 2016 included earnings per share of $0.24 from the gain on sale of properties net of withholding taxes related to the repatriation of cash to Canada.

OUTLOOK

We believe that the strength in the energy markets will continue into the first quarter of 2018 and that demand will increase modestly in metals service centers and steel distributors. We expect that steel price increases will contribute positively to our results. The U.S. tax reform reduces our effective tax rate and is expected to have a positive impact on our net earnings.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Russel Metals Inc.

We have audited the accompanying consolidated financial statements of Russel Metals Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of cash flow and consolidated statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Russel Metals Inc. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

February 14, 2018
Toronto, Ontario

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31 *(in millions of Canadian dollars, except per share data)*	**2017**	2016
Revenues	**$ 3,296.0**	$ 2,578.6
Cost of materials (Note 7)	**2,632.7**	2,076.9
Employee expenses (Note 18)	**274.9**	250.5
Other operating expenses (Note 18)	**182.0**	159.9
Gain on sale of properties (Note 8)	**-**	(27.7)
Earnings before interest, finance expense and provision for income taxes	**206.4**	119.0
Interest expense (Note 19)	**23.9**	21.7
Other finance expense (Note 19)	**3.3**	-
Earnings before provision for income taxes	**179.2**	97.3
Provision for income taxes (Note 20)	**55.4**	34.5
Net earnings for the year	**$ 123.8**	$ 62.8
Basic earnings per common share (Note 17)	**$ 2.00**	$ 1.02
Diluted earnings per common share (Note 17)	**$ 2.00**	$ 1.01

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 *(in millions of Canadian dollars)*	**2017**	2016
Net earnings for the year	**$ 123.8**	$ 62.8
Other comprehensive income		
Items that may be reclassified to earnings		
Unrealized foreign exchange losses on translation of foreign operations	**(31.4)**	(14.8)
Items that may not be reclassified to earnings		
Actuarial (losses) gains on pension and similar obligations, net of taxes of $0.4 million (2016: $0.3 million)	**(1.3)**	0.8
Other comprehensive loss	**(32.7)**	(14.0)
Total comprehensive income	**$ 91.1**	$ 48.8

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)*	**2017**	2016
ASSETS		
Current		
Cash and cash equivalents (Note 5)	**$ 125.8**	$ 181.8
Accounts receivable (Note 6)	**446.2**	359.4
Inventories (Note 7)	**819.9**	615.8
Prepaids and other	**17.2**	8.5
Income taxes receivable	**4.5**	6.6
	1,413.6	1,172.1
Property, Plant and Equipment (Note 8)	**246.8**	239.7
Deferred Income Tax Assets (Note 20)	**4.7**	5.9
Financial and Other Assets (Note 9)	**3.5**	5.1
Goodwill and Intangibles (Note 10)	**90.5**	85.7
	$ 1,759.1	$ 1,508.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (Note 11)	**$ 207.7**	$ 34.9
Accounts payable and accrued liabilities (Note 12)	**365.7**	313.5
Income taxes payable	**21.6**	5.3
Current portion long-term debt (Note 13)	**0.1**	0.1
	595.1	353.8
Long-Term Debt (Note 13)	**296.5**	295.8
Pensions and Benefits (Note 14)	**12.0**	11.0
Deferred Income Tax Liabilities (Note 20)	**17.7**	14.5
Provisions and Other Non-Current Liabilities (Note 21)	**11.0**	8.1
	932.3	683.2
Shareholders' Equity (Note 15)		
Common shares	**536.6**	532.4
Retained earnings	**190.5**	161.9
Contributed surplus	**16.0**	15.9
Accumulated other comprehensive income	**83.7**	115.1
Total Shareholders' Equity	**826.8**	825.3
Total Liabilities and Shareholders' Equity	**$ 1,759.1**	$ 1,508.5

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

ON BEHALF OF THE BOARD,

J. Clark
Director

A. Laberge
Director

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31 *(in millions of Canadian dollars)*	**2017**	2016
Operating activities		
Net earnings for the year	**$ 123.8**	$ 62.8
Depreciation and amortization	**34.2**	35.1
Provision for income taxes	**55.4**	34.5
Interest expense	**23.9**	21.7
Gain on sale of property, plant and equipment	**(1.9)**	(29.2)
Share-based compensation	**0.7**	0.9
Difference between pension expense and amount funded	**(0.7)**	(9.7)
Debt accretion, amortization and other	**0.7**	0.7
Change in fair value of contingent consideration	**3.3**	-
Interest paid	**(23.3)**	(22.7)
Cash from operating activities before non-cash working capital	**216.1**	94.1
Changes in non-cash working capital items		
Accounts receivable	**(86.2)**	(26.1)
Inventories	**(208.0)**	92.5
Accounts payable and accrued liabilities	**52.1**	12.2
Other	**(8.6)**	2.2
Change in non-cash working capital	**(250.7)**	80.8
Income tax paid, net	**(33.8)**	(2.9)
Cash (used in) from operating activities	**(68.4)**	172.0
Financing activities		
Increase (decrease) in bank indebtedness	**172.8**	(59.3)
Issue of common shares	**3.6**	0.6
Dividends on common shares	**(93.9)**	(93.8)
Issuance of long-term debt	**-**	0.2
Repayment of long-term debt	**(0.1)**	(0.7)
Cash from (used in) financing activities	**82.4**	(153.0)
Investing activities		
Purchase of property, plant and equipment	**(35.7)**	(16.7)
Proceeds on sale of property, plant and equipment	**3.7**	45.8
Purchase of business	**(25.6)**	(4.7)
Proceeds from sale of investment	**-**	1.8
Payment of contingent consideration	**-**	(0.1)
Cash (used in) from investing activities	**(57.6)**	26.1
Effect of exchange rates on cash and cash equivalents	**(12.4)**	(6.7)
(Decrease) increase in cash and cash equivalents	**(56.0)**	38.4
Cash and cash equivalents, beginning of the year	**181.8**	143.4
Cash and cash equivalents, end of the year	**$ 125.8**	$ 181.8

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, 2017	$ 532.4	$ 161.9	$ 15.9	$ 115.1	$ 825.3
Payment of dividends	-	(93.9)	-	-	(93.9)
Net income for the year	-	123.8	-	-	123.8
Other comprehensive loss for the year	-	-	-	(32.7)	(32.7)
Recognition of share-based compensation	-	-	0.7	-	0.7
Share options exercised	4.2	-	(0.6)	-	3.6
Transfer of net actuarial losses on defined benefit plans	-	(1.3)	-	1.3	-
Balance, December 31, 2017	**$ 536.6**	**$ 190.5**	**$ 16.0**	**$ 83.7**	**$ 826.8**

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2016	$ 531.7	$ 192.1	$ 15.2	$ 129.9	$ 868.9
Payment of dividends	-	(93.8)	-	-	(93.8)
Net income for the year	-	62.8	-	-	62.8
Other comprehensive loss for the year	-	-	-	(14.0)	(14.0)
Recognition of share-based compensation	-	-	0.9	-	0.9
Share options exercised	0.7	-	(0.2)	-	0.5
Transfer of net actuarial gains on defined benefit plans	-	0.8	-	(0.8)	-
Balance, December 31, 2016	**$ 532.4**	**$ 161.9**	**$ 15.9**	**$ 115.1**	**$ 825.3**

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 carries a broad line of metal products in a wide range of sizes, shapes and specifications. The Company purchases these products primarily from North American steel producers and packages and sells them to end users in accordance with their specific needs.

Energy Products
These operations carry a specialized product line focused on the needs of its energy industry customers. The Company purchases these products primarily from the pipe divisions of North American steel mills or from independent manufacturers.

Steel Distribution
The Company's steel distributors act as master distributors, selling steel in large volumes to other metals service centers and large equipment manufacturers. This segment sources its steel both domestically and off shore.

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 International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through the consolidated statement 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 judgment 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 14, 2018.

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, significant accounting policies, estimates and judgements are disclosed with the related financial note disclosure.

b) *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.

c) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and after eliminating intercompany sales. Freight and shipping costs billed to customers are also included in revenue.

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, no longer retains control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 $1.2545 per US$1 at December 31, 2017 (December 31, 2016: 1.3427 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, 2017, the average U.S. dollar Bank of Canada closing exchange rate was $1.2981 per US$1 (2016: $1.3256 per US$1). The resulting gains or losses from the translation of the foreign subsidiaries and those items forming part of the net investment are included in other comprehensive income.

Goodwill, intangibles 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, 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 FUTURE ACCOUNTING CHANGES

IFRS 9 Financial Instruments

In July 2014, the IASB released *IFRS 9* which replaces *IAS 39*, Financial Instruments: Recognition and Measurement ("*IAS 39*"). This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will permit more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Adoption of *IFRS 9* is mandatory and will be effective for the Company on January 1, 2018. The adoption of this standard affects our allowance for doubtful accounts but will not have a significant impact on the Company's financial position or results of operations.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB released *IFRS 15 Revenue from Contracts with Customers*, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company has not early adopted *IFRS 15* and has elected to adopt the standard on January 1, 2018 using the modified retrospective approach. It provides a single model in order to represent the transfer of promised goods or services to customers. The core principle of *IFRS 15* is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. *IFRS 15* also requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company's implementation team has completed its implementation plan. The Company has determined that there are no required changes to its information systems in order to implement the standard.

The Company has elected to adopt the standard using the modified retrospective approach and will apply the new standard to all new contracts initiated after January 1, 2018. The Company does not have any obligations remaining for contracts entered into prior to January 1, 2018. The Company has concluded that the application of *IFRS 15* will not have a material effect on the financial statements as the Company does not have long-term service contracts, multiple element arrangements or any complex revenue transactions.

The Company has certain arrangements with its customers with elements of variable consideration included, which may affect quarterly revenues but are not expected to affect annual revenues. The standard will result in increased disclosure on sources of revenues by product.

IFRS 16 Leases

In January 2016, the IASB issued *IFRS 16, Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). *IFRS 16* is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements. *IFRS 16* replaces the previous lease standard, *IAS 17* Leases, and related interpretations. The most significant effect of the new requirements will be an increase in lease assets and financial liabilities as *IFRS 16* eliminates the classification of leases as either operating leases or finance leases for a lessee. All leases are 'capitalized' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. The Company also recognises a financial liability representing its obligation to make future lease payments. The current lease payment will be charged to earnings on a declining basis and a portion representing financing cost will be charged to interest.

The Company's implementation team has developed an implementation plan, developed a lease database and evaluated alternative information systems to manage the lease database. In early 2018, the Company expects to select a lease management system and populate the system with the necessary data. The Company has significant leased assets and expects that the implementation of *IFRS 16* will have a material effect on its statement of financial position and statement of earnings disclosure.

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 given, 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 is measured at fair value at the acquisition date and 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 is estimated based on information available at the date of acquisition and involves considerable judgement in determining the fair values assigned to property, plant, equipment and intangible assets acquired and liabilities, including contingent consideration, 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, particularly in the fair value measurement of contingent consideration, and actual results could differ from estimates.

SUPPORTING INFORMATION

2017 Acquisition

On September 1, 2017, the Company completed its acquisition of all of the outstanding common shares of Color Steels Inc. ("Color Steels"), a metals service center with locations in Thornhill, Ontario and Laval, Quebec. The following is a summary of the net assets acquired:

(millions)		
Net working capital	$	10.9
Property, plant and equipment		4.5
Deferred income tax liability		(1.6)
Intangibles		1.9
Goodwill		9.9
Net identifiable assets acquired	$	25.6
Consideration:		
Cash	$	25.6

Accounts receivable of $6.3 million, which were included in net working capital, represented gross contractual accounts receivable of which none is considered uncollectible at the time of acquisition. Any accounts receivable which are not collected will result in a reduction of the consideration.

Intangibles are comprised of customer relationships which will be amortized over a period of 15 years.

The amount of goodwill, none of which is deductible for tax purposes, represents the growth potential of the new product line, processing and distribution of pre-finished metals and value added services of cut-to-length and slitting.

The allocations described above are preliminary and subject to change following the final settlement of the various holdbacks which may impact net working capital. Color Steels was consolidated into the Company's operating results effective September 1, 2017 and is reported under the metals service centers segment.

The consolidated statements of earnings of the Company for the year ended December 31, 2017 includes the incremental revenues of $16.6 million attributed to the business acquired.

If the acquisition had taken place at the beginning of the fiscal year 2017, management estimated that the acquired business would have provided revenues of $46.3 million and earnings before interest, finance expense and provision for income taxes of $3.7 million.

2016 Acquisition

On December 12, 2016, the Company acquired the operating assets of Jackson Pipe & Steel, a metals service center located in Texarkana, Texas. The following is a summary of the net assets acquired:

(millions)		
Inventories	$	1.9
Accounts receivable		1.4
Property, plant and equipment		3.2
Accounts payable		(1.8)
Net assets acquired	$	4.7
Consideration:		
Cash	$	4.7

This acquisition complemented the Company's existing JMS Russel Metals operation in Hope, Arkansas and allows the Company to enhance its value added service in Texas, Arkansas, Oklahoma and Louisiana.

If the acquisition had taken place at the beginning of 2016, management estimated that the acquired business would have provided revenues of $13.3 million and earnings before interest, finance expense and provision for income taxes of $0.2 million.

NOTE 5 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash includes demand deposits and cash equivalents include 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)		**2017**		2016
Cash on deposit	**$**	**18.1**	$	20.2
Cash equivalents		**107.7**		161.6
	$	**125.8**	$	181.8

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 doubtful accounts to provide for the impairment of trade receivables. The expense relating to doubtful accounts 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 uncollectible amounts are recorded as an allowance for doubtful accounts.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company assesses the collectability of accounts receivable. An allowance for doubtful accounts is estimated based on customer creditworthiness, current economic trends and past experience.

SUPPORTING INFORMATION

(millions)	**2017**	2016
Trade receivables	**$ 437.1**	$ 352.0
Other receivables	**9.1**	7.4
	$ 446.2	$ 359.4

The following is the continuity of the allowance for doubtful accounts:

(millions)	**2017**	2016
Allowance for Doubtful Accounts		
Balance, beginning of the year	**$ 4.7**	$ 5.9
Increases to reserve	**0.2**	1.3
Amounts written off	**(1.4)**	(2.9)
Adjustments	**0.1**	0.4
Balance, end of the year	**$ 3.6**	$ 4.7

At December 31, 2017 the allowance for doubtful accounts was less than 1.0% (2016: 2.0%), of accounts receivable. An increase in the allowance of 1% of accounts receivable would decrease pre-tax earnings by approximately $4.5 million for the year ended December 31, 2017 (2016: $3.6 million).

As at December 31, 2017 (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	$ 230.4	$ 157.2	$ 41.0	$ 12.1	$ 440.7
Allowance for doubtful accounts	-	(0.1)	(0.3)	(3.2)	(3.6)
Total net trade receivables	**$ 230.4**	**$ 157.1**	**$ 40.7**	**$ 8.9**	**$ 437.1**

As at December 31, 2016 (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	$ 207.7	$ 113.3	$ 27.3	$ 8.4	$ 356.7
Allowance for doubtful accounts	-	(0.1)	(0.3)	(4.3)	(4.7)
Total net trade receivables	$ 207.7	$ 113.2	$ 27.0	$ 4.1	$ 352.0

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

Inventories are reviewed to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete.

The Company's determination of the net realizable value of inventory requires the use of assumptions such as future selling prices and costs to sell. There is measurement uncertainty in these estimates. Actual selling prices and costs to sell could differ from these estimates.

SUPPORTING INFORMATION

(millions)	**2017**	2016
Inventory expensed in cost of materials	**$ 2,632.7**	$ 2,076.9
Inventory impairment charge, net of reversals	**3.6**	11.0

NOTE 8 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 a significantly different estimated useful life 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, 2015	$ 261.8	$ 345.5	$ 27.0	$ 634.3
Business acquisition (Note 4)	2.6	0.6	-	3.2
Additions	3.1	13.3	0.3	16.7
Disposals	(26.9)	(11.4)	(0.4)	(38.7)
Foreign exchange	(1.6)	(2.5)	(0.1)	(4.2)
Balance, December 31, 2016	$ 239.0	$ 345.5	$ 26.8	$ 611.3
Business acquisition (Note 4)	-	4.5	-	4.5
Additions	8.3	26.5	0.9	35.7
Disposals	(1.8)	(9.1)	-	(10.9)
Foreign exchange	(2.1)	(5.6)	(0.3)	(8.0)
Balance, December 31, 2017	**$ 243.4**	**$ 361.8**	**$ 27.4**	**$ 632.6**

Accumulated depreciation and amortization *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2015	$ 107.4	$ 237.7	$ 21.4	$ 366.5
Depreciation and amortization	8.1	20.1	0.6	28.8
Disposals	(11.5)	(10.2)	(0.4)	(22.1)
Foreign exchange	(0.7)	(0.8)	(0.1)	(1.6)
Balance, December 31, 2016	$ 103.3	$ 246.8	$ 21.5	$ 371.6
Depreciation and amortization	7.4	19.6	0.6	27.6
Disposals	(1.1)	(8.0)	-	(9.1)
Foreign exchange	(1.7)	(2.4)	(0.2)	(4.3)
Balance, December 31, 2017	**$ 107.9**	**$ 256.0**	**$ 21.9**	**$ 385.8**

Net Book Value *(millions)*	
December 31, 2016	$ 239.7
December 31, 2017	**$ 246.8**

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

Land, included in land and buildings, was $43.4 million (2016: $43.2 million).

(millions)	**2017**	2016
Depreciation - cost of materials	**$ 7.7**	$ 8.1
Depreciation - other operating expenses	**19.9**	20.7
	$ 27.6	$ 28.8

In 2016, the Company sold certain properties in Arkansas, Quebec, Ontario and British Columbia for proceeds of $44.5 million resulting in a pre-tax gain of $27.7 million. The Company entered into a long-term lease for a portion of the Arkansas property at fair value.

Impairment of Assets

The Company reviews the carrying value of long-lived assets for impairment whenever there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

No asset impairments were identified during 2017 and 2016.

NOTE 9 FINANCIAL AND OTHER ASSETS

ACCOUNTING POLICIES

Eligible costs incurred relating to the short-term 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)	**2017**	2016
Deferred charges on revolving credit facility	**$ 0.5**	$ 1.2
Investments and advances	**-**	0.7
Other	**3.0**	3.2
	$ 3.5	$ 5.1

Amortization of deferred financing charges was $0.7 million (2016: $0.5 million).

NOTE 10 GOODWILL AND INTANGIBLES

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 and 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, trademarks and non-competition agreements. 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 life of 15 to 17 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. When testing indefinite life intangibles for impairment, the carrying values of related CGUs or group of CGUs excluding goodwill, are compared to their recoverable amounts.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Intangible assets and goodwill arise from business combinations. Upon acquisition, the Company identifies and attributes fair values 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 intangibles involves estimates and assumptions regarding cash flow projections and estimated discount rates. There is measurement uncertainty inherent in this analysis.

SUPPORTING INFORMATION

(millions)	**2017**	2016
Goodwill	**$ 36.3**	$ 27.2
Intangibles	**54.2**	58.5
	$ 90.5	$ 85.7

a) Goodwill

The continuity of goodwill is as follows:

Goodwill *(millions)*	**2017**	2016
Balance, beginning of the year	**$ 27.2**	$ 27.6
Business acquisition (Note 4)	**9.9**	-
Foreign exchange	**(0.8)**	(0.4)
Balance, end of the year	**$ 36.3**	$ 27.2

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)*	**2017**	2016
Metals service centers		
U.S.		
Southeast	**$ 13.1**	$ 13.9
Canadian		
Alberta	**11.0**	11.0
Color Steels	**9.9**	-
Atlantic / Ontario	**2.3**	2.3
	$ 36.3	$ 27.2

The Company uses a discounted cash flow technique to determine the value in use for the above noted CGUs or groups of CGUs. Key assumptions used by management include forecasted cash flows based on financial plans approved by management covering a five year period and expected growth in future earnings subsequent to 2018, of 2% to 3% in line with expected inflation and discount rates. The assumptions are based on historical data, industry cyclicality and expected market developments.

The Company uses a weighted average cost of capital ("WACC") to calculate the present value of its projected cash flows. WACC reflects the current market assessment of the time value of money and the risks specific to that asset. This is an estimate of the overall required rate of return on an investment and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to each unit.

For 2017, the pre-tax weighted average cost of capital used was 12.7% (2016: 14.6%). To monitor potential impairment exposure, the Company performs a sensitivity analysis. For 2017 and 2016 a 1% increase in the respective discount rate would not trigger a goodwill impairment.

The Company performed goodwill impairment tests to determine recoverable amounts during the fourth quarter of 2017 and 2016. The recoverable amounts are determined based on a value in use calculation.

In 2017 and 2016, the estimated recoverable amount of all units exceeded their carrying values. As a result, no impairment was recorded.

c) *Intangibles*

The continuity of intangibles, which are comprised of customer relationships and non-competition agreements acquired through business combinations, within the metals service centers and energy products segments is as follows:

Cost *(millions)*	Metals Service Centers	Energy Products	**Total 2017**	Total 2016
Balance, beginning of the year	$ 17.9	$ 70.7	**$ 88.6**	$ 88.8
Business acquisitions (Note 4)	1.9	-	**1.9**	-
Foreign exchange	(0.3)	-	**(0.3)**	(0.2)
Balance, end of the year	$ 19.5	$ 70.7	**$ 90.2**	$ 88.6

Accumulated amortization *(millions)*	Metals Service Centers	Energy Products	**Total 2017**	Total 2016
Balance, beginning of the year	$ (9.5)	$ (20.6)	**$ (30.1)**	$ (24.4)
Amortization	(1.2)	(4.7)	**(5.9)**	(5.7)
Balance, end of the year	$ (10.7)	$ (25.3)	**$ (36.0)**	$ (30.1)

Carrying amount	
December 31, 2016	$ 58.5
December 31, 2017	**$ 54.2**

The carrying amount of intangible assets as at December 31, 2017 relates to customer relationships arising from the acquisition of JMS Metals Services, Norton Metal Products, Alberta Industrial Metals, Apex Distribution, Apex Western Fiberglass, Color Steels and other entities. The remaining amortization period for customer relationships is 7 to 15 years.

NOTE 11 REVOLVING CREDIT FACILITY

The Company has a credit agreement with a syndicate of banks which provides $400 million available for borrowings and letters of credit with a term to September 21, 2019. The syndicated facility consists of availability of $350 million under Tranche I to be utilized for borrowings and letters of credit and $50 million under Tranche II to be utilized only for letters of credit. Letters of credit are issued under Tranche II first and additional needs are issued under Tranche I. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of the Company's eligible accounts receivable and inventories, to a maximum of $400 million. The obligations of the Company under this agreement are secured by a pledge of trade accounts receivable and inventories.

The Company was in compliance with the financial covenants at December 31, 2017. At December 31, 2017, the Company had borrowings of $223.0 million (2016: $43.0 million) and letters of credit of $33.7 million (2016: $38.9 million) under this facility.

On February 6, 2018, the Company increased the maximum available under its credit facility to $450 million and extended the term to September 21, 2021.

NOTE 12 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)	**2017**	2016
Trade accounts payable and accrued expenses	**$ 362.2**	$ 309.9
Accrued interest	**3.5**	3.6
	$ 365.7	$ 313.5

NOTE 13 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 transactions 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)	**2017**	2016
6% $300 million Unsecured Senior Notes due April 19, 2022	**$ 296.5**	$ 295.7
Finance lease obligations (Note 24)	**0.1**	0.2
Less: current portion	**(0.1)**	(0.1)
	$ 296.5	$ 295.8

On April 19, 2012, the Company issued through a private placement, $300 million 6% Unsecured Senior Notes (the "Notes") due April 19, 2022. Interest is due on April 19 and October 19 of each year.

The Company may redeem the Notes in whole or in part at any time at 103% of the principal amount declining rateably to 100% of the principal amount on or after April 19, 2020.

The Notes contain certain restrictions on the payment of common share dividends in excess of $0.35 per share per quarter. The Company was in compliance with these covenants at December 31, 2017. The Notes also contain certain covenants that limit the Company's ability to incur additional indebtedness. Fees associated with the issue of the debt are included in the carrying amount of debt and are amortized using the effective interest method.

NOTE 14 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 statement 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 statement of other 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 statement 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. Any defined benefit asset resulting from this calculation is limited to the total of unrecognized net actuarial losses and the present value of any economic benefit in the form of refunds from the plan or reduction in future contributions to the plan. 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 the defined benefits were closed for new employees over 20 years ago. On December 31, 2013, the Company merged five of its defined benefit plans into the DCPP, subject to regulatory approval. During 2016, regulatory approval was obtained which required an additional contribution of $8 million to the merged plans. On January 1, 2017, the Company merged its Thunder Bay Terminals Plan, a defined benefit plan into the DCPP, subject to regulatory approval. The Company maintains one other defined benefit plan. The Company also maintains executive plans, post-retirement benefit plans and three additional defined contribution plans in Canada and a 401(k) defined contribution plan 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 plans had a valuation date of January 1, 2017 and the remaining plan had valuation date of January 1, 2015.

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 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)		**2017**		2016
Defined benefit pension plans				
Current service cost	**$**	**3.8**	$	3.7
Net interest cost		**0.2**		0.6
Plan administration cost		**0.2**		0.1
		4.2		4.4
Post-retirement benefits		**0.1**		0.2
Defined contribution plans		**5.0**		4.7
Pension and benefit expense	**$**	**9.3**	$	9.3

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

(millions)		**2017**		2016
Remeasurements on the net defined benefit liability				
Actuarial gains due to actuarial experience	**$**	**1.3**	$	0.5
Actuarial losses due to financial assumption changes		**(9.7)**		(4.7)
Return on plan assets greater than the discount rate		**6.7**		5.3
Remeasurement effect recognized in other comprehensive income	**$**	**(1.7)**	$	1.1
Cumulative actuarial losses relating to pensions and benefits				
Balance of actuarial losses at January 1	**$**	**(13.0)**	$	(14.1)
Net actuarial (losses) gains recognized in the year		**(1.7)**		1.1
Balance of actuarial losses at December 31	**$**	**(14.7)**	$	(13.0)

There were no adjustments related to asset ceiling limits in other comprehensive income for the years ended December 31, 2017 and 2016.

The actuarial determinations were based on the following assumptions:

	2017	2016
Assumed discount rate - year end	**3.25%**	3.75%
Rate of increase in future compensation	**3.00%**	3.25%
Rate of increase in future government benefits	**2.75%**	3.00%

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 $5.4 million as of December 31, 2017 (2016: $5.0 million).

The mortality assumptions used to assess the defined benefit obligation are based on 2014 Private Sector Canadian Pensioners' Mortality Table (CPM2014Priv).

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 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. Furthermore, 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 statement 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.

(millions)	Pension Plans **2017**	Pension Plans 2016	Other Benefit Plans **2017**	Other Benefit Plans 2016
Reconciliation of present value of the defined benefit obligation				
Balance, beginning of the year	**$ 135.6**	$ 128.0	**$ 4.1**	$ 4.2
Current service costs	**3.8**	3.7	**-**	-
Participant contributions	**0.1**	0.1	**-**	-
Interest cost	**5.0**	5.1	**0.1**	0.2
Benefits paid	**(6.5)**	(5.6)	**(0.2)**	(0.2)
Actuarial losses (gains)	**8.4**	4.3	**(0.1)**	(0.1)
Balance, end of the year	**$ 146.4**	$ 135.6	**$ 3.9**	$ 4.1

(millions)	Pension Plans **2017**	Pension Plans 2016	Other Benefit Plans **2017**	Other Benefit Plans 2016
Reconciliation of present value of the plan assets				
Balance, beginning of the year	**$ 128.7**	$ 110.5	**$ -**	$ -
Interest income	**4.8**	4.5	**-**	-
Employer contributions	**4.7**	13.9	**0.2**	0.2
Employee contributions	**0.1**	0.2	**-**	-
Benefits paid	**(6.5)**	(5.6)	**(0.2)**	(0.2)
Plan administration costs	**(0.2)**	(0.1)	**-**	-
Return on plan assets greater than discount rate	**6.7**	5.3	**-**	-
Balance, end of the year	**$ 138.3**	$ 128.7	**$ -**	$ -
Defined benefit obligation, net	**$ 8.1**	$ 6.9	**$ 3.9**	$ 4.1

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

(millions)	**2017**	2016
Cash and cash equivalents	**$ 3.7**	$ 2.5
Equities		
Canadian equity	**66.0**	63.2
Global equity fund	**34.1**	28.0
	100.1	91.2
Fixed income investments categorized by type of issuer		
Government guaranteed	**9.7**	8.1
Provincials	**12.6**	13.6
Corporate	**12.2**	13.3
	34.5	35.0
	$ 138.3	$ 128.7

The following table provides the defined benefit obligation for plans with surplus, partially funded pension plans and unfunded plans.

(millions)	Pension Plans **2017**	Pension Plans 2016	Other Benefit Plans **2017**	Other Benefit Plans 2016
Defined benefit obligation				
Plans with surplus	**$ (1.5)**	$ -	**$ -**	$ -
Partially funded plans	**9.6**	6.9	**-**	-
Unfunded plans	**-**	-	**3.9**	4.1
Defined benefit obligation	**$ 8.1**	$ 6.9	**$ 3.9**	$ 4.1

c) As at December 31, 2017 approximately 73% (2016: 74%) of the fair value of all pension plan assets was invested in equities, 25% (2016: 20%) in fixed income securities, and 2% (2016: 6%) 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% - 80% in equities, 20% - 70% in fixed income securities and 0% - 30% in cash and cash equivalents.

d) The weighted average duration of defined benefit obligations is 15.3 years (2016: 14.5 years) for defined benefit pension plans, 9.6 years (2016: 9.6 years) for executive pension arrangements and 7.6 years (2016: 7.6 years) for other post retirement benefit plans. The Company expects to make contributions of $6.1 million to its defined benefit pension plans and $0.4 million to its post retirement benefits medical plans in the next financial year.

NOTE 15 SHAREHOLDERS' EQUITY

a) At December 31, 2017 and 2016, 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, 2015	61,702,560	$ 531.7
Share options exercised	32,925	0.7
Balance, December 31, 2016	61,735,485	$ 532.4
Share options exercised	154,712	4.2
Balance, December 31, 2017	**61,890,197**	**$ 536.6**

The continuity of contributed surplus is as follows:

(millions)	
Balance, December 31, 2015	$ 15.2
Share-based compensation expense	0.9
Exercise of options	(0.2)
Balance, December 31, 2016	15.9
Share-based compensation expense	0.7
Exercise of options	(0.6)
Balance, December 31, 2017	**$ 16.0**

Dividends paid and declared were as follows:

	2017	2016
Dividends paid *(millions)*	**$ 93.9**	$ 93.8
Dividends per share	**$ 1.52**	$ 1.52
Quarterly dividend per share declared on February 14, 2018 (February 16, 2017)	**$ 0.38**	$ 0.38

NOTE 16 SHARE-BASED COMPENSATION

ACCOUNTING POLICIES

The Company accounts for Share Options and Share Appreciation Rights ("SAR") at fair value. The Company utilizes the Black-Sholes 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 date. 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 Company utilizes the Black-Scholes option pricing model to estimate the fair value of share options. The inputs to this 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 any options will be exercisable on a cumulative basis to an extent of 25% per year of total options granted in years two to five after the date of grant. 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 senior officers no longer receive share options.

The following is a continuity of options outstanding:

	Number of Options		Weighted Average Exercise Price	
	2017	2016	**2017**	2016
Balance, beginning of year	**2,383,203**	2,226,728	**$ 26.25**	$ 27.49
Granted	**141,773**	375,000	**28.99**	18.11
Exercised	**(154,712)**	(32,925)	**23.27**	17.85
Expired or forfeited	**(428,545)**	(185,600)	**33.32**	26.22
Balance, end of the year	**1,941,719**	2,383,203	**$ 25.13**	$ 26.25
Exercisable	**1,329,718**	1,624,626	**$ 26.04**	$ 27.94

The weighted average share price for the options exercised during the year was $28.61 (2016: $26.36)

The outstanding options had exercise price ranges as follows:

(number of options)	**2017**	2016
$ 29.00 - $ 33.81	**149,172**	550,772
$ 25.37 - $ 28.99	**1,037,262**	1,012,537
$ 16.58 - $ 25.36	**755,285**	819,894
Options outstanding	**1,941,719**	2,383,203

The options expire in the years 2018 to 2027 and have a weighted average remaining contractual life of 5.4 years (2016: 5.0 years)

The Black-Scholes option-pricing model assumptions used to compute compensation expense are as follows:

	2017	2016
Dividend yield	**5%**	5%
Expected volatility	**26%**	26%
Expected life	**5 yrs**	5 yrs
Risk free rate of return	**2.25%**	2.22%
Weighted average fair value of options granted	**$ 4.14**	$ 2.16

Expected volatility is based on historical volatility over the last five years.

Share Appreciation Rights

On February 16, 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 in ten years from their grant date.

At December 31, 2017, there were 63,291 SARs outstanding at an exercise price of $28.99.

Deferred Share Units

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 daily average of the high and low board lot on the Toronto Stock Exchange for the last five trading days immediately prior to the grant date. DSUs are granted quarterly to each non-executive director's account 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.

At December 31, 2017, there were 250,021 DSUs outstanding (2016: 207,650). During 2017 and 2016, no DSUs were redeemed. The liability and fair value of DSUs was $7.3 million at December 31, 2017 (2016: $5.3 million). Dividends declared on common shares accrue to units in the DSU plan in the form of additional DSUs.

Restricted Share Units

The Company has a Restricted Share Unit ("RSU") Plan for eligible employees as designated by the Board of Directors. Prior to 2014, RSUs were only issued to senior officers. Commencing in 2014 RSUs were issued to other eligible employees in lieu of share options. 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 daily average of the high and low board lot 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)	**2017**	2016
Balance, beginning of the year	**216,402**	344,115
Granted	**77,601**	36,616
Paid out	**(219,858)**	(164,329)
Balance, end of the year	**74,145**	216,402

The RSU liability at December 31, 2017 was $1.3 million (2016: $4.7 million). The fair value of RSUs was $2.2 million at December 31, 2017 (2016: $5.5 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)	**2017**	2016
Share options	**$ 0.6**	$ 0.9
DSU and RSUs	**4.6**	7.1
Employee Share Purchase Plan	**0.7**	0.7
	$ 5.9	$ 8.7

NOTE 17 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)	**2017**	2016
Net income used in calculation of diluted earnings per share	**$ 123.8**	$ 62.8

(number of shares)	**2017**	2016
Weighted average shares outstanding	**61,788,013**	61,704,990
Dilution impact of share options	**145,076**	335,693
Diluted weighted average shares outstanding	**61,933,089**	62,040,683

NOTE 18 EXPENSES

(millions)	2017	2016
Employee Expenses		
Wages and salaries	**$ 235.8**	$ 211.0
Other employee related costs	**39.1**	39.5
	$ 274.9	$ 250.5
Other Operating Expenses		
Plant and other expenses	**$ 108.5**	$ 100.2
Delivery expenses	**49.3**	41.5
Repairs and maintenance	**11.4**	10.1
Selling expenses	**11.7**	6.8
Professional fees	**3.5**	3.9
Gain on sale of property, plant and equipment	**(1.9)**	(1.5)
Foreign exchange gains	**(0.5)**	(1.1)
	$ 182.0	$ 159.9

NOTE 19 FINANCE EXPENSE

(millions)	2017	2016
Interest on 6% Unsecured Senior Notes	**$ 18.7**	$ 18.7
Other interest expense	**5.2**	3.0
Interest expense	**23.9**	21.7
Other finance expense (Note 21)	**$ 3.3**	$ -

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. Long-term debt interest expense is charged to earnings using the effective interest method. Debt accretion and issue cost amortization for the year ended December 31, 2017 and 2016 was $0.7 million.

NOTE 20 INCOME TAXES

ACCOUNTING POLICIES

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statement of earnings except to the extent 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 statement 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)	**2017**	2016
Current tax expense	**$ 52.2**	$ 24.5
Deferred tax expense	**3.3**	10.0
Statutory rate adjustment	**(0.1)**	-
	$ 55.4	$ 34.5

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

	2017	2016
Applicable combined Canadian statutory rate	**26.9%**	26.9%
Rate difference of U.S. companies	**3.2%**	2.1%
Share-based compensation and non-deductible items	**0.3%**	0.6%
Change in contingent consideration	**0.5%**	-
Statutory tax rate change - U.S. tax reform	**(0.1%)**	-
Gain on sale of properties	**-**	3.5%
Withholding tax on funds repatriated to Canada	**-**	2.7%
Other	**0.1%**	(0.3%)
Average effective tax rate	**30.9%**	35.5%

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 15.0% (2016: 15.0%) and the average provincial rates of 11.9% (2016: 11.9%). The 2017 average effective tax rate was higher than the average Canadian corporate tax rate principally due to differing tax rules applicable to certain of the Company's subsidiaries outside Canada and contingent consideration which is not tax deductible. The 2016 average effective tax rate was higher due to differing tax rules outside Canada, withholding tax and non-operational income earned in a higher tax jurisdiction.

The U.S. tax reform, which reduced the U.S. Federal statutory tax rate from 35% to 21% has an immaterial impact on 2017 as the net timing differences were negligible. Our future U.S. earnings will benefit from this lower rate as the U.S. statutory rate including state tax will approximate our combined Canadian statutory rate.

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, 2015	$ 2.0	$ (9.5)	$ 5.7	$ 8.1	$ 9.5	$ 15.8
Benefit (expense) to consolidated statement of earnings	(0.7)	(1.9)	-	(1.7)	1.3	(3.0)
Reclass assets/liabilities and other	(0.1)	4.9	(5.4)	(0.9)	(5.4)	(6.9)
Balance December 31, 2016	$ 1.2	$ (6.5)	$ 0.3	$ 5.5	$ 5.4	$ 5.9
Benefit (expense) to consolidated statement of earnings	-	(0.1)	-	(0.2)	(0.4)	(0.7)
Reclass assets/liabilities and other	(1.2)	7.4	-	(2.3)	(4.4)	(0.5)
Balance December 31, 2017	**$ -**	**$ 0.8**	**$ 0.3**	**$ 3.0**	**$ 0.6**	**$ 4.7**

Deferred Income Tax Liabilities *(millions)*	Losses	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Other Timing	Total
Balance December 31, 2015	$ -	$ 0.4	$ -	$ 13.9	$ (0.1)	$ 14.2
(Benefit) expense to consolidated statement of earnings	-	2.7	3.0	(1.1)	2.4	7.0
Reclass assets/liabilities and other	-	4.7	(5.5)	(0.8)	(5.4)	(7.0)
Benefits to other comprehensive income	-	-	0.3	-	-	0.3
Balance December 31, 2016	$ -	$ 7.8	$ (2.2)	$ 12.0	$ (3.1)	$ 14.5
(Benefit) expense to consolidated statement of earnings	0.1	(1.1)	-	0.6	2.9	2.5
Reclass assets/liabilities and other	(1.2)	7.2	-	(2.2)	(4.3)	(0.5)
Benefits to other comprehensive income	-	-	(0.4)	-	-	(0.4)
Business acquisition (Note 4)	-	1.1	-	0.5	-	1.6
Balance December 31, 2017	**$ (1.1)**	**$ 15.0**	**$ (2.6)**	**$ 10.9**	**$ (4.5)**	**$ 17.7**

Net deferred liability at December 31, 2016	$ 8.6
Net deferred liability at December 31, 2017	**$ 13.0**

d) At December 31, 2017, the Company had U.S. state tax losses carried forward which, at U.S. state tax rates, have an estimated value of $1.1 million (2016: $1.2 million). The majority of the tax losses carried forward will expire between 2029 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.

At December 31, 2017 and 2016, the Company had $5.9 million and $6.3 million of capital losses respectively carried forward which may only be used to offset future capital gains. These losses have no expiry date. The deferred tax asset not recognized in respect of these losses was $0.8 million (2016: $0.8 million).

e) At December 31, 2017, the aggregate amount of temporary differences associated with undistributed earnings of non-Canadian subsidiaries was $323.9 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 21 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 the liability for contingent consideration on its Apex Distribution and Apex Monarch acquisitions at fair value. The determination of fair value involves analysis including the use of discounted cash flows of expected future earnings, expected future net assets and discount rates. There is measurement uncertainty inherent in this analysis and actual results could differ from estimates.

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)	**2017**	2016
Provision for decommissioning liabilities	**$ 2.4**	$ 2.7
Deferred compensation and employee incentives	**8.6**	10.0
Contingent consideration	**3.3**	-
Product warranty provision (Note 25)	**-**	20.0
	14.3	32.7
Less: current position	**(3.3)**	(24.6)
	$ 11.0	$ 8.1

a) The liability for contingent consideration relating to Apex Distribution ended on November 30, 2017 and the liability for Apex Monarch will end on December 31, 2018. The Company provided $3.3 million of contingent consideration in 2017 related to Apex Distribution. The Company's contingent consideration obligations for Monarch is uncapped although the current estimate is nil.

b) The following table presents the movement in the provision for decommissioning liabilities:

(millions)	**2017**	2016
Balance, beginning of the year	**$ 2.7**	$ 3.4
Charges	**-**	-
Utilization	**(0.3)**	(0.7)
Balance, end of the year	**$ 2.4**	$ 2.7

c) Deferred compensation includes the RSU and DSU liabilities.

NOTE 22 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 reportable segments.

i) Metals service centers

The Company's network of metals service centers provides processing and distribution services on a broad 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 and aluminium. The Company services all major geographic regions of Canada and certain regions in the Southeastern and Midwestern regions in the United States.

ii) Energy products

The Company's energy products operations distribute oil country tubular products, line pipe, tubes, valves, flanges and fittings, primarily to the energy industry in Western Canada and the United States.

iii) Steel distributors

The Company's steel distributors act as master distributors selling steel to customers in large volumes, mainly on an "as is" basis. Steel distributors source their steel domestically and off shore.

The Company has segmented its operations on the basis of management reporting and geographic segments in which it operates. The inter-segment sales from steel distributors to metals service centers were $49.3 million (2016: $42.1 million). These sales, which are at market rates, are eliminated in the following table.

a) Results by business segment:

(millions)	**2017**	2016
Segment Revenues		
Metals service centers	**$ 1,635.2**	$ 1,383.5
Energy products	**1,270.2**	881.2
Steel distributors	**380.1**	304.5
	3,285.5	2,569.2
Other	**10.5**	9.4
	$ 3,296.0	$ 2,578.6
Segment Operating Profits		
Metals service centers	**$ 80.0**	$ 58.1
Energy products	**106.8**	18.9
Steel distributors	**34.2**	29.0
	221.0	106.0
Corporate expenses	**(19.2)**	(18.6)
Gain on sale of properties	**-**	27.7
Other income	**4.6**	3.9
Earnings before interest and income taxes	**206.4**	119.0
Interest and finance expense	**(27.2)**	(21.7)
Provision for income taxes	**(55.4)**	(34.5)
Net earnings	**$ 123.8**	$ 62.8
Capital Expenditures		
Metals service centers	**$ 29.8**	$ 13.0
Energy products	**4.8**	2.8
Steel distributors	**0.8**	0.9
Other	**0.3**	-
	$ 35.7	$ 16.7
Depreciation Expense		
Metals service centers	**$ 22.5**	$ 23.6
Energy products	**4.1**	4.3
Steel distributors	**1.0**	0.8
Other	**-**	0.1
	$ 27.6	$ 28.8

(millions)	**2017**	2016
Current Identifiable Assets		
Metals service centers	**$ 503.3**	$ 408.9
Energy products	**632.4**	459.4
Steel distributors	**152.5**	116.9
	1,288.2	985.2
Non-Current Identifiable Assets		
Metals service centers	**259.4**	241.8
Energy products	**70.1**	75.5
Steel distributors	**6.7**	7.3
Total identifiable assets included in segments	**1,624.4**	1,309.8
Assets not included in segments		
Cash and cash equivalents	**125.8**	181.8
Income tax assets	**9.2**	12.5
Financial and other assets	**3.5**	5.1
Corporate and other operating assets	**(3.8)**	(0.7)
Total assets	**$ 1,759.1**	$ 1,508.5
Liabilities		
Metals service centers	**$ 181.3**	$ 151.5
Energy products	**142.5**	111.9
Steel distributors	**23.6**	12.9
Liabilities by segment	**347.4**	276.3
Liabilities not included in segments		
Bank indebtedness	**207.7**	34.9
Income taxes liabilities	**39.3**	19.8
Long-term debt	**296.6**	295.9
Pension and benefits	**12.0**	11.0
Corporate and other liabilities	**29.3**	45.3
Total liabilities	**$ 932.3**	$ 683.2

b) Results by geographic segment:

(millions)	**2017**	2016
Segment Revenues		
Canada	**$ 2,299.3**	$ 1,781.6
United States	**986.2**	787.6
	$ 3,285.5	$ 2,569.2
Segment Operating Profits		
Canada	**$ 160.5**	$ 81.7
United States	**60.5**	24.3
	$ 221.0	$ 106.0
Identifiable Assets		
Canada	**$ 1,201.3**	$ 950.3
United States	**423.1**	359.5
	$ 1,624.4	$ 1,309.8

NOTE 23 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017 and 2016 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, 2017, there were no loans or credit transactions outstanding with key management personnel or directors. Key management personnel includes the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and certain Vice Presidents. Compensation costs of key management personnel and directors were as follows:

(millions)	**2017**	2016
Salaries and other benefits	**$ 7.1**	$ 4.6
Share based compensation cost	**4.5**	2.2
Post-employment benefits	**0.5**	0.5
	$ 12.1	$ 7.3

NOTE 24 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 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.

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 statement 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, long-term debt and contingent consideration.

- 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. Contingent consideration is measured at fair value at the acquisition date and is subsequently re-measured at fair value, by applying the income approach using the probability weighted expected return on net assets with changes in fair value recognized in net earnings.

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 statement 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.

f) *Leases*

Leases are classified as finance or operating depending on the terms and conditions of the contracts. Leases which transfer substantially all the risks and rewards of ownership are classified as finance leases. An asset held under a finance lease is initially recognized at the inception of the lease at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Subsequent to its initial recognition, the costs are depreciated in accordance with the accounting policy of the applicable asset. Obligations recorded under finance leases are reduced by lease payments, net of imputed interest. Interest expense is recognized in net earnings.

Leases that do not meet the criteria for finance leases are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

SUPPORTING INFORMATION

a) *Financial assets and liabilities*

Financial assets and liabilities are as follows:

December 31, 2017 ***(millions)***	**Loans and Receivables**	**Other Financial Liabilities**	**Total**
Cash and cash equivalents	**$ 125.8**	**$ -**	**$ 125.8**
Accounts receivable	**446.2**	**-**	**446.2**
Financial assets	**0.5**	**-**	**0.5**
Bank indebtedness	**-**	**(207.7)**	**(207.7)**
Accounts payables and accrued liabilities	**-**	**(365.7)**	**(365.7)**
Current portion of long-term debt	**-**	**(0.1)**	**(0.1)**
Long-term debt	**-**	**(296.5)**	**(296.5)**
Total	**$ 572.5**	**$ (870.0)**	**$ (297.5)**

December 31, 2016 *(millions)*	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ 181.8	$ -	$ 181.8
Accounts receivable	359.4	-	359.4
Financial assets	1.2	-	1.2
Bank indebtedness	-	(34.9)	(34.9)
Accounts payables and accrued liabilities	-	(313.5)	(313.5)
Current portion long-term debt	-	(0.1)	(0.1)
Long-term debt	-	(295.8)	(295.8)
Total	$ 542.4	$ (644.3)	$ (101.9)

For the year ended December 31, 2017, the fair value loss from derivative financial instruments on the consolidated statement of earnings was $0.4 million (2016: gain of $0.6 million) including embedded derivative and forward contracts.

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 statement 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 as at December 31, 2017 and 2016 was 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.

The following summary reflects the fair value of long-term debt:

	Primary Debt Instrument	
December 31, 2017 (millions)	**Carrying Amount**	**Fair Value Level 2**
6% $300 million Unsecured Senior Notes due April 19, 2022	**$ 296.5**	**$ 308.6**
Finance lease obligations	**0.1**	**0.1**
Total	**$ 296.6**	**$ 308.7**
Current portion	**$ 0.1**	
Long-term portion	**$ 296.5**	

	Primary Debt Instrument	
December 31, 2016 (millions)	Carrying Amount	Fair Value Level 2
6% $300 million Unsecured Senior Notes due April 19, 2022	$ 295.7	$ 304.5
Finance lease obligations	0.2	0.2
Total	$ 295.9	$ 304.7
Current portion	$ 0.1	
Long-term portion	$ 295.8	

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, 2017, nearly all cash and cash equivalents were held in institutions that were R1 High by DBRS;
- Counterparties to derivative contracts are members of the syndicated banking facility (Note 11);
- Credit limits minimize exposure to any one customer; and
- The customer base is geographically diverse and in different industries.

No allowance for credit losses on financial assets was required as of December 31, 2017 and 2016, other than the allowance for doubtful accounts (Note 6). As at December 31, 2017, trade accounts receivable greater than 90 days represented less than 3% of trade accounts receivable (2016: 2%).

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 long-term debt is at fixed rates. 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, 2017, the Company had outstanding forward foreign exchange contracts in the amount of US$22.8 million, maturing in 2018 (2016: US$13.9 million maturing in 2017). A 1% change in foreign exchange rates would not result in a significant increase or decrease in 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, 2017, the Company was contractually obligated to make payments under its financial liabilities that come due during the following periods:

(millions)	Accounts Payable	Long-Term Debt Maturities	Long-Term Debt Interest	Operating Lease Obligations	Total
2018	$ 365.7	$ -	$ 18.0	$ 23.2	$ 406.9
2019	-	-	18.0	18.9	36.9
2020	-	-	18.0	16.0	34.0
2021	-	-	18.0	13.4	31.4
2022	-	300.0	9.9	8.8	318.7
2023 and beyond	-	-	-	21.7	21.7
Total	$ 365.7	$ 300.0	$ 81.9	$ 102.0	$ 849.6

Operating lease expense for the year ended December 31, 2017 was $26.5 million (2016: $28.5 million).

At December 31, 2017, the Company was contractually obligated to repay its bank borrowings and letters of credit under its bank facilities (Note 11).

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.

NOTE 25 CONTINGENCIES, COMMITMENTS AND GUARANTEES

a) Lawsuits and legal claims

The Company recognizes contingent 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 contingent loss provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. Estimates of losses may be developed significantly 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 contingent loss provision is recorded at that time. A contingent loss provision is recorded when a reasonable estimate can be made. 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.

During 2017 the Company settled and paid an energy products customer claim relating to product that was distributed from 2010 to 2012. The Company had previously provided for this claim.

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 are currently underway 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.

c) Business combinations and investments

The Company has a contractual obligation to pay additional consideration for its acquisition of Apex Monarch, based upon achievement of performance measures during the first five years of ownership which expires December 31, 2018. The Company's current estimate is $nil.

DIRECTORY

BOARD OF DIRECTORS

ALAIN BENEDETTI
Corporate Director

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President
Investment and Technical
Management Corp.

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Chair of the Board

JOHN A. HANNA
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BRIAN R. HEDGES
Chief Executive Officer

BARBARA S. JEREMIAH
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Corporate Director &
Partner at Celtis Capital

JOHN R. TULLOCH
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President &
Chief Operating Officer

MARION E. BRITTON
Executive Vice President,
Chief Financial Officer &
Secretary

LESLEY M. COLEMAN
Vice President,
Controller &
Assistant Secretary

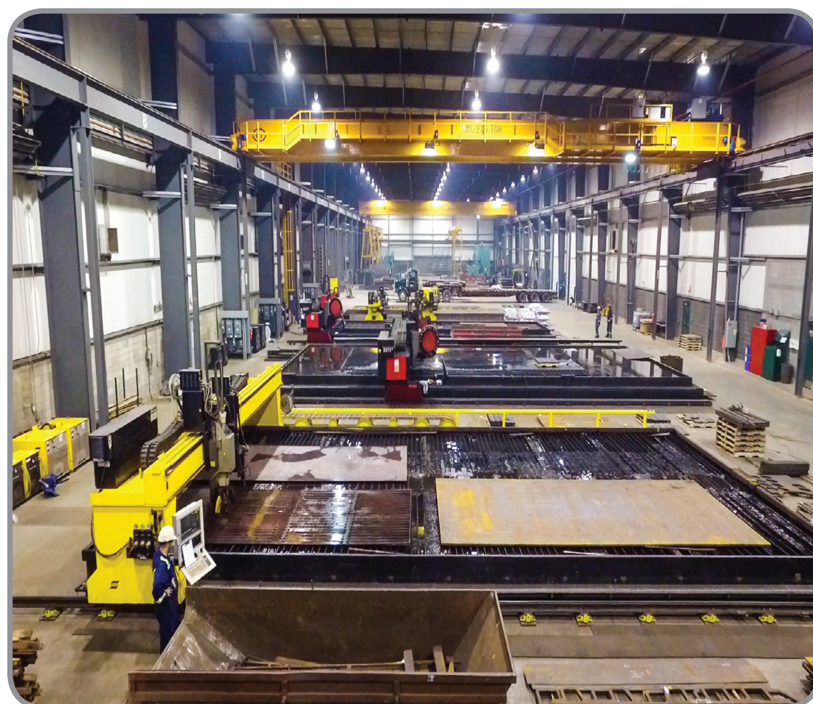
SHERRI L. MCKELVEY
Assistant Secretary

CORPORATE HEAD OFFICE

6600 Financial Drive
Mississauga, Ontario
L5N 7J6

ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Corporate Head office on Wednesday, May 2, 2018 at 10:00 am



Edmonton
Processing Facility

GLOSSARY

Book Value Per Share - Shareholders' equity divided common shares outstanding at December 31
Debt as % of Capitalization - Total net interest bearing debt excluding cash on hand divided by common shareholders' equity plus interest bearing debt excluding cash on hand
Dividend Yield - Dividend per share divided by common share price at December 31
Earnings Multiple - Common share price at December 31 divided by basic earnings per common share
EBIT - Earnings before deduction of interest and income taxes
EBITDA - Earnings before deduction of interest, income taxes, depreciation and amortization
Free Cash Flow - Cash from operating activities before change in working capital less capital expenditures
Interest Bearing Debt to EBITDA - Total interest bearing debt excluding cash on hand divided by EBITDA
Market Capitalization - Outstanding common shares times market price of a common share at December 31
Return on Capital Employed - EBIT over net assets employed

TRANSFER AGENT AND REGISTRAR

AST TRUST COMPANY (CANADA)
1 Toronto Street, Suite 1200
Toronto, Ontario, Canada M5C 2V6
T: 416.682.3860 F: 1.888.249.6189
inquiries@astfinancial.com
www.astfinancial.com

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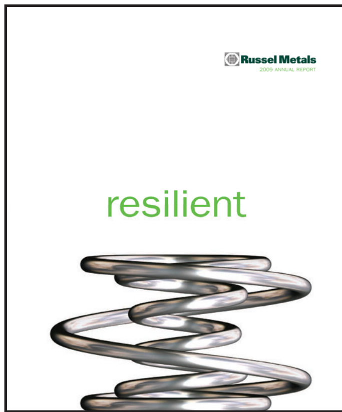
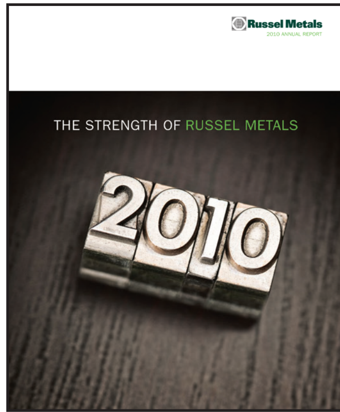
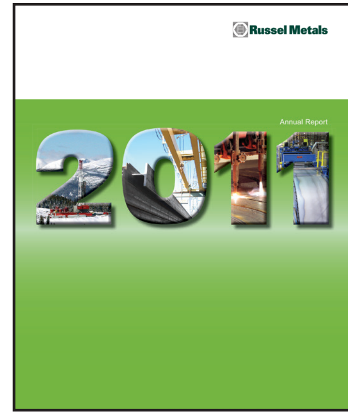
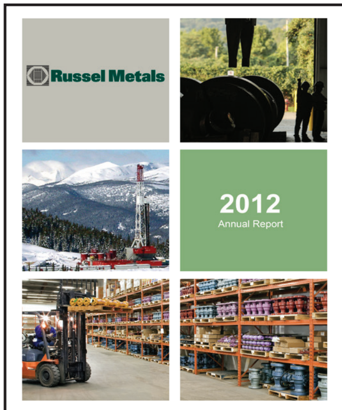
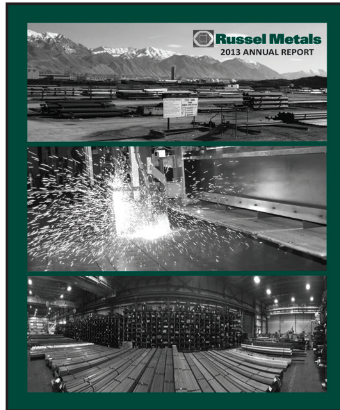
NINE YEARS

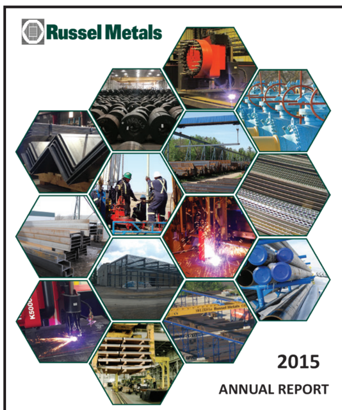


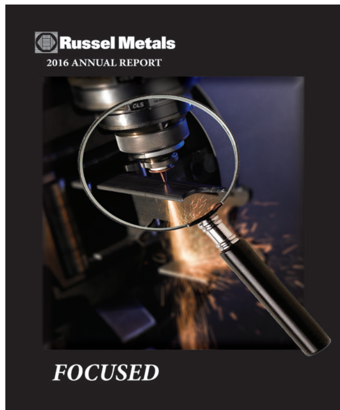












6600 Financial Drive
Mississauga, Ontario
L5N 7J6
905-819-7777
1-800-268-0750
www.russelmetals.com