Russel Metals

Third Quarter
September 30, 2010

1900 Minnesota Court, Suite 210, Mississauga, Ontario L5N 3C9
Email: info@russelmetals.com
Visit us at: www.russelmetals.com
Tel: 905.819.7777 ║ Fax: 905.819.7409

Management's Discussion and Analysis 2

Management's Report to Shareholders 19

Consolidated Financial Statements 20

RUSSEL METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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 nine months ended September 30, 2010, including the notes thereto, and the Management's Discussion and Analysis and the audited Consolidated Financial Statements for the year ended December 31, 2009, including the notes thereto. In the opinion of management, the 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. Our annual and interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars. 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 or on our website at www.russelmetals.com.

Unless otherwise stated, the discussion and analysis contained herein are as of November 2, 2010.

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; cyclicality 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.

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.

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.

In the third quarter of 2010, we reported basic earnings per share of $0.28, compared to $0.21 for the third quarter of 2009 and $0.31 for the second quarter of 2010. Our third quarter 2010 earnings include a $3 million provision for the closure and relocation of our Port Robinson facility announced in the quarter. Improved volumes in our energy tubular products segment resulting in stronger operating profits were offset by margin reductions in both our metals service centers and steel distributors related to higher priced inventory.

Our basic earnings per share were $0.87 for the nine months ended September 30, 2010 compared to a basic loss per share of $1.12 for the same period in 2009. Excluding inventory write-downs and a gain on the sale of a property, our adjusted earnings per share were $0.44 for the nine months ended September 30, 2009. For nine months ended September 30, 2010, our annualized return on capital employed was 15%.

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) and operating profits as a percentage of revenues for the operating segments are each shown below. The table shows the segments as they are reported to management and they are consistent with the segment reporting in our Consolidated Financial Statements.

	Quarters Ended September 30			Nine Months Ended September 30		
(millions, except percentages)	**2010**	2009	% Change	**2010**	2009	% Change
Segment Revenues						
Metals service centers	**$ 315.7**	$ 259.1	22%	**$ 907.9**	$ 858.8	6%
Energy tubular products	**187.4**	115.7	62%	**511.2**	476.8	7%
Steel distributors	**75.5**	57.0	32%	**186.7**	197.8	(6%)
Other	**3.3**	2.5		**8.1**	5.7	
	$ 581.9	$ 434.3	34%	**$ 1,613.9**	$ 1,539.1	5%
Segment Operating Profits Excluding Inventory and Plant Closure Reserves						
Metals service centers	**$ 16.0**	$ 13.3	20%	**$ 50.6**	$ 10.6	377%
Energy tubular products	**14.5**	6.3	130%	**34.5**	33.4	3%
Steel distributors	**5.0**	7.7	(35%)	**16.1**	15.6	3%
Corporate expenses	**(4.0)**	(3.0)	(33%)	**(11.5)**	(9.4)	(22%)
Other	**1.6**	0.9		**2.6**	0.6	
Operating profits	**$ 33.1**	$ 25.2	31%	**$ 92.3**	$ 50.8	82%
Inventory and Plant Closure Reserves (Note)						
Metals service centers	**$ 2.6**	$ -		**$ 2.6**	$ 30.4	
Energy tubular products	**-**	2.6		**(1.9)**	73.5	
Steel distributors	**-**	-		**-**	49.4	
	$ 2.6	$ 2.6		**$ 0.7**	$ 153.3	
Segment Operating Profits (Loss)						
Metals service centers	**$ 13.4**	$ 13.3	1%	**$ 48.0**	$ (19.8)	342%
Energy tubular products	**14.5**	3.7	292%	**36.4**	(40.1)	191%
Steel distributors	**5.0**	7.7	(35%)	**16.1**	(33.8)	148%
Corporate expenses	**(4.0)**	(3.0)	(33%)	**(11.5)**	(9.4)	(22%)
Other	**1.6**	0.9		**2.6**	0.6	
Operating profits (Loss)	**$ 30.5**	$ 22.6	35%	**$ 91.6**	$ (102.5)	189%
Segment Gross Margin as a % of Revenues Excluding Inventory Write-down (Reversal)						
Metals service centers	**21.0%**	22.2%		**22.0%**	17.7%	
Energy tubular products	**14.2%**	13.7%		**13.7%**	14.4%	
Steel distributors	**12.6%**	17.4%		**15.3%**	13.8%	
Total operations	**18.2%**	19.7%		**19.0%**	16.5%	
Segment Operating Profits as a % of Revenues Excluding Inventory and Plant Closure Reserves						
Metals service centers	**5.1%**	5.1%		**5.6%**	1.2%	
Energy tubular products	**7.7%**	5.4%		**6.7%**	7.0%	
Steel distributors	**6.6%**	13.5%		**8.6%**	7.9%	
Total operations	**5.7%**	5.8%		**5.7%**	3.3%	

Note: Current quarter inventory and plant closure reserves represent a reserve for plant closure and relocation of the Port Robinson facility announced in the third quarter of 2010. Other amounts represent inventory write-downs (reversals).

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 30,000 end users through a network of 51 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 third quarter of 2010 and 2009 is found in the sections that follow.

Steel pricing fluctuates significantly throughout the steel cycle with the last peak being in mid-2008 followed by a decline to mid-2009 with prices less than 50% of the 2008 peak. This steel price decline as well as a decline in demand for steel caused by the financial and economic crisis, negatively impacted our results in 2009. Steel prices increased during the first half of 2010; however, due to a lack of demand, price reductions occurred in the third quarter of 2010. Steel mills tried to raise prices for the fall of 2010; however, due to lack of demand these increases did not occur.

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 and to a much lesser extent worldwide.

Demand is significantly affected by economic cycles with revenues and operating profit fluctuating with the level of general business activity in the markets serviced. We are most impacted by the manufacturing, resource and construction segments of the Canadian economy. Tons shipped for the first nine months of 2010 were approximately 15% higher than the first nine months of 2009. Tons shipped for the first nine months of 2010 represent 80% of 2008 average levels.

Canadian service centers, which represent the majority of our metals service center operations, have operations in all regions of Canada and are particularly affected by regional general economic conditions. Our large market share and our diverse customer base of approximately 15,000 customers suggests that our results should fluctuate with the performance of the regional economies of Canada. In addition, our U.S. operations have approximately 15,000 customers.

The change in the Canadian dollar in the first nine months of 2010 versus the same period in 2009 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 nine months ended September 30, 2010 were converted at $1.0359 per US$1 compared to $1.1700 per US$1 for the same period of 2009.

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 September 30, 2010 Compared to September 30, 2009*

Revenues for the three months ended September 30, 2010, increased 22% to $316 million compared to the same period in 2009. Tons shipped in metals service centers in the third quarter of 2010 were approximately 16% higher than the third quarter of 2009. Tons shipped in the quarter were 1% higher than the second quarter of 2010. The average selling price of metal for the three months ended September 30, 2010 was approximately 3% higher than the average selling price for the three months ended September 30, 2009. Average selling price in the third quarter of 2010 was consistent with the second quarter of 2010.

Gross margin as a percentage of revenues was 21.0% for the three months ended September 30, 2010, which was lower than the 22.5% reported in the first half of 2010 due to declining steel prices during the third quarter.

Operating expenses for the third quarter of 2010 were $6 million higher than for the third quarter of 2009, mainly related to higher compensation and freight costs due to increased volumes. In addition, we provided $3 million for the plant closure of our Port Robinson facility, which was announced in August 2010. The structural steel business will be relocated to our Cambridge facility in the first quarter of 2011.

Metals service centers operating profit for the three months ended September 30, 2010 was $16 million, excluding the provision for the plant closure and relocation, compared to $13 million for the third quarter of 2009.

d) *Metals service centers segment results -- Nine Months Ended September 30, 2010 Compared to September 30, 2009*

Revenues for the nine months ended September 30, 2010, were $908 million, a 6% increase from revenues for the nine months ended September 30, 2009. Increased tons in 2010 were offset by lower average selling prices during the first half of 2010 compared to 2009.

Tons shipped in the nine months ended September 30, 2010, were approximately 15% higher than for the same period of 2009. Average selling price for the nine months ended September 30, 2010 was approximately 9% lower than for the nine months ended September 30, 2009. Although average selling prices increased in 2010, they are below the average selling price for the first quarter of 2009 thus resulting in lower nine month average selling price in 2010.

Gross margin as a percentage of revenues, was 22.0% for the nine months ended September 30, 2010 compared to 17.7%, excluding inventory write-downs, for the same period in 2009. The increase reflects the improved economic conditions and lower average priced inventories in 2010 compared to 2009.

Operating expenses for the nine months ended September 30, 2010 increased 7% due to higher compensation and freight costs for increased volumes and a $3 million charge for the closure of our Port Robinson facility.

Metals service centers operating profit for the nine months ended September 30, 2010 improved to $51 million compared to a profit of $11 million, for the same period in the prior year excluding inventory write-downs and plant closure costs. Improved economic conditions, gross margins, and volume are the factors contributing to the increase.

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, 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 significant factors affecting our energy tubular products segment results. More specific information on how these factors impacted the third quarter of 2010 and 2009 is found in the sections that follow.

Pricing for natural gas and oil is one of the factors that can impact rig count and drilling activities, particularly in Western Canada. Rig activity affects demand for our products. Natural gas prices are at low levels and thus drilling activity remains below historical levels, particularly in Canada. The price of oil had increased during the first half of 2010; however, it remains under downward pressure. Rig activity is improving into the fall of 2010 and we are actively bidding on projects in the oil sands for later this year and 2011.

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. 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 September 30, 2010 Compared to September 30, 2009*

Our energy tubular products segment had a revenue increase of 62% for the third quarter of 2010 versus the same quarter last year. The increase relates to higher volumes in all operations.

Gross margin as a percentage of revenue for the three months ended September 30, 2010 was 14.2% compared to 13.7% for the same period in 2009, excluding inventory write-downs. Increased volumes had a positive impact on 2010 gross margin dollars.

Operating expenses were $3 million higher in the third quarter of 2010 compared to the third quarter of 2009, mainly due to higher compensation and freight costs.

This segment generated an operating profit of $15 million for the three months ended September 30, 2010 compared to $6 million for the same period in 2009, excluding inventory write-downs.

d) *Energy tubular products segment results -- Nine Months Ended September 30, 2010 Compared to September 30, 2009*

For the nine months ended September 30, 2010, our operations that service line pipe and drilling customers had a revenue increase of 44% compared to the same period in 2009 due to volume increases partially offset by lower selling prices and lower foreign exchange rates applicable to the revenue of our U.S. operations. Our operations servicing the oil sands had a revenue decline of 42% in the nine months ended September 30, 2010 compared to the same period in 2009 due to capital projects which were completed and new projects being delayed, resulting in a 7% increase in revenue for the energy tubular products segment for the first nine months of 2010 as compared to the same period in 2009.

Gross margin as a percentage of revenue was 13.7% for the nine months ended September 30, 2010 compared to 14.4% for the same period in 2009, excluding inventory write-downs and reversals. Lower margins for the first half of 2010, were driven by higher priced inventory and more competitive selling prices, due to excess inventory in the industry and weak demand. Demand improved during the third quarter of 2010 although activity remained seasonally slow.

During the second quarter of 2010, we reversed $1.9 million of inventory reserves recorded in 2009 due to improved pricing of pipe product at our U.S operations.

Operating expenses for the nine months ended September 30, 2010 were consistent with the nine months ended September 30, 2009.

Operating profits were $35 million for the nine months ended September 30, 2010 compared to $33 million for the same period in 2009, excluding inventory write-downs and reversals. Strong results from improved demand in the third quarter of 2010 pushed year-to-date 2010 ahead of the same period in 2009.

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 processes some coil for our customers at our cut-to-length facility in Houston, Texas. Our steel distributors source steel both domestically and off shore. The international sourcing provides our other business segments with valuable insight regarding international pricing trends and their potential impact on steel markets in North America.

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 operations in this sector are 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 significant factors affecting our steel distributors. More specific information on how these factors impacted the third quarter of 2010 and 2009 is found in the sections that follow.

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 were affected by the U.S. dollar exchange rate since some products are sourced outside of Canada and are 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.

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 September 30, 2010 Compared to September 30, 2009*

Steel distributors revenues, excluding changes related to the change in foreign exchange, increased 37% for the three months ended September 30, 2010 compared to the three months ended September 30, 2009. Higher demand of product sourced for specific customers was partially offset by lower selling prices.

Gross margin as a percentage of revenues, was 12.6% for the three months ended September 30, 2010 compared to 17.4% for the three months ended September 30, 2009. The gross margin in the third quarter of 2010 was negatively impacted by lower steel prices and a large volume sale at low margins.

Operating expenses were $2 million higher for the third quarter of 2010 compared to the third quarter of 2009, mainly related to variable compensation costs.

Operating profit for the three months ended September 30, 2010 was $5 million, compared to $8 million for the three months ended September 30, 2009. The decline mainly related to lower gross margins.

d) *Steel distributors segment results -- Nine Months Ended September 30, 2010 Compared to September 30, 2009*

Revenues for the nine months ended September 30, 2010, adjusted for exchange rate changes, were 2% higher than the nine months ended September 30, 2009. Activity in the second and third quarter of 2010 increased; however, it was still impacted by uncertainty of steel prices and short lead times from North American mills, which tends to result in our customers sourcing supply in North America only.

Gross margin for the nine months ended September 30, 2010 compared to the same period in 2009 increased due to rising steel prices and the sale of lower priced inventory in the second quarter of 2010.

Operating expenses for the nine months ended September 30, 2010 compared to the same period in 2009 were $1 million higher.

Operating profit was $16 million for the nine months ended September 30, 2010 and 2009, excluding inventory write-downs.

Corporate Expenses -- Three and Nine Months Ended September 30, 2010 Compared to September 30, 2009

Corporate expenses were $1 million higher for the three months ended September 30, 2010, versus the same period in 2009. Corporate expenses increased by $2 million for the nine months ended September 30, 2010 compared to the same period in 2009. The increase mainly related to accruals for increases in the value of deferred and restricted stock units, compensation and higher fees related to our credit facility.

Other -- Three and Nine Months Ended September 30, 2010 Compared to September 30, 2009

Other revenues and income represents the results of our bulk commodities handling terminal in Thunder Bay, Ontario. Revenues and operating profits improved in 2010 due to higher volumes.

Consolidated Results -- Three and Nine Months Ended September 30, 2010 Compared to September 30, 2009

Operating profits were $33 million for the three months ended September 30, 2010, compared to $25 million for the three months ended September 30, 2009. Operating profits were $92 million for the nine months ended September 30, 2010 compared to $51 million for the same period in 2009. Improved volumes and increasing steel prices in the first half of 2010 compared to declining steel prices in the first half of 2009 were the most significant factors impacting the improved results. The above results exclude inventory write-downs/reversals and plant closure costs.

INTEREST EXPENSE

Consolidated interest expense for the three months ended September 30, 2010 was $7 million compared to $4 million for the three months ended September 30, 2009. Consolidated interest expense for the nine months ended September 30, 2010 was $20 million compared to $13 million for the same period in 2009. The increase in both periods was primarily due to additional long-term debt interest expense relating to the convertible debentures issued in October 2009 partially offset by the impact of a lower exchange rate on the interest related to our U.S. Senior Notes.

INCOME TAXES

We recorded a provision for income taxes of $6 million for the third quarter of 2010. Our income tax rate for the nine months ended September 30, 2010 was 28%. Our estimated effective income tax rate is 33%. The difference for the nine months is mainly a result of the gain on asset-backed commercial paper, which was not subject to tax, the recognition of income tax benefits on previously unrecorded capital losses related to foreign exchange gains on our U.S. Senior Notes and other non-deductible items.

NET EARNINGS (LOSS)

Net earnings for the third quarter of 2010 were $17 million compared to $13 million for the third quarter of 2009. Basic earnings per share for the third quarter of 2010 was $0.28 compared to a $0.21 per share for the third quarter of 2009. Basic earnings per share for the nine months ended September 30, 2010 was $0.87 compared to a basic loss per share of $1.12 for the nine months ended September 30, 2009.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the third quarter of 2010 was 59,700,907 compared to 59,697,290 for the third quarter of 2009. The weighted average number of common shares outstanding for the nine months ended September 30, 2010 was 59,699,462 compared to 59,696,272 for the nine months ended September 30, 2009. As at September 30, 2010 and November 2, 2010, we had 59,705,240 common shares outstanding.

We paid common share dividends of $15 million or $0.25 per share in the third quarters of 2010 and 2009.

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 $250 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 for shares issued increase the basket.

In June 2010, we extended our syndicated bank facility to mature in June 2012. The amendment reduced fees and modified the fixed charge coverage ratio to exclude dividends from the calculation. Our ability to pay 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 our levels 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 (loss) to EBITDA and adjusted EBITDA:

	Quarters Ended September 30		Twelve Months Ended September 30	
(millions)	**2010**	2009	**2010**	2009
Net earnings (loss) for the period	**$ 16.6**	$ 12.8	**$ 26.6**	$ (37.8)
Provision for (recovery of) income taxes	**6.3**	5.8	**6.5**	(35.9)
Interest expense, net	**7.2**	4.0	**27.4**	17.1
Earnings (loss) before interest and income taxes (EBIT)	**30.1**	22.6	**60.5**	(56.6)
Inventory and plant closure reserves	**2.6**	2.6	**6.1**	188.9
Asset impairment	**-**	-	**35.4**	-
Adjusted EBIT	**$ 32.7**	$ 25.2	**$ 102.0**	$ 132.3
Depreciation and amortization	**$ 6.3**	$ 6.6	**$ 24.9**	$ 25.7
Earnings (loss) before interest, income taxes, depreciation and amortization (EBITDA)	**$ 36.4**	$ 29.2	**$ 85.4**	$ (30.9)
Adjusted EBITDA	**$ 39.0**	$ 31.8	**$ 126.9**	$ 158.0

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 $8 million for the nine months ended September 30, 2010 compared to $15 million in the same period of 2009. Depreciation expense was $17 million for the nine months ended September 30, 2010 and $18 million for the nine months ended September 30, 2009.

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. The current low capital expenditure levels are associated with lower volumes resulting in excess capacity on our current equipment and less need for new equipment.

LIQUIDITY

At September 30, 2010, we had cash of $318 million compared to $360 million at December 31, 2009.

We generated net cash of $34 million in the third quarter of 2010 from the receipt of income tax refunds and net earnings partially offset by working capital increases. For the nine months ended September 30, 2010, we utilized cash of $42 million primarily due to a payment of $35 million to terminate the swaps on our U.S. Senior Notes, $45 million for dividend payments and $8 million for the repurchase of U.S. Senior Notes, partially offset by cash generated through earnings and income tax refunds.

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 current 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 $1.4 billion at September 30, 2010 and December 31, 2009. At September 30, 2010, current assets excluding cash represented 77% of our total assets excluding cash, versus 74% at December 31, 2009.

Cash generated from operating activities was $55 million for the nine months ended September 30, 2010 compared to cash generated of $197 million for the nine months ended September 30, 2009. During the nine months ended September 30, 2010, we had a $22 million decrease in cash for working capital compared to a $241 million increase in 2009. This use of cash for working capital as earnings increase is consistent with our expectations.

Cash utilized for inventory was $12 million in the third quarter of 2010, mainly related to increased tons in energy tubular products partially offset by decreased tons at our steel distributors.

Inventory by Segment	**Sept. 30 2010**	June 30 2010	Mar. 31 2010	Dec. 31 2009	Sept. 30 2009
Metals service centers	**$ 202**	$ 206	$ 191	$ 170	$ 164
Energy tubular products	**293**	257	234	286	321
Steel distributors	**51**	75	42	62	73
Total operations	**$ 546**	$ 538	$ 467	$ 518	$ 558

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.

Inventory Turns *(millions)*	Quarters Ended **Sept. 30 2010**	June 30 2010	Mar. 31 2010	Dec. 31 2009	Sept. 30 2009
Metals service centers	**4.9**	4.7	4.5	4.4	4.9
Energy tubular products	**2.2**	1.7	2.9	1.9	1.2
Steel distributors	**5.2**	2.7	4.1	2.6	2.6
Total operations	**3.5**	3.0	3.7	2.8	2.5

Our metals service centers inventory levels and pricing is consistent with the second quarter of 2010. Inventory has been increased to align with increased sales as volumes increased in 2010 compared to 2009. Accordingly, inventory turns have continued to improve. 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 September 30, 2010 for U.S. service centers and for Canadian service centers were 4.9 and 4.3 turns, respectively.

Our energy tubular products operations increased inventory in the third quarter of 2010 in anticipation of fourth quarter sales. Higher revenues in the quarter increased inventory turns.

Our steel distributors segment had increased turns in the quarter due to higher revenues and lower inventory levels.

Increased revenues, a result of higher volumes, utilized cash of $99 million for accounts receivable for the nine months ended September 30, 2010. We remain cautious concerning our customers ability to access funding to operate their businesses over this current business cycle. Accounts receivable represent 22% of our total assets at September 30, 2010.

During the nine months ended September 30, 2010, we received income tax refunds of $34 million compared to payments of $34 million for the nine months ended September 30, 2009.

During the nine months ended September 30, 2010, we utilized cash of $8 million for capital expenditures and $45 million for common share dividends. During the nine months ended September 30, 2009, we utilized cash of $15 million for capital expenditures and $45 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

(millions)	Quarters Ended September 30 **2010**	2009	Nine Months Ended September 30 **2010**	2009
Cash from (used in) operating activities before working capital	**$ 25.2**	$ 22.6	**$ 77.0**	$ (43.5)
Purchase of fixed assets	**(4.7)**	(7.8)	**(8.1)**	(14.5)
	20.5	14.8	**68.9**	(58.0)
Non-cash inventory write-down (reversals), net	**-**	2.6	**(1.9)**	153.3
	$ 20.5	$ 17.4	**$ 67.0**	$ 95.3

Free cash flow may be useful in assessing our ability to pay dividends, reduce outstanding debt and fund working capital growth. Free cash flow has been adjusted to remove non-cash inventory write-downs and reversals from operating activities. Free cash flow is a non-GAAP measure regularly used by investors and analysts to evaluate companies.

CASH, DEBT AND CREDIT FACILITIES

Debt *(millions)*	**Sept. 30, 2010**	Dec. 31, 2009
Long-Term Debt		
6.375% US$167 million Senior Notes due March 1, 2014 (2009 – US$175 million)	**$ 169**	$ 180
7.75% convertible debentures due September 30, 2016	**158**	156
Capital leases		
Arkansas development bonds, maturing 2014 to 2017	**5**	6
	332	342
Current portion	**1**	1
	$ 331	$ 341

The $175 million convertible debenture has been split between debt and equity. The amount allocated to equity was $12 million. The equity portion represents the valuation at time of issue of the holders' option to convert the convertible debentures into common shares. The equity portion and debt issue costs are amortized to income and included in interest expense.

Cash and Bank Credit Facilities

As at September 30, 2010 (millions)	Russel Metals Facility	U.S. Subsidiary Facility	Total
Bank loans	$ -	$ -	$ -
Cash net of outstanding cheques	295	23	318
Net cash	295	23	318
Letters of credit	(25)	(12)	(37)
	$ 270	$ 11	$ 281
Facilities			
Borrowings and letters of credit	$ 202	$ 20	$ 222
Letters of credit facility	50	26	76
Facilities availability	$ 252	$ 46	$ 298
Available line based on borrowing base	$ 252	$ 46	$ 298

During the second quarter of 2010, the Russel Metals facility with a syndicate of Canadian and U.S. banks was extended to June 24, 2012. In July 2010, the U.S. subsidiary facility was renewed and increased to US$45 million with an expiry of July 2011.

These facilities are available on a revolving basis, based on specified percentages of our eligible accounts receivable and inventories. At September 30, 2010, we had no borrowings and had letters of credit of $25 million under the Russel Metals facility compared to no borrowings and letters of credit of $18 million at September 30, 2009. At September 30, 2010, the U.S. subsidiary had no borrowings and had letters of credit of US$12 million compared to no borrowings and letters of credit of US$1 million at September 30, 2009.

Based on cash, cash equivalents and our bank facilities, we have access to approximately $540 million of cash based on our September 30, 2010 balances. The use of our bank facilities has been predominantly to fund working capital 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 September 30, 2010, we were contractually obligated to make payments under our long-term debt agreements, capital leases, and operating lease obligations 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 18 to our 2009 annual consolidated financial statements. For the nine month ended September 30, 2010, we contributed $2 million to these plans. We expect to contribute approximately $2 million during the remainder of the year.

ACCOUNTING AND REPORTING CHANGES

We will adopt the International Financial Reporting Standards (IFRS) effective January 1, 2011, which requires us to restate our January 1, 2010 opening balance sheet under IFRS and provide comparative 2010 IFRS financial statements. We have completed our review of the identification of differences between Canadian GAAP and IFRS that affect our financial statements and are in the process of preparing the required quantitative analysis and draft disclosures. We established a team of our unit controllers who assessed the changes required and the effect of high impact standards on their units. Our team of financial analysts has assessed the impact of those standards under corporate finance responsibility. We have determined that the following areas will have the highest impact on our accounting policies. This list, however, should not be regarded as a complete list of all the changes that could result from a transition to IFRS. In addition, until the transition date, we will not be able to precisely quantify all the impacts of the conversion to IFRS. We believe that the impact of IFRS changes other than the fair value accounting in item g) will not be material. Changes in our stock price which fluctuates may cause the derivative outlined in g) to impact earnings each quarter.

a) *IFRS 1 First Time Adoption* -- All policy decisions with respect to applicable IFRS 1 choices were reviewed, documented and approved by senior management. Transition to IFRS disclosure, excluding final quantitative analysis, has been drafted and presented to senior management for approval.

b) *IAS 1 Presentation of Financial Statements* -- IAS 1 presentation requirements have been reviewed and conversion issues identified. Draft disclosures have been prepared and presented and reviewed.

c) *IFRS 2 Share-Based Payments* – The graded vesting provisions of IFRS 2 will result in a charge to opening retained earnings upon transition to IFRS and a consequent reduction in stock-based compensation expense for 2010 to 2013 for those awards issued prior to transition. In addition, cash-settled share-based awards such as restricted share units will be measured using a fair value model and subject to the graded vesting recognition. The analysis of share-based payments, including disclosure and quantitative analysis, has been completed and is currently subject to management review and audit.

d) *IAS 12 Income Taxes* -- A review of IAS 12 has been completed and a gap analysis documented and approved by senior management. All transitional, first and second quarter 2010 entries have been reviewed and IFRS tax entries prepared. Draft disclosures have been prepared and are in the process of management review and audit.

e) *IAS 16 Property, Plant and Equipment* -- Under IFRS, where part of an item of property, plant and equipment, a component, has a cost that is significant to the item as a whole and a significantly different useful life, it must be depreciated separately. We have completed the componentization of property, plant and equipment as required by the standard and created the separate sub-ledgers to be used for the dual reporting requirements. The transitional adjustments to IFRS have been quantified, draft disclosure prepared and are currently subject to management review and audit.

f) *IAS 19 Employee Benefits* -- We have elected to recognize all unamortized actuarial gains and losses as an adjustment to retained earnings on transition. Subsequent to transition, actuarial gains and losses will be recognized directly to other comprehensive income at the end of each reporting period. The preliminary quantitative analysis and disclosures have been prepared but are subject to change until the completion of actuarial valuations for our defined benefit pension plans and are subject to management review and audit.

g) *IAS 32, IAS 39, IFRS 7 Financial Instruments* -- The conversion feature in our convertible debentures is a derivative under IFRS since we have the right under certain circumstances to settle the conversion in cash or in a combination of cash and common shares in lieu of common shares. This derivative is classified as a financial liability and is recorded at fair value on transition to IFRS. The preliminary quantitative analysis and draft disclosures of this derivative and other financial instruments is in the process of being prepared and is subject to management review and audit.

h) *IAS 36 Impairment of Assets* -- Under IFRS the assessment for impairment is performed at the cash generating unit level. We have identified our cash generating units under IFRS and have finalized our evaluation of impairment upon transition, subject to management review and audit.

i) *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* -- IFRS requires an evaluation of legal and constructive obligations arising out of liabilities including environmental. We have prepared preliminary quantitative analysis and draft disclosure of these liabilities, which is subject to management review and audit.

The following tables summarize our progress to date against the key elements of our transition plan:

a) *Financial Statement Presentation*

Key Activity	Progress to Date	Timetable
Assessment of Canadian GAAP to IFRS differences applicable to us.	All applicable significant differences have been assessed and a qualitative analysis has been performed.	Completed
Selection of accounting policy choices under IFRS 1: First Time Adoption and the entity's continuing IFRS accounting policies.	All IFRS 1 accounting policy decisions have been made and documented. Draft accounting policy notes have been prepared.	Completed
Financial statement format.	Decisions with respect to financial statement presentation have been made and draft financial statements prepared.	Completed
Changes to note disclosures.	Draft notes to financial statements have been prepared and are in the process of being revised based on review comments.	Continuing ongoing process
Preparation of opening balance sheet.	We have drafted our January 1, 2010 balance sheet; however, certain quantitative analysis has not been finalized and some IFRS standards may be subject to change, therefore the opening balance sheet will not be completed until after transition.	Q4 2010
Quantification of impact, on transition and prospectively.	Quantifications for standards are in progress.	Continuing ongoing process

b) *Training and Communication*

Key Activity	Progress to Date	Timetable
Key finance staff are provided with adequate training and are knowledgeable about applicable IFRS standards.	Training has been provided for all leaders on the conversion team. IFRS standard requirements have been communicated to other affected team members.	Continuing ongoing process
Education of senior management team and Board of Directors.	Management continues to attend various IFRS update and training courses. IFRS/Canadian GAAP differences have been communicated to the Audit Committee. Quarterly updates on the conversion process have been provided to the Audit Committee and senior management. During the quarter, IFRS training was provided to the Board of Directors and our operating unit controllers by our IFRS conversion team.	Continuing ongoing process

c) *Information Technology*

Key Activity	Progress to Date	Timetable
Identify and assess IFRS differences that impact IT systems.	IT implications have been assessed with respect to additional information required under IFRS.	Completed
Creation of additional ledgers in IT system for dual reporting requirements for 2010.	Multiple sub-ledgers have been created, populated and balanced.	Completed

d) *Internal Controls Over Financial Reporting and Disclosure Controls & Procedures*

Key Activity	Progress to Date	Timetable
Assess changes required to internal controls as a result of IFRS requirements.	Except for an additional level of review by IFRS team leaders, no significant changes to internal controls have been identified as the processes have not changed significantly.	Continuing ongoing process

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, asset retirement obligations, fair values, income taxes, pensions and benefits obligations, component allocation of convertible debentures, guarantees, environmental obligations, 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 that we determine to be uncollectible are reserved in the period in which the determination is made. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Our reserve for bad debts at September 30, 2010 approximates that of December 31, 2009.

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 slow moving or obsolete. Significant reductions in estimated selling price have resulted in write-downs. The inventory reserve level at September 30, 2010 decreased compared to the level at December 31, 2009 due to the sale of inventory, which was previously written-down during the first half of 2009, and increasing steel prices.

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 $83 million in plan assets at September 30, 2010, which is an increase of approximately $3 million compared to the value at December 31, 2009.

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 third quarter of 2010 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 core strategy. We focus on investment opportunities in businesses that have strong market niches or provide mass to our existing operations. We believe that the current environment will provide 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 financial and economic crisis has created uncertainty in the business communities we service. This uncertainty caused steel pricing and demand to significantly decrease throughout 2009. We have seen slow improvements in 2010. 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 product remains at low levels and we cannot predict when or if it will return to pre-2009 levels.

OUTLOOK

The recovery in our markets continues to be uneven with year over year improvements but volume fluctuations month to month. Oil and gas drilling activity in North America is ahead of last year and that is expected to continue over the next two quarters. Current low mill utilization levels will result in continued softness in steel mill pricing. The fourth quarter is not expected to be as profitable as the prior two quarters due to seasonal weakness in December.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying interim consolidated financial statements, management's discussion and analysis and report to shareholders for the quarter ended September 30, 2010, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

These interim consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the interim consolidated financial statements and management's discussion and analysis within reasonable limits of materiality and for the consistency of financial data included in the report to shareholders with that contained in the interim consolidated financial statements.

To assist management in the discharge of these responsibilities, the Company has developed, documented and maintained a system of internal controls in order to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared in accordance with Canadian generally accepted accounting principles. In addition, the Company has developed and maintained a system of disclosure controls in order to provide reasonable assurance that the financial information is relevant, reliable and accurate.

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

November 2, 2010

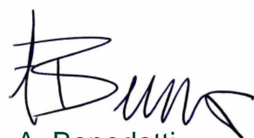
B. R. Hedges
President and Chief Executive Officer

M. E. Britton
Vice President and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS *(UNAUDITED)*

(millions)	**September 30 2010**	December 31 2009
ASSETS		
Current		
Cash and cash equivalents	**$ 317.8**	$ 359.6
Accounts receivable	**315.5**	217.8
Inventories (Note 4)	**546.0**	517.9
Prepaid expenses and other assets	**4.3**	4.9
Income taxes	**1.9**	53.0
	1,185.5	1,153.2
Property, Plant and Equipment	**219.9**	231.9
Future Income Tax Assets	**5.2**	5.9
Pensions and Benefits	**7.9**	8.0
Other Assets (Note 5)	**3.5**	8.3
Goodwill and Intangibles	**27.7**	28.4
	$ 1,449.7	$ 1,435.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 300.1**	$ 252.3
Income taxes payable	**4.3**	1.4
Current portion long-term debt	**1.3**	1.3
	305.7	255.0
Derivatives	**-**	30.9
Long-Term Debt	**331.0**	340.8
Pensions and Benefits	**6.1**	5.9
Future Income Tax Liabilities	**9.6**	9.9
	652.4	642.5
Shareholders' Equity (Note 12)		
Common shares	**479.1**	478.9
Retained earnings	**322.3**	315.3
Contributed surplus	**12.9**	11.4
Accumulated other comprehensive income (loss)	**(28.6)**	(24.0)
Equity component of convertible debenture	**11.6**	11.6
	797.3	793.2
	$ 1,449.7	$ 1,435.7

ON BEHALF OF THE BOARD,



A. Benedetti
Director

L. Lachapelle
Director

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

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) *(UNAUDITED)*

(millions, except per share data)	Quarters ended September 30 **2010**	2009	Nine months ended September 30 **2010**	2009
Revenues	**$ 581.9**	$ 434.3	**$ 1,613.9**	$ 1,539.1
Cost of sales	**476.1**	351.1	**1,306.0**	1,438.4
Gross margin	**105.8**	83.2	**307.9**	100.7
Operating expenses	**75.3**	60.6	**216.3**	203.2
Earnings (loss) before the following	**30.5**	22.6	**91.6**	(102.5)
Other income (expense) (Note 6)	**(0.4)**	-	**0.9**	4.3
Interest expense, net (Note 7)	**(7.2)**	(4.0)	**(20.4)**	(13.2)
Earnings (loss) before income taxes	**22.9**	18.6	**72.1**	(111.4)
(Provision for) recovery of income taxes	**(6.3)**	(5.8)	**(20.3)**	44.6
Net earnings (loss) for the period	**$ 16.6**	$ 12.8	**$ 51.8**	$ (66.8)
Basic earnings (loss) per common share	**$ 0.28**	$ 0.21	**$ 0.87**	$ (1.12)
Diluted earnings (loss) per common share	**$ 0.28**	$ 0.21	**$ 0.87**	$ (1.12)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS *(UNAUDITED)*

(millions)	Quarters ended September 30 **2010**	2009	Nine months ended September 30 **2010**	2009
Retained earnings, beginning of the period	**$ 320.7**	$ 357.6	**$ 315.3**	$ 467.0
Net earnings (loss) for the period	**16.6**	12.8	**51.8**	(66.8)
Dividends on common shares	**(15.0)**	(15.0)	**(44.8)**	(44.8)
Retained earnings, end of the period	**$ 322.3**	$ 355.4	**$ 322.3**	$ 355.4

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

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

(millions)	Quarters ended September 30 2010	2009	Nine months ended September 30 2010	2009
Net earnings (loss) for the period	**$ 16.6**	$ 12.8	**$ 51.8**	$ (66.8)
Other comprehensive income (loss) (Note 14)				
Unrealized foreign exchange gains (losses) on translation of self-sustaining U.S. operations	**(10.4)**	(34.1)	**(5.6)**	(55.4)
Unrealized gains (losses) on items designated as net investment hedges	**4.4**	4.8	**3.6**	8.2
Unrealized gains (losses) on items designated as cash flow hedges	**-**	7.6	**(2.5)**	12.8
Losses (gains) on derivatives designated as cash flow hedges transferred to net income in the current period	**0.3**	(5.2)	**(0.1)**	(9.9)
Other comprehensive income (loss)	**(5.7)**	(26.9)	**(4.6)**	(44.3)
Comprehensive income (loss)	**$ 10.9**	$ (14.1)	**$ 47.2**	$ (111.1)

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) *(UNAUDITED)*

(millions)	Quarters ended September 30 2010	2009	Nine months ended September 30 2010	2009
Accumulated net unrealized foreign currency translation gains and losses				
Balance, beginning of period	**$ (25.2)**	$ 15.6	**$ (30.0)**	$ 36.9
Unrealized foreign exchange gains (losses) on translation of self-sustaining U.S. operations	**(10.4)**	(34.1)	**(5.6)**	(55.4)
Balance, end of period	**(35.6)**	(18.5)	**(35.6)**	(18.5)
Accumulated net unrealized gains (losses) on cash flow and net investment hedges				
Balance, beginning of period	**2.3**	(2.7)	**6.0**	(12.0)
Transitional adjustment	**-**	-	**-**	5.4
Unrealized gains (losses) on items designated as net investment hedges	**4.4**	4.8	**3.6**	8.2
Unrealized gains (losses) on items designated as cash flow hedges	**-**	7.6	**(2.5)**	12.8
Losses (gains) on derivatives designated as cash flow hedges transferred to net income in the current period	**0.3**	(5.2)	**(0.1)**	(9.9)
Balance, end of period	**7.0**	4.5	**7.0**	4.5
Accumulated other comprehensive income (loss)	**$ (28.6)**	$ (14.0)	**$ (28.6)**	$ (14.0)

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

CONSOLIDATED CASH FLOW STATEMENTS *(UNAUDITED)*

(millions)	Quarters ended September 30 **2010**	Quarters ended September 30 2009	Nine months ended September 30 **2010**	Nine months ended September 30 2009
Operating activities				
Net earnings (loss) for the period	**$ 16.6**	$ 12.8	**$ 51.8**	$ (66.8)
Depreciation and amortization	**6.3**	6.6	**18.8**	19.6
Future income taxes	**(0.9)**	2.4	**2.1**	6.4
Loss (gain) on investment and long-lived assets	**1.2**	-	**(0.3)**	(4.5)
Stock-based compensation	**0.4**	0.7	**1.5**	1.6
Difference between pension expense and amount funded (Note 10)	**0.1**	-	**0.3**	(0.3)
Debt accretion, amortization and other	**1.5**	0.1	**2.8**	0.5
Cash from (used in) operating activities before non-cash working capital	**25.2**	22.6	**77.0**	(43.5)
Changes in non-cash working capital items				
Accounts receivable	**(37.7)**	0.4	**(98.5)**	182.6
Inventories	**(12.3)**	58.8	**(31.0)**	323.6
Accounts payable and accrued liabilities	**33.3**	(19.7)	**48.4**	(191.9)
Current income taxes	**47.3**	7.9	**58.5**	(77.0)
Other	**1.0**	1.7	**0.8**	3.6
Change in non-cash working capital	**31.6**	49.1	**(21.8)**	240.9
Cash from operating activities	**56.8**	71.7	**55.2**	197.4
Financing activities				
Decrease in bank borrowings	**-**	(47.0)	**-**	(64.9)
Dividends on common shares	**(15.0)**	(15.0)	**(44.8)**	(44.8)
Repayment of long-term debt	**(0.3)**	(0.4)	**(8.8)**	(1.1)
Deferred financing	**-**	(0.2)	**(0.7)**	(2.5)
Swap termination	**-**	-	**(35.2)**	-
Issue of common shares	**0.1**	-	**0.1**	-
Cash used in financing activities	**(15.2)**	(62.6)	**(89.4)**	(113.3)
Investing activities				
Purchase of property, plant and equipment	**(4.7)**	(7.8)	**(8.1)**	(14.5)
Proceeds on sale of property, plant and equipment	**0.2**	-	**0.5**	5.6
Proceeds on sale of investment (Note 5)	**-**	-	**6.0**	-
Cash used in investing activities	**(4.5)**	(7.8)	**(1.6)**	(8.9)
Effect of exchange rates on cash and cash equivalents	**(3.1)**	5.2	**(6.0)**	0.1
Increase (decrease) in cash and cash equivalents	**34.0**	6.5	**(41.8)**	75.3
Cash and cash equivalents, beginning of the period	**283.8**	113.7	**359.6**	44.9
Cash and cash equivalents, end of the period	**$ 317.8**	$ 120.2	**$ 317.8**	$ 120.2

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

1. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles; however, they do not include all of the disclosure requirements for annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies disclosed in Note 1 to the 2009 annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the 2009 annual consolidated financial statements including notes thereto. These interim consolidated financial statements contain all adjustments necessary for a fair presentation of the results for the periods reported.

2. FUTURE ACCOUNTING CHANGES

Effective January 1, 2011, Canadian generally accepted accounting principles for profit-oriented publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS). The Company will begin reporting its financial statements in accordance with IFRS commencing January 1, 2011. The Company's conversion to IFRS is progressing as planned. The full impact on its financial position and results of operations has not yet been determined.

3. ECONOMIC CYCLE

All three of the metals operating segments are significantly affected by economic cycles in the markets where they operate. Revenues and operating profits in the energy sector are also affected by oil and gas drilling in Western Canada, which is predominantly carried out during the period from October to March. For these reasons, the results of operations for the periods shown are not necessarily indicative of the results for the full year.

4. INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis. For the quarter ended September 30, 2010, inventories of $476.1 million (2009: $351.1 million) were expensed through cost of sales and for the nine months ended inventories of $1,305.0 million (2009: $1,438.4 million) were expensed through cost of sales. During the nine months ended September 30, 2010, $1.9 million of net realizable value write-downs recorded in 2009 were reversed due to price increases on certain products in our energy tubular products segment.

5. OTHER ASSETS

The Company held an investment in non-bank Canadian asset-backed commercial paper which was included in other assets at December 31, 2009. On April 5, 2010, the Company completed the sale of this investment for net proceeds of $6.0 million. A gain on the investment of $1.5 million was recorded in the quarter ended March 31, 2010.

6. OTHER INCOME (EXPENSE)

(millions)	**Quarters ended September 30 2010**	Quarters ended September 30 2009	**Nine months ended September 30 2010**	Nine months ended September 30 2009
Gain on investment (Note 5)	**$ -**	$ -	**$ 1.5**	$ -
Gain on sale of long-lived asset	**-**	-	**-**	4.3
Ineffectiveness on cash flow hedges	**-**	-	**0.4**	-
Other	**(0.4)**	-	**(1.0)**	-
	$ (0.4)	$ -	**$ 0.9**	$ 4.3

7. INTEREST EXPENSE, NET

(millions)	Quarters ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Interest on long-term debt	**$ 7.2**	$ 3.9	**$ 21.0**	$ 12.1
Other interest (income) expense, net	**-**	0.1	**(0.6)**	1.1
	$ 7.2	$ 4.0	**$ 20.4**	$ 13.2

Interest paid in the quarter ended September 30, 2010 was $12.7 million (2009: $7.2 million) and in the nine months ended was $26.2 million (2009: $16.2 million).

8. STOCK-BASED COMPENSATION

The Company issued stock options during the second quarter of 2010. The following is a continuity of the Company's stock options outstanding:

	Number of Options		Weighted Average Exercise Price	
	2010	2009	**2010**	2009
Balance, January 1	**2,702,084**	2,745,926	**$ 24.52**	$ 26.46
Forfeited	**(10,450)**	(325,000)	**24.91**	33.81
Balance, March 31	**2,691,634**	2,420,926	**$ 24.71**	$ 25.47
Granted	**289,411**	-	**19.84**	-
Exercised	**(150)**	(2,000)	**16.58**	9.15
Forfeited	**(2,600)**	(8,000)	**24.36**	29.13
Balance, June 30	**2,978,295**	2,410,926	**$ 24.06**	$ 25.47
Granted	**-**	292,558	**-**	16.58
Exercised	**(6,400)**	-	**14.99**	-
Forfeited	**(3,500)**	-	**27.01**	-
Balance, September 30	**2,968,395**	2,703,484	**$ 24.08**	$ 24.51
Exercisable	**2,093,295**	1,579,233	**$ 24.15**	$ 23.54

9. SEGMENTED INFORMATION

(millions)	Quarters ended September 30 2010	2009	Nine months ended September 30 2010	2009
Segment Revenues				
Metals service centers	**$ 315.7**	$ 259.1	**$ 907.9**	$ 858.8
Energy tubular products	**187.4**	115.7	**511.2**	476.8
Steel distributors	**75.5**	57.0	**186.7**	197.8
	578.6	431.8	**1,605.8**	1,533.4
Other	**3.3**	2.5	**8.1**	5.7
	$ 581.9	$ 434.3	**$ 1,613.9**	$ 1,539.1
Segment Operating Profit (Loss)				
Metals service centers	**$ 13.4**	$ 13.3	**$ 48.0**	$ (19.8)
Energy tubular products	**14.5**	3.7	**36.4**	(40.1)
Steel distributors	**5.0**	7.7	**16.1**	(33.8)
	32.9	24.7	**100.5**	(93.7)
Corporate expenses	**(4.0)**	(3.0)	**(11.5)**	(9.4)
Other	**1.6**	0.9	**2.6**	0.6
	$ 30.5	$ 22.6	**$ 91.6**	$ (102.5)

(millions)	September 30 2010	December 31 2009
Identifiable assets		
Metals service centers	**$ 601.1**	$ 515.7
Energy tubular products	**415.0**	375.0
Steel distributors	**78.2**	87.7
Identifiable assets by segment	**1,094.3**	978.4
Assets not included in segments		
Cash	**317.8**	359.6
Income tax assets	**7.1**	58.9
Pension and benefits and other assets	**11.4**	16.3
Corporate and other operating assets	**19.1**	22.5
Total assets	**$ 1,449.7**	$ 1,435.7

10. PENSION AND BENEFITS

For the quarter ended September 30, 2010 the total benefit cost from the defined benefit pension plans relating to employee future benefits was $1.0 million (2009: $0.6 million) and for the nine months ended September 30, 2010 the cost was $3.0 million (2009: $1.8 million).

11. FINANCIAL INSTRUMENTS

a) On January 22, 2010, the Company terminated its US$100 million cross currency swaps. The Company paid $35.2 million to its swap counterparties to terminate the swaps which represented the fair value of the swaps. Concurrent with the termination of the swaps, the Company designated its entire US$175 million Senior Notes as a hedge of its net investment in foreign subsidiaries. During the quarter ended June 30, 2010, the Company repurchased US$7.8 million Senior Notes and the Company designated the remaining US$167.2 million Senior Notes, as a hedge of its net investment in foreign subsidiaries. During the quarter ended September 30, 2010, $0.4 million (nine months ended: $1.2 million) related to the swap was reclassed from accumulated other comprehensive income (loss) to net earnings before income taxes.

As at September 30, 2010, the Company was contractually obligated to make payments under its long-term debt agreement and operating lease obligations that come due during the following periods:

(millions)	Long-Term Debt Maturities	Long-Term Debt Interest	Operating Lease Obligations	Total
2010 from September 30, 2010	$ -	$ 6.2	$ 3.3	$ 9.5
2011	-	24.8	10.9	35.7
2012	-	24.8	9.2	34.0
2013	-	24.7	7.0	31.7
2014	172.2	18.2	5.0	195.4
2015 and beyond	175.0	23.9	6.9	205.8
Total	$ 347.2	$ 122.6	$ 42.3	$ 512.1

Long-term debt interest has been estimated based on current exchange rates.

As at September 30, 2010, the Company was contractually obligated to make payments under capital leases as follows:

(millions)	
2010 from September 30, 2010	$ 0.4
2011	1.5
2012	1.5
2013	1.5
2014	0.7
2015 and beyond	0.2
Total minimum lease payments	5.8
Interest at rates varying between 4.6% and 17.3%	(0.8)
Net minimum lease payments	5.0
Less: current portion	(1.3)
Long-term portion	$ 3.7

The following table presents the fair value hierarchy of financial instruments by level:

	September 30, 2010			December 31, 2009		
(millions)	Level One	Level Two	Level Three	Level One	Level Two	Level Three
Financial assets and liabilities						
Cash and cash equivalents	$ 317.8	$ -	$ -	$ 359.6	$ -	$ -
Asset-backed commercial paper	-	-	-	-	-	4.5
Swaps	-	-	-	-	(34.7)	-
Total	$ 317.8	$ -	$ -	$ 359.6	$ (34.7)	$ 4.5

b) Credit risk

The Company, in the normal course of business, is exposed to credit risk relating to accounts receivable from its customers. This risk is mitigated by the fact that its customer base is geographically diverse and in different industries. At September 30, 2010, trade accounts receivable greater than 90 days represented less than 2.5% of trade accounts receivable. The Company is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts and short-term investments. The Company mitigates this risk by utilizing multiple counterparties.

c) Interest rate risk

The Company is not exposed to significant interest rate risk. The Company's long-term debt is at fixed rates. The Company's bank borrowings, net of cash and cash equivalents, are used to finance working capital, which is short-term in nature, at floating interest rates.

d) Foreign exchange risk

The Company uses foreign exchange contracts with maturities of less than a year to manage foreign exchange risk on certain future committed cash outflows. At September 30, 2010, the Company had outstanding forward foreign exchange contracts, whose fair value approximates their contract value, in the amount of US$16.2 million, maturing in 2010 (2009: US$7.3 million).

In order to mitigate its foreign exchange exposure, the Company has designated US$167.2 million Senior Notes as a hedge of its net investment in foreign subsidiaries.

12. SHAREHOLDERS' EQUITY

As at September 30, 2010, 59,705,240 common shares in the amount of $479.1 million, were issued and outstanding.

	Quarters ended September 30		**Nine months ended September 30**	
	2010	2009	**2010**	2009
Weighted average shares outstanding				
Basic	**59,700,907**	59,697,290	**59,699,462**	59,696,272
Dilution impact of stock options	**64,334**	65,264	**97,058**	58,697
Diluted weighted average shares outstanding	**59,765,241**	59,762,554	**59,796,520**	59,754,969

The effect of the conversion of the convertible debentures under the "if convertible" method would be anti-dilutive and has therefore been excluded from the computation of diluted earnings per share.

The continuity of contributed surplus is as follows:

(millions)	**2010**	2009
Balance, January 1	**$ 11.4**	$ 9.4
Stock-based compensation expense	**1.5**	1.6
Balance September 30	**$ 12.9**	$ 11.0

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

13. CREDIT FACILITY

On June 24, 2010, the Company extended its credit agreement with a syndicate of banks to expire on June 24, 2012. The renewed agreement provides the same credit availability as the previous facility and provides for a reduction in interest and other fees. In addition, on July 28, 2010 the Company renewed its US subsidiary credit facility and increased the maximum availability under this facility to US$45 million.

14. OTHER COMPREHENSIVE INCOME (LOSS)

Unrealized gains (losses) on items designated as net investment hedges are net of income taxes of $(0.7) million and $(0.6) million (2009: $(0.5) million and $(0.9) million) for the three and nine months ended September 30, 2010, respectively.

Unrealized gains (losses) on items designated as cash flow hedges are net of income taxes of $nil and $1.2 million (2009: $(2.8) million and $(4.7) million) for the three and nine months ended September 30, 2010, respectively.

Gains and losses on derivatives designated as cash flow hedges transferred to net income in the current period are net of income taxes of $(0.2) million and $0.1 million (2009: $1.9 million and $3.6 million) for the three and nine months ended September 30, 2010, respectively.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Income tax received, net of payments, in the quarter ended September 30, 2010 was $39.4 million (2009: $2.5 million) and the nine months ended September 30, 2010 was $34.4 million (2009: $34.2 million paid).