

**Russel Metals**

**INFORMATION PACKAGE**

**FOR**

**INVESTOR CONFERENCE CALL**

**MAY 13, 2011**



**INFORMATION PACKAGE FOR  
INVESTOR CONFERENCE CALL**

**May 13, 2011**

**I N D E X**

|  |       |
|--|-------|
| Cautionary Statement on Forward-Looking Information..... | 3     |
| Notes .....  | 4     |
| Comments re Market Conditions .....                      | 5     |
| Highlights.....  | 6     |
| Financial Summary .....                                  | 7     |
| Financial Statements .....                               | 8-11  |
| Management's Discussion and Analysis .....               | 12-25 |
| Other Financial Information.....                         | 26-37 |

## **CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION**

Statements contained in this press release or on the related conference call that relate to Russel Metals' beliefs or expectations as to certain future events are not statements of historical fact and are forward-looking statements. Russel Metals cautions readers that there are important factors, risks and uncertainties, including but not limited to economic, competitive and governmental factors affecting Russel Metals' operations, markets, products, services and prices that could cause its actual results, performance or achievements to be materially different from those forecasted or anticipated in such forward-looking statements.

The forward-looking statements in this document reflect management's current beliefs and are based on information currently available to management. The material assumptions applied in making the forward-looking statements in this document include the following: demand from the manufacturing, resource and construction segments of the Canadian economy have stabilized and these conditions will continue to slowly improve in the foreseeable future; and oil and gas prices, the price of steel and the value of the Canadian dollar relative to the U.S. dollar will be at similar levels with what we experienced in the first quarter of 2011. Although the forward-looking statements contained in this document are based upon what management believes to be reasonable estimates and assumptions, Russel Metals cannot ensure that actual results will not be materially different from those expressed or implied by these forward-looking statements and does not intend to update any forward-looking statement other than required by law.

# NOTES

In this Information Package we use certain financial measures that do not comply with Canadian generally accepted accounting principles (GAAP) or have standardized meanings, and thus, may not be comparable to similar measures presented by other issuers, for example EBIT and EBITDA and Other Information in the Financial Summary. 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 prepared in accordance with Canadian GAAP. 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.

## Definitions

**Adjusted EBIT and EBITDA** – EBIT and EBITDA adjusted to exclude inventory write-downs in the amount of \$38 million in 2008 and \$159 million in 2009 and \$35 million of asset impairment in 2009. 2010 excludes inventory reversal of \$1.9 million and plant closure costs of \$2.6 million.

**Basic Earnings Per Common Share** - Earnings divided by Average common shares outstanding in period.

**Book Value Per Share** - Equity value divided by ending common shares outstanding.

**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 Per Share** - The current quarterly dividend annualized.

**Dividend Yield** - The dividend per share divided by the period end common share price.

**Earnings Multiple** - Period ending common share price divided by basic earnings per common share.

**EBIT** - Earnings from continuing operations before deduction of interest and income taxes.

**EBITDA** - Earnings from continuing operations before deduction of interest, income taxes, depreciation and amortization.

**Free Cash Flow** - Cash from operating activities before change in working capital less inventory write-downs and 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 period end.

**Net Assets Employed** - Assets less liabilities excluding debt and cash on hand.

**Return on Capital Employed** - EBIT for period annualized over net assets employed.



## COMMENTS RE MARKET CONDITIONS MAY 2011

1. HR Coil prices peaked in April 2011, downward pressure in May
2. Metals Service Center tons shipped in QTR-1 2011 – 16% above QTR-1 2010  
Most sectors showing modest volume improvement, construction industry has not recovered
3. Drilling rig count strong due to oil pricing  
Q2 seasonally low period in Western Canada



## HIGHLIGHTS

# 2011 FIRST QUARTER RESULTS

1. QTR-1 2011 - Earnings \$33 million, EPS \$0.55  
QTR-1 2010 - Earnings \$9 million, EPS \$0.15
2. Free Cash Flow  
QTR-1 2011 - \$36 million or \$0.59 per share  
QTR-1 2010 - \$22 million or \$0.37 per share
3. Cash and cash equivalents - \$286 million
4. Return on equity – 16%

**Russel Metals Inc.**

**FINANCIAL HIGHLIGHTS**

|   | 3 Months<br>March 31, 2011 | <-----Years ended-----><br>2010 | 2009       | 2008       | 2007       |
|---|----------------------------|---------------------------------|------------|------------|------------|
| <b>OPERATING RESULTS (millions)</b>         |                            |                                 |            |            |            |
| Revenues                                    | \$657.7                    | \$2,175.4                       | \$1,971.8  | \$3,366.2  | \$2,559.2  |
| Net earnings (loss)                         | 33.0                       | 69.7                            | (92.0)     | 228.5      | 111.2      |
| EBIT  | 53.8                       | 122.6                           | (130.2)    | 355.2      | 176.8      |
| Adjusted EBIT (Note)                        | 53.8                       | 123.3 (1)                       | 63.9 (1)   | 392.9 (1)  | 176.8      |
| EBIT as a % of revenue                      | 8.2%                       | 5.7%                            | 3.2%       | 11.7%      | 6.9%       |
| Adjusted EBITDA (Note)                      | 59.8                       | 148.3 (1)                       | 89.6 (1)   | 416.3 (1)  | 197.2      |
| EBITDA as a % of revenue                    | 9.1%                       | 6.8%                            | 4.5%       | 12.4%      | 7.7%       |
| Basic earnings (loss) per common share (\$) | \$0.55                     | \$1.17                          | (\$1.54)   | \$3.67     | \$1.77     |
| <b>BALANCE SHEET INFORMATION (millions)</b> |                            |                                 |            |            |            |
| <b>Metals</b>                               |                            |                                 |            |            |            |
| Accounts receivable                         | \$381.1                    | \$300.5                         | \$214.2    | \$425.9    | \$337.2    |
| Inventories                                 | 548.6                      | 544.1                           | 517.9      | 925.1      | 572.6      |
| Prepaid expenses and other assets           | 4.8                        | 2.9                             | 4.6        | 7.6        | 4.7        |
| Accounts payable and accruals               | (306.7)                    | (259.8)                         | (231.2)    | (393.7)    | (272.3)    |
| Net working capital - Metals                | 627.8                      | 587.7                           | 505.5      | 964.9      | 642.2      |
| Fixed assets                                | 184.6                      | 197.6                           | 213.1      | 230.4      | 210.4      |
| Goodwill and intangibles                    | 24.4                       | 26.9                            | 28.4       | 71.8       | 53.4       |
| Net assets employed in metals operations    | 836.8                      | 812.2                           | 747.0      | 1,267.1    | 906.0      |
| Other operating assets                      | 17.1                       | 17.6                            | 18.9       | 19.4       | 20.4       |
| Net income tax assets (liabilities)         | (8.2)                      | (16.5)                          | 47.7       | (30.2)     | (3.7)      |
| Pension and benefit assets (liabilities)    | (16.7)                     | 4.0                             | 2.1        | 0.7        | (1.4)      |
| Other corporate assets and liabilities      | (12.2)                     | (16.2)                          | (39.9)     | (38.0)     | (43.5)     |
| Total net assets employed                   | \$816.8                    | \$801.1                         | \$775.8    | \$1,219.0  | \$877.8    |
| <b>CAPITALIZATION (millions)</b>            |                            |                                 |            |            |            |
| Bank indebtedness, net of (cash)            | (\$286.1)                  | (\$323.7)                       | (\$359.6)  | \$20.0     | (\$181.8)  |
| Long-term debt (incl. current portion)      | 316.1                      | 326.7                           | 342.1      | 218.9      | 175.8      |
| Total interest bearing debt, net of (cash)  | 30.0                       | 3.0                             | (17.5)     | 238.9      | (6.0)      |
| Market capitalization                       | 1,639.8                    | 1,373.5                         | 1,058.5    | 1,134.2    | 1,605.0    |
| Total firm value                            | \$1,669.8                  | \$1,376.5                       | \$1,041.0  | \$1,373.1  | \$1,599.0  |
| <b>OTHER INFORMATION (Notes)</b>            |                            |                                 |            |            |            |
| Common shareholders' equity (millions)      | \$786.8                    | \$798.1                         | \$793.3    | \$980.1    | \$883.8    |
| Book value per share (\$)                   | \$13.10                    | \$13.31                         | \$13.29    | \$16.42    | \$14.01    |
| Free cash flow (millions)                   | \$35.6                     | \$85.0                          | \$95.7     | \$235.9    | \$123.7    |
| Capital expenditures (millions)             | \$4.4                      | \$11.8                          | \$18.6     | \$22.2     | \$16.6     |
| Depreciation and amortization (millions)    | \$6.0                      | \$25.0                          | \$25.7     | \$23.4     | \$20.4     |
| Earnings multiple                           | 12.4                       | 19.6                            | -          | 5.2        | 14.4       |
| Firm value as a multiple of EBIT            | 7.8                        | 11.2 (1)                        | 16.3 (1)   | 3.9 (1)    | 9.0        |
| Firm value as a multiple of EBITDA          | 7.0                        | 9.3 (1)                         | 11.6 (1)   | 3.3 (1)    | 8.1        |
| Interest bearing debt/EBITDA                | 1.3                        | 2.2 (1)                         | 3.8 (1)    | 0.5 (1)    | 0.9        |
| Debt as a % of capitalization               | 29%                        | 29%                             | 30%        | 18%        | 17%        |
| Market capitalization as a % of book value  | 208.4%                     | 172%                            | 133%       | 116%       | 182%       |
| Return on equity                            | 16.0%                      | 9%                              | (12%)      | 23%        | 13%        |
| Return on capital employed                  | 26.3%                      | 15% (1)                         | 8% (1)     | 29% (1)    | 20%        |
| <b>COMMON SHARE INFORMATION</b>             |                            |                                 |            |            |            |
| Ending outstanding common shares            | 60,043,673                 | 59,978,173                      | 59,698,690 | 59,695,290 | 63,066,092 |
| Average outstanding common shares           | 59,992,140                 | 59,717,629                      | 59,696,743 | 62,329,483 | 62,835,303 |
| Dividend yield                              | 4.0%                       | 4.8%                            | 5.6%       | 5.3%       | 7.1%       |
| Dividend per share                          | \$1.10                     | \$1.10                          | \$1.00     | \$1.00     | \$1.80     |
| Share price - High                          | \$27.70                    | \$23.94                         | \$22.00    | \$31.36    | \$34.47    |
| Share price - Low                           | \$21.90                    | \$16.25                         | \$9.25     | \$15.01    | \$22.75    |
| Share price - Ending                        | \$27.31                    | \$22.90                         | \$17.73    | \$19.00    | \$25.45    |

Notes:

(1) Adjusted EBIT excludes inventory writedowns in the amount of \$37.7 million in 2008 and \$158.7 million in 2009 and \$35.4 million for asset impairment. It excludes the inventory reversal of \$1.9 million and plant closure costs of \$2.6 million in 2010.

(2) 2011 is reported under IFRS. 2007 to 2010 represent actual results as reported under Canadian GAAP.

## CONSOLIDATED STATEMENTS OF EARNINGS *(UNAUDITED)*

| <i>(millions, except per share data)</i> | Quarter ended March 31 |                 |
|--|------------------------|-----------------|
|  | 2011                   | 2010            |
| <b>Revenues</b>                          | <b>\$ 657.7</b>        | <b>\$ 526.8</b> |
| Cost of materials                        | 519.3                  | 430.6           |
| Employee expense                         | 54.6                   | 42.9            |
| Other operating expenses                 | 29.6                   | 27.4            |
| <b>Earnings before the following</b>     | <b>54.2</b>            | <b>25.9</b>     |
| Interest expense                         | 7.1                    | 7.2             |
| Interest income                          | (0.6)                  | (0.3)           |
| Finance expense-convertible debentures   | -                      | 6.9             |
| Other finance expense, net               | 0.4                    | (1.5)           |
| <b>Earnings before income taxes</b>      | <b>47.3</b>            | <b>13.6</b>     |
| Provision for income taxes               | (14.3)                 | (4.5)           |
| <b>Net earnings for the period</b>       | <b>\$ 33.0</b>         | <b>\$ 9.1</b>   |
| <b>Basic earnings per common share</b>   | <b>\$ 0.55</b>         | <b>\$ 0.15</b>  |
| <b>Diluted earnings per common share</b> | <b>\$ 0.53</b>         | <b>\$ 0.15</b>  |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(UNAUDITED)*

| <i>(millions)</i>   | Quarter ended March 31 |               |
|---|------------------------|---------------|
|   | 2011                   | 2010          |
| <b>Net earnings for the period</b>  | <b>\$ 33.0</b>         | <b>\$ 9.1</b> |
| Other comprehensive income (loss)   |                        |               |
| Unrealized foreign exchange losses on translation<br>of foreign operations                                      | (8.0)                  | (10.2)        |
| Unrealized gains on items designated as net investment hedges   | 3.3                    | 5.6           |
| Unrealized losses on items designated as cash flow hedges   | -                      | (2.2)         |
| Gains (losses) on derivatives designated as cash flow hedges transferred<br>to net income in the current period | 0.3                    | (1.0)         |
| Other comprehensive income (loss)   | (4.4)                  | (7.8)         |
| <b>Total comprehensive income</b>   | <b>\$ 28.6</b>         | <b>\$ 1.3</b> |



## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(UNAUDITED)*

| <i>(millions)</i>                             | March 31<br>2011 | December 31<br>2010 | January 1<br>2010 |
|---|------------------|---------------------|-------------------|
| <b>ASSETS</b>                                 |                  |                     |                   |
| <b>Current</b>                                |                  |                     |                   |
| Cash and cash equivalents                     | \$ 286.1         | \$ 323.7            | \$ 359.6          |
| Accounts receivable                           | 381.2            | 301.4               | 217.8             |
| Inventories                                   | 548.6            | 544.1               | 517.9             |
| Prepaid expenses                              | 5.0              | 3.0                 | 4.9               |
| Income taxes receivable                       | 1.0              | 2.8                 | 50.6              |
|   | 1,221.9          | 1,175.0             | 1,150.8           |
| <b>Property, Plant and Equipment</b>          | 202.4            | 205.2               | 221.9             |
| <b>Deferred Income Tax Assets</b>             | 6.6              | 7.1                 | 8.9               |
| <b>Pension and Benefits</b>                   | 0.7              | 0.7                 | -                 |
| <b>Financial Assets</b>                       | -                | -                   | 4.5               |
| <b>Other Assets</b>                           | 3.1              | 3.8                 | 3.8               |
| <b>Goodwill and Intangibles</b>               | 24.4             | 24.9                | 26.4              |
|   | \$ 1,459.1       | \$ 1,416.7          | \$ 1,416.3        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                  |                     |                   |
| <b>Current</b>                                |                  |                     |                   |
| Accounts payable and accrued liabilities      | \$ 315.3         | \$ 272.8            | \$ 245.4          |
| Income taxes payable                          | 9.5              | 14.4                | -                 |
| Current portion long-term debt                | 1.2              | 1.2                 | 1.3               |
|   | 326.0            | 288.4               | 246.7             |
| <b>Derivatives</b>                            | -                | -                   | 53.1              |
| <b>Long-Term Debt</b>                         | 314.9            | 318.5               | 333.1             |
| <b>Pensions and Benefits</b>                  | 17.4             | 17.9                | 20.8              |
| <b>Provision</b>                              | 5.5              | 5.6                 | 5.5               |
| <b>Deferred Income Tax Liabilities</b>        | 6.3              | 7.0                 | 2.3               |
| <b>Other Non-Current Liabilities</b>          | 2.2              | 6.5                 | 3.9               |
|   | 672.3            | 643.9               | 665.4             |
| <b>Shareholders' Equity</b>                   |                  |                     |                   |
| Common shares                                 | 484.9            | 483.7               | 478.9             |
| Retained earnings                             | 274.0            | 257.5               | 259.9             |
| Contributed surplus                           | 14.6             | 13.9                | 13.2              |
| Accumulated other comprehensive income (loss) | (15.4)           | (11.0)              | (1.1)             |
| Equity component of convertible debenture     | 28.7             | 28.7                | -                 |
|   | 786.8            | 772.8               | 750.9             |
|   | \$ 1,459.1       | \$ 1,416.7          | \$ 1,416.3        |

## CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

| (millions)   | Quarter ended March 31 |                 |
|--|------------------------|-----------------|
|  | 2011                   | 2010            |
| <b>Operating activities</b>  |                        |                 |
| Net earnings for the period  | \$ 33.0                | \$ 9.1          |
| Depreciation and amortization  | 6.0                    | 6.3             |
| Deferred income taxes  | (0.5)                  | 1.8             |
| Gain on sale of property, plant and equipment                          | (0.1)                  | -               |
| Stock-based compensation   | 0.9                    | 0.2             |
| Unrealized gain on investment  | -                      | (1.5)           |
| Loss on derivatives  | -                      | 6.9             |
| Difference between pension expense and amount funded                   | (0.6)                  | -               |
| Debt accretion, amortization and other                                 | 1.3                    | 0.7             |
| <b>Cash from operating activities before non-cash working capital</b>  | <b>40.0</b>            | 23.5            |
| <b>Changes in non-cash working capital items</b>                       |                        |                 |
| Accounts receivable  | (81.5)                 | (75.7)          |
| Inventories  | (8.2)                  | 46.7            |
| Accounts payable and accrued liabilities                               | 35.3                   | 9.0             |
| Income tax receivable/payable  | (3.3)                  | -               |
| Other  | (2.0)                  | 0.5             |
| <b>Change in non-cash working capital</b>                              | <b>(59.7)</b>          | (19.5)          |
| <b>Cash (used in) from operating activities</b>                        | <b>(19.7)</b>          | 4.0             |
| <b>Financing activities</b>  |                        |                 |
| Issue of common shares   | 0.9                    | -               |
| Dividends on common shares   | (16.5)                 | (14.9)          |
| Repayment of long-term debt  | (0.3)                  | (0.4)           |
| Swap termination   | -                      | (35.2)          |
| <b>Cash used in financing activities</b>                               | <b>(15.9)</b>          | (50.5)          |
| <b>Investing activities</b>  |                        |                 |
| Purchase of property, plant and equipment                              | (4.4)                  | (1.3)           |
| Proceeds on sale of property, plant and equipment                      | 0.7                    | -               |
| <b>Cash used in investing activities</b>                               | <b>(3.7)</b>           | (1.3)           |
| <b>Effect of change in exchange rates on cash and cash equivalents</b> | <b>1.7</b>             | (0.7)           |
| <b>Decrease in cash and cash equivalents</b>                           | <b>(37.6)</b>          | (48.5)          |
| Cash and cash equivalents, beginning of the period                     | 323.7                  | 359.6           |
| <b>Cash and cash equivalents, end of the period</b>                    | <b>\$ 286.1</b>        | <b>\$ 311.1</b> |
| <b>Supplemental cash flow information:</b>                             |                        |                 |
| Income taxes paid  | \$ 18.3                | \$ 2.7          |
| Interest paid  | \$ 12.2                | \$ 12.8         |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

| <i>(millions)</i>                            | Common<br>Shares | Contributed<br>Surplus | Retained<br>Earnings | Equity<br>Component<br>of Convertible<br>Debentures | Accumulated<br>Other<br>Comprehensive<br>Income | Total    |
|--|------------------|------------------------|----------------------|---|---|----------|
| <b>Balance, January 1, 2011</b>              | \$ 483.7         | \$ 13.9                | \$ 257.5             | \$ 28.7   | \$ (11.0)                                       | \$ 772.8 |
| Payment of dividends                         | -                | -                      | (16.5)               | -   | -   | (16.5)   |
| Net earnings for the period                  | -                | -                      | 33.0                 | -   | -   | 33.0     |
| Other comprehensive<br>income for the period | -                | -                      | -                    | -   | (4.4)   | (4.4)    |
| Recognition of stock-based<br>compensation   | -                | 0.7                    | -                    | -   | -   | 0.7      |
| Stock options exercised                      | 1.2              | -                      | -                    | -   | -   | 1.2      |
| <b>Balance, March 31, 2011</b>               | \$ 484.9         | \$ 14.6                | \$ 274.0             | \$ 28.7   | \$ (15.4)                                       | \$ 786.8 |

| <i>(millions)</i>                            | Common<br>Shares | Contributed<br>Surplus | Retained<br>Earnings | Equity<br>Component<br>of Convertible<br>Debentures | Accumulated<br>Other<br>Comprehensive<br>Income | Total    |
|--|------------------|------------------------|----------------------|---|---|----------|
| <b>Balance, January 1, 2010</b>              | \$ 478.9         | \$ 13.2                | \$ 259.9             | \$ -  | \$ (1.1)  | \$ 750.9 |
| Payment of dividends                         | -                | -                      | (14.9)               | -   | -   | (14.9)   |
| Net earnings for the period                  | -                | -                      | 9.1                  | -   | -   | 9.1      |
| Other comprehensive<br>income for the period | -                | -                      | -                    | -   | (7.8)   | (7.8)    |
| Recognition of stock-based<br>compensation   | -                | 0.1                    | -                    | -   | -   | 0.1      |
| <b>Balance, March 31, 2010</b>               | \$ 478.9         | \$ 13.3                | \$ 254.1             | \$ -  | \$ (8.9)  | \$ 737.4 |

| <i>(millions)</i>                             | Common<br>Shares | Contributed<br>Surplus | Retained<br>Earnings | Equity<br>Component<br>of Convertible<br>Debentures | Accumulated<br>Other<br>Comprehensive<br>Income | Total    |
|---|------------------|------------------------|----------------------|---|---|----------|
| <b>Balance, January 1, 2010</b>               | \$ 478.9         | \$ 13.2                | \$ 259.9             | \$ -  | \$ (1.1)  | \$ 750.9 |
| Payment of dividends                          | -                | -                      | (59.7)               | -   | -   | (59.7)   |
| Net earnings for the period                   | -                | -                      | 57.3                 | -   | -   | 57.3     |
| Other comprehensive<br>income for the period  | -                | -                      | -                    | -   | (9.9)   | (9.9)    |
| Recognition of stock-based<br>compensation    | -                | 0.7                    | -                    | -   | -   | 0.7      |
| Stock options exercised                       | 4.8              | -                      | -                    | -   | -   | 4.8      |
| Equity component of<br>convertible debentures | -                | -                      | -                    | 28.7  | -   | 28.7     |
| <b>Balance, December 31, 2010</b>             | \$ 483.7         | \$ 13.9                | \$ 257.5             | \$ 28.7   | \$ (11.0)                                       | \$ 772.8 |

**RUSSEL METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**  
**AND RESULTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**

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We adopted the International Financial Reporting Standards (IFRS) effective January 1, 2011. These standards required us to restate our January 1, 2010 opening balance sheet and prepare comparative 2010 IFRS financial statements to be presented when we report our 2011 results. The information disclosed for the three months ended March 31, 2010 and as at December 31, 2010 has been restated for IFRS differences in the financial statements and in this Management's Discussion and Analysis of Financial Condition and Results of Operations. IFRS is considered Canadian generally accepted accounting principles (GAAP) for Canadian reporting issuers for reporting periods commencing on or after January 1, 2011.

This Management's Discussion and Analysis of Financial Condition and Results of Operations of Russel Metals Inc. and its subsidiaries provides information to assist readers of, and should be read in conjunction with, the Interim Consolidated Financial Statements for the three months ended March 31, 2011, including the notes thereto, and the Management's Discussion and Analysis and the audited Consolidated Financial Statements for the year ended December 31, 2010, including the notes thereto. In the opinion of management, such interim 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 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](http://www.sedar.com) or on our website at [www.russelmetals.com](http://www.russelmetals.com).

Unless otherwise stated, the discussion and analysis contained herein are as of May 12, 2011.

**FORWARD-LOOKING STATEMENTS**

Certain statements contained in this document constitute forward-looking statements or information within the meaning of applicable securities laws. These statements relate to future events or our future performance. All statements other than statements of historical fact may be 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. These statements 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. These risks and uncertainties include, among other things: no assurance future financing will be available; dilution; change of control; interest rate risk; foreign exchange risk; volatile metal prices; cyclical nature of the metals industry and the industries that purchase our products; significant competition; interruption in sources of metals supply; integrating future acquisitions; collective agreements and work stoppages; environmental liabilities; changes in government regulations; failure of key computer-based systems; loss of key individuals; and the current economic climate. While we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, no assurance can be given that these expectations will prove to be correct, and such forward looking statements included herein should not be unduly relied upon. These statements speak only as of the date hereof. Except as required by law, we do not assume any obligation to update the aforementioned forward-looking statements. Our actual results could differ materially from those anticipated in the aforementioned forward-looking statements, as applicable, including as a result of the risk factors set forth elsewhere herein and in our filings with the securities regulatory authorities which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## NON-GAAP MEASURES

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of measures that are not prescribed by 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.

## IMPACT OF IFRS ON MARCH 31, 2010 RESULTS

Note 24 to the interim consolidated financial statements discloses the differences between IFRS and Canadian GAAP used prior to January 1, 2011. The most significant financial impact relates to the accounting treatment of the cash conversion feature of the convertible debentures prior to the amendment of the Trust Indenture in December 2010. Prior to this amendment, under IFRS, the conversion feature in our convertible debentures that allowed us to settle the conversion of the debenture in cash or in a combination of cash and common shares in lieu of common shares prior to maturity was a derivative. This derivative was fair valued each reporting period with the net change impacting net earnings.

This table summarizes the impact of the restatement of 2010 to IFRS disclosing the impact of the financial expense of the derivative and the other adjustments:

| <i>(millions)</i>                                    | Quarter ended<br>March 31<br>2010 | Year ended<br>December 31<br>2010 |
|--|-----------------------------------|-----------------------------------|
| Net earnings previously reported under Canadian GAAP | \$ 16.5                           | \$ 69.7                           |
| Financial expense convertible debentures             | (6.9)                             | (11.1)                            |
|  | 9.6                               | 58.6                              |
| Other adjustments, net                               | (0.5)                             | (1.3)                             |
| Net earnings IFRS                                    | \$ 9.1                            | \$ 57.3                           |

See page 11 of this MD&A for more details on the differences.

## 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 tubular products; and steel distributors.

Our basic earnings per share of \$0.55 for the quarter ended March 31, 2011, compares to \$0.15 for the first quarter of 2010. Rising steel prices significantly improved gross margins and operating profits in our metals service centers positively operating profits. In addition, volumes have improved compared to the first quarter of 2010.

Energy tubular products and steel distributors both contributed to improved results due to higher steel pricing and volumes.

## RESULTS OF OPERATIONS

The following table provides operating profits before interest, taxes and other income or expense. 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 they are consistent with the segment reporting in the consolidated financial statements.

| <i>(millions, except percentages)</i>               | <b>Quarters Ended March 31</b> |          |                               |
|---|--------------------------------|----------|-------------------------------|
|   | <b>2011</b>                    | 2010     | 2011 change<br>as a % of 2010 |
| <b>Segment Revenues</b>                             |                                |          |                               |
| Metals service centers                              | <b>\$ 363.8</b>                | \$ 279.7 | 30%                           |
| Energy tubular products                             | <b>224.0</b>                   | 195.9    | 14%                           |
| Steel distributors                                  | <b>69.8</b>                    | 49.9     | 40%                           |
| Other   | <b>0.1</b>                     | 1.3      |                               |
|   | <b>\$ 657.7</b>                | \$ 526.8 | 25%                           |
| <b>Segment Operating Profits</b>                    |                                |          |                               |
| Metals service centers                              | <b>\$ 36.3</b>                 | \$ 15.2  | 139%                          |
| Energy tubular products                             | <b>17.8</b>                    | 11.2     | 59%                           |
| Steel distributors                                  | <b>8.8</b>                     | 4.4      | 100%                          |
| Corporate expenses                                  | <b>(7.0)</b>                   | (4.4)    | (59%)                         |
| Other   | <b>(1.7)</b>                   | (0.5)    |                               |
| Operating profits                                   | <b>\$ 54.2</b>                 | \$ 25.9  | 109%                          |
| <b>Segment Gross Margin as a % of Revenues</b>      |                                |          |                               |
| Metals service centers                              | <b>25.0%</b>                   | 22.5%    |                               |
| Energy tubular products                             | <b>15.1%</b>                   | 12.4%    |                               |
| Steel distributors                                  | <b>19.5%</b>                   | 15.2%    |                               |
| Total operations                                    | <b>21.0%</b>                   | 18.3%    |                               |
| <b>Segment Operating Profits as a % of Revenues</b> |                                |          |                               |
| Metals service centers                              | <b>10.0%</b>                   | 5.4%     |                               |
| Energy tubular products                             | <b>7.9%</b>                    | 5.7%     |                               |
| Steel distributors                                  | <b>12.6%</b>                   | 8.8%     |                               |
| Total operations                                    | <b>8.2%</b>                    | 4.9%     |                               |

Note: 2010 comparatives restated for IFRS

## **METALS SERVICE CENTERS**

### **a) *Description of operations***

We provide processing and distribution services to a broad base of approximately 28,000 end users through a network of 50 Canadian locations and 12 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, Acier Richler, B&T Steel, Leroux Steel, Mégantic Métal, 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 first quarter of 2011 and 2010 is found in the section that follows.

Steel pricing fluctuates significantly throughout the steel cycle. Steel pricing increased throughout the first quarter of 2011 due to mill price increases announced in late 2010. Steel prices are influenced by overall demand, trade sanctions, iron ore pricing, scrap steel pricing and product availability. Supply side management, practiced by steel producers in North America, and international supply and demand, which impacts steel imports, affect product availability. Trade sanctions are initiated either by steel mills or by government agencies in North America.

Demand is significantly affected by economic cycles, with revenues and operating profit fluctuating with the level of general business activity in the markets served. We are most impacted by the manufacturing, resource and construction segments of the Canadian economy. Tons shipped in the first quarter of 2011 were approximately 16% higher than the first quarter of 2010 and 10% higher than the fourth quarter of 2010. Demand remains below historical levels, with tons shipped for the first quarter of 2011 representing 83% of tons shipped in the first quarter of 2008.

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 our diverse customer base of approximately 18,000 customers suggests that our results should mirror the performance of the regional economies of Canada. Our U.S. operations, which have approximately 10,000 customers, are impacted by the local economic conditions in the regions they serve in the U.S.

The change in the Canadian dollar in the first quarter of 2011 versus the same period in 2010 has decreased revenues and profits for our U.S. operations translated to Canadian dollars. Revenues and profits of our U.S. operations reported for the three months ended March 31, 2011 were converted at \$0.9860 per US\$1 compared to \$1.0409 per US\$1 for the same period of 2010.

Our Canadian operations are 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 pricing.

### **c) *Metals service centers segment results -- Three Months Ended March 31, 2011 Compared to March 31, 2010***

Revenues for the three months ended March 31, 2011, increased 30% to \$364 million compared to the same period in 2010. Tons shipped in the metals service centers segment in the first quarter of 2011 were approximately 16% higher than the first quarter of 2010. The average selling price of metal for the three months ended March 31, 2011 was approximately 12% higher than the average selling price for the three months ended March 31, 2010. Average selling price in the first quarter of 2011 was approximately 8% higher than the fourth quarter of 2010.



Gross margin as a percentage of revenues increased to 25.0% for the three months ended March 31, 2011 compared to 22.5% in the first quarter of 2010. Rising steel prices resulted in higher selling prices and higher gross margins.

Operating expenses in the first quarter of 2011 were approximately \$7 million or 15% higher than in the first quarter of 2010, mainly related to higher variable compensation and freight costs due to increased volumes.

Metals service centers operating profit for the three months ended March 31, 2011 of \$36 million compares to \$15 million for the same period in 2010. The increase mainly related to rising selling price and higher volumes resulting in increased gross margin.

## **ENERGY TUBULAR PRODUCTS**

### **a) *Description of operations***

These operations distribute oil country tubular goods (OCTG), line pipe, tubes, valves and fittings, primarily to the energy industry in Western Canada and the United States. Our business units are clustered in Alberta in Canada and Colorado in the U.S. A large portion of our inventories are located in third party warehouses ready for distribution to customers in any region of North America. In addition, we operate from five Canadian and two U.S. facilities. We purchase our products either from the pipe processing arms of North American steel mills, independent manufacturers of pipe and pipe accessories or international steel mills. Our energy tubular products segment operates under the names Comco Pipe and Supply Company, Fedmet Tubulars, Triumph Tubular & Supply, Pioneer Pipe and Spartan Steel.

### **b) *Factors affecting results***

The following is a general discussion of the factors affecting our energy tubular products segment operations. More specific information on how these factors impacted the first quarter of 2011 and 2010 is found in the section that follows.

Pricing for natural gas and oil are factors that can impact rig count and drilling activities, particularly in Western Canada. Rig activity affects demand for our products. The price of oil increased during 2010 and remains high resulting in improved rig activity. Rig activity in the first quarter of 2011 was slightly stronger than in the first quarter of 2010. Canadian rig activity declined in March 2011 due to the seasonal decline caused by the spring thaw. Natural gas prices are at low levels and thus drilling activity related to gas remains below historical levels, particularly in Canada.

Pricing of metal is influenced by overall demand, trade sanctions and product availability. Trade sanctions are initiated either by steel mills or by government agencies in North America. Both Canadian and U.S. governments have imposed duties on certain Chinese pipe, which remain in effect. These trade actions tend to reduce imports of these products as higher prices are paid at the time of import.

Our Canadian operations were 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 impacts the cost of inventory and cost of sales.

Drilling related to oil and natural gas in Western Canada usually peaks during the period from October to March.

### **c) *Energy tubular products segment results -- Three Months Ended March 31, 2011 Compared to March 31, 2010***

Energy tubular products segment revenue increased 14% to \$224 million for the first quarter of 2011 compared to the same period in 2010. All operations in this segment had increased revenues with our Canadian operations having a larger increase than the U.S. operations. The increase is a combination of tons and higher selling prices.

Gross margin as a percentage of revenue for the three months ended March 31, 2011 was 15.1% compared to 12.4% for the same period in 2010.



Operating expenses were \$3 million higher in the first quarter of 2011 compared to the first quarter of 2010, mainly due to higher variable compensation and freight costs.

This segment generated an operating profit of \$18 million for the three months ended March 31, 2011, compared to \$11 million for the same period in 2010. Operating profits were up due to higher volumes and gross margins.

## **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 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, a division of Sunbelt Group, processes coils.

### **b) *Factors affecting results***

The following is a general discussion of the factors affecting our steel distributors. More specific information on how these factors impacted the first quarter of 2011 and 2010 is found in the section that follows.

Steel pricing is 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. Mill capacity by product line in North America and international supply and demand impact steel imports and significantly affect product availability.

Our Canadian operations source product outside of Canada that is priced in U.S. dollars. Movements in the Canadian dollar can result in some products that we have purchased being subsequently available in the marketplace at a lower cost. In addition, the change in the Canadian dollar in the first quarter of 2011 versus the same period in 2010 decreased revenues and profits for our U.S. operations translated to Canadian dollars.

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 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 March 31, 2011 Compared to March 31, 2010***

Steel distributors revenues increased 40% to \$70 million for the three months ended March 31, 2011 compared to the three months ended March 31, 2010 due to greater demand and higher steel pricing. Lead times for certain products from steel mills extended in the first quarter of 2011 which resulted in increased demand and revenues for product that steel distributors had in inventory.

Gross margin as a percentage of revenues was 19.4% for the three months ended March 31, 2011 compared to 15.2% for the three months ended March 31, 2010. The increase resulted from rising steel prices.

Operating expenses were \$2 million higher for the first quarter of 2011 compared to the first quarter of 2010, mainly related to higher variable compensation.

Operating profit for the three months ended March 31, 2011 was \$9 million, compared to \$4 million for the three months ended March 31, 2010. Our 2011 results reflect higher volumes and higher gross margins.

### ***Corporate Expenses -- Three Months Ended March 31, 2011 Compared to March 31, 2010***

Corporate expenses increased by \$3 million for the three months ended March 31, 2011 compared to the three months ended March 31, 2010. The increase mainly related to accruals for increases in the value of deferred and restricted stock units and higher bonus accruals in 2011 due to improved earnings per share.

### ***Consolidated Results -- Three Months Ended March 31, 2011 Compared to March 31, 2010***

Operating profits were \$54 million for the three months ended March 31, 2011 compared to \$26 million for the three months ended March 31, 2010. Rising steel prices throughout the first quarter of 2011 was the most significant factor improving the results. Higher volumes at all metals operations also contributed.

### **OTHER FINANCIAL INCOME AND EXPENSE**

Net financial expense was \$400,000 for the first quarter of 2011 compared to \$5 million for the first quarter of 2010. During the first quarter of 2010, we recorded income of \$1.5 million representing a fair value adjustment to our non-bank Canadian asset-backed commercial paper which was sold in April 2010. Under IFRS the cash conversion feature in our convertible debenture is a derivative and resulted in a fair value expense of \$7 million for the first quarter of 2010. In December 2010, we pro-actively amended our Trust Indenture to remove this settlement option under the conversion feature prior to maturity, which eliminated the derivative and changes to earnings in 2011.

### **INTEREST EXPENSE**

Net interest expense for the three months ended March 31, 2011 and 2010 was \$7 million.

### **INCOME TAXES**

We recorded a provision for income taxes of \$14 million for the first quarter of 2011. Our effective income tax rate for the three months ended March 31, 2011 was 30.2%. We estimate our normalized effective income tax rate to be 30% for 2011.

### **NET EARNINGS**

Net earnings for the first quarter of 2011 were \$33 million compared to \$9 million for the first quarter of 2010. Basic earnings per share for the first quarter of 2011 were \$0.55 compared to \$0.15 per share for the first quarter of 2010.

Results improved due to rising steel prices, higher volumes and the removal of the feature creating an expense related to our convertible debentures.

### **SHARES OUTSTANDING AND DIVIDENDS**

The weighted average number of common shares outstanding for the first quarter of 2011 was 59,992,140 compared to 59,698,690 for the first quarter of 2010. As at March 31, 2011 and May 12, 2011, we had 60,043,673 common shares outstanding. The number of common shares outstanding has increased as a result of options exercised in 2010 and the first quarter of 2011.

We paid common share dividends of \$17 million or \$0.275 per share in the first quarter of 2011 compared to \$15 million or \$0.25 per share in the first quarter of 2010.

We have \$175 million of 7.75% convertible unsecured subordinated debentures outstanding which mature on September 30, 2016. Each debenture is convertible into common shares at the option of the holder at any time on or prior to the business day immediately preceding (i) the maturity date; or (ii) the date specified for redemption of the convertible debentures, at a conversion price of \$25.75 being a conversion rate of 38.8350 common shares per \$1,000 principal amount of convertible debentures.

Our U.S. Senior Notes indenture provides that any dividend payment in excess of \$0.08 per common share per quarter is considered a restricted payment. We currently have a basket of approximately \$257 million available for restricted payments. The basket is adjusted for 50% of net earnings or losses on a quarterly basis unless accumulated losses since March 2004 exceed earnings, in which case 100% of losses are deducted. Share buybacks deplete the basket and proceeds from shares issued increase the 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 a dividend as our borrowing base, which is based on percentages of accounts receivable and inventories, has traditionally been in excess of borrowings plus four times the current dividend.

## EBITDA

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

| <i>(millions)</i>  | Quarters Ended March 31 |         |
|--|-------------------------|---------|
|  | 2011                    | 2010    |
| Net earnings for the period  | \$ 33.0                 | \$ 9.1  |
| Provision for income taxes   | 14.3                    | 4.5     |
| Interest expense, net  | 6.5                     | 6.9     |
| Earnings before interest and income taxes (EBIT)                               | 53.8                    | 20.5    |
| Depreciation and amortization  | 6.0                     | 6.3     |
| Earnings before interest, income taxes, depreciation and amortization (EBITDA) | \$ 59.8                 | \$ 26.8 |

We believe that 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. 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 \$4 million for the first quarter of 2011 compared to \$1 million in the first quarter of 2010. Depreciation expense was \$6 million for the three months ended March 31, 2011 and 2010.

In 2011 we are relocating our Ontario structural steel business to our plant in Cambridge, Ontario. Our capital expenditure includes the cost of new crane facilities at this location.

Capital expenditures mainly relate to the replacement of capital items, the purchase of additional processing equipment across a broad base of our operations and upgrades to our existing facilities and computer systems. Our expectation is for capital expenditures to approximate depreciation expense over the long term.

## LIQUIDITY

At March 31, 2011, we had cash of \$286 million compared to \$324 million at December 31, 2010.

We generated \$40 million from operations; however, our net cash position decreased due to \$60 million used to finance increased working capital and \$17 million utilized for dividend payments.

Our metals distribution business experiences 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. Our customers are impacted by the economic climate and thus it is possible to experience increased days outstanding for accounts receivable and additional bad debts, which may affect the timing of collections. Total assets were \$1.5 billion at March 31, 2011 and \$1.4 billion at December 31, 2010. At March 31, 2011, current assets excluding cash represented 80% of our total assets excluding cash, versus 78% at December 31, 2010.

Cash used in operating activities was \$20 million for the three months ended March 31, 2011 compared to \$4 million generated for the three months ended March 31, 2010. During the first quarter of 2011 we had a \$60 million increase in working capital compared to a \$20 million increase in 2010. This use of cash for working capital as earnings increase is consistent with our business model.

Cash used for inventory was \$8 million in the first quarter of 2011, mainly related to increased tons on hand in our metals service centers offset by decreased tons at our energy tubular operations.

| <i>Inventory by Segment</i> | <b>Mar. 31<br/>2011</b> | <b>Dec. 31<br/>2010</b> | Mar. 31<br>2010 |
|-----------------------------|-------------------------|-------------------------|-----------------|
| Metals service centers      | \$ 238                  | \$ 202                  | \$ 191          |
| Energy tubular products     | 257                     | 290                     | 234             |
| Steel distributors          | 54                      | 52                      | 42              |
| <b>Total operations</b>     | <b>\$ 549</b>           | <b>\$ 544</b>           | <b>\$ 467</b>   |

| <i>Inventory Turns</i>  | <b>Quarters Ended</b>   |                         |                          |                         | Mar. 31<br>2010 |
|-------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-----------------|
|                         | <b>Mar. 31<br/>2011</b> | <b>Dec. 31<br/>2010</b> | <b>Sept. 30<br/>2010</b> | <b>June 30<br/>2010</b> |                 |
| Metals service centers  | 4.6                     | 4.8                     | 4.9                      | 4.7                     | 4.5             |
| Energy tubular products | 3.0                     | 2.3                     | 2.2                      | 1.7                     | 2.9             |
| Steel distributors      | 4.2                     | 4.0                     | 5.2                      | 2.7                     | 4.1             |
| <b>Total operations</b> | <b>3.8</b>              | <b>3.4</b>              | <b>3.5</b>               | <b>3.0</b>              | <b>3.7</b>      |

Inventory turns are calculated using annualized quarterly cost of sales dollars, excluding net inventory write-downs, divided by inventory in dollars at the end of the quarter.

At March 31, 2011, our metals service centers had more tons of inventory priced at a slightly higher average price than at December 31, 2010. Inventory has been increased to align with increased sales as volumes increased compared to the fourth quarter of 2010. Based on information published by the Metals Service Center Institute in its monthly Metals Activity Report, average inventory turns based on tons for the three months ended March 31, 2011 for U.S. service centers and for Canadian service centers were 5.1 and 4.4 turns, respectively.

Our energy tubular products operations reduced inventory in the first quarter of 2011. Lower inventory and increased revenues in the quarter increased inventory turns.

Our steel distributor segment has increased revenues which increased turns as inventory was kept constant.

As a result of higher volumes and selling prices, accounts receivable utilized cash of \$82 million since December 31, 2010. Accounts receivable represent 26% of our total assets at March 31, 2011.

During the three months ended March 31, 2011, we made income tax payments of \$18 million compared to payments of \$3 million for the three months ended March 31, 2010.

During the three months ended March 31, 2011, we invested \$4 million for capital expenditures and paid shareholders with \$17 million in common share dividends. During the three months ended March 31, 2010, we invested \$1 million for capital expenditures and paid \$15 million for common share dividends.

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

| <i>(millions)</i>                                     | Quarters Ended March 31 |         |
|---|-------------------------|---------|
|   | 2011                    | 2010    |
| Cash from operating activities before working capital | \$ 40.0                 | \$ 23.5 |
| Purchase of fixed assets                              | (4.4)                   | (1.3)   |
|   | \$ 35.6                 | \$ 22.2 |

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.

## CASH, DEBT AND CREDIT FACILITIES

### Debt

| <i>(millions)</i>   | Mar. 31, 2011 | Dec. 31, 2010 |
|---|---------------|---------------|
| Long-Term Debt  |               |               |
| 6.375% US\$167.2 million Senior Notes due March 1, 2014           | \$ 160        | \$ 164        |
| 7.75% \$175 million convertible debentures due September 30, 2016 | 152           | 151           |
| Finance lease obligations, maturing 2014 to 2017                  | 4             | 5             |
|   | 316           | 320           |
| Current portion   | 1             | 1             |
|   | \$ 315        | \$ 319        |

The convertible debenture has been split between debt and equity. The amount allocated to equity is \$29 million representing the valuation of the holders' option to convert the convertible debentures into common shares and the fair value adjustments on the cash conversion feature treated as a derivative prior to amendment of the Trust Indenture in December 2010.

### Cash and Bank Credit Facilities

| <i>As at March 31, 2011 (millions)</i> | Russel Metals Facility | U.S. Subsidiary Facility | Total  |
|--|------------------------|--------------------------|--------|
| Bank loans                             | \$ -                   | \$ -                     | \$ -   |
| Cash net of outstanding cheques        | 261                    | 25                       | 286    |
| Net cash                               | 261                    | 25                       | 286    |
| Letters of credit                      | (53)                   | (24)                     | (77)   |
|  | \$ 208                 | \$ 1                     | \$ 209 |
| Facilities                             |                        |                          |        |
| Borrowings and letters of credit       | \$ 202                 | \$ 20                    | \$ 222 |
| Letters of credit facility             | 50                     | 24                       | 74     |
| Facilities availability                | \$ 252                 | \$ 44                    | \$ 296 |
| Available line based on borrowing base | \$ 252                 | \$ 44                    | \$ 296 |

We have a facility with a syndicate of Canadian and U.S. banks totaling \$252 million which expires June 24, 2012. The facility consists of availability of \$202 million to be utilized for borrowings and letters of credit and \$50 million to be utilized only for letters of credit. Letters of credit are issued under the \$50 million line first and additional needs are issued under the \$202 million line. We may extend this facility annually with the consent of the syndicate and it is our intent to extend the facility to 2014. 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 \$252 million. As of March 31, 2011, we were entitled to borrow and issue letters of credit totaling \$252 million under this facility. At March 31, 2011 and 2010, we had no borrowings. At March 31, 2011, we had letters of credit of \$53 million compared to \$25 million at March 31, 2010.

A U.S. subsidiary has its own one year bank credit facility which expires in July 2011. The maximum borrowings including letters of credit under this facility are US\$45 million. At March 31, 2011, this subsidiary had no borrowings and had letters of credit of US\$24 million. At March 31, 2010, this subsidiary had no borrowings and had letters of credit of US\$7 million.

With our cash, cash equivalents and our bank facilities we have access to approximately \$505 million of cash based on our March 31, 2011 balances. The use of our bank facilities has been predominantly to fund working capital requirements and trade letters of credit for inventory purchases. As steel prices and demand declined, cash generated from accounts receivable and inventory was utilized to reduce bank borrowings. These lines will be used to support increases in working capital when volumes and steel prices increase.

## CONTRACTUAL OBLIGATIONS

As at March 31, 2011, we were contractually obligated to make payments under our long-term debt agreements, finance leases and operating leases that come due in the future. See the notes to the financial statements for future obligations by year.

We have disclosed our obligations related to environmental litigations, regulatory actions and remediation in our Annual Information Form. The obligations 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 financial instruments note to the financial statements.

We have multiple defined benefit pension plans in Canada, as disclosed in Note 24 of the interim consolidated financial statements. In the first quarter of 2011, we contributed \$1 million to these plans. We expect to contribute approximately \$3 million during the remainder of the year.

## ACCOUNTING AND REPORTING CHANGES

We adopted IFRS effective January 1, 2011, which required us to restate our January 1, 2010 opening balance sheet and prepare comparative 2010 IFRS financial statements to report with our 2011 financial statements. The three months ended March 31, 2011 is our first reporting period under IFRS. IFRS requires significantly more disclosure than the previous requirements under Canadian GAAP and the first set of financial statements issued under IFRS requires a number of reconciliations compared to prior Canadian GAAP.

Note 24 to our consolidated interim financial statements provides details on our exemption options on initial conversion to IFRS, key Canadian GAAP to IFRS differences, reconciliations of Canadian GAAP to IFRS for 2010, changes in accounting policies, presentation reclassifications and additional IFRS annual disclosures.

As a result of the IFRS conversion and the exemption options chosen, our January 1, 2010 opening shareholders' equity was reduced by \$42 million. This reduction was as a result of the following:

- *Employee benefits* - charge to retained earnings for unamortized actuarial gains and losses and other adjustments relating to our pension plans,
- *Share based compensation* - change to graded vesting on stock options and restricted share units,



- *Financial instruments* - revaluation of the cash conversion feature on our convertible debentures,
- *Decommissioning liabilities* - realization of previously unrecognized constructive obligations for environmental cleanup,
- *Property, Plant and Equipment* - accelerated depreciation caused by componentization,
- *Asset impairment* - assessment of cash generating units at a lower level and discounting of expected cash flows,
- *Income taxes* - on above items.

The above changes similarly impacted the 2010 earnings. The most significant item impacting our 2010 earnings was the conversion feature in our convertible debenture which caused it to be a derivative. We removed this feature by an amendment to our Trust Indenture in December 2010. The remaining items, representing a \$1.3 million impact of 2010 earnings, relate to the following:

| <i>(millions)</i>   | Year ended<br>December 31, 2010 |
|---|---------------------------------|
| Employee benefits - reduced pension expense as unamortized actuarial gains and losses were charged to opening retained earnings | \$ 0.5                          |
| Share based compensation - increased expense as graded vesting results in larger expense in earlier years                       | (0.2)                           |
| Financial instruments - increased accretion on revalued conversion option in convertible debentures                             | (0.8)                           |
| Decommissioning liabilities - expenses related to constructive obligations of prior environmental matters                       | (0.4)                           |
| Depreciation on plant and equipment - charge for quicker depreciation rates on componentized assets                             | (0.4)                           |
| Foreign currency translation - change in 2010   | (0.3)                           |
| Income taxes - tax effect of above items  | 0.3                             |
| Impact on earnings excluding cash conversion derivative expense   | \$ (1.3)                        |

## ACCOUNTING ESTIMATES

The preparation of our 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 net realizable value and obsolescence, useful lives of fixed assets, fair values, income taxes, pensions and benefits obligations, guarantees, decommissioning liabilities, contingencies, litigation and assigned values on net assets acquired. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Our most significant assets are accounts receivable and inventories.

### *Accounts Receivable*

We maintain an allowance for doubtful accounts 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 or 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 March 31, 2011 approximates our reserve at December 31, 2010; however, our accounts receivable balance is significantly higher.

### *Inventories*

We review our inventory to ensure that the cost of inventory 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 March 31, 2011 decreased compared to the level at December 31, 2010 mainly due to the sale of inventory that was written-down.

Other areas involving significant estimates and judgements include:

### *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.

### *Employee Benefit Plans*

We perform a valuation, at least every three years, for each defined benefit plan to determine the actuarial present value of the accrued pension benefits. The valuation uses management's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase, health care cost trend 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 costs. We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance over the working lives of the employees who benefit from the plans.

We had approximately \$89 million in plan assets at March 31, 2011, compared to \$87 million at December 31, 2010.

## **CONTROLS AND PROCEDURES**

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

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

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



The President and Chief Executive Officer, and the 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 or our internal control over financial reporting during the first quarter of 2011 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. The use of service centers and steel distributors by both manufacturers and end users of steel continues to grow. This is evidenced by the growth in the percentage of total steel shipments from steel producers to service centers. As the distribution segment's share of steel industry shipments continues to grow, service centers such as ours can grow their business over the course of a cycle.

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. In order to achieve this, management emphasizes profitability rather than revenue growth. 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 the course of the cycle. Our conservative management approach creates relatively stronger trough earnings but could cause potential peak earnings to be somewhat muted. Management strongly believes that it is more prudent to be profitable throughout a cycle, without the spikes in earnings caused by less emphasis on asset management, and have average earnings over the full range of the cycle in the top deciles of the industry.

Growth from selective acquisitions is also a strategy. We focus on investment opportunities in businesses that have strong market niches or provide mass to our existing operations. We believe that our acquisition in 2008 added to our platform for growth in the Southeastern and Midwestern regions of the United States. We continue to review opportunities for acquisitions.

In both the energy tubular products and steel distributors segments, all of the business units have significant operations in the market niche that they service. Consistent with our acquisition philosophy, any new acquisitions in these areas would likely be either major stand-alone operations or those that complement our existing operations.

In the future, we believe that the length of the steel-based economic cycle will continue to shorten, 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 business systems to enable faster reaction times to changing business conditions. In addition, management believes the high level of service and flexibility provided by service centers will enable this distribution channel to capture an increasing percentage of total steel revenues to end users, allowing for increased growth within the sector.

## **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. Demand for our products is at approximately 80% of pre-2009 levels and we cannot predict when or if it will return to pre-2009 levels. Our Annual Information Form includes a summary of risks.

## **OUTLOOK**

We believe the second quarter of 2011 results will be stronger than the second quarter of 2010. Steel pricing has peaked and started to drop slightly due to supply chain issues in the automotive sector and continued weak construction activity. We would expect margins to soften over the balance of 2011. The second quarter for our oil and gas operations is seasonally the slowest but rig counts continue to be up year over year.

**RUSSEL METALS INC.**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

| (millions)                     | Q1<br>2011      | Q4<br>2010     | Q3<br>2010     | Q2<br>2010     | Q1<br>2010     | Q4<br>2009     | Q3<br>2009     | Q2<br>2009     | Q1<br>2009     | Q4<br>2008     | Q3<br>2008      | Q2<br>2008      | Q1<br>2008     | Q4<br>2007     | Q3<br>2007     | Q2<br>2007     | Q1<br>2007     |
|--------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| <b>METALS SERVICE CENTERS</b>  |                 |                |                |                |                |                |                |                |                |                |                 |                 |                |                |                |                |                |
| Revenue                        | \$ 363.8        | \$ 304.3       | \$ 315.7       | \$ 312.2       | \$ 280.0       | \$ 235.9       | \$ 259.1       | \$ 274.3       | \$ 325.4       | \$ 424.7       | \$ 509.8        | \$ 497.3        | \$ 401.2       | \$ 363.1       | \$ 339.5       | \$ 370.0       | \$ 362.6       |
| Cost of goods sold             | 272.8           | 243.4          | 249.3          | 241.9          | 217.1          | 186.4          | 201.7          | 223.4          | 281.3          | 345.8          | 376.9           | 361.1           | 312.9          | 276.7          | 259.2          | 277.8          | 275.8          |
| Operating expenses             | 54.7            | 48.0           | 50.4           | 50.8           | 47.8           | 42.8           | 44.1           | 47.0           | 50.7           | 59.6           | 64.8            | 63.9            | 56.2           | 64.1           | 56.9           | 60.8           | 62.0           |
| <b>EBIT</b>                    | <b>36.3</b>     | <b>12.9</b>    | <b>16.0</b>    | <b>19.5</b>    | <b>15.1</b>    | <b>6.7</b>     | <b>13.3</b>    | <b>3.9</b>     | <b>(6.6)</b>   | <b>19.3</b>    | <b>68.1</b>     | <b>72.3</b>     | <b>32.1</b>    | <b>22.3</b>    | <b>23.4</b>    | <b>31.4</b>    | <b>24.8</b>    |
| Depreciation & amortization    | 5.0             | 5.1            | 5.2            | 5.1            | 5.2            | 5.0            | 5.4            | 5.5            | 5.7            | 5.3            | 5.1             | 4.9             | 4.9            | 5.0            | 4.0            | 3.9            | 4.0            |
| <b>EBITDA</b>                  | <b>41.3</b>     | <b>18.0</b>    | <b>21.2</b>    | <b>24.6</b>    | <b>20.3</b>    | <b>11.7</b>    | <b>18.7</b>    | <b>9.4</b>     | <b>(0.9)</b>   | <b>24.6</b>    | <b>73.2</b>     | <b>77.2</b>     | <b>37.0</b>    | <b>27.3</b>    | <b>27.4</b>    | <b>35.3</b>    | <b>28.8</b>    |
| Cost of goods sold             | 75.0%           | 80.0%          | 79.0%          | 77.5%          | 77.5%          | 79.0%          | 77.8%          | 81.4%          | 86.4%          | 81.4%          | 73.9%           | 72.6%           | 78.0%          | 76.2%          | 76.3%          | 75.1%          | 76.1%          |
| Operating expenses             | 15.0%           | 15.8%          | 16.0%          | 16.3%          | 17.1%          | 18.1%          | 17.0%          | 17.1%          | 15.6%          | 14.0%          | 12.7%           | 12.8%           | 14.0%          | 17.7%          | 16.8%          | 16.4%          | 17.1%          |
| Depreciation & amortization    | 1.4%            | 1.7%           | 1.6%           | 1.6%           | 1.9%           | 2.1%           | 2.1%           | 2.0%           | 1.8%           | 1.2%           | 1.0%            | 1.0%            | 1.2%           | 1.4%           | 1.2%           | 1.1%           | 1.1%           |
| EBIT                           | 10.0%           | 4.2%           | 5.1%           | 6.2%           | 5.4%           | 2.8%           | 5.1%           | 1.4%           | -2.0%          | 4.5%           | 13.4%           | 14.5%           | 8.0%           | 6.1%           | 6.9%           | 8.5%           | 6.8%           |
| EBITDA                         | 11.4%           | 5.9%           | 6.7%           | 7.9%           | 7.3%           | 5.0%           | 7.2%           | 3.4%           | -0.3%          | 5.8%           | 14.4%           | 15.5%           | 9.2%           | 7.5%           | 8.1%           | 9.5%           | 7.9%           |
| <b>ENERGY TUBULAR PRODUCTS</b> |                 |                |                |                |                |                |                |                |                |                |                 |                 |                |                |                |                |                |
| Revenue                        | 224.0           | 193.1          | 187.4          | 129.2          | 194.6          | 147.3          | 115.7          | 130.1          | 231.0          | 297.1          | 324.8           | 235.4           | 213.5          | 156.7          | 174.5          | 167.0          | 179.0          |
| Cost of goods sold             | 190.2           | 163.5          | 160.8          | 109.0          | 171.6          | 136.8          | 99.9           | 114.4          | 193.9          | 228.8          | 231.1           | 187.1           | 185.0          | 133.0          | 148.6          | 144.9          | 153.0          |
| Operating expenses             | 16.0            | 13.0           | 12.1           | 11.4           | 11.8           | 9.1            | 9.5            | 9.8            | 15.9           | 27.6           | 33.9            | 19.8            | 12.9           | 10.9           | 10.0           | 11.1           | 11.2           |
| <b>EBIT</b>                    | <b>17.8</b>     | <b>16.6</b>    | <b>14.5</b>    | <b>8.8</b>     | <b>11.2</b>    | <b>1.4</b>     | <b>6.3</b>     | <b>5.9</b>     | <b>21.2</b>    | <b>40.7</b>    | <b>59.8</b>     | <b>28.5</b>     | <b>15.6</b>    | <b>12.8</b>    | <b>15.9</b>    | <b>11.0</b>    | <b>14.8</b>    |
| Depreciation & amortization    | 0.4             | 0.4            | 0.4            | 0.4            | 0.5            | 0.4            | 0.5            | 0.4            | 0.5            | 0.4            | 0.4             | 0.4             | 0.4            | 0.3            | 0.4            | 0.3            | 0.3            |
| <b>EBITDA</b>                  | <b>18.2</b>     | <b>17.0</b>    | <b>14.9</b>    | <b>9.2</b>     | <b>11.7</b>    | <b>1.8</b>     | <b>6.8</b>     | <b>6.3</b>     | <b>21.7</b>    | <b>41.1</b>    | <b>60.2</b>     | <b>28.9</b>     | <b>16.0</b>    | <b>13.1</b>    | <b>16.3</b>    | <b>11.3</b>    | <b>15.1</b>    |
| Cost of goods sold             | 84.9%           | 84.7%          | 85.8%          | 84.4%          | 88.2%          | 92.9%          | 86.3%          | 87.9%          | 83.9%          | 77.0%          | 71.2%           | 79.5%           | 86.7%          | 84.9%          | 85.2%          | 86.8%          | 85.5%          |
| Operating expenses             | 7.1%            | 6.7%           | 6.5%           | 8.8%           | 6.1%           | 6.2%           | 8.2%           | 7.5%           | 6.9%           | 9.3%           | 10.4%           | 8.4%            | 6.0%           | 7.0%           | 5.7%           | 6.6%           | 6.3%           |
| Depreciation & amortization    | 0.2%            | 0.2%           | 0.2%           | 0.3%           | 0.3%           | 0.3%           | 0.4%           | 0.3%           | 0.2%           | 0.1%           | 0.1%            | 0.2%            | 0.2%           | 0.2%           | 0.2%           | 0.2%           | 0.2%           |
| EBIT                           | 7.9%            | 8.6%           | 7.7%           | 6.8%           | 5.8%           | 1.0%           | 5.4%           | 4.5%           | 9.2%           | 13.7%          | 18.4%           | 12.1%           | 7.3%           | 8.2%           | 9.1%           | 6.6%           | 8.3%           |
| EBITDA                         | 8.1%            | 8.8%           | 8.0%           | 7.1%           | 6.0%           | 1.2%           | 5.9%           | 4.8%           | 9.4%           | 13.8%          | 18.5%           | 12.3%           | 7.5%           | 8.4%           | 9.3%           | 6.8%           | 8.4%           |
| <b>STEEL DISTRIBUTORS</b>      |                 |                |                |                |                |                |                |                |                |                |                 |                 |                |                |                |                |                |
| Revenue                        | 69.8            | 61.1           | 75.5           | 61.3           | 49.9           | 46.7           | 57.0           | 56.0           | 84.8           | 118.3          | 116.8           | 119.6           | 96.0           | 76.5           | 107.6          | 111.7          | 140.3          |
| Cost of goods sold             | 56.2            | 52.0           | 66.0           | 49.9           | 42.3           | 40.5           | 47.1           | 46.6           | 76.9           | 97.4           | 89.2            | 85.3            | 78.5           | 66.0           | 93.8           | 94.9           | 122.5          |
| Operating expenses             | 4.8             | 4.3            | 4.5            | 4.7            | 3.2            | 3.8            | 2.2            | 4.2            | 5.2            | 1.1            | 6.2             | 8.7             | 6.8            | 5.0            | 3.6            | 4.9            | 6.3            |
| <b>EBIT</b>                    | <b>8.8</b>      | <b>4.8</b>     | <b>5.0</b>     | <b>6.7</b>     | <b>4.4</b>     | <b>2.4</b>     | <b>7.7</b>     | <b>5.2</b>     | <b>2.7</b>     | <b>19.8</b>    | <b>21.4</b>     | <b>25.6</b>     | <b>10.7</b>    | <b>5.5</b>     | <b>10.2</b>    | <b>11.9</b>    | <b>11.5</b>    |
| Depreciation & amortization    | 0.1             | 0.1            | 0.1            | 0.1            | 0.1            | 0.1            | 0.2            | 0.1            | 0.1            | 0.1            | 0.1             | 0.1             | 0.1            | 0.1            | 0.1            | 0.1            | 0.1            |
| <b>EBITDA</b>                  | <b>8.9</b>      | <b>4.9</b>     | <b>5.1</b>     | <b>6.8</b>     | <b>4.5</b>     | <b>2.5</b>     | <b>7.9</b>     | <b>5.3</b>     | <b>2.8</b>     | <b>19.9</b>    | <b>21.5</b>     | <b>25.7</b>     | <b>10.8</b>    | <b>5.6</b>     | <b>10.3</b>    | <b>12.0</b>    | <b>11.6</b>    |
| Cost of goods sold             | 80.5%           | 85.1%          | 87.4%          | 81.4%          | 84.8%          | 86.7%          | 82.6%          | 83.2%          | 90.7%          | 82.3%          | 76.4%           | 71.3%           | 81.8%          | 86.3%          | 87.2%          | 85.0%          | 87.3%          |
| Operating expenses             | 6.9%            | 7.0%           | 6.0%           | 7.7%           | 6.4%           | 8.1%           | 3.9%           | 7.5%           | 6.9%           | 5.3%           | 7.3%            | 7.3%            | 7.1%           | 6.5%           | 3.3%           | 4.4%           | 4.5%           |
| Depreciation & amortization    | 0.1%            | 0.2%           | 0.1%           | 0.2%           | 0.2%           | 0.2%           | 0.4%           | 0.2%           | 0.1%           | 0.1%           | 0.1%            | 0.1%            | 0.1%           | 0.1%           | 0.1%           | 0.1%           | 0.1%           |
| EBIT                           | 12.6%           | 7.9%           | 6.6%           | 10.9%          | 8.8%           | 5.1%           | 13.5%          | 9.3%           | 3.2%           | 16.7%          | 18.3%           | 21.4%           | 11.1%          | 7.2%           | 9.5%           | 10.7%          | 8.2%           |
| EBITDA                         | 12.8%           | 8.0%           | 6.8%           | 11.1%          | 9.0%           | 5.4%           | 13.9%          | 9.5%           | 3.3%           | 16.8%          | 18.4%           | 21.5%           | 11.3%          | 7.3%           | 9.6%           | 10.7%          | 8.3%           |
| <b>TBTL</b>                    |                 |                |                |                |                |                |                |                |                |                |                 |                 |                |                |                |                |                |
| Revenue                        | 0.1             | 3.0            | 3.3            | 3.4            | 1.4            | 2.8            | 2.5            | 2.1            | 1.1            | 2.6            | 3.5             | 4.0             | 1.6            | 2.1            | 2.7            | 4.1            | 1.8            |
| Cost of goods sold             | 0.1             | -              | -              | -              | -              | -              | -              | -              | -              | -              | -               | -               | -              | -              | -              | -              | -              |
| Operating expenses             | 1.7             | 1.3            | 1.7            | 1.9            | 1.9            | 1.7            | 1.6            | 1.7            | 1.8            | 2.1            | 2.1             | 2.2             | 2.0            | 0.9            | 1.1            | 1.1            | 1.1            |
| <b>EBIT</b>                    | <b>(1.7)</b>    | <b>1.7</b>     | <b>1.6</b>     | <b>1.5</b>     | <b>(0.5)</b>   | <b>1.1</b>     | <b>0.9</b>     | <b>0.4</b>     | <b>(0.7)</b>   | <b>0.5</b>     | <b>1.4</b>      | <b>1.8</b>      | <b>(0.4)</b>   | <b>0.3</b>     | <b>0.6</b>     | <b>1.9</b>     | <b>(0.4)</b>   |
| Depreciation & amortization    | 0.2             | 0.2            | 0.2            | 0.3            | 0.2            | 0.3            | 0.2            | 0.3            | 0.2            | 0.2            | 0.3             | 0.2             | 0.3            | 0.2            | 0.3            | 0.2            | 0.3            |
| <b>EBITDA</b>                  | <b>(1.5)</b>    | <b>1.9</b>     | <b>1.8</b>     | <b>1.8</b>     | <b>(0.3)</b>   | <b>1.4</b>     | <b>1.1</b>     | <b>0.7</b>     | <b>(0.5)</b>   | <b>0.7</b>     | <b>1.7</b>      | <b>2.0</b>      | <b>(0.1)</b>   | <b>0.5</b>     | <b>0.9</b>     | <b>2.1</b>     | <b>(0.1)</b>   |
| Cost of goods sold             | 100.0%          | 0.0%           | 0.0%           | 0.0%           | 0.0%           | 0.0%           | 0.0%           | 0.0%           | 0.0%           | 0.0%           | 0.0%            | 0.0%            | 0.0%           | 42.9%          | 40.7%          | 26.8%          | 61.1%          |
| Operating expenses             | 1700.0%         | 43.3%          | 51.5%          | 55.9%          | 135.7%         | 60.7%          | 64.0%          | 81.0%          | 163.6%         | 80.8%          | 60.0%           | 55.0%           | 125.0%         | 42.9%          | 37.0%          | 26.8%          | 61.1%          |
| Depreciation & amortization    | 200.0%          | 6.7%           | 6.1%           | 8.8%           | 14.3%          | 10.7%          | 8.0%           | 14.3%          | 18.2%          | 7.7%           | 8.6%            | 5.0%            | 18.8%          | 9.5%           | 11.1%          | 4.9%           | 16.7%          |
| <b>EBIT</b>                    | <b>-1700.0%</b> | <b>56.7%</b>   | <b>48.5%</b>   | <b>44.1%</b>   | <b>-35.7%</b>  | <b>39.3%</b>   | <b>36.0%</b>   | <b>19.0%</b>   | <b>-63.6%</b>  | <b>19.2%</b>   | <b>40.0%</b>    | <b>45.0%</b>    | <b>-25.0%</b>  | <b>14.3%</b>   | <b>22.2%</b>   | <b>46.3%</b>   | <b>-22.2%</b>  |
| <b>EBITDA</b>                  | <b>-1500.0%</b> | <b>63.3%</b>   | <b>54.5%</b>   | <b>52.9%</b>   | <b>-21.4%</b>  | <b>50.0%</b>   | <b>44.0%</b>   | <b>33.3%</b>   | <b>-45.5%</b>  | <b>26.9%</b>   | <b>48.6%</b>    | <b>50.0%</b>    | <b>-6.2%</b>   | <b>23.8%</b>   | <b>33.3%</b>   | <b>51.2%</b>   | <b>-5.6%</b>   |
| <b>CORPORATE</b>               |                 |                |                |                |                |                |                |                |                |                |                 |                 |                |                |                |                |                |
| Expenses                       | 6.7             | 3.7            | 3.6            | 3.3            | 3.6            | 3.5            | 2.7            | 3.2            | 3.0            | 2.6            | 5.8             | 6.7             | 5.9            | 3.3            | 3.2            | 6.8            | 4.5            |
| Depreciation & amortization    | 0.3             | 0.4            | 0.4            | 0.3            | 0.3            | 0.3            | 0.3            | 0.2            | 0.1            | 0.1            | -               | 0.1             | -              | 0.1            | 0.5            | 0.2            | 0.2            |
| <b>EBIT</b>                    | <b>(7.0)</b>    | <b>(4.1)</b>   | <b>(4.0)</b>   | <b>(3.6)</b>   | <b>(3.9)</b>   | <b>(3.8)</b>   | <b>(3.0)</b>   | <b>(3.4)</b>   | <b>(3.0)</b>   | <b>(2.7)</b>   | <b>(5.8)</b>    | <b>(6.8)</b>    | <b>(5.9)</b>   | <b>(3.3)</b>   | <b>(3.3)</b>   | <b>(7.3)</b>   | <b>(4.7)</b>   |
| <b>EBITDA</b>                  | <b>(6.7)</b>    | <b>(3.7)</b>   | <b>(3.6)</b>   | <b>(3.3)</b>   | <b>(3.6)</b>   | <b>(3.5)</b>   | <b>(2.7)</b>   | <b>(3.2)</b>   | <b>(3.0)</b>   | <b>(2.6)</b>   | <b>(5.8)</b>    | <b>(6.7)</b>    | <b>(5.9)</b>   | <b>(3.3)</b>   | <b>(3.2)</b>   | <b>(6.8)</b>   | <b>(4.5)</b>   |
| Expenses                       | 1.0%            | 0.7%           | 0.6%           | 0.7%           | 0.7%           | 0.8%           | 0.6%           | 0.7%           | 0.5%           | 0.3%           | 0.6%            | 0.8%            | 0.8%           | 0.6%           | 0.5%           | 1.0%           | 0.7%           |
| Depreciation & amortization    | 0.1%            | 0.1%           | 0.1%           | 0.1%           | 0.1%           | 0.1%           | 0.1%           | 0.1%           | 0.0%           | 0.0%           | 0.0%            | 0.0%            | 0.0%           | 0.0%           | 0.0%           | 0.1%           | 0.0%           |
| <b>Operating EBIT</b>          | <b>\$ 54.2</b>  | <b>\$ 31.9</b> | <b>\$ 33.1</b> | <b>\$ 32.9</b> | <b>\$ 26.3</b> | <b>\$ 7.8</b>  | <b>\$ 25.2</b> | <b>\$ 12.0</b> | <b>\$ 13.6</b> | <b>\$ 77.6</b> | <b>\$ 144.9</b> | <b>\$ 121.4</b> | <b>\$ 52.1</b> | <b>\$ 37.6</b> | <b>\$ 46.8</b> | <b>\$ 48.9</b> | <b>\$ 46.0</b> |
| <b>Operating EBITDA</b>        | <b>\$ 60.2</b>  | <b>\$ 38.1</b> | <b>\$ 39.4</b> | <b>\$ 39.1</b> | <b>\$ 32.6</b> | <b>\$ 13.9</b> | <b>\$ 31.8</b> | <b>\$ 18.5</b> | <b>\$ 20.1</b> | <b>\$ 83.7</b> | <b>\$ 150.8</b> | <b>\$ 127.1</b> | <b>\$ 57.8</b> | <b>\$ 43.2</b> | <b>\$ 51.7</b> | <b>\$ 53.9</b> | <b>\$ 50.9</b> |
| <b>Operating EBIT</b>          | <b>8.2%</b>     | <b>5.7%</b>    | <b>5.7%</b>    | <b>6.5%</b>    | <b>5.0%</b>    | <b>1.8%</b>    | <b>5.8%</b>    | <b>2.6%</b>    | <b>2.1%</b>    | <b>9.2%</b>    | <b>15.2%</b>    | <b>14.2%</b>    | <b>7.3%</b>    | <b>6.3%</b>    | <b>7.5%</b>    | <b>7.5%</b>    | <b>6.7%</b>    |
| <b>Operating EBITDA</b>        | <b>9.2%</b>     | <b>6.8%</b>    | <b>6.8%</b>    | <b>7.7%</b>    | <b>6.2%</b>    | <b>3.2%</b>    | <b>7.3%</b>    | <b>4.0%</b>    | <b>3.1%</b>    | <b>9.9%</b>    | <b>15.8%</b>    | <b>14.8%</b>    | <b>8.1%</b>    | <b>7.2%</b>    | <b>8.3%</b>    | <b>8.3%</b>    | <b>7.4%</b>    |

\* EBIT and EBITDA exclude plant closure costs in Q3 2010, inventory writedowns (reversals) in Q2 2010, Q4 2009, Q3 2009, Q2 2009, Q1 2009, Q4 2008 and asset impairment Q4 2009.  
Note - 2011 report under IFRS. Prior periods not restated.

**SUMMARY  
RUSSEL METALS INC.  
CONSOLIDATED STATEMENTS OF EARNINGS**

| (millions)                             | Q1<br>2011   | Q4<br>2010   | Q3<br>2010   | Q2<br>2010   | Q1<br>2010   | Q4<br>2009  | Q3<br>2009   | Q2<br>2009   | Q1<br>2009   | Q4<br>2008   | Q3<br>2008   | Q2<br>2008   | Q1<br>2008   | Q4<br>2007   | Q3<br>2007   | Q2<br>2007   | Q1<br>2007   |
|--|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Quarter ended:</b>                  |              |              |              |              |              |             |              |              |              |              |              |              |              |              |              |              |              |
| Revenue                                | \$ 657.7     | \$ 561.5     | \$ 581.9     | \$ 506.1     | \$ 525.9     | \$ 432.7    | \$ 434.3     | \$ 462.5     | \$ 642.3     | \$ 842.7     | \$ 954.9     | \$ 856.3     | \$ 712.3     | \$ 598.4     | \$ 624.3     | \$ 652.8     | \$ 683.7     |
| Cost of goods sold                     | 519.3        | 458.9        | 476.1        | 400.8        | 431.0        | 363.7       | 348.7        | 384.4        | 552.1        | 672.0        | 697.2        | 633.5        | 576.4        | 476.6        | 502.7        | 518.7        | 552.4        |
| Operating expenses                     | 77.2         | 66.6         | 68.7         | 68.8         | 64.7         | 57.4        | 57.4         | 62.7         | 73.6         | 90.4         | 107.0        | 94.6         | 77.9         | 80.9         | 71.5         | 77.9         | 80.6         |
| Corp. Expenses                         | 7.0          | 4.1          | 4.0          | 3.6          | 3.9          | 3.8         | 3.0          | 3.4          | 3.0          | 2.7          | 5.8          | 6.8          | 5.9          | 3.3          | 3.3          | 7.3          | 4.7          |
| <b>Operating EBIT</b>                  | <b>54.2</b>  | <b>31.9</b>  | <b>33.1</b>  | <b>32.9</b>  | <b>26.3</b>  | <b>7.8</b>  | <b>25.2</b>  | <b>12.0</b>  | <b>13.6</b>  | <b>77.6</b>  | <b>144.9</b> | <b>121.4</b> | <b>52.1</b>  | <b>37.6</b>  | <b>46.8</b>  | <b>48.9</b>  | <b>46.0</b>  |
| Depreciation & amortization            | 6.0          | 6.2          | 6.3          | 6.2          | 6.3          | 6.1         | 6.6          | 6.5          | 6.5          | 6.1          | 5.9          | 5.7          | 5.7          | 5.6          | 4.9          | 5.0          | 4.9          |
| <b>Operating EBITDA</b>                | <b>60.2</b>  | <b>38.1</b>  | <b>39.4</b>  | <b>39.1</b>  | <b>32.6</b>  | <b>13.9</b> | <b>31.8</b>  | <b>18.5</b>  | <b>20.1</b>  | <b>83.7</b>  | <b>150.8</b> | <b>127.1</b> | <b>57.8</b>  | <b>43.2</b>  | <b>51.7</b>  | <b>53.9</b>  | <b>50.9</b>  |
| Unusual items exclude asset impairment | 0.4          | 1.8          | 0.4          | 0.2          | (1.5)        | (1.0)       | -            | -            | -            | 0.4          | 2.3          | (0.7)        | 3.2          | 0.9          | 1.6          | -            | -            |
| Gain on sale of asset                  | -            | -            | -            | -            | -            | -           | -            | (4.3)        | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>EBIT</b>                            | <b>53.8</b>  | <b>30.1</b>  | <b>32.7</b>  | <b>32.7</b>  | <b>27.8</b>  | <b>8.8</b>  | <b>25.2</b>  | <b>16.3</b>  | <b>13.6</b>  | <b>77.2</b>  | <b>142.6</b> | <b>122.1</b> | <b>48.9</b>  | <b>36.7</b>  | <b>45.2</b>  | <b>48.9</b>  | <b>46.0</b>  |
| <b>EBITDA</b>                          | <b>59.8</b>  | <b>36.3</b>  | <b>39.0</b>  | <b>38.9</b>  | <b>34.1</b>  | <b>14.9</b> | <b>31.8</b>  | <b>22.8</b>  | <b>20.1</b>  | <b>83.3</b>  | <b>148.5</b> | <b>127.8</b> | <b>54.6</b>  | <b>42.3</b>  | <b>50.1</b>  | <b>53.9</b>  | <b>50.9</b>  |
| <b>Twelve months ended:</b>            |              |              |              |              |              |             |              |              |              |              |              |              |              |              |              |              |              |
| Revenue                                | \$ 2,307.2   | \$ 2,175.4   | \$ 2,046.6   | \$ 1,899.0   | \$ 1,855.4   | \$ 1,971.8  | \$ 2,381.8   | \$ 2,902.4   | \$ 3,296.2   | \$ 3,366.2   | \$ 3,121.9   | \$ 2,791.3   | \$ 2,587.8   | \$ 2,559.2   | \$ 2,554.0   | \$ 2,602.0   | \$ 2,635.1   |
| Cost of goods sold                     | 1,855.1      | 1,766.8      | 1,671.6      | 1,544.2      | 1,527.8      | 1,648.9     | 1,957.2      | 2,305.7      | 2,554.8      | 2,579.1      | 2,383.7      | 2,189.2      | 2,074.4      | 2,050.4      | 2,036.7      | 2,052.0      | 2,065.5      |
| Operating expenses                     | 300.0        | 284.4        | 274.9        | 262.6        | 256.3        | 264.3       | 296.2        | 348.6        | 383.9        | 391.1        | 382.2        | 344.2        | 328.0        | 329.5        | 327.0        | 337.3        | 335.8        |
| <b>Operating EBIT</b>                  | <b>152.1</b> | <b>124.2</b> | <b>100.1</b> | <b>92.2</b>  | <b>71.3</b>  | <b>58.6</b> | <b>128.4</b> | <b>248.1</b> | <b>357.5</b> | <b>396.0</b> | <b>356.0</b> | <b>257.9</b> | <b>185.4</b> | <b>179.3</b> | <b>190.3</b> | <b>212.7</b> | <b>233.8</b> |
| Unusual items exclude asset impairment | 2.8          | 0.9          | (1.9)        | (2.3)        | (2.5)        | (1.0)       | 0.4          | 2.7          | 2.0          | 5.2          | 5.7          | 5.0          | 5.7          | 2.5          | 1.6          | -            | -            |
| Gain on sale of asset                  | -            | -            | -            | -            | (4.3)        | (4.3)       | (4.3)        | (4.3)        | -            | -            | -            | -            | -            | -            | -            | -            | (1.2)        |
| <b>EBIT</b>                            | <b>149.3</b> | <b>123.3</b> | <b>102.0</b> | <b>94.5</b>  | <b>78.1</b>  | <b>63.9</b> | <b>132.3</b> | <b>249.7</b> | <b>355.5</b> | <b>390.8</b> | <b>350.3</b> | <b>252.9</b> | <b>179.7</b> | <b>176.8</b> | <b>188.7</b> | <b>212.7</b> | <b>235.0</b> |
| Depreciation & amortization            | 24.7         | 25.0         | 24.9         | 25.2         | 25.5         | 25.7        | 25.7         | 25.0         | 24.2         | 23.4         | 22.9         | 21.9         | 21.2         | 20.4         | 19.9         | 20.3         | 20.1         |
| <b>EBITDA</b>                          | <b>174.0</b> | <b>148.3</b> | <b>126.9</b> | <b>119.7</b> | <b>103.6</b> | <b>89.6</b> | <b>158.0</b> | <b>274.7</b> | <b>379.7</b> | <b>414.2</b> | <b>373.2</b> | <b>274.8</b> | <b>200.9</b> | <b>197.2</b> | <b>208.6</b> | <b>233.0</b> | <b>255.1</b> |

\* EBIT and EBITDA exclude plant closure costs in Q3 2010, inventory writedowns (reversals) in Q2 2010, Q4 2009, Q3 2009, Q2 2009, Q1 2009, Q4 2008 and asset impairment Q4 2009.

Note - 2011 report under IFRS. Prior periods not restated.

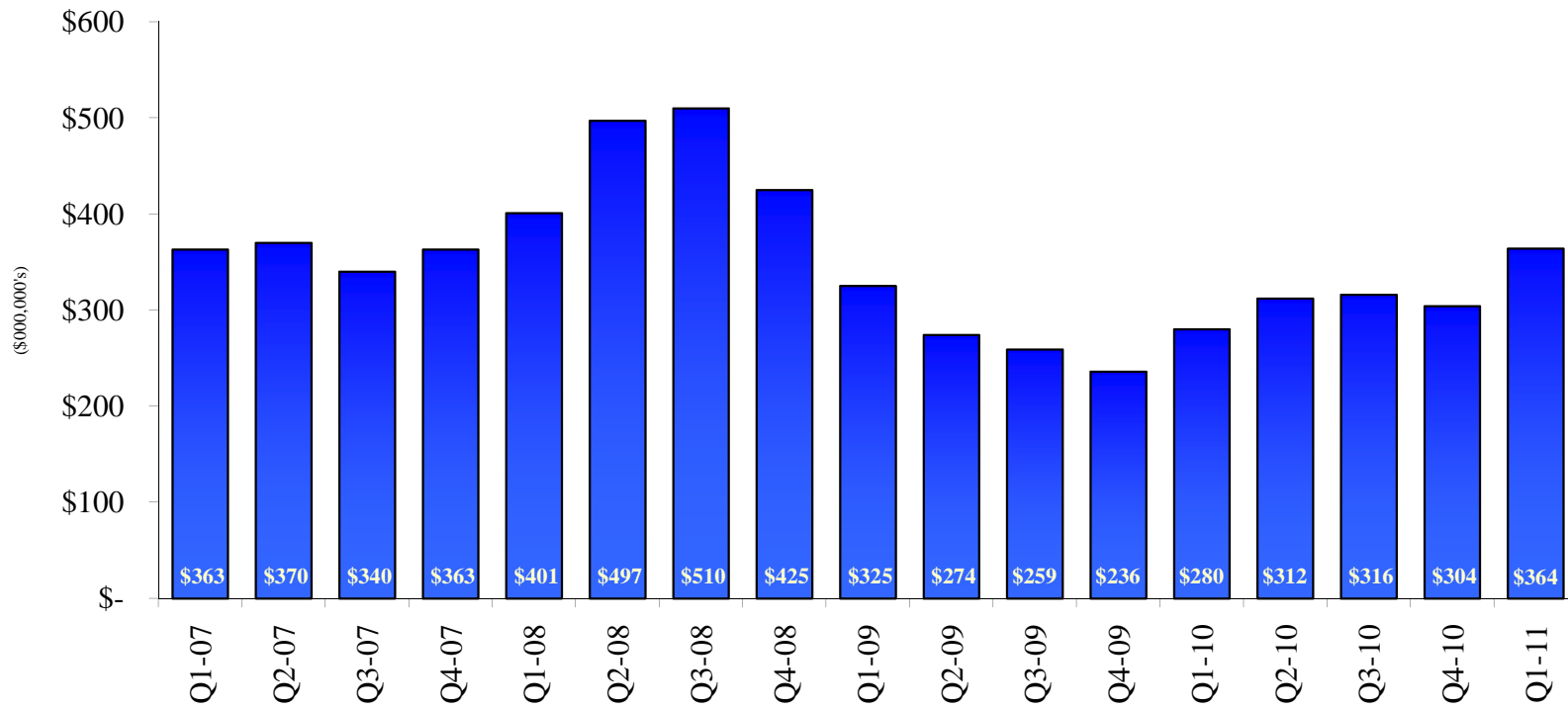
SUMMARY OF INTEREST EXPENSE AND DIVIDENDS PAID

| (millions)                      | Q1<br>2011 | Q4<br>2010 | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | Q2<br>2009 | Q1<br>2009 | Q4<br>2008 | Q3<br>2008 | Q2<br>2008 | Q1<br>2008 | Q4<br>2007 | Q3<br>2007 | Q2<br>2007 | Q1<br>2007 |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Interest Expenses</b>        |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
| Long-term debt interest         | \$ 7.1     | \$ 7.0     | \$ 7.2     | \$ 6.9     | \$ 6.9     | \$ 7.5     | \$ 3.9     | \$ 4.1     | \$ 4.1     | \$ 4.1     | \$ 3.9     | \$ 3.8     | \$ 3.8     | \$ 3.8     | \$ 3.8     | \$ 3.8     | \$ 3.9     |
| Other interest expense (income) | (0.6)      | (0.7)      |            | (0.4)      | (0.2)      | (0.5)      | 0.1        | 0.3        | 0.7        | (0.2)      | (1.6)      | (1.5)      | (1.7)      | (1.6)      | (2.3)      | (2.2)      | (2.1)      |
| Total interest                  | \$ 6.5     | \$ 6.3     | \$ 7.2     | \$ 6.5     | \$ 6.7     | \$ 7.0     | \$ 4.0     | \$ 4.4     | \$ 4.8     | \$ 3.9     | \$ 2.3     | \$ 2.3     | \$ 2.1     | \$ 2.2     | \$ 1.5     | \$ 1.6     | \$ 1.8     |
| <b>Dividends Paid</b>           |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
| Common share dividend           | \$ 16.5    | \$ 14.9    | \$ 15.0    | \$ 14.9    | \$ 14.9    | \$ 14.9    | \$ 15.0    | \$ 14.9    | \$ 14.9    | \$ 26.9    | \$ 31.6    | \$ 28.5    | \$ 28.4    | \$ 28.3    | \$ 28.5    | \$ 28.3    | \$ 25.0    |
| Dividend per share              | 27.5 cents | 25 cents   | 25 cents   | 25 cents   | 25 cents   | 25 cents   | 25 cents   | 25 cents   | 25 cents   | 45 cents   | 45 cents   | 45 cents   | 45 cents   | 45 cents   | 45 cents   | 45 cents   | 40 cents   |
| Supplemental Dividend per share | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          | 5 cents    | -          | -          | -          | -          | -          | -          |

**RUSSEL METALS INC.**  
**DEPRECIATION AND AMORTIZATION SCHEDULE**

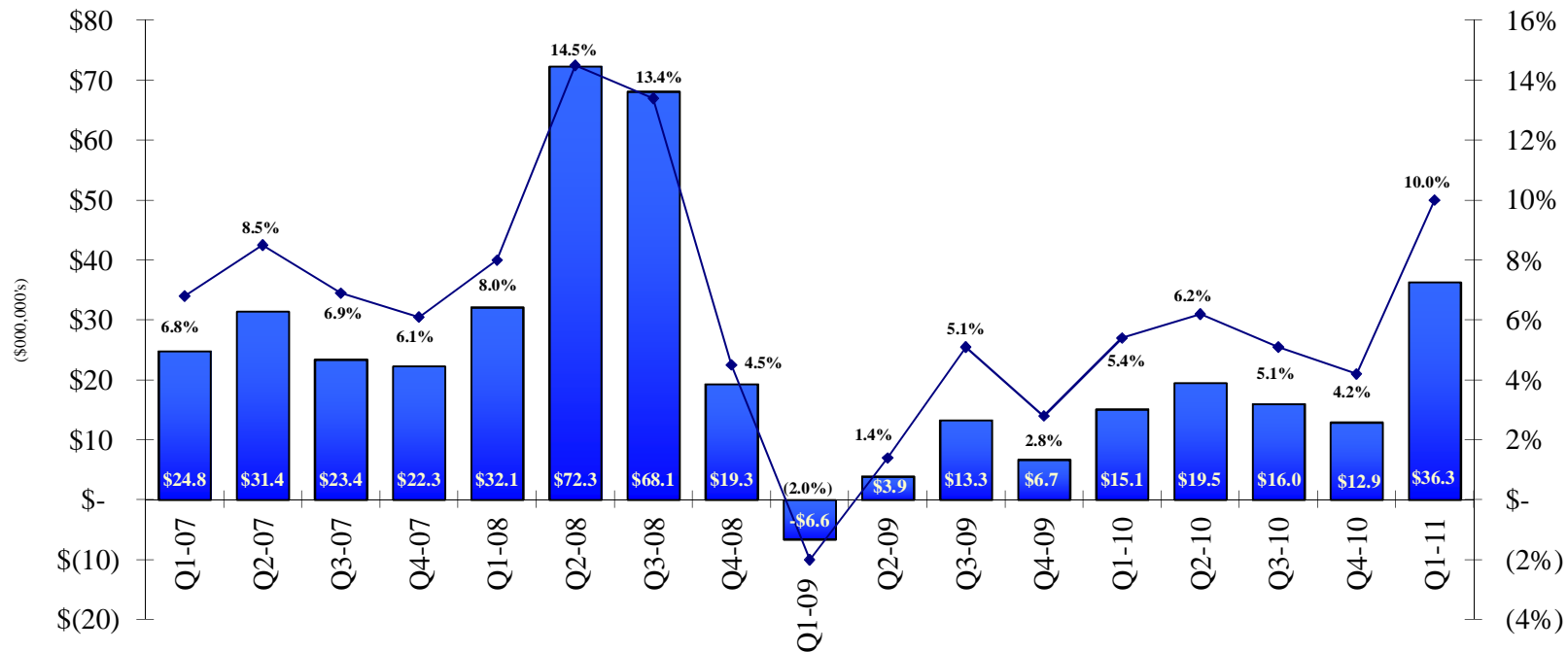
| (millions)                                   | Q1            | Q4             | Q3             | Q2             | Q1            | Q4             | Q3             | Q2             | Q1            | Q4             | Q3             | Q2             | Q1            | Q4             | Q3             | Q2            | Q1            |
|--|---------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|---------------|----------------|----------------|---------------|---------------|
|  | 2011          | 2010           | 2010           | 2010           | 2010          | 2009           | 2009           | 2009           | 2009          | 2008           | 2008           | 2008           | 2008          | 2007           | 2007           | 2007          | 2007          |
| <b>DEPRECIATION BY SEGMENT</b>               |               |                |                |                |               |                |                |                |               |                |                |                |               |                |                |               |               |
| Metals Service Centers                       | \$ 4.8        | \$ 5.0         | \$ 5.0         | \$ 5.0         | \$ 5.0        | \$ 4.8         | \$ 5.2         | \$ 5.3         | \$ 5.5        | \$ 5.2         | \$ 4.9         | \$ 4.8         | \$ 4.7        | \$ 4.9         | \$ 4.0         | \$ 3.9        | \$ 4.0        |
| Energy Tubular Products                      | 0.4           | 0.4            | 0.4            | 0.4            | 0.5           | 0.4            | 0.5            | 0.4            | 0.5           | 0.4            | 0.4            | 0.4            | 0.4           | 0.3            | 0.4            | 0.3           | 0.3           |
| Steel Distributors                           | 0.1           | 0.1            | 0.1            | 0.1            | 0.1           | 0.1            | 0.2            | 0.1            | 0.1           | 0.1            | 0.1            | 0.1            | 0.1           | 0.1            | 0.1            | 0.1           | 0.1           |
| TBTL   | 0.2           | 0.2            | 0.2            | 0.3            | 0.2           | 0.3            | 0.2            | 0.3            | 0.2           | 0.2            | 0.3            | 0.2            | 0.3           | 0.2            | 0.3            | 0.2           | 0.3           |
| Corporate                                    | -             | -              | -              | -              | -             | -              | -              | -              | -             | -              | -              | -              | -             | -              | -              | 0.1           | -             |
| <b>TOTAL BY QTR</b>                          | <b>5.5</b>    | <b>5.7</b>     | <b>5.7</b>     | <b>5.8</b>     | <b>5.8</b>    | <b>5.6</b>     | <b>6.1</b>     | <b>6.1</b>     | <b>6.3</b>    | <b>5.9</b>     | <b>5.7</b>     | <b>5.5</b>     | <b>5.5</b>    | <b>5.5</b>     | <b>4.8</b>     | <b>4.6</b>    | <b>4.7</b>    |
| <b>YTD TOTAL</b>                             | <b>\$ 5.5</b> | <b>\$ 23.0</b> | <b>\$ 17.3</b> | <b>\$ 11.6</b> | <b>\$ 5.8</b> | <b>\$ 24.1</b> | <b>\$ 18.5</b> | <b>\$ 12.4</b> | <b>\$ 6.3</b> | <b>\$ 22.6</b> | <b>\$ 16.7</b> | <b>\$ 11.0</b> | <b>\$ 5.5</b> | <b>\$ 19.6</b> | <b>\$ 14.1</b> | <b>\$ 9.3</b> | <b>\$ 4.7</b> |
| <b>AMORTIZATION BY SEGMENT</b>               |               |                |                |                |               |                |                |                |               |                |                |                |               |                |                |               |               |
| Metals Service Centers                       | \$ 0.2        | \$ 0.1         | \$ 0.2         | \$ 0.1         | \$ 0.2        | \$ 0.2         | \$ 0.2         | \$ 0.2         | \$ 0.2        | \$ 0.1         | \$ 0.2         | \$ 0.1         | \$ 0.2        | \$ 0.1         | \$ -           | \$ -          | \$ -          |
| Energy Tubular Products                      | -             | -              | -              | -              | -             | -              | -              | -              | -             | -              | -              | -              | -             | -              | -              | -             | -             |
| Steel Distributors                           | -             | -              | -              | -              | -             | -              | -              | -              | -             | -              | -              | -              | -             | -              | -              | -             | -             |
| TBTL   | -             | -              | -              | -              | -             | -              | -              | -              | -             | -              | -              | -              | -             | -              | -              | -             | -             |
| CORPORATE - amortization of banking          | 0.3           | 0.4            | 0.4            | 0.3            | 0.3           | 0.3            | 0.3            | 0.2            | -             | 0.1            | -              | 0.1            | -             | -              | 0.1            | 0.4           | 0.2           |
| <b>TOTAL BY QTR</b>                          | <b>0.5</b>    | <b>0.5</b>     | <b>0.6</b>     | <b>0.4</b>     | <b>0.5</b>    | <b>0.5</b>     | <b>0.5</b>     | <b>0.4</b>     | <b>0.2</b>    | <b>0.2</b>     | <b>0.2</b>     | <b>0.2</b>     | <b>0.2</b>    | <b>0.1</b>     | <b>0.1</b>     | <b>0.4</b>    | <b>0.2</b>    |
| <b>YTD TOTAL</b>                             | <b>\$ 0.5</b> | <b>\$ 2.0</b>  | <b>\$ 1.5</b>  | <b>\$ 0.9</b>  | <b>\$ 0.5</b> | <b>\$ 1.6</b>  | <b>\$ 1.1</b>  | <b>\$ 0.6</b>  | <b>\$ 0.2</b> | <b>\$ 0.8</b>  | <b>\$ 0.6</b>  | <b>\$ 0.4</b>  | <b>\$ 0.2</b> | <b>\$ 0.8</b>  | <b>\$ 0.7</b>  | <b>\$ 0.4</b> | <b>\$ 0.2</b> |
| <b>DEPRECIATION/ AMORTIZATION BY SEGMENT</b> |               |                |                |                |               |                |                |                |               |                |                |                |               |                |                |               |               |
| Metals Service Centers                       | \$ 5.0        | \$ 5.1         | \$ 5.2         | \$ 5.1         | \$ 5.2        | \$ 5.0         | \$ 5.4         | \$ 5.5         | \$ 5.7        | \$ 5.3         | \$ 5.1         | \$ 4.9         | \$ 4.9        | \$ 5.0         | \$ 4.0         | \$ 3.9        | \$ 4.0        |
| Energy Tubular Products                      | 0.4           | 0.4            | 0.4            | 0.4            | 0.5           | 0.4            | 0.5            | 0.4            | 0.5           | 0.4            | 0.4            | 0.4            | 0.4           | 0.3            | 0.4            | 0.3           | 0.3           |
| Steel Distributors                           | 0.1           | 0.1            | 0.1            | 0.1            | 0.1           | 0.1            | 0.2            | 0.1            | 0.1           | 0.1            | 0.1            | 0.1            | 0.1           | 0.1            | 0.1            | 0.1           | 0.1           |
| TBTL   | 0.2           | 0.2            | 0.2            | 0.3            | 0.2           | 0.3            | 0.2            | 0.3            | 0.2           | 0.2            | 0.3            | 0.2            | 0.3           | 0.2            | 0.3            | 0.2           | 0.3           |
| CORPORATE                                    | 0.3           | 0.4            | 0.4            | 0.3            | 0.3           | 0.3            | 0.3            | 0.2            | -             | 0.1            | -              | 0.1            | -             | -              | 0.1            | 0.5           | 0.2           |
| <b>TOTAL BY QTR</b>                          | <b>6.0</b>    | <b>6.2</b>     | <b>6.3</b>     | <b>6.2</b>     | <b>6.3</b>    | <b>6.1</b>     | <b>6.6</b>     | <b>6.5</b>     | <b>6.5</b>    | <b>6.1</b>     | <b>5.9</b>     | <b>5.7</b>     | <b>5.7</b>    | <b>5.6</b>     | <b>4.9</b>     | <b>5.0</b>    | <b>4.9</b>    |
| <b>YTD TOTAL</b>                             | <b>\$ 6.0</b> | <b>\$ 25.0</b> | <b>\$ 18.8</b> | <b>\$ 12.5</b> | <b>\$ 6.3</b> | <b>\$ 25.7</b> | <b>\$ 19.6</b> | <b>\$ 13.0</b> | <b>\$ 6.5</b> | <b>\$ 23.4</b> | <b>\$ 17.3</b> | <b>\$ 11.4</b> | <b>\$ 5.7</b> | <b>\$ 20.4</b> | <b>\$ 14.8</b> | <b>\$ 9.9</b> | <b>\$ 4.9</b> |

**RUSSEL METALS INC.**  
*Metals Service Centers Revenues*



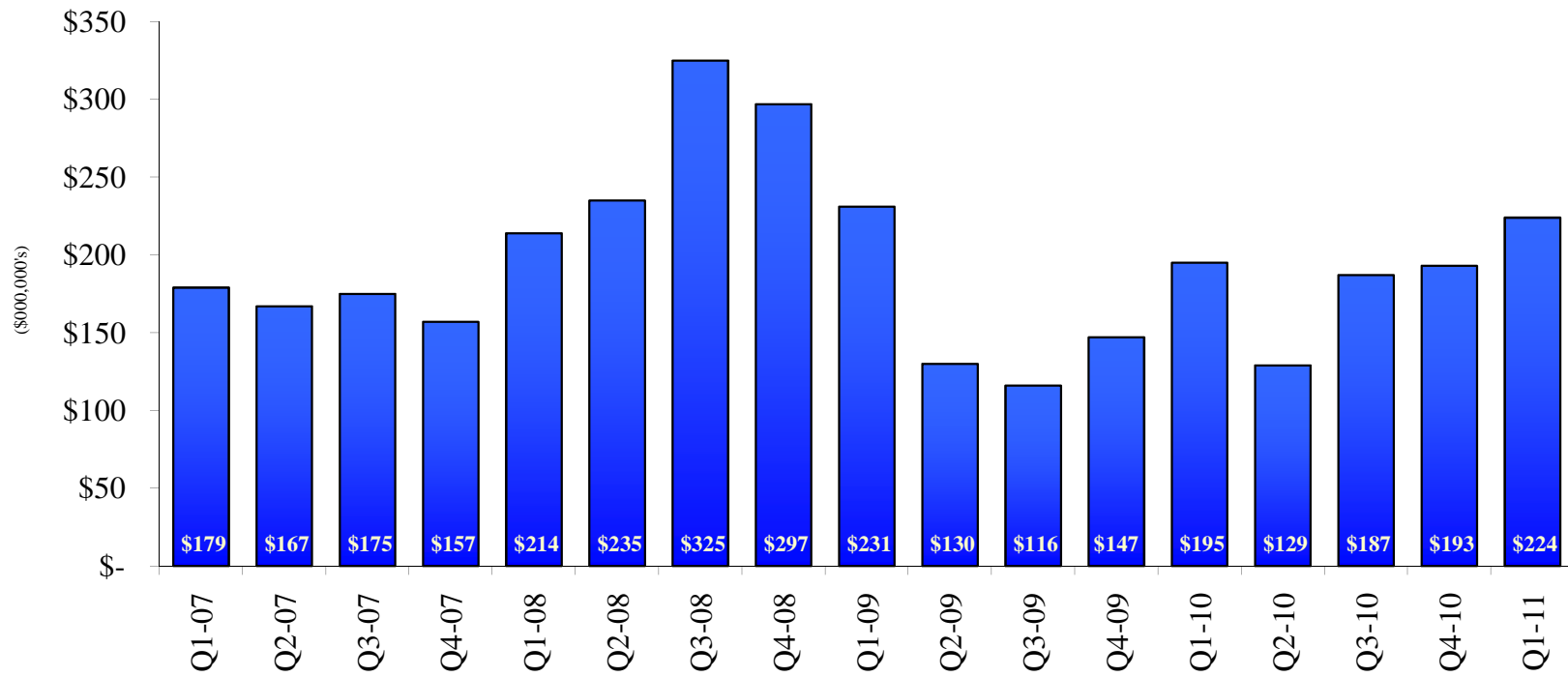
## RUSSEL METALS INC.

### Metals Service Centers EBIT \$ & Operating Profit as a % of Revenues



• excluding inventory write-down of \$5.8 Q4-08, \$28.8 Q1-09, \$1.6 Q2-09 and \$2.6 closure reserves Q3-10

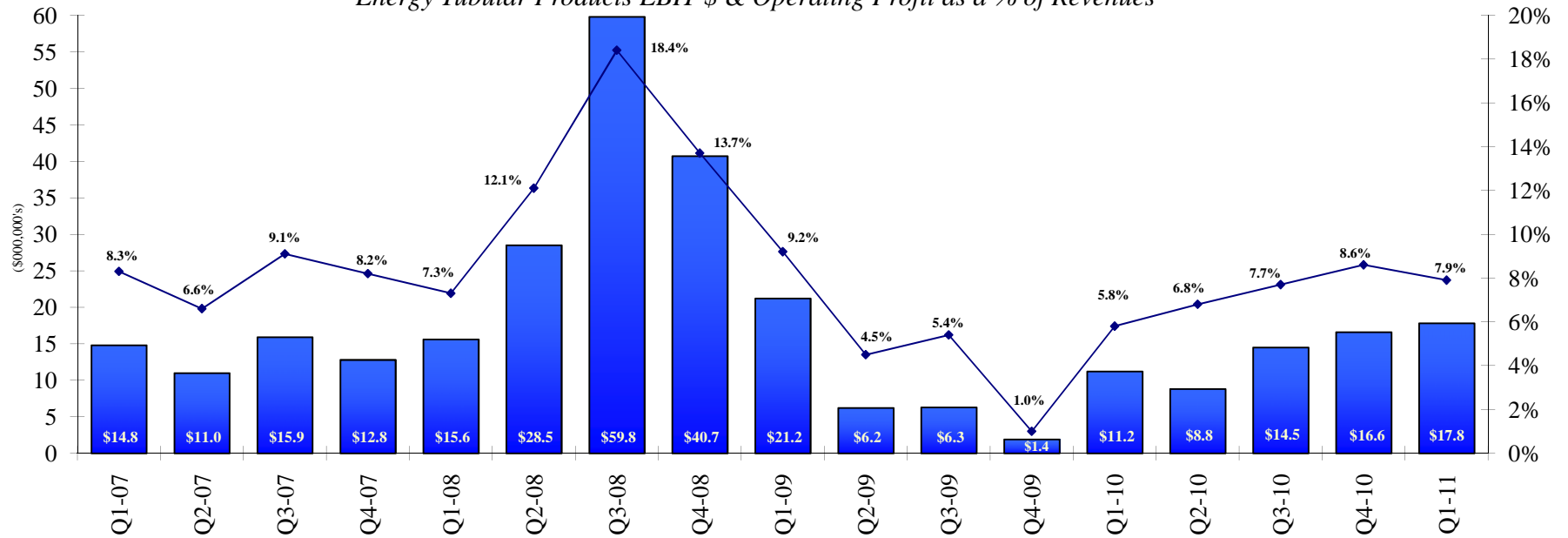
**RUSSEL METALS INC.**  
*Energy Tubular Products Revenues*





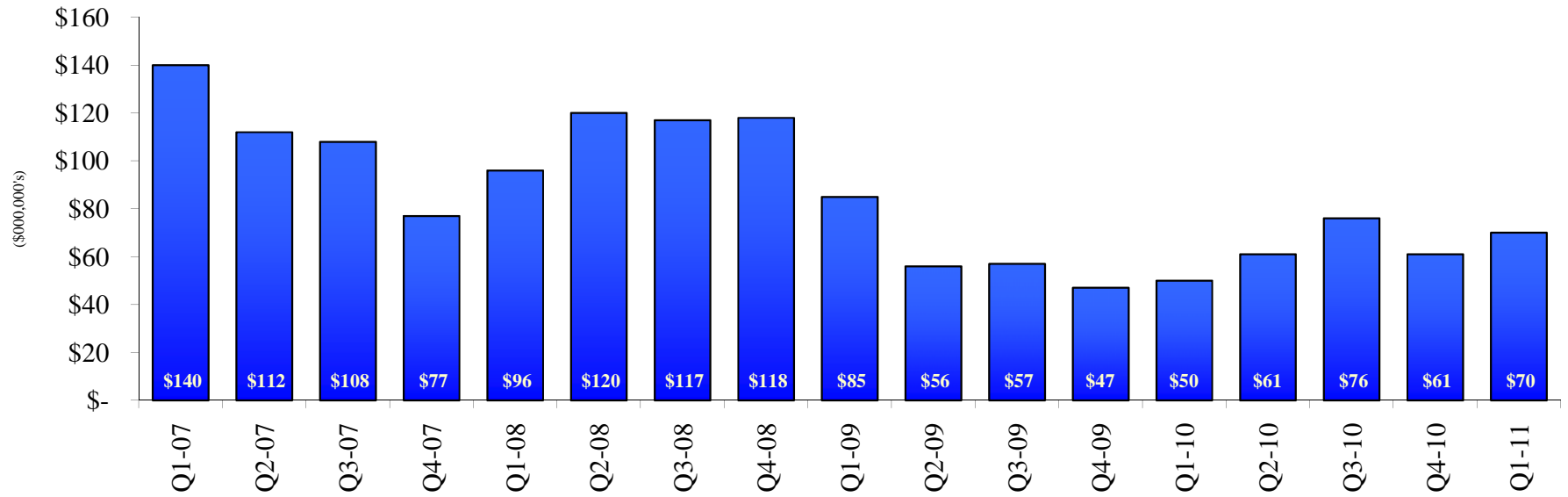
### RUSSEL METALS INC.

*Energy Tubular Products EBIT \$ & Operating Profit as a % of Revenues*

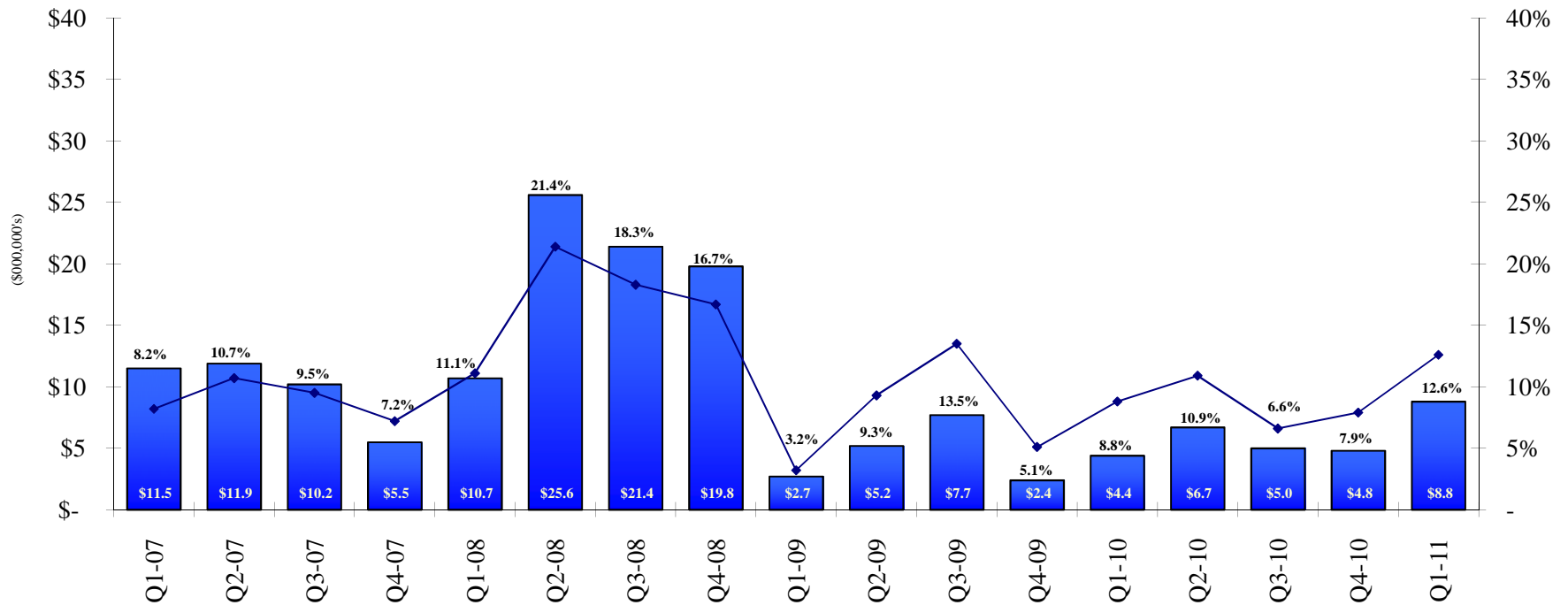


• excluding inventory write-down (reversal) of \$8.1 Q4-08, \$16.3 Q1-09, \$54.6 Q2-09, \$2.6 Q3-09, \$8.4 Q4-09 and (\$1.9) Q2-10

**RUSSEL METALS INC.**  
*Steel Distributors Revenues*

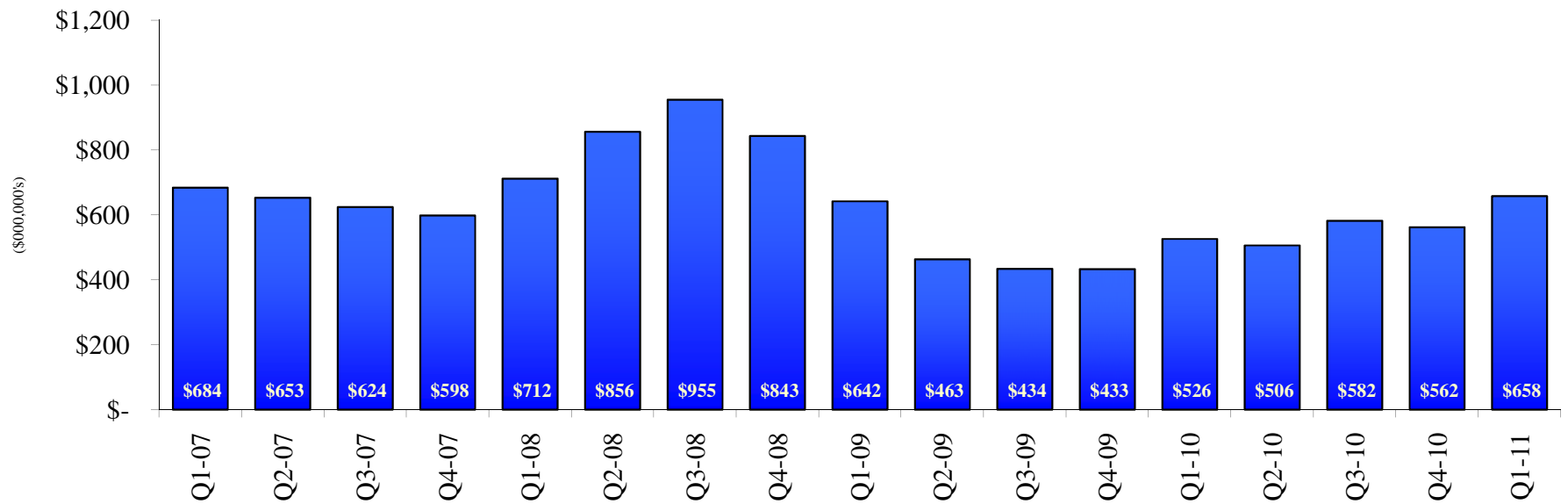


**RUSSEL METALS INC.**  
*Steel Distributors EBIT \$ & Operating Profit as a % of Revenues*



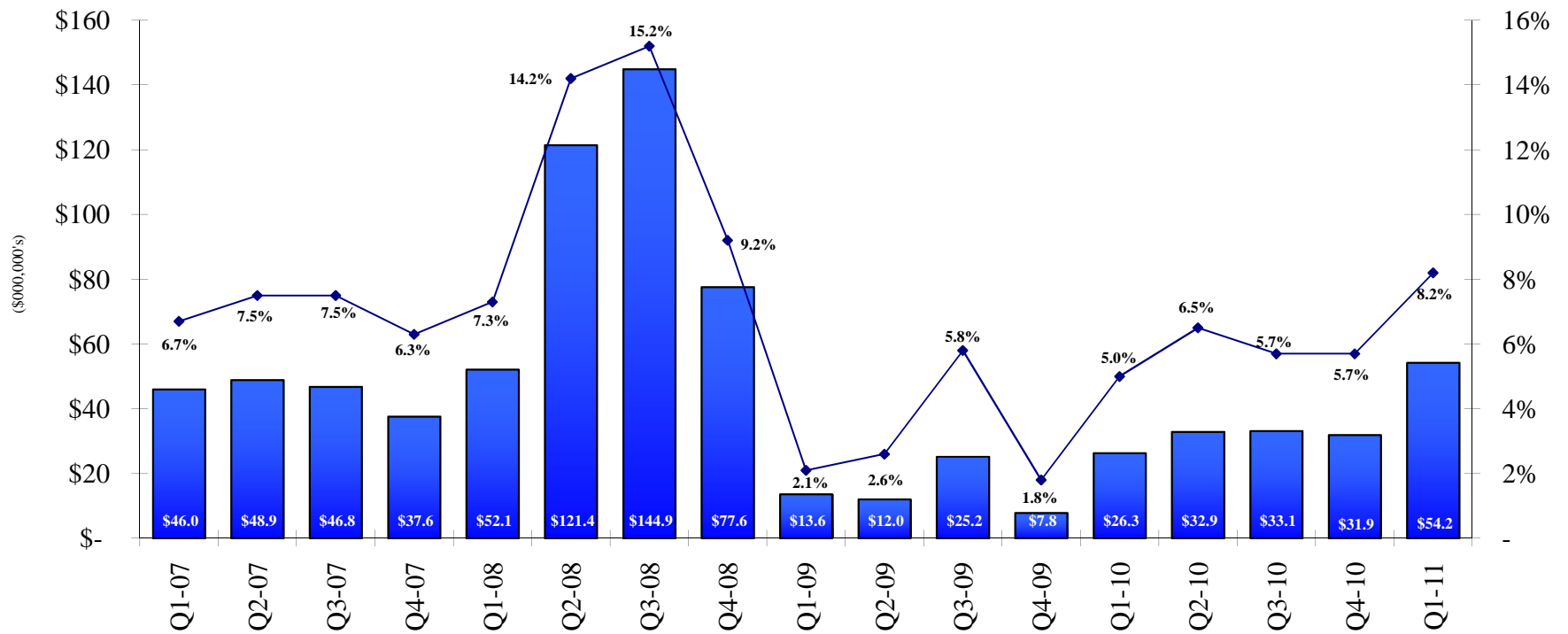
• excluding inventory write-down (up) of \$21.7 Q4-08, \$49.4 Q1-09 and (\$3.0) Q4-09

**RUSSEL METALS INC.**  
*Total Revenues*



## RUSSEL METALS INC.

### *Total Operating EBIT \$ & Operating EBIT as a % of Revenues*



• excluding inventory write-down (reversal) of \$35.6 Q4-08, \$94.5 Q1-09, \$56.2 Q2-09, \$2.6 Q3-09, \$5.4 Q4-09, (\$1.9) Q2-10 and \$2.6 closure reserves Q3-10