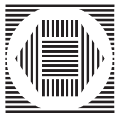

Russel Metals

Q2 REPORT

JUNE 30, 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying condensed consolidated financial statements and Management's Discussion and Analysis of Financial Condition have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

These condensed 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 condensed consolidated financial statements and Management's Discussion and Analysis of Financial Condition within reasonable limits of materiality.

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'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 condensed 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 condensed consolidated financial statements and the Management's Discussion and Analysis of Financial Condition for presentation to the shareholders.

August 2, 2017

B. R. Hedges
Chief Executive Officer

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

RUSSEL METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 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, and should be read in conjunction with, the condensed consolidated financial statements for the six months ended June 30, 2017, including the notes thereto, and the MD&A and the audited consolidated financial statements for the year ended December 31, 2016, including the notes thereto. In the opinion of management, such condensed consolidated financial statements contain all adjustments necessary for a fair presentation of the results for such periods. The results of operations for the periods shown are not necessarily indicative of what our results will be for the full year. All dollar references in our financial statements and in this report are in Canadian dollars unless otherwise stated.

Additional information related to Russel Metals Inc., including our Annual Information Form, may be obtained from SEDAR at www.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 August 2, 2017.

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 as 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 basic earnings per share were $0.52 for the quarter ended June 30, 2017 compared to $0.48 for the first quarter of 2017 and $0.27 for the 2016 second quarter.

All of our business segments experienced stronger operating results than the comparable second quarter of 2016 driven by higher selling prices in all of our segments and higher volumes in energy products and steel distributors.

For the six months ended June 30, 2017, our basic earnings per share were $1.00 compared to $0.39 for the same period in 2016.

RESULTS OF OPERATIONS

The following table provides operating profits before interest, finance expense or income 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 condensed consolidated financial statements.

	Quarters Ended June 30			**Six Months Ended June 30**		
(in millions, except percentages)	**2017**	2016	change as a % of 2016	**2017**	2016	change as a % of 2016
Segment Revenues						
Metals service centers	**$ 415.5**	$ 364.0	14%	**$ 801.9**	$ 705.1	14%
Energy products	**296.0**	175.8	68%	**635.1**	424.2	50%
Steel distributors	**100.9**	81.0	25%	**178.5**	153.5	16%
Other	**4.1**	2.9		**4.5**	3.0	
	$ 816.5	$ 623.7	31%	**$ 1,620.0**	$ 1,285.8	26%
Segment Operating Profits						
Metals service centers	**$ 24.4**	$ 23.9	2%	**$ 46.2**	$ 33.5	38%
Energy products	**21.6**	0.7		**45.2**	7.5	
Steel distributors	**10.2**	9.0	13%	**18.6**	16.1	16%
Corporate expenses	**(4.9)**	(5.1)	4%	**(10.0)**	(11.0)	9%
Other	**2.8**	1.5		**2.0**	0.5	
Operating profits	**$ 54.1**	$ 30.0	80%	**$ 102.0**	$ 46.6	119%
Segment Gross Margin as a % of Revenues						
Metals service centers	**21.6%**	22.9%		**22.0%**	21.8%	
Energy products	**18.7%**	16.4%		**17.9%**	16.5%	
Steel distributors	**19.0%**	18.5%		**20.2%**	19.5%	
Total operations	**20.6%**	20.9%		**20.4%**	20.0%	
Segment Operating Profit as a % of Revenues						
Metals service centers	**5.9%**	6.6%		**5.8%**	4.8%	
Energy products	**7.3%**	0.4%		**7.1%**	1.8%	
Steel distributors	**10.1%**	11.1%		**10.4%**	10.5%	
Total operations	**6.6%**	4.8%		**6.3%**	3.6%	

Results of our U.S. operations reported for the six months ended June 30, 2017 were converted at $1.3340 per US$1 compared to $1.3317 per US$1 for the six months ended June 30, 2016. Our U.S. operations represented approximately 32% of our total revenues. The exchange rate used to translate the balance sheet at June 30, 2017 was $1.2977 per US$1 versus $1.3427 per US$1 at December 31, 2016.

QUARTERLY FINANCIAL HIGHLIGHTS

(for the quarters ended)	**Jun 30 2017**	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016	Mar 31 2016	Dec 31 2015	Sep 30 2015
Revenues *($ millions)*	**$ 817**	$ 804	$ 654	$ 639	$ 624	$ 662	$ 673	$ 773
Operating profits *($ millions)*	**54**	48	17	28	30	17	(29)	19
Net earnings *($ millions)*	**32**	30	23	16	16	8	(135)	13
Basic earnings per share *($)*	**0.52**	0.48	0.37	0.26	0.27	0.13	(2.19)	0.21

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 43,000 end users through a network of 50 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, 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 the second quarter of 2017 and 2016 is found in the sections that follow.

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 price increases were announced in late 2016 and during the first quarter of 2017. 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 sanction decisions 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.

During the second quarter of 2017 prices remained stable as industry participants waited on the section 232 investigation decision.

Supply side management, practiced by steel producers in North America, and international supply and demand, which impact steel imports, affects product availability. Trade sanctions are initiated either by steel mills or by North American government agencies. During the second quarter of 2017, the U.S. Department of Commerce initiated reviews of alloy steel wire rod and cold-drawn mechanical tubing which are not significant products for us. Also during the 2017 second quarter, the Canadian International Trade Tribunal issued final dumping determinations on rebar and certain fabricated industrial steel components from certain countries. All of these rulings were positive for North American steel mills and steel prices.

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 26,000 Canadian customers means that our results tend to mirror the performance of the regional economies of Canada. Our U.S. operations, which have approximately 17,000 customers, are also 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 -- Three Months Ended June 30, 2017 compared to June 30, 2016*

Revenues for the three months ended June 30, 2017 increased 14% to $416 million compared to the same period in 2016 due to stronger average selling prices. Tons shipped in the second quarter of 2017 approximated tons shipped in the second quarter of 2016. Alberta experienced an increase in tons which offset small reductions in certain of our other regions. The average selling price was 5% higher than the 2017 first quarter and 15% higher than the 2016 second quarter.

Gross margin as a percentage of revenues of 21.6% was lower than the same quarter last year at 22.9%, and 22.4% for the first quarter of 2017. The higher margin in the 2016 second quarter and the 2017 first quarter resulted from rising prices in those quarters which generated inventory holding gains. The gross margin percentage in second quarter 2017 reflects more stable pricing.

Operating expenses as a percentage of revenues of 16% in the 2017 second quarter were consistent with the 2016 second quarter.

Metals service centers operating profits for the three months ended June 30, 2017 of $24 million were unchanged from the same period in 2016.

d) *Metals service centers segment results -- Six Months Ended June 30, 2017 compared to June 30, 2016*

Revenues for the six months ended June 30, 2017 increased 14% to $802 million compared to $705 million in the same period in 2016. Tons shipped in the metals service centers segment in the six months ended June 30, 2017 were consistent with the same period in 2016 and selling prices were approximately 13% higher. Demand increased in the Alberta region offsetting reductions in other regions.

Gross margin as a percentage of revenues of 22.0% for the six months ended June 30, 2017 compared to 21.8% for the same period in 2016.

Operating expenses as a percentage of revenues for the six months ended June 30, 2017 decreased to 16% compared to 17% in the same period of 2016.

Metals service centers operating profits for the six months ended June 30, 2016 of $46 million increased 38% compared to $34 million reported for the same period in 2016 due to higher selling prices resulting in stronger gross margin dollars.

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 47 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 the second quarter of 2017 and 2016 is found in the sections that follow.

The price of natural gas and oil can impact rig count and drilling activities, which affects demand for our products. Oil and gas prices, which had declined since 2014, stabilized in 2016 and remained relatively stable in 2017. This severe drop in demand and continued low level of the price of oil caused a reduction in capital spending projects and rig activity of our energy product customers during 2015 and 2016. Rig activity has increased in the first half of 2017 in both Canada and the U.S. to the strongest level in two years, which has benefited 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 resulted in lower imports of these products. The U.S. government initiated reviews in 2015 and 2016 on pipe from a number of other countries. This continued into the 2017 first quarter with the U.S. Department of Commerce completing an administrative review of OCTG from South Korea. The U.S. section 232 investigation, referred to above, may have an effect on pipe prices. Due to the overstocked inventory position of the industry and low demand, prices remained under pressure for most of 2016 despite the trade sanctions put in place. By the end of 2016, this inventory overhang was reduced and, as demand increased in 2017 product margins improved due to price increases and shortages of certain products. Prices of valves and fittings are not as sensitive to steel price fluctuations because they are highly engineered value-added products.

Drilling related to oil and natural gas in Western Canada historically peaks during the period from October to March, which means that the first and fourth quarters tend to be stronger in this segment. The 2017 spring breakup was shorter than historical norms resulting in increased activity for our Alberta energy product operations.

c) Energy products segment results -- Three Months Ended June 30, 2017 compared to June 30, 2016

Revenues in our energy products segment increased 68% to $296 million for the second quarter of 2017 compared to the same period of 2016 due to higher activity at all operations in the segment. Improved selling prices, early lifting of spring road bans in Alberta and increased demand led to increased revenues.

Gross margin as a percentage of revenues for the three months ended June 30, 2017 was 18.7% compared to 16.4% in the same period in 2016. All of our energy products operations experienced stronger demand. A continued reduction of excess inventory in the industry as well as an increase in the price of pipe resulted in higher margins.

Operating expenses as a percentage of revenues decreased to 11% compared to 16% for the same quarter last year as revenue increased at a greater rate than operating expenses.

This segment generated an operating profit of $22 million for the three months ended June 30, 2017 compared to $1 million for the same period in 2016.

d) Energy products segment results -- Six Months Ended June 30, 2017 compared to June 30, 2016

Revenues increased 50% to $635 million for the six months ended June 30, 2017 compared to the same period in 2016. Revenue increases at our Canadian oil country tubular operations represented the strongest increase over the comparable six month period in 2016.

Gross margin as a percentage of revenues for the six months ended June 30, 2017 was 17.9% compared to 16.5% in the same period in 2016.

Operating expenses as a percentage of revenue improved to 11% from 15% in 2016 as revenues increased at a greater rate than operating expenses.

Operating profit was $45 million for the six months ended June 30, 2017 compared to $8 million for the same period in 2016 due to the recovery in activity in the energy industry.

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 the second quarter of 2017 and 2016 is found in the sections that follow.

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 import duties from additional countries were levied by the U.S. Department of Commerce in 2017 and the section 232 investigation commenced.

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.

c) *Steel distributors segment results -- Three Months Ended June 30, 2017 compared to June 30, 2016*

Steel distributors revenues increased 25% to $101 million for the three months ended June 30, 2017 compared to the same period in 2016, due to increased volumes and higher prices.

Gross margin as a percentage of revenues was 19.0% for the three months ended June 30, 2017 compared to 18.5% for the three months ended June 30, 2016.

Operating expenses as a percentage of revenue for the second quarter of 2017 were 9% which was higher than the same quarter in 2016 at 7%, due to higher variable compensation as a result of stronger earnings.

Operating profits for the three months ended June 30, 2017 were $10 million compared to $9 million June 30, 2016 mainly as a result of higher volumes.

d) *Steel distributors segment results -- Six Months Ended June 30, 2017 compared to June 30, 2016*

Revenues for the six months ended June 30, 2017 increased 16% to $179 million compared to $154 million for the six months ended June 30, 2016.

Gross margin as a percentage of revenues was 20.2% for the six months ended June 30, 2017 compared to 19.5% for the same period in 2016 due to rising steel prices.

Operating expenses as a percentage of revenues were 10% for the six months ended June 30, 2017 compared to 9% for the comparable 2016 period.

Operating profits for the six months ended June 30, 2017 were $19 million compared to $16 million for the six months ended June 30, 2016 due to increased volumes and prices.

CORPORATE EXPENSES -- Three and Six Months Ended June 30, 2017 compared to June 30, 2016

Corporate expenses for the three and six months ended June 30, 2017 were consistent with the prior year.

CONSOLIDATED RESULTS -- Three and Six Months Ended June 30, 2017 compared to June 30, 2016

Operating profits improved to $54 million for the three months ended June 30, 2017 compared to $30 million for the same quarter of 2016. For the six months ended June 30, 2017 operating profits more than doubled to $102 million compared to $47 million in the same period last year.

INTEREST EXPENSE AND INCOME

Net interest expense was $6 million for the three months ended June 30, 2017 and 2016. Net interest expense was $11 million for the six months ended June 30, 2017 and 2016.

OTHER FINANCE EXPENSE

We recorded a finance expense of $1 million related to the fair value of the contingent consideration on our Apex Distribution acquisition as their operating results were stronger than previously forecasted. There was no change in the fair value of the Apex Monarch contingent consideration.

INCOME TAXES

We recorded a provision for income taxes of $15 million for the second quarter of 2017 compared to $8 million for the second quarter of 2016. Our effective income tax rate for the three months ended June 30, 2017 was 31.7% compared to 33.0% for the three months ended June 30, 2016. For the six months ended June 30, 2017 our effective income tax rate was 31.3% compared to 32.2% for the same period.

NET EARNINGS

Net earnings for the second quarter of 2017 at $33 million were double the $16 million in the second quarter of 2016. Basic earnings per share for the second quarter of 2017 were $0.52 compared to $0.27 per share for the second quarter of 2016 as all business segments experienced improved results. Basic earnings per share for the six months ended June 30, 2017 were $1.00 compared to $0.39 for the same period last year.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the second quarter of 2017 was 61,792,194 compared to 61,702,736 for the second quarter of 2016. The weighted average number of common shares outstanding for the six months ended June 30, 2017 was 61,773,614 compared to 61,702,648 for the six months ended June 30, 2016. Common shares outstanding at June 30, 2017 and August 2, 2017 were 61,792,194.

We paid common share dividends of $24 million or $0.38 per share in the second quarter of 2017 and 2016.

We have $300 million 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. We currently have a basket of approximately $246 million available for restricted payments, which is adjusted for 50% of our net earnings or losses on a quarterly basis. This basket is available for dividend payments greater than $0.35 per share which, at the current dividend rate, utilizes approximately $7 million per annum of the restricted payment basket.

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 as our borrowing base, which is based on percentages of accounts receivable and inventories, has traditionally been in excess of our borrowings plus four times the current dividend. In addition, if our excess borrowing base were to be below four times our dividend, 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)	Quarters ended June 30 2017	2016	Six months ended June 30 2017	2016
Net earnings	**$ 32.5**	$ 16.4	**$ 62.1**	$ 24.2
Provision for income taxes	**15.0**	8.1	**28.3**	11.5
Interest and finance expense, net	**6.6**	5.5	**11.6**	10.9
Earnings before interest and income taxes (EBIT)	**54.1**	30.0	**102.0**	46.6
Depreciation and amortization	**8.5**	8.8	**17.0**	17.7
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	**$ 62.6**	$ 38.8	**$ 119.0**	$ 64.3

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 $14 million for the six months ended June 30, 2017 compared to $7 million in the same period of 2016. The increase in expenditures reflects the expansion of our Edmonton facility and the continued emphasis on our processing capabilities. Depreciation expense was $14 million for the six months ended June 30, 2017 and 2016.

LIQUIDITY

At June 30, 2017, we had net cash, defined as cash less bank indebtedness of $38 million, compared to net cash of $147 million at December 31, 2016 as cash was utilized to support working capital due to the increase in activity to date in 2017.

We generated $109 million from operations in the six months ended June 30, 2017 and utilized $131 million for increased working capital, primarily due to increased accounts receivable and inventories. We utilized $14 million for capital expenditures and $47 million for dividends to shareholders.

Due to our cyclical business, we experience significant swings in working capital which impacts 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 to date in 2017 has utilized $188 million in cash to support increases in these balances.

Total assets were $1.7 billion at June 30, 2017 and $1.5 billion at December 31, 2016. At June 30, 2017 current assets excluding cash represented 78% of our total assets compared to 75% at December 31, 2016.

Inventory purchases utilized cash of $106 million in the six months ended June 30, 2017. Inventories were higher in all operating segments consistent with the increase in activity and selling prices, particularly in energy products and steel distributors. Inventories represented 43% of our total assets at June 30, 2017 compared to 41% at December 31, 2016.

Inventory by Segment (millions)	**June 30 2017**	Mar. 31 2017	Dec. 31 2016	Sept. 30 2016	June 30 2016
Metals service centers	**$ 282**	$ 280	$ 252	$ 249	$ 260
Energy products	**314**	267	288	302	340
Steel distributors	**120**	81	76	84	81
Total	**$ 716**	$ 628	$ 616	$ 635	$ 681

Inventory Turns (quarters ended)	**June 30 2017**	Mar. 31 2017	Dec. 31 2016	Sept. 30 2016	June 30 2016
Metals service centers	**4.6**	4.3	4.2	4.4	4.3
Energy products	**3.1**	4.2	2.9	2.4	1.7
Steel distributors	**2.7**	3.0	3.5	2.8	3.3
Total	**3.6**	4.1	3.5	3.2	2.9

At June 30, 2017, our metals service centers had inventory tons 4% lower than at June 30, 2016; however, higher steel prices have increased the value of metals service center inventory.

During the second quarter of 2017 inventory levels increased at our energy products operations due to stronger activity in the oil and gas sector and higher mill prices.

Increased inventory levels at our steel distributors were due to stronger mill prices and demand.

Accounts receivable utilized cash of $82 million in the six months ended June 30, 2017. Accounts receivable represented 26% of our total assets at June 30, 2017 compared to 27% at December 31, 2016.

During the six months ended June 30, 2017 we made income tax payments of $21 million compared to $1 million for the six months ended June 30, 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

	Quarters ended June 30		Six months ended June 30	
(millions)	**2017**	2016	**2017**	2016
Cash from operating activities before non-cash working capital	**$ 52.7**	$ 28.2	**$ 109.0**	$ 52.7
Purchase of property, plant and equipment	**(8.7)**	(4.0)	**(14.3)**	(7.0)
	$ 44.0	$ 24.2	**$ 94.7**	$ 45.7

We believe that free cash flow may be useful in assessing our ability to pay dividends, 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

(millions)	**June 30 2017**	December 31 2016
Long-term debt		
6% $300 million Unsecured Senior Notes due April 19, 2022	**$ 296**	$ 296

CASH, DEBT AND CREDIT FACILITIES

Cash Facilities *(millions)*		**June 30 2017**		December 31 2016
Bank loans	**$**	**(137)**	$	(43)
Cash net of outstanding cheques		**175**		190
Net cash		**38**		147
Letters of credit		**(80)**		(39)
	$	**(42)**	$	108
Facilities				
Borrowings and letters of credit	**$**	**350**	$	350
Letters of credit		**50**		50
Facilities availability	**$**	**400**	$	400
Available line based on borrowing base	**$**	**400**	$	400

We have a credit facility with a syndicate of Canadian and U.S. banks totaling $400 million which expires September 21, 2019. Borrowings, excluding letters of credit, cannot exceed $350 million. 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.

As of June 30, 2017, we were entitled to borrow and issue letters of credit totaling $400 million under our facility. At June 30, 2017, we had $137 million in borrowings compared to $43 million at December 31, 2016. We had $80 million in letters of credit at June 30, 2017 compared to $39 million at December 31, 2016.

At June 30, 2017, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facilities we have access to approximately $347 million of cash based on our June 30, 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. These lines are used to support increased working capital needs when volumes and steel prices increase.

CONTRACTUAL OBLIGATIONS

As at June 30, 2017, we were contractually obligated to make payments as per the following table:

	Payments due in				
Contractual Obligations *(millions)*	2017	2018 and 2019	2020 and 2021	2022 and thereafter	Total
Accounts payable	$ 373	$ -	$ -	$ -	$ 373
Debt	-	-	-	300	300
Long-term debt interest	9	36	36	10	91
Operating leases	12	35	21	23	91
Total	$ 394	$ 71	$ 57	$ 333	$ 855

As part of the purchase consideration for Apex Distribution and Apex Monarch we agreed to pay additional cash consideration during the five years ending 2017 and 2018, respectively, based on earnings before interest and taxes and return on net assets. Based on the forecasted future profit levels of these operations, we have expensed $1 million in the current period to cover the expected payment for Apex Distribution.

We have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 14 of our 2016 consolidated financial statements. During the six months ended June 30, 2017, we contributed $2 million to these plans. We expect to contribute approximately $3 million to these plans during the remainder of the year. 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 $6 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 facilities 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 June 30, 2017 was approximately $0.3 million lower than our reserve at December 31, 2016. Bad debt expense for the six months ended June 30, 2017 as a percentage of revenue was less than 1% and approximates that of 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 June 30, 2017 was $14 million lower than the level at December 31, 2016 due to a stronger price environment and the sale of slow moving product.

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 a discount rate requires significant judgment.

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 the 2017 first quarter 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 $131 million in plan assets at June 30, 2017, which is an increase of approximately $2 million from December 31, 2016. The discount rate used on the employee benefit plan obligation for the quarter ended June 30, 2017 was 3.25% which is 0.5% 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. The design of internal controls was completed using the framework and criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

No changes were made in our disclosure controls and procedures of our internal controls over financial reporting during the second quarter of 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

VISION AND STRATEGY

The metals distribution business is a segment of a mature, cyclical industry. We strive to deal with the cyclical nature of the business by operating with the lowest possible net assets throughout the course of a cycle. This intensive asset management reduces borrowings and therefore interest expense in declining periods in the economic cycle. This in turn creates higher, more stable returns on net assets over a cycle. 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 profits throughout a cycle and we believe will have average earnings over the cycle in the top deciles of the industry.

We have significant investments in business units that service the oil and gas industry. We endeavour to manage the inventories and costs in these businesses to enable us to react to the variability of oil and gas prices.

Growth from selective acquisitions is also part of our strategy. We focus on investment opportunities in metals 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. We made small acquisitions in both 2015 and 2016 and we continue to review opportunities for acquisitions.

We believe that the steel-based pricing cycle will continue to be short and volatile, and a management structure and philosophy that allows the fastest reaction to changes that affect the industry will be the most successful. We will continue to invest in our business systems to enable faster reaction times to 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 inherent cyclical nature of the steel industry, modest capacity utilization rates for North American steel producers and historically high import levels.

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.

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.

OUTLOOK

Our first half of 2017 was a significant improvement over the last two years. To date in the third quarter demand is relatively consistent with the second quarter in both metals service centers and steel distribution. Demand for energy products continues to increase in Canada as we exit the seasonality of spring breakup and the U.S. market appears to have stabilized.

There is uncertainty surrounding steel prices due to the pending U.S. 232 trade action announcement and oil prices remain range bound. The seasonal demand reduction in our metals service centers and steel distributors segments should be offset by increased demand levels in our energy products segment.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS *(UNAUDITED)*

(in millions of Canadian dollars, except per share data)	Quarters ended June 30 **2017**	2016	Six months ended June 30 **2017**	2016
Revenues	**$ 816.5**	$ 623.7	**$ 1,620.0**	$ 1,285.8
Cost of materials (Note 4)	**648.3**	493.7	**1,289.5**	1,029.0
Employee expenses (Note 13)	**69.1**	61.3	**135.7**	126.0
Other operating expenses (Note 13)	**45.0**	38.7	**92.8**	84.2
Earnings before interest, finance expense and provision for income taxes	**54.1**	30.0	**102.0**	46.6
Interest expense (Note 14)	**5.6**	5.5	**10.6**	10.9
Other finance expense (Note 14)	**1.0**	-	**1.0**	-
Earnings before provision for income taxes	**47.5**	24.5	**90.4**	35.7
Provision for income taxes (Note 15)	**15.0**	8.1	**28.3**	11.5
Net earnings for the period	**$ 32.5**	$ 16.4	**$ 62.1**	$ 24.2
Basic earnings per common share (Note 12)	**$ 0.52**	$ 0.27	**$ 1.00**	$ 0.39
Diluted earnings per common share (Note 12)	**$ 0.52**	$ 0.27	**$ 1.00**	$ 0.39

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) *(UNAUDITED)*

(in millions of Canadian dollars)	Quarters ended June 30 **2017**	2016	Six months ended June 30 **2017**	2016
Net earnings for the period	**$ 32.5**	$ 16.4	**$ 62.1**	$ 24.2
Other comprehensive income				
Items that may be reclassified to earnings				
Unrealized foreign exchange (losses) gains on translation of foreign operations	**(11.6)**	1.3	**(16.0)**	(30.4)
Items that may not be reclassified to earnings				
Actuarial losses on pension and similar obligations net of taxes (Note 20)	**(8.0)**	(6.6)	**(6.0)**	(9.5)
Other comprehensive loss	**(19.6)**	(5.3)	**(22.0)**	(39.9)
Total comprehensive income (loss)	**$ 12.9**	$ 11.1	**$ 40.1**	$ (15.7)

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(UNAUDITED)*

(in millions of Canadian dollars)	**June 30 2017**	December 31 2016
ASSETS		
Current		
Cash and cash equivalents	**$ 164.3**	$ 181.8
Accounts receivable	**438.6**	359.4
Inventories (Note 4)	**715.9**	615.8
Prepaid expenses	**12.8**	8.5
Income taxes	**2.8**	6.6
	1,334.4	1,172.1
Property, Plant and Equipment (Note 5)	**237.8**	239.7
Deferred Income Tax Assets	**6.8**	5.9
Financial and Other Assets	**4.2**	5.1
Goodwill and Intangibles (Note 6)	**82.2**	85.7
	$ 1,665.4	$ 1,508.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (Note 7)	**$ 126.6**	$ 34.9
Accounts payable and accrued liabilities	**372.6**	313.5
Income taxes payable	**9.1**	5.3
Current portion long-term debt (Note 8)	**0.1**	0.1
	508.4	353.8
Long-Term Debt (Note 8)	**296.1**	295.8
Pensions and Benefits (Note 9)	**19.3**	11.0
Deferred Income Tax Liabilities	**12.6**	14.5
Provisions and Other Non-Current Liabilities (Note 16)	**9.2**	8.1
	845.6	683.2
Shareholders' Equity (Note 10)		
Common shares	**533.6**	532.4
Retained earnings	**171.0**	161.9
Contributed surplus	**16.1**	15.9
Accumulated other comprehensive income	**99.1**	115.1
Total Shareholders' Equity	**819.8**	825.3
Total Liabilities and Shareholders' Equity	**$ 1,665.4**	$ 1,508.5

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

ON BEHALF OF THE BOARD,

J.M. Clark
Director

A. Laberge
Director

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW *(UNAUDITED)*

(in millions of Canadian dollars)	Quarters ended June 30 **2017**	2016	Six months ended June 30 **2017**	2016
Operating activities				
Net earnings for the period	**$ 32.5**	$ 16.4	**$ 62.1**	$ 24.2
Depreciation and amortization	**8.5**	8.8	**17.0**	17.7
Provision for income taxes	**15.0**	8.1	**28.3**	11.5
Interest expense	**5.6**	5.5	**10.6**	10.9
Gain on sale of property, plant and equipment	**(0.1)**	(0.1)	**(0.2)**	(0.4)
Share-based compensation	**0.1**	0.2	**0.3**	0.4
Difference between pension expense and amount funded	**-**	(0.7)	**-**	(1.1)
Debt accretion, amortization and other	**0.1**	0.1	**0.3**	0.3
Change in fair value of contingent consideration	**1.0**	-	**1.0**	-
Interest paid	**(10.0)**	(10.1)	**(10.4)**	(10.8)
Cash from operating activities before non-cash working capital	**52.7**	28.2	**109.0**	52.7
Changes in non-cash working capital items				
Accounts receivable	**25.2**	(5.2)	**(82.4)**	(5.9)
Inventories	**(91.5)**	(1.7)	**(105.8)**	19.7
Accounts payable and accrued liabilities	**19.1**	19.7	**61.9**	18.7
Other	**(1.0)**	(1.1)	**(4.3)**	(1.2)
Change in non-cash working capital	**(48.2)**	11.7	**(130.6)**	31.3
Income tax paid, net	**(22.1)**	(5.3)	**(21.4)**	(0.4)
Cash (used in) from operating activities	**(17.6)**	34.6	**(43.0)**	83.6
Financing activities				
Increase (decrease) in bank indebtedness	**48.2**	16.8	**91.7**	(1.1)
Issue of common shares	**-**	-	**1.1**	-
Dividends on common shares	**(23.5)**	(23.5)	**(47.0)**	(46.9)
Issuance of long-term debt	**-**	-	**-**	0.2
Repayment of long-term debt	**-**	-	**-**	(0.2)
Cash from (used in) financing activities	**24.7**	(6.7)	**45.8**	(48.0)
Investing activities				
Purchase of property, plant and equipment	**(8.7)**	(4.0)	**(14.3)**	(7.0)
Proceeds on sale of property, plant and equipment	**0.4**	0.4	**0.6**	5.1
Payment of contingent consideration	**-**	-	**-**	(0.1)
Cash used in investing activities	**(8.3)**	(3.6)	**(13.7)**	(2.0)
Effect of exchange rates on cash and cash equivalents	**(3.3)**	(1.6)	**(6.6)**	(13.6)
(Decrease) increase in cash and cash equivalents	**(4.5)**	22.7	**(17.5)**	20.0
Cash and cash equivalents, beginning of the period	**168.8**	140.7	**181.8**	143.4
Cash and cash equivalents, end of the period	**$ 164.3**	$ 163.4	**$ 164.3**	$ 163.4

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(UNAUDITED)*

(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	-	(47.0)	-	-	(47.0)
Net earnings for the period	-	62.1	-	-	62.1
Other comprehensive loss for the period	-	-	-	(22.0)	(22.0)
Recognition of share-based compensation	-	-	0.3	-	0.3
Share options exercised	1.2	-	(0.1)	-	1.1
Transfer of net actuarial losses on defined benefit plans	-	(6.0)	-	6.0	-
Balance, June 30, 2017	**$ 533.6**	**$ 171.0**	**$ 16.1**	**$ 99.1**	**$ 819.8**

(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	-	(46.9)	-	-	(46.9)
Net earnings for the period	-	24.2	-	-	24.2
Other comprehensive loss for the period	-	-	-	(39.9)	(39.9)
Recognition of share-based compensation	-	-	0.4	-	0.4
Transfer of net actuarial losses on defined benefit plans	-	(9.5)	-	9.5	-
Balance, June 30, 2016	**$ 531.7**	**$ 159.9**	**$ 15.6**	**$ 99.5**	**$ 806.7**

The accompanying notes are an integral part of these condensed 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, is a metals distribution company operating in various locations within North America.

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

These condensed consolidated financial statements were authorized for issue by the Board of Directors on August 2, 2017.

NOTE 2 BASIS OF PRESENTATION

These condensed consolidated financial statements, including comparatives, have been prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2016. These condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements have been set out in the Company's consolidated financial statements for the year ended December 31, 2016. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016.

These condensed 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 condensed 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.

These condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

NOTE 3 FUTURE ACCOUNTING CHANGES

IFRS 15 Revenue from Contracts with Customers
The Company's implementation team is nearing the completion of its implementation plan. The Company does not expect that any changes to its information systems will be required in order to implement the standard.

The Company has elected to adopt the standard using the modified retrospective approach. The Company does not expect that the application of *IFRS 15* will 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 standard will result in increased disclosure on sources of revenues.

NOTE 4 INVENTORIES

Inventories of $0.6 billion (2016: $0.5 billion) were expensed in cost of materials for the quarter ended June 30, 2017 and $1.3 billion (2016: $1.0 billion) were expensed for the six months ended June 30, 2017.

The Company recorded an inventory impairment charge of $4.8 million for the six months ended June 30, 2017 (2016: $5.4 million). The Company recorded reversals of previous inventory impairment charges of $1.0 million during the six months ended June 30, 2017 (2016: $2.8 million).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

Cost *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2016	$ 239.0	$ 345.5	$ 26.8	$ 611.3
Additions	0.9	13.1	0.3	14.3
Disposals	-	(2.8)	-	(2.8)
Foreign exchange	(1.1)	(2.9)	(0.1)	(4.1)
Balance, June 30, 2017	**$ 238.8**	**$ 352.9**	**$ 27.0**	**$ 618.7**

Accumulated depreciation and amortization *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2016	$ 103.3	$ 246.8	$ 21.5	$ 371.6
Depreciation and amortization	2.8	10.8	0.3	13.9
Disposals	-	(2.4)	-	(2.4)
Foreign exchange	(0.3)	(1.8)	(0.1)	(2.2)
Balance, June 30, 2017	**$ 105.8**	**$ 253.4**	**$ 21.7**	**$ 380.9**

Net Book Value *(millions)*	
December 31, 2016	$ 239.7
June 30, 2017	**$ 237.8**

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

Land, included in land and buildings, was $43.1 million (December 31, 2016: $43.2 million).

	Quarters ended June 30		Six months ended June 30	
(millions)	**2017**	2016	**2017**	2016
Depreciation - cost of materials	**$ 2.0**	$ 2.0	**$ 4.0**	$ 4.1
Depreciation - other operating expense	**5.0**	5.1	**9.9**	10.4
	$ 7.0	$ 7.1	**$ 13.9**	$ 14.5

NOTE 6 GOODWILL AND INTANGIBLES

(millions)	**June 30 2017**	December 31 2016
Goodwill	**$ 26.8**	$ 27.2
Intangibles	**55.4**	58.5
	$ 82.2	$ 85.7

a) Goodwill

Goodwill *(millions)*	**Total**
Balance, December 31, 2016	**$ 27.2**
Foreign exchange	**(0.4)**
Balance, June 30, 2017	**$ 26.8**

The entire goodwill balance relates to the metals service centers segment.

b) 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
Balance, December 31, 2016	$ 17.9	$ 70.7	**$ 88.6**
Foreign exchange	(0.2)	-	**(0.2)**
Balance, June 30, 2017	$ 17.7	$ 70.7	**$ 88.4**

Accumulated amortization *(millions)*	Metals Service Centers	Energy Products	Total
Balance, December 31, 2016	$ (9.5)	$ (20.6)	**$ (30.1)**
Amortization	(0.6)	(2.3)	**(2.9)**
Balance, June 30, 2017	$ (10.1)	$ (22.9)	**$ (33.0)**

Net book value	
December 31, 2016	$ 58.5
June 30, 2017	**$ 55.4**

The remaining amortization period for customer relationships is 6 to 13 years.

NOTE 7 REVOLVING CREDIT FACILITIES

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.

At June 30, 2017, the Company had borrowings of $137.0 million (December 31, 2016: $43.0 million) and letters of credit of $80.3 million (December 31, 2016: $38.9 million) under this facility.

The Company was in compliance with the financial covenants at June 30, 2017.

NOTE 8 LONG-TERM DEBT

(millions)	**June 30 2017**	December 31 2016
6.0% $300 million Senior Notes due April 19, 2022	**$ 296.1**	$ 295.7
Finance lease obligations	**0.1**	0.2
Less: current portion	**(0.1)**	(0.1)
	$ 296.1	$ 295.8

On April 19, 2012, the Company issued through a private placement, $300 million 6.0% 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 June 30, 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 9 PENSIONS AND BENEFITS

As at June 30, 2017, the Company determined its accrued benefit obligations related to the employee future benefit plans using a discount rate of 3.25% (December 31, 2016: 3.75%) and also determined the fair value of the defined benefit pension plan assets as at the statement of financial position date. The net change in the accrued benefit obligations less the fair value of the defined benefit plan assets resulted in an actuarial loss on employee future benefit plans of $10.9 million for the three month period ended June 30, 2017 (2016: loss of $8.9 million) and an actuarial loss of $8.2 million for the six months ended June 30, 2017 (2016: loss of $12.9 million) which was recorded, net of tax, through other comprehensive income.

The benefit obligations and plan assets for the Company's pension and other post retirement benefit obligations are as follows:

(millions)	**June 30 2017**	December 31 2016
Present value of defined benefit pension obligations	**$ 146.4**	$ 135.6
Fair value of plan assets	**131.2**	128.7
	15.2	6.9
Other post retirement benefit obligations	**4.1**	4.1
Defined benefit obligations, net	**$ 19.3**	$ 11.0

The following table provides the defined benefit obligation for partially funded plans and unfunded plans.

	Pension Plans		Other Benefit Plans	
(millions)	**June 30 2017**	December 31 2016	**June 30 2017**	December 31 2016
Defined benefit obligation, net				
Partially funded plans	**$ 15.2**	$ 6.9	**$ -**	$ -
Unfunded plans	**-**	-	**4.1**	4.1
Defined benefit obligation	**$ 15.2**	$ 6.9	**$ 4.1**	$ 4.1

NOTE 10 SHAREHOLDERS' EQUITY

a) At June 30, 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 is as follows:

	Number of Shares	Amount *(millions)*
Balance, December 31, 2016	61,735,485	$ 532.4
Share options exercised	56,709	1.2
Balance, June 30, 2017	**61,792,194**	**$ 533.6**

The continuity of contributed surplus is as follows:

(millions)	
Balance, December 31, 2016	$ 15.9
Share-based compensation expense	0.3
Options exercised	(0.1)
Balance, June 30, 2017	**$ 16.1**

Dividends paid and declared are as follows:

	Quarters ended June 30	
	2017	2016
Dividends paid *(millions)*	**$ 23.5**	$ 23.5
Dividends paid per share	**$ 0.38**	$ 0.38
Quarterly dividend per share declared on August 2, 2017 (August 10, 2016)	**$ 0.38**	$ 0.38

NOTE 11 SHARE-BASED COMPENSATION

Share Options

The Company has a shareholder approved share option plan, the purpose of which is to provide certain employees of the Company and its subsidiaries with the opportunity to participate in the growth and development of the Company. The following is a continuity of options outstanding:

	Number of Options		Weighted Average Exercise Price	
	June 30 2017	December 31 2016	**June 30 2017**	December 31 2016
Balance, beginning of period	**2,383,203**	2,226,728	**$ 26.25**	$ 27.49
Granted	**141,773**	375,000	**28.99**	18.11
Exercised	**(56,709)**	(32,925)	**17.70**	17.85
Expired or forfeited	**(408,850)**	(185,600)	**33.69**	26.22
Balance, end of period	**2,059,417**	2,383,203	**$ 25.20**	$ 26.25
Exercisable	**1,418,480**	1,624,626	**$ 26.22**	$ 27.94

The outstanding options had exercise price ranges as follows:

(number of options)	**June 30 2017**	December 31 2016
$ 29.00 and above	**149,172**	550,772
$ 25.37 - $ 28.99	**1,147,060**	1,012,537
$ 16.58 - $ 25.36	**763,185**	819,894
Options outstanding	**2,059,417**	2,383,203

Share Appreciation Rights (SAR)

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 June 30, 2017, there were 63,291 SARs outstanding at an exercise price of $28.99 whose fair value was $nil.

Deferred Share Units (DSU)

At June 30, 2017, there were 229,220 DSUs outstanding (December 31, 2016: 207,650). The liability and fair value of DSUs was $5.9 million at June 30, 2017 (December 31, 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 (RSU)

The Company has a RSU Plan for eligible employees as designated by the Board of Directors. Continuity of RSUs outstanding is as follows:

(number of units)	**June 30 2017**	December 31 2016
Balance, beginning of the period	**216,402**	344,115
Granted	**69,817**	36,616
Paid out	**(4,250)**	(164,329)
Balance, end of the period	**281,969**	216,402

The RSU liability at June 30, 2017 was $5.8 million (December 31, 2016: $4.7 million). The fair value of RSUs was $7.3 million at June 30, 2017 (December 31, 2016: $5.5 million). Dividends declared on common shares accrue to units in the RSU plan in the form of additional RSUs.

NOTE 12 EARNINGS PER SHARE

The net income used in the calculation of basic and diluted earnings per share for the three months ended June 30, 2017 was $32.5 million (2016: $16.4 million) and for the six months ended June 30, 2017 was $62.1 million (2016: $24.2 million).

	Quarters ended June 30		Six months ended June 30	
(number of shares)	**2017**	2016	**2017**	2016
Weighted average shares outstanding	**61,792,194**	61,702,736	**61,773,614**	61,702,648
Dilution impact of share options	**159,130**	74,213	**172,058**	10,900
Diluted weighted average shares outstanding	**61,951,324**	61,776,949	**61,945,672**	61,713,548

NOTE 13 EXPENSES

	Quarters ended June 30		Six months ended June 30	
(millions)	**2017**	2016	**2017**	2016
Employee Expenses				
Wages and salaries	**$ 59.3**	$ 51.8	**$ 115.7**	$ 105.8
Other employee related costs	**9.8**	9.5	**20.0**	20.2
	$ 69.1	$ 61.3	**$ 135.7**	$ 126.0
Other Operating Expenses				
Plant and other expenses	**$ 26.8**	$ 23.1	**$ 57.1**	$ 52.7
Delivery expenses	**12.6**	10.9	**24.2**	21.4
Repairs and maintenance	**2.7**	2.6	**5.4**	5.1
Selling expenses	**1.9**	1.4	**4.4**	3.5
Professional fees	**1.1**	1.0	**2.3**	2.2
Gain on sale of property, plant and equipment	**(0.3)**	(0.1)	**(0.4)**	(0.4)
Foreign exchange (gains) losses	**0.2**	(0.2)	**(0.2)**	(0.3)
	$ 45.0	$ 38.7	**$ 92.8**	$ 84.2

NOTE 14 INTEREST AND FINANCE EXPENSE

(millions)	Quarters ended June 30 2017	2016	Six months ended June 30 2017	2016
Interest on 6.0% Senior Notes	**$ 4.7**	$ 4.7	**$ 9.3**	$ 9.3
Other interest expense	**0.9**	0.8	**1.3**	1.6
Interest expense	**$ 5.6**	$ 5.5	**$ 10.6**	$ 10.9
Other finance expense (Note 16)	**$ 1.0**	$ -	**$ 1.0**	$ -

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. Interest expense on long-term debt is charged to earnings using the effective interest method. Debt accretion and issue cost amortization for the quarters ended June 30, 2017 was $0.1 million (2016: $0.1 million) and for the six months ended June 30, 2017 was $0.3 million (2016: $0.3 million).

NOTE 15 INCOME TAXES

The consolidated effective tax rates for the quarters ended June 30, 2017 and June 30, 2016 were 31.7% and 33.0% respectively and for the six months ended June 30, 2017 and 2016 were 31.3% and 32.2% respectively.

NOTE 16 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(millions)	June 30 2017	December 31 2016
Contingent consideration	**$ 1.0**	$ -
Provision for decommissioning liabilities	**2.6**	2.7
Deferred compensation and employee incentives	**11.7**	10.0
Product warranty provision (Note 19)	**-**	20.0
	15.3	32.7
Less: current portion	**(6.1)**	(24.6)
	$ 9.2	$ 8.1

a) The contingent consideration obligations period relating to Apex Distribution and Apex Monarch will end on November 30, 2017 and December 31, 2018 respectively. The Company's contingent consideration obligation for Apex Distribution and Apex Monarch are uncapped.

The undiscounted expected cash outflow relating to contingent consideration was estimated to be $1.0 million (December 31, 2016: $nil) for Apex Distribution and $nil (December 31, 2016: $nil) for Apex Monarch.

b) Deferred compensation includes the RSU and DSU liabilities. The RSU liabilities that will be paid in December 2017 amounting to $5.1 million have been reclassified to current accrued liabilities.

NOTE 17 SEGMENTED 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 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. For the quarter ended June 30, 2017 the inter-segment revenues from steel distributors to metals service centers were $10.5 million (2016: $14.9 million) and for the six months ended June 30, 2017 were $18.6 million (2016: $23.0 million). These revenues, which are at market rates, are eliminated in the following table.

a) Results by business segment:

	Quarters ended June 30		Six months ended June 30	
(millions)	**2017**	2016	**2017**	2016
Segment Revenues				
Metals service centers	**$ 415.5**	$ 364.0	**$ 801.9**	$ 705.1
Energy products	**296.0**	175.8	**635.1**	424.2
Steel distributors	**100.9**	81.0	**178.5**	153.5
	812.4	620.8	**1,615.5**	1,282.8
Other	**4.1**	2.9	**4.5**	3.0
	$ 816.5	$ 623.7	**$ 1,620.0**	$ 1,285.8
Segment Operating Profits				
Metals service centers	**$ 24.4**	$ 23.9	**$ 46.2**	$ 33.5
Energy products	**21.6**	0.7	**45.2**	7.5
Steel distributors	**10.2**	9.0	**18.6**	16.1
	56.2	33.6	**110.0**	57.1
Corporate expenses	**(4.9)**	(5.1)	**(10.0)**	(11.0)
Other income	**2.8**	1.5	**2.0**	0.5
Earnings before finance expense and provision for income taxes	**54.1**	30.0	**102.0**	46.6
Finance expense, net	**(6.6)**	(5.5)	**(11.6)**	(10.9)
Provision for income taxes	**(15.0)**	(8.1)	**(28.3)**	(11.5)
Net earnings	**$ 32.5**	$ 16.4	**$ 62.1**	$ 24.2
Capital Expenditures				
Metals service centers	**$ 7.3**	$ 2.9	**$ 12.1**	$ 5.4
Energy products	**1.2**	0.7	**1.9**	1.1
Steel distributors	**0.2**	0.4	**0.3**	0.5
	$ 8.7	$ 4.0	**$ 14.3**	$ 7.0
Depreciation Expense				
Metals service centers	**$ 5.7**	$ 5.9	**$ 11.3**	$ 11.9
Energy products	**1.0**	1.0	**2.0**	2.2
Steel distributors	**0.3**	0.2	**0.6**	0.4
	$ 7.0	$ 7.1	**$ 13.9**	$ 14.5

(millions)	**June 30 2017**	December 31 2016
Current Identifiable Assets		
Metals service centers	**$ 495.0**	$ 408.9
Energy products	**501.2**	459.4
Steel distributors	**169.8**	116.9
	1,166.0	985.2
Non-Current Identifiable Assets		
Metals service centers	**240.0**	241.8
Energy products	**72.3**	75.5
Steel distributors	**6.8**	7.3
Total identifiable assets included in segments	**1,485.1**	1,309.8
Assets not included in segments		
Cash and cash equivalents	**164.3**	181.8
Income tax assets	**9.6**	12.5
Deferred financing charges	**1.0**	1.2
Other assets	**3.2**	3.9
Corporate and other operating assets	**2.2**	(0.7)
Total assets	**$ 1,665.4**	$ 1,508.5
Liabilities		
Metals service centers	**$ 199.6**	$ 151.5
Energy products	**137.6**	111.9
Steel distributors	**14.9**	12.9
Liabilities by segments	**352.1**	276.3
Liabilities not included in segments		
Bank indebtedness	**126.6**	34.9
Income taxes payable and deferred income tax liabilities	**21.7**	19.8
Long-term debt	**296.2**	295.9
Pension and benefits	**19.3**	11.0
Corporate and other liabilities	**29.7**	45.3
Total liabilities	**$ 845.6**	$ 683.2

b) Results by geographic segment:

(millions)	Quarters ended June 30 **2017**	2016	Six months ended June 30 **2017**	2016
Segment Revenues				
Canada	**$ 542.2**	$ 411.8	**$ 1,099.0**	$ 888.2
United States	**270.2**	209.0	**516.5**	394.6
	$ 812.4	$ 620.8	**$ 1,615.5**	$ 1,282.8
Segment Operating Profits				
Canada	**$ 37.0**	$ 20.1	**$ 75.7**	$ 39.1
United States	**19.2**	13.5	**34.3**	18.0
	$ 56.2	$ 33.6	**$ 110.0**	$ 57.1

(millions)	**June 30 2017**	December 31 2016
Identifiable Assets		
Canada	**$ 1,096.9**	$ 950.3
United States	**388.2**	359.5
	$ 1,485.1	$ 1,309.8

NOTE 18 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGMENT

a) Financial assets and liabilities

Financial assets and liabilities are as follows:

June 30, 2017 (millions)	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ 164.3	$ -	$ 164.3
Accounts receivable	438.6	-	438.6
Financial assets	1.0	-	1.0
Bank indebtedness	-	(126.6)	(126.6)
Accounts payables and accrued liabilities	-	(372.6)	(372.6)
Current portion of long-term debt	-	(0.1)	(0.1)
Long-term debt	-	(296.1)	(296.1)
Total	**$ 603.9**	**$ (795.4)**	**$ (191.5)**

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 of long-term debt	-	(0.1)	(0.1)
Long-term debt	-	(295.8)	(295.8)
Total	$ 542.4	$ (644.3)	$ (101.9)

The impact of fair value gains and losses from derivative financial instruments on the condensed consolidated statements of earnings was as follows:

	Quarters ended June 30		Six months ended June 30	
(millions)	**2017**	2016	**2017**	2016
Embedded derivatives	**$ 1.6**	$ 2.3	**$ 1.5**	$ (0.2)
Forward contracts	**(2.2)**	(1.9)	**(2.3)**	(0.2)

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 condensed 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 June 30, 2017 and December 31, 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 the long-term debt:

June 30, 2017 (millions)	Primary Debt Instrument Carrying Amount	Primary Debt Instrument Fair Value Level 2
6.0% $300 million Senior Notes due April 19, 2022	$ 296.1	$ 307.5
Finance lease obligations	0.1	0.1
Total	**$ 296.2**	**$ 307.6**
Current portion	**$ 0.1**	
Long-term portion	**$ 296.1**	

December 31, 2016 (millions)	Primary Debt Instrument Carrying Amount	Primary Debt Instrument Fair Value Level 2
6.0% $300 million 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 June 30, 2017, nearly all cash and cash equivalents held were issued by institutions that were R1 High by DBRS;
- Counterparties to derivative contracts are members of the syndicated banking facility (Note 7);
- 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 June 30, 2017 and December 31, 2016, other than the allowance for doubtful accounts. As at June 30, 2017, trade accounts receivable greater than 90 days represented less than 2% of trade accounts receivable (December 31, 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 June 30, 2017, the Company had outstanding forward foreign exchange contracts in the amount of US$37.0 million and €5.0 million maturing in 2017 (2016: US$26.5 million). 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 June 30, 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
2017	$ 372.6	$ -	$ 9.0	$ 11.6	$ 393.2
2018	-	-	18.0	19.9	37.9
2019	-	-	18.0	14.8	32.8
2020	-	-	18.0	11.7	29.7
2021	-	-	18.0	10.0	28.0
2022 and beyond	-	300.0	9.9	22.8	332.7
Total	$ 372.6	$ 300.0	$ 90.9	$ 90.8	$ 854.3

At June 30, 2017, the Company was contractually obligated to repay its borrowings and letters of credit under its bank facilities (Note 7).

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 19 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 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 the 2017 first quarter 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 the 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 its 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 contractual obligations to pay additional consideration for its acquisitions of Apex Distribution and Apex Monarch, based upon the achievement of performance measures during the first five years of ownership. These obligations end on November 30, 2017 and December 31, 2018, respectively.

NOTE 20 OTHER COMPREHENSIVE INCOME (LOSS)

Income taxes on other comprehensive income (loss) are as follows:

(millions)	Quarters ended June 30 **2017**	Quarters ended June 30 2016	Six months ended June 30 **2017**	Six months ended June 30 2016
Tax on items that may not be reclassified to earnings				
Income tax recovery on actuarial losses on pension and similar obligations	**$ 2.9**	$ 2.3	**$ 2.2**	$ 3.4

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