Russel Metals

Third Quarter
September 30, 2012

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RUSSEL METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

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 Condensed Consolidated Financial Statements for the nine months ended September 30, 2012 including the notes thereto, and the Management's Discussion and Analysis and the audited Consolidated Financial Statements for the year ended December 31, 2011, including the notes thereto. In the opinion of management, such condensed consolidated financial statements contain all adjustments necessary for a fair presentation of the results for such periods. The results of operations for the periods shown are not necessarily indicative of what our results will be for the full year. All dollar references in 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 October 30, 2012.

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 Canadian generally accepted accounting principles (GAAP) and as such may not be comparable to similar measures presented by other companies. We believe these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and other interested parties to evaluate financial performance and our ability to incur and service debt to support our business activities. The measures we use are specifically defined where they are first used in this report.

While we believe that non-GAAP measures are helpful supplemental information, they should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP.

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 were $0.37 for the quarter ended September 30, 2012 compared to $0.43 for the third quarter of 2011.

Our metals service centers segment volume declined by approximately 1% in the third quarter of 2012 compared to the third quarter of 2011. Our steel distributors segment volume declined in the third quarter of 2012 due to the drop in demand from their service center customers. Our energy tubular products segment activity increased due to large diameter pipe orders for mid-stream collection systems. The positive impact of volume increases in the energy tubular products segment compared to 2011 was reduced by lower gross margins.

For the nine months ended September 30, 2012 our basic earnings per share were $1.30 compared to $1.50 for the same period in 2011. The nine months ended September 30, 2012 earnings included a charge of $0.07 for deferred costs, hedging costs and additional interest related to the redemption of our U.S. Senior Notes.

On April 19, 2012, we issued $300 million of 6.0% Canadian Senior Notes and on May 25, 2012 we redeemed our U.S. Senior Notes.

On May 1, 2012, we completed the acquisition of Siemens Laserworks consisting of two service center facilities located in Saskatoon, Saskatchewan and Edmonton, Alberta for $27 million.

On May 28, 2012, we completed the acquisition of Alberta Industrial Metals consisting of two service center facilities in Red Deer, Alberta for $28 million.

On October 24, 2012, we signed a share purchase agreement to acquire Alberta-based Apex Distribution Inc. and related companies. We expect the acquisition to close in November 2012. The total purchase price will consist of a cash payment of approximately $225 million on closing and an earnout based on earnings before interest and taxes and return on net assets payable over the next five years.

RESULTS OF OPERATIONS

The following table provides revenues, 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 and operating profits as a percentage of revenues are also shown. The table shows the segments as they are reported to management and are consistent with the segment reporting in our condensed consolidated financial statements.

	Quarters Ended September 30			Nine Months Ended September 30		
(millions, except percentages)	**2012**	2011	change as a % of 2011	**2012**	2011	change as a % of 2011
Segment Revenues						
Metals service centers	**$ 382.3**	$ 390.4	(2%)	**$ 1,242.6**	$ 1,142.1	9%
Energy tubular products	**249.3**	223.3	12%	**715.8**	592.7	21%
Steel distributors	**78.4**	89.5	(12%)	**269.8**	241.9	12%
Other	**2.6**	2.2		**6.0**	5.0	
	$ 712.6	$ 705.4	1%	**$ 2,234.2**	$ 1,981.7	13%
Segment Operating Profits						
Metals service centers	**$ 22.5**	$ 24.2	(7%)	**$ 85.2**	$ 93.9	(9%)
Energy tubular products	**15.8**	15.1	5%	**45.2**	43.5	4%
Steel distributors	**5.9**	8.1	(27%)	**23.7**	27.3	(13%)
Corporate expenses	**(4.8)**	(3.1)	(55%)	**(15.7)**	(13.6)	(15%)
Other	**0.9**	0.6		**1.4**	0.1	
Operating profits	**$ 40.3**	$ 44.9	(10%)	**$ 139.8**	$ 151.2	(8%)
Segment Gross Margin as a % of Revenues						
Metals service centers	**20.1%**	20.6%		**20.6%**	23.0%	
Energy tubular products	**13.4%**	14.3%		**13.6%**	15.0%	
Steel distributors	**13.0%**	14.5%		**14.2%**	17.4%	
Total operations	**17.3%**	18.1%		**17.8%**	20.2%	
Segment Operating Profits as a % of Revenues						
Metals service centers	**5.9%**	6.2%		**6.9%**	8.2%	
Energy tubular products	**6.3%**	6.8%		**6.3%**	7.3%	
Steel distributors	**7.5%**	9.1%		**8.8%**	11.3%	
Total operations	**5.7%**	6.4%		**6.3%**	7.6%	

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 33,000 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, Alberta Industrial Metals, B&T Steel, Leroux Steel, Mégantic Métal, Russel Metals Specialty Products, Métaux Russel Produits Spécialisés, McCabe Steel, Siemens Laserworks and York-Ennis. Our U.S. service centers operate under the names Russel Metals Williams Bahcall, JMS Russel Metals, Norton Metals and Baldwin International.

Siemens Laserworks, which was acquired on May 1, 2012, has operations in Saskatchewan and Alberta. Alberta Industrial Metals, which was acquired on May 28, 2012, has operations in Alberta and was combined with our Red Deer operation. Our Red Deer facility was closed during the third quarter of 2012 and the sale of the facility is expected to be completed in November 2012 resulting in a small gain.

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 2012 and 2011 is found in the sections that follow.

The price of steel fluctuates significantly throughout the steel cycle. Mill price reductions during the third quarter of 2012 put downward pressure on selling prices and gross margins. Steel prices are influenced by overall demand, trade sanctions, iron ore prices, scrap steel prices and product availability. Supply side management, practiced by steel producers in North America and international supply and demand, which impacts steel imports, affects product availability. Trade sanctions are initiated either by steel mills or by government agencies in North America.

Demand for our product is significantly affected by economic cycles. Revenues and operating profits fluctuate with the level of general business activity in the markets served. We are most impacted by the manufacturing, resource and construction segments of the Canadian economy.

Canadian service centers, which represent the majority of our metals service center operations, have operations in all regions of Canada and are affected by general regional economic conditions. Our large market share and diverse customer base of approximately 18,000 customers mean that our results tend to mirror the performance of the regional economies of Canada. Our U.S. operations, which have approximately 15,000 customers, are impacted by the local economic conditions in the regions that they serve.

The change in the Canadian dollar in the third quarter of 2012 versus the same period in 2011 had no material impact on 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, 2012 were converted at $1.0021 per US$1 compared to $0.9780 per US$1 for the same period of 2011. The exchange rate at September 30, 2012 used to translate the balance sheet was $0.9837 per US$1 versus $1.0389 per US$1 at September 30, 2011.

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 prices. Our Canadian customers that sell product to the United States, particularly in Ontario and Quebec, may be negatively impacted by the strong Canadian dollar which could make their products uncompetitive.

c) Metals service centers segment results -- Three Months Ended September 30, 2012 Compared to September 30, 2011

Revenues for the three months ended September 30, 2012 decreased 2% to $382 million compared to the same period in 2011. Tons shipped in the metals service centers segment in the third quarter of 2012 were approximately 1% lower than the third quarter of 2011. The average selling price of metal for the three months ended September 30, 2012 was approximately 4% lower than the average selling price for the three months ended September 30, 2011. Tons shipped for the third quarter of 2012 were 11% lower compared to the second quarter of 2012.

The Metals Service Center Institute reported a decrease in tons shipped for the industry for the third quarter of 2012 compared to 2011 of 7% for Canada and 2% for the U.S. Our 1% decrease in tons shipped indicates that we continue to capture market share.

Gross margin as a percentage of revenues decreased to 20.1% for the three months ended September 30, 2012 compared to 20.6% in the third quarter of 2011 and 20.4% for the second quarter of 2012. Reduced gross margins in the third quarter of 2012 were due to declining prices.

Operating expenses in the third quarter of 2012 decreased 3% compared to the third quarter of 2011, mainly related to lower variable compensation and freight costs due to decreased volumes. Operating expenses as a percentage of revenues were approximately the same as the third quarter of 2011.

On September 11, 2012, the unionized employees at our Boucherville, Quebec plant took strike action. The estimated impact on the third quarter earnings per share was approximately $0.01.

Metals service centers operating profit for the three months ended September 30, 2012 of $23 million compares to $24 million for the same period in 2011. The decrease mainly relates to lower margins in 2012 due to declining selling prices.

d) Metals service centers segment results -- Nine Months Ended September 30, 2012 Compared to September 30, 2011

Revenues for the nine months ended September 30, 2012 were $1.2 billion compared to $1.1 billion for the nine months ended September 30, 2011. The 9% increase was due to higher volumes in the first half of 2012 compared to the first half of 2011.

Tons shipped in the nine months ended September 30, 2012 were approximately 9% higher than for the same period of 2011. For the nine months ended September 30, 2012 compared to 2011, the Metals Service Center Institute reported a decrease in tons shipped for the industry of 1% for Canada and an increase of 3% for the U.S. Average selling price for the nine months ended September 30, 2012 was 1% lower than the average selling price for the nine months ended September 30, 2011.

Gross margin as a percentage of revenues was 20.6% for the nine months ended September 30, 2012 compared to 23.0% for the same period in 2011. Gross margin percentage was lower compared to the same period in 2011 due to the absence of inventory holding gains experienced in the first half of 2011.

Operating expenses for the nine months ended September 30, 2012 were approximately the same as the nine months ended September 30, 2011. Operating expenses as a percentage of revenues improved to 14% from 15% for the first nine months of 2011.

Metals service centers operating profit for the nine months ended September 30, 2012 was $85 million compared to $94 million for the same period in 2011. Lower gross margins in 2012 was the primary factor contributing to the decrease.

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 and Texas in the U.S. A large portion of our inventories are located in third party warehouses ready for distribution to customers throughout North America. In addition, we operate from five Canadian and two U.S. facilities. We purchase our products either from the pipe division of North American steel mills, independent manufacturers of pipe and pipe accessories, international steel mills or other distributors. Our energy tubular products segment operates under the names Comco Pipe and Supply Company, Fedmet Tubulars, Triumph Tubular & Supply, Pioneer Pipe and Spartan Energy Tubulars.

b) Factors affecting results

The following is a general discussion of the factors affecting our energy tubular products segment operations. More specific information on how these factors impacted the third quarter of 2012 and 2011 is found in the sections that follow.

The price of natural gas and oil can impact rig count and drilling activities, particularly in Western Canada. Rig activity affects demand for our products. The price of oil returned to historically high levels during 2011 and remains high resulting in improved rig activity. Natural gas prices were at low levels and thus drilling activity related to gas remains below historical levels. Drilling activity in both Canada and the U.S. for the third quarter of 2012 was below the third quarter of 2011. Fracking technology enables producers to economically drill in the oil and gas-rich shale fields and remains the focus of our sales efforts.

Prices for pipe products are 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 the Canadian and U.S. governments have imposed duties on certain pipe produced in China, which remain in effect and reduce imports of these products.

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 historically peaks during the period from October to March.

c) Energy tubular products segment results -- Three Months Ended September 30, 2012 Compared to September 30, 2011

Energy tubular products segment revenues increased 12% to $249 million for the third quarter of 2012 compared to the same period in 2011. Our Canadian operations servicing the oil sands and our U.S. operations had increased revenues mainly related to increased tons shipped. Our U.S. operations had increased revenues related to pipe for large diameter transmission lines. Revenues from our Canadian operations servicing oil and gas drilling activity decreased by 31% compared to the third quarter of 2011.

Gross margin as a percentage of revenues for the three months ended September 30, 2012 was 13.4% compared to 14.3% for the same period in 2011 due to competitive price pressures.

Operating expenses were $1 million higher in the third quarter of 2012 compared to the third quarter of 2011, mainly due to higher variable compensation and freight costs. Operating expenses as a percentage of revenues were 7% versus 8% in the third quarter of 2011.

This segment generated an operating profit of $16 million for the three months ended September 30, 2012 compared to $15 million for the three months ended September 30, 2011.

d) Energy tubular products segment results -- Nine Months Ended September 30, 2012 Compared to September 30, 2011

Energy tubular products segment revenues increased 21% to $716 million for the nine months ended September 30, 2012 compared to the same period in 2011. Our U.S. operations and our Canadian operations servicing the oil sands both had improved volumes compared to 2011. Our operations servicing oil drilling customers in Western Canada had approximately 14% lower revenues for the nine months ended September 30, 2012 compared to the same period in 2011.

Gross margin as a percentage of revenue was 13.6% for the nine months ended September 30, 2012 compared to 15.0% for the same period in 2011 due to competitive pricing pressures from growing inventory positions throughout the industry and large volume orders.

Operating expenses increased $7 million for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 mainly due to higher variable compensation and freight costs.

Operating profits were $45 million for the nine months ended September 30, 2012 compared to $44 million for the same period in 2011.

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 third quarter of 2012 and 2011 is found in the sections that follow.

Steel prices are influenced by overall demand, trade sanctions and product availability both domestically and worldwide. Trade sanctions are initiated either by steel mills or government agencies in North America. Trade actions currently exist on plate and pipe from specified countries. Mill capacity by product line in North America and international supply and demand impact steel imports and significantly affect product availability. Lead times for deliveries from North American mills are currently short due to excess capacity reducing demand for imports.

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.

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, 2012 Compared to September 30, 2011

Steel distributors revenues decreased 12% to $78 million for the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due to reduced demand from steel service centers and large equipment manufacturers.

Gross margin as a percentage of revenues was 13.0% for the three months ended September 30, 2012 compared to 14.5% for the three months ended September 30, 2011 and 13.9% for the second quarter of 2012. The decline relates to steel pricing pressures from domestic mill price reductions in the third quarter of 2012.

Operating expenses for the third quarter of 2012 were approximately the same as the third quarter of 2011.

Operating profit for the three months ended September 30, 2012 was $6 million compared to $8 million for the three months ended September 30, 2011. The reduction is related to lower gross margins.

d) Steel distributors segment results -- Nine Months Ended September 30, 2012 Compared to September 30, 2011

Revenues for the nine months ended September 30, 2012 were 12% higher than the nine months ended September 30, 2011 mainly due to higher volumes during the first quarter of 2012. Increased shipments to the service center industry and large equipment manufacturers during the first half of 2012 resulted in increased demand for our steel distributor operations in both Canada and the U.S.

Gross margin as a percentage of revenues decreased to 14.2% from 17.4% in the comparable 2011 period. The 2011 gross margins were higher due to rising steel prices that have not occurred in 2012. Higher volumes at the lower gross margin resulted in a $4 million decline in gross margin dollars for the nine months ended September 30, 2012 compared to the same period in 2011.

Operating expenses were $15 million for the nine months ended September 30, 2012 and 2011.

Operating profits for the nine months ended September 30, 2012 were $24 million compared to $27 million for the nine months ended September 30, 2011. Reduced gross margin in 2012 was the primary factor contributing to the decrease.

Corporate Expenses -- Three and Nine Months Ended September 30, 2012 Compared to September 30, 2011

Corporate expenses for the three and nine months ended September 30, 2012 were $2 million higher than the same period in 2011. Corporate expenses were higher mainly due to increases in the value of deferred and restricted stock units, a result of increased share prices.

Consolidated Results -- Three and Nine Months Ended September 30, 2012 Compared to September 30, 2011

Operating profits decreased 10% to $40 million for the three months ended September 30, 2012 compared to $45 million for the three months ended September 30, 2011. Reduced gross margin in all three segments was the primary factor contributing to the decrease. Operating profits for the nine months ended September 30, 2012 were $140 million compared to $151 million for the same period in 2011. Improved volumes in 2012 were offset by lower margins in all segments due to higher cost of sales.

INTEREST EXPENSE AND INCOME

Net interest expense was $9 million for the three months ended September 30, 2012 compared to $6 million for the three months ended September 30, 2011. Net interest expense was $24 million for the nine months ended September 30, 2012 compared to $19 million for the same period in 2011. We issued $300 million of 6% Canadian Senior Notes on April 19, 2012 and a portion of the proceeds were used to redeem the outstanding US$139 million Senior Notes on May 25, 2012. Higher outstanding debt as well as the additional interest between the issue of the new debt and the redemption of the US$139 million Senior Notes resulted in higher interest expense.

OTHER FINANCE EXPENSE

Other finance expense was $5 million for the nine months ended September 30, 2012 compared to $2 million in the nine months ended September 30, 2011. We recorded a $4 million charge related to deferred costs and hedging costs on the redemption of the U.S. Senior Notes in the second quarter of 2012.

INCOME TAXES

We recorded a provision for income taxes of $9 million for the third quarter of 2012. Our effective income tax rate for the three months ended September 30, 2012 was 29% and for the nine months ended September 30, 2012 was 30%. The effective income tax rate increased due to non-deductible amounts included in the onetime charge on the redemption of the U.S. Senior Notes. We estimate our normalized effective income tax rate for 2012 to be similar to the year-to-date rate.

NET EARNINGS

Net earnings for the third quarter of 2012 were $23 million compared to $26 million for the third quarter of 2011. Basic earnings per share for the third quarter of 2012 were $0.37 per share compared to $0.43 for the third quarter of 2011. Basic earnings per share for the nine months ended September 30, 2012 were $1.30 compared to basic earnings per share of $1.50 for the nine months ended September 30, 2011.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the third quarter of 2012 was 60,139,308 compared to 60,062,831 for the third quarter of 2011. The weighted average number of common shares outstanding for the nine months ended September 30, 2012 was 60,110,769 compared to 60,035,321 for the nine months ended September 30, 2011. The average number of common shares outstanding has increased as a result of stock options being exercised. As at September 30, 2012, we had 60,155,948 common shares outstanding and as at October 30, 2012 we had 60,156,336 common shares outstanding.

We paid common share dividends of $21 million or $0.35 per share in the third quarter of 2012 as compared to $18 million or $0.30 per share in the third quarter of 2011.

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 per share being a conversion rate of 38.8350 common shares per $1,000 principal amount of convertible debentures

During the second quarter of 2012, we issued $300 million 6.0% Senior Notes due April 19, 2022. The indenture for our Senior Notes has restrictions related to quarterly dividends in excess of $0.35 per share. We currently have a basket of approximately $100 million available for restricted payments, which is adjusted for 50% of net earnings or losses on a quarterly basis. This basket would be available for additional dividend payments. We do not believe these restrictions will impact our ability to pay dividends in the foreseeable future.

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:

	Quarters ended September 30		**Nine Months ended September 30**	
(millions)	**2012**	2011	**2012**	2011
Net earnings for the period	**$ 22.5**	$ 25.7	**$ 78.4**	$ 89.8
Provision for income taxes	**9.3**	12.5	**33.0**	40.5
Interest expense, net	**8.5**	6.3	**23.6**	19.2
Earnings before interest and income taxes (EBIT)	**40.3**	44.5	**135.0**	149.5
Depreciation and amortization	**6.3**	5.8	**18.1**	17.7
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	**$ 46.6**	$ 50.3	**$ 153.1**	$ 167.2

We believe that EBITDA, a non-GAAP measure, may be useful in assessing our operating performance and as an indicator of our ability to service or incur indebtedness, make capital expenditures and finance working capital requirements. The items excluded in determining EBITDA are significant in assessing our operating results and liquidity. Therefore, EBITDA should not be considered in isolation or as an alternative to cash from operating activities or other combined income or cash flow data prepared in accordance with GAAP.

CAPITAL EXPENDITURES

Capital expenditures were $26 million for the nine months ended September 30, 2012 compared to $13 million in the same period of 2011. Depreciation expense was $17 million for both the nine months ended September 30, 2012 and September 30, 2011.

In the first quarter of 2012, we acquired land adjacent to our Comco Pipe's operation in Edmonton, Alberta for $6 million to allow us to expand our storage of pipe for large projects in the oil sands. In the second quarter of 2012, we purchased a leased facility from our landlord for $4 million.

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; however, due to lower expenditures on processing equipment over the last couple of years we anticipate higher expenditures in 2012. In addition, we have approval to add two lasers and upgrade four cut-to-length lines to improve our processing capabilities. Expenditures related to these projects have commenced and will be completed in 2013. These expenditures support our organic growth initiatives.

LIQUIDITY

At September 30, 2012, we had cash of $247 million compared to $271 million at December 31, 2011.

We generated $105 million from operations for the nine months ended September 30, 2012 and utilized $134 million in working capital to support our growth as well as $26 million for capital expenditures and $60 million for dividends to shareholders. We also generated $293 million from the issuance of our 6.0% Senior Notes offset by $141 million used to repay our 6.375% U.S. Senior Notes and $55 million used to acquire Siemens Laserworks and Alberta Industrial Metals. During the nine months ended September 30, 2011, we utilized $131 million in working capital, $26 million for repurchase of Senior Notes and $51 million for common share dividends. This use of cash for working capital as revenues increase is consistent with our business model.

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 additional bad debts and increased days outstanding for accounts receivable, which may affect the timing of collections. Total assets were $1.7 billion at September 30, 2012 and $1.5 billion at December 31, 2011. At September 30, 2012, current assets, excluding cash, represented 80% of our total assets, excluding cash, versus 81% at December 31, 2011.

Cash utilized for inventory was $77 million in the nine months ended September 30, 2012, mainly related to increased tons in all three segments. Inventories represented 43% of our total assets at September 30, 2012 and 42% at December 31, 2011.

Inventory by Segment	**Sept. 30 2012**	June 30 2012	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011
Metals service centers	**$ 286**	$ 294	$ 300	$ 270	$ 264
Energy tubular products	**350**	341	308	304	295
Steel distributors	**87**	88	84	72	94
Total operations	**$ 723**	$ 723	$ 692	$ 646	$ 653

	Quarters Ended				
Inventory Turns by Segment	**Sept. 30 2012**	June 30 2012	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011
Metals service centers	**4.3**	4.7	4.5	4.4	4.7
Energy tubular products	**2.5**	1.9	3.1	2.6	2.6
Steel distributors	**3.1**	3.6	4.0	4.8	3.2
Total operations	**3.3**	3.3	3.8	3.6	3.5

Our metals service centers had higher inventory tons at September 30, 2012, compared to December 31, 2011 in order to service higher sales volumes. Inventory dollars were down compared to second quarter of 2012 due to lower average price per ton on comparable volumes.

Our energy tubular products operations had higher inventory at September 30, 2012 compared to December 31, 2011 and June 30, 2012; however, higher revenues resulted in improved inventory turns compared to June 30, 2012.

At September 30, 2012, our steel distributors segment had increased inventory compared to December 31, 2011 to service higher volumes. Inventory was slightly lower compared to the second quarter of 2012 in an effort to align inventory with decreased activity.

Accounts receivable utilized cash of $21 million during the nine months ended September 30, 2012, due to increased revenues in our energy segment. Accounts receivable represented 24% of our total assets at September 30, 2012 and 25% of our total assets at December 31, 2011.

During the nine months ended September 30, 2012, we made income tax payments of $54 million compared to payments of $38 million for the nine months ended September 30, 2011.

The balances disclosed in our condensed 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 **2012**	Quarters ended September 30 2011	Nine Months ended September 30 **2012**	Nine Months ended September 30 2011
Cash from operating activities before non-cash working capital	**$ 30.4**	$ 34.4	**$ 105.3**	$ 112.8
Purchase of fixed assets	**(5.7)**	(3.3)	**(26.4)**	(12.9)
	$ 24.7	$ 31.1	**$ 78.9**	$ 99.9

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

CASH, DEBT AND CREDIT FACILITIES

Debt

(millions)	**September 30 2012**	December 31 2011
Long-Term Debt		
6.0% $300 million Senior Notes due April 19, 2022	**$ 293**	$ -
7.75% $175 million convertible debentures due September 30, 2016	**157**	154
6.375% Senior Notes due March 1, 2014 (2011: US$138.9 million)	**-**	140
Finance lease obligations, maturing 2014 to 2017	**2**	4
	452	298
Current portion	**(1)**	(1)
	$ 451	$ 297

In April 2012, we issued $300 million of 6.0% Senior Notes for net proceeds of $293 million due on April 19, 2022.

The convertible debentures have been split between debt and equity. The amount allocated to equity represented the valuation of the holders' option to convert the convertible debentures into common shares and the fair value adjustments on the cash conversion feature were treated as a derivative prior to the amendment of the Trust Indenture in December 2010. The debt allocated to equity is accreted as a charge through interest expense over the life of the debentures.

Cash and Bank Credit Facilities

As at September 30, 2012 (millions)	Russel Metals Facility	U.S. Subsidiary Facility	Total
Bank loans	$ -	$ -	$ -
Cash net of outstanding cheques	227	20	247
Net cash	227	20	247
Letters of credit	(43)	(5)	(48)
	$ 184	$ 15	$ 199
Facilities			
Borrowings and letters of credit	$ 202	$ 30	$ 232
Letters of credit facility	50	-	50
Facilities availability	$ 252	$ 30	$ 282
Available line based on borrowing base	$ 252	$ 30	$ 282

We have a credit facility with a syndicate of Canadian and U.S. banks totaling $252 million which was extended to June 24, 2014 during the second quarter of 2011. In July 2012, our U.S. subsidiary facility was renewed with an expiry of July 2013 and we reduced the availability to US$30 million.

The syndicated 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. 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 September 30, 2012, we were entitled to borrow and issue letters of credit totaling $252 million under this facility. At September 30, 2012 and December 31, 2011, we had no borrowings. At September 30, 2012, we had letters of credit of $43 million compared to $12 million at September 30, 2011.

At September 30, 2012, the maximum borrowings including letters of credit under the U.S. subsidiary's facility was US$30 million. At September 30, 2012 and September 30, 2011, this subsidiary had no borrowings. At September 30, 2012, this subsidiary had letters of credit of US$5 million compared to US$12 million at September 30, 2011.

With our cash, cash equivalents and our bank facilities we have access to approximately $449 million of cash based on our September 30, 2012 balances. The use of our bank facilities has been predominantly to fund working capital requirements and trade letters of credit for inventory purchases. These lines may be used to support increases in working capital when volumes and steel prices increase.

CONTRACTUAL OBLIGATIONS

As at September 30, 2012, we were contractually obligated to make payments under our long-term debt agreements, finance lease obligations and operating leases that come due in the future. The following table sets forth such payments.

Contractual Obligations	Payments due in				
(millions)	2012	2013 and 2014	2015 and 2016	2017 and thereafter	Total
Debt	$ -	$ -	$ 175.0	$ 300.0	$ 475.0
Long-term debt interest	8.0	63.4	59.8	95.3	226.5
Finance lease obligations	0.4	2.1	0.4	-	2.9
Operating leases	3.2	16.4	6.7	6.1	32.4
Total	$ 11.6	$ 81.9	$ 241.9	$ 401.4	$ 736.8

We have disclosed our obligations related to environmental litigations, regulatory actions and remediation in our Annual Information Form. These obligations relate to previously divested or discontinued operations and do not relate to the metals distribution business.

We have obligations related to multiple defined benefit pension plans in Canada as disclosed in Note 9 of our interim consolidated financial statements for the nine months ended September 30, 2012. During the nine months ended September 30, 2012, we contributed $4 million to these plans. We expect to contribute approximately $1 million during the remainder of the year.

OFF-BALANCE SHEET ARRANGEMENTS

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

ACCOUNTING ESTIMATES

The preparation of our 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

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of our customers to make required payments. Assessments are based on aging of receivables, legal issues (bankruptcy status), past collection experience, current financials 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 September 30, 2012 approximates our reserve at December 31, 2011; however, our accounts receivable balance is higher. Bad debt expense for the third quarter of 2012 as a percentage of revenue approximates that of 2011.

Inventories

We review our inventories to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. During the quarter ended September 30, 2012, we increased cost of sales and our inventory write-down reserve by $1 million related to the energy tubular products segment.

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 benefits. The valuation uses management's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase, rate of increase in government benefits and expected average remaining years of service of employees.

While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect employee benefit obligations and future net benefit plan 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 $90 million in plan assets at September 30, 2012 which is an increase of approximately $5 million from December 31, 2011. Due to a change in the discount rate used from 4.5% at December 31, 2011 to 3.75% at September 30, 2012, reflecting the current interest rate environment, our accrued benefit obligations increased by $16 million to $135 million at September 30, 2012 as compared to $119 million at December 31, 2011. An actuarial loss on employee future benefit plans of $8 million for the quarter ended September 30, 2012 and $13 million for the nine months ended September 30, 2012 was recorded, net of tax, through other comprehensive income.

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 2012 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 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. 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 this strategy will result in higher profits throughout a cycle and we will have average earnings over the full range of the cycle in the top deciles of the industry.

Growth from selective acquisitions is also part of our strategy. We focus on investment opportunities in metals businesses that have strong market niches or provide mass to our existing operations. Any new acquisitions could be either major stand-alone operations or ones that complement our existing operations. We completed two acquisitions totaling $55 million in the second quarter of 2012. On October 24, 2012 we entered into an agreement to acquire Apex Distribution Inc. and related companies, which is expected to close in November 2012. We continue to review other opportunities for acquisitions.

We believe that the steel-based pricing cycle will continue to be short and volatile, and a management structure and philosophy that allows the fastest reaction to changes that affect the industry will be the most successful. We will continue to invest in our business systems to enable faster reaction times to changing business conditions. 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 metal 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 returning to pre-2009 levels in all regions other than Ontario and the U.S. We will continue to make structural changes where necessary based on demand levels. Our Annual Information Form includes a summary of other risks.

OUTLOOK

The current pricing pressure experienced throughout all segments is expected to continue in the fourth quarter. No meaningful price increases are anticipated into the first quarter of 2013. We anticipate the metals service centers and steel distributor segments will both have lower volumes than the fourth quarter of 2011. Our energy tubular products volumes are anticipated to remain strong due to oil sands business and large diameter pipe sales for collection systems. The energy tubular products segment results will be further enhanced by the Apex Distribution acquisition which we expect to close in November 2012.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying condensed consolidated financial statements and management's discussion and analysis of financial condition have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

These interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the interim condensed consolidated financial statements and management's discussion and analysis of financial condition within reasonable limits of materiality.

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

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

October 30, 2012

B. R. Hedges
President and
Chief Executive Officer

M. E. Britton
Vice President and
Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS *(UNAUDITED)*

(in millions of Canadian dollars, except per share data)	Quarters ended September 30 **2012**	2011	Nine months ended September 30 **2012**	2011
Revenues	**$ 712.6**	$ 705.4	**$ 2,234.2**	$ 1,981.7
Cost of materials	**589.5**	578.0	**1,836.7**	1,582.2
Employee expenses (Note 13)	**50.9**	49.6	**159.7**	152.6
Other operating expenses (Note 13)	**31.9**	32.9	**98.0**	95.7
Earnings before interest, finance and provision for income taxes	**40.3**	44.9	**139.8**	151.2
Interest expense (Note 14)	**9.0**	6.7	**25.1**	20.7
Interest income (Note 14)	**(0.5)**	(0.4)	**(1.5)**	(1.5)
Other finance expense (Note 14)	**-**	0.4	**4.8**	1.7
Earnings before provision for income taxes	**31.8**	38.2	**111.4**	130.3
Provision for income taxes	**9.3**	12.5	**33.0**	40.5
Net earnings for the period	**$ 22.5**	$ 25.7	**$ 78.4**	$ 89.8
Basic earnings per common share (Note 12)	**$ 0.37**	$ 0.43	**$ 1.30**	$ 1.50
Diluted earnings per common share (Note 12)	**$ 0.37**	$ 0.43	**$ 1.29**	$ 1.46

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(UNAUDITED)*

(in millions of Canadian dollars)	Quarters ended September 30 **2012**	2011	Nine months ended September 30 **2012**	2011
Net earnings for the period	**$ 22.5**	$ 25.7	**$ 78.4**	$ 89.8
Other comprehensive income (loss), net of tax (Note 20)				
Unrealized foreign exchange (losses) gains on translation of foreign operations	**(14.0)**	27.3	**(12.6)**	16.9
Unrealized (losses) gains on items designated as net investment hedges	**-**	(9.4)	**(0.9)**	(5.1)
Losses on derivatives designated as cash flow hedges transferred to net earnings in the current period	**-**	0.2	**2.3**	0.8
Actuarial losses on pension and similar obligations	**(5.9)**	-	**(9.1)**	-
Other comprehensive (loss) income	**(19.9)**	18.1	**(20.3)**	12.6
Total comprehensive income	**$ 2.6**	$ 43.8	**$ 58.1**	$ 102.4

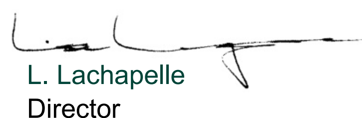
The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(UNAUDITED)*

(in millions of Canadian dollars)	**September 30 2012**	December 31 2011
ASSETS		
Current		
Cash and cash equivalents (Note 3)	**$ 247.1**	$ 270.7
Accounts receivable	**410.3**	382.4
Inventories (Note 4)	**722.5**	645.6
Prepaid expenses	**5.3**	4.6
Income taxes receivable	**5.6**	0.5
	1,390.8	1,303.8
Property, Plant and Equipment (Note 5)	**228.7**	201.3
Deferred Income Tax Assets	**7.0**	5.3
Other Assets	**2.8**	3.3
Goodwill and Intangibles (Note 6)	**50.2**	24.7
	$ 1,679.5	$ 1,538.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 350.9**	$ 362.8
Income taxes payable	**0.4**	17.4
Current portion long-term debt (Note 8)	**1.3**	1.3
	352.6	381.5
Long-Term Debt (Note 8)	**451.4**	296.5
Pensions and Benefits (Note 9)	**44.3**	33.3
Deferred Income Tax Liabilities	**2.2**	0.4
Provisions (Note 16)	**5.1**	5.4
Other Non-Current Liabilities (Note 16)	**3.6**	1.9
	859.2	719.0
Shareholders' Equity (Note 10)		
Common shares	**487.1**	485.4
Retained earnings	**325.0**	306.7
Contributed surplus	**16.9**	15.7
Accumulated other comprehensive loss	**(37.4)**	(17.1)
Equity component of convertible debenture (Note 8)	**28.7**	28.7
	820.3	819.4
	$ 1,679.5	$ 1,538.4

ON BEHALF OF THE BOARD,

A. Laberge
Director



L. Lachapelle
Director

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

CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOW *(UNAUDITED)*

(in millions of Canadian dollars)	Quarters ended September 30 **2012**	2011	Nine months ended September 30 **2012**	2011
Operating activities				
Net earnings for the period	**$ 22.5**	$ 25.7	**$ 78.4**	$ 89.8
Depreciation and amortization	**6.3**	5.8	**18.1**	17.7
Deferred income taxes	**0.7**	1.3	**1.0**	0.1
Loss on sale of property, plant and equipment	**-**	0.1	**-**	-
Stock-based compensation	**0.5**	0.3	**1.5**	1.6
Difference between pension expense and amount funded	**(0.7)**	(0.3)	**(1.7)**	(1.3)
Debt accretion, amortization and other	**1.1**	1.5	**8.0**	4.9
Cash from operating activities before non-cash working capital	**30.4**	34.4	**105.3**	112.8
Changes in non-cash working capital items				
Accounts receivable	**(20.0)**	(41.9)	**(21.4)**	(90.3)
Inventories	**(7.6)**	(5.6)	**(76.9)**	(99.5)
Accounts payable and accrued liabilities	**3.5**	28.7	**(16.9)**	55.5
Income tax receivable/payable	**(3.2)**	4.8	**(19.7)**	3.8
Other	**1.2**	1.6	**0.5**	(0.9)
Change in non-cash working capital	**(26.1)**	(12.4)	**(134.4)**	(131.4)
Cash (used in) from operating activities	**4.3**	22.0	**(29.1)**	(18.6)
Financing activities				
Issue of common shares	**0.5**	0.1	**1.4**	1.3
Dividends on common shares	**(21.1)**	(18.0)	**(60.1)**	(51.0)
Issuance of long-term debt (net)	**-**	-	**293.1**	-
Repayment of long-term debt	**(0.4)**	(8.8)	**(142.2)**	(25.9)
Deferred financing	**-**	-	**-**	(0.5)
Cash from (used in) financing activities	**(21.0)**	(26.7)	**92.2**	(76.1)
Investing activities				
Purchase of property, plant and equipment	**(5.7)**	(3.3)	**(26.4)**	(12.9)
Proceeds on sale of property, plant and equipment	**-**	-	**-**	0.7
Purchase of businesses	**(0.1)**	-	**(54.9)**	-
Cash used in investing activities	**(5.8)**	(3.3)	**(81.3)**	(12.2)
Effect of exchange rates on cash and cash equivalents	**(2.5)**	7.2	**(5.4)**	7.1
Decrease in cash and cash equivalents	**(25.0)**	(0.8)	**(23.6)**	(99.8)
Cash and cash equivalents, beginning of the period	**272.1**	224.7	**270.7**	323.7
Cash and cash equivalents, end of the period	**$ 247.1**	$ 223.9	**$ 247.1**	$ 223.9
Supplemental cash flow information:				
Income taxes paid	**$ 12.5**	$ 6.7	**$ 54.4**	$ 37.9
Interest paid (net)	**$ 1.0**	$ 12.3	**$ 15.1**	$ 25.0

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

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

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Loss	Equity Component of Convertible Debentures	Total
Balance, December 31, 2011	$ 485.4	$ 306.7	$ 15.7	$ (17.1)	$ 28.7	$ 819.4
Payment of dividends	-	(60.1)	-	-	-	(60.1)
Net earnings for the period	-	78.4	-	-	-	78.4
Other comprehensive loss for the period	-	-	-	(20.3)	-	(20.3)
Recognition of stock-based compensation	-	-	1.2	-	-	1.2
Stock options exercised	1.7	-	-	-	-	1.7
Balance, September 30, 2012	**$ 487.1**	**$ 325.0**	**$ 16.9**	**$ (37.4)**	**$ 28.7**	**$ 820.3**

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Loss	Equity Component of Convertible Debentures	Total
Balance, December 31, 2010	$ 483.7	$ 257.5	$ 13.9	$ (11.0)	$ 28.7	$ 772.8
Payment of dividends	-	(51.0)	-	-	-	(51.0)
Net earnings for the period	-	89.8	-	-	-	89.8
Other comprehensive loss for the period	-	-	-	12.6	-	12.6
Recognition of stock-based compensation	-	-	1.4	-	-	1.4
Stock options exercised	1.6	-	-	-	-	1.6
Balance, September 30, 2011	$ 485.3	$ 296.3	$ 15.3	$ 1.6	$ 28.7	$ 827.2

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) General business description

Russel Metals Inc. (the "Company"), a Canadian corporation, with common shares listed on the Toronto Stock Exchange (TSX), is a metals distribution company operating in various locations within North America. The Company's registered office is located at 1900 Minnesota Court, Suite 210, Mississauga, Ontario, L5N 3C9.

These condensed consolidated financial statements were authorized for issue by the Board of Directors on October 30, 2012.

b) Statement of compliance and basis of presentation

These condensed consolidated financial statements, including comparatives, have been prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2011. These condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 of the Company's consolidated financial statements for the year ended December 31, 2011. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2011.

These financial statements were prepared on a going concern basis using the historical cost basis except for certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets at the time of the transaction.

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

2. BUSINESS ACQUISITIONS

The Company accounts for its acquisitions using the acquisition method whereby the assets acquired and the liabilities assumed are recorded at their estimated fair values with the surplus of the aggregate consideration relative to the fair value for the identifiable net assets recorded as goodwill.

a) On May 1, 2012, the Company completed its acquisition of all the operating assets of Siemens Laserworks. The following summarizes the preliminary allocation of the consideration for the Siemens Laserworks acquisition:

(millions)	
Net working capital	$ 5.7
Property, plant and equipment	11.4
Deferred income tax liability	(0.2)
Intangibles	2.4
Goodwill	7.7
Net identifiable assets acquired	$ 27.0
Consideration:	
Cash	$ 27.0

Accounts receivable of $6.5 million, which were included in net working capital, represented gross contractual accounts receivable of which none is considered uncollectible at the time of acquisition. Any accounts receivable which are not collected will result in a reduction of the consideration.

The goodwill recorded on the transaction represents the addition of a market leader to the core metals service centers segment that complements the Company's growth into value-added processing and streamlines service center logistics. The Company expects that approximately $5.6 million of acquired goodwill will be deductible for tax purposes.

The allocations described above are preliminary and subject to change following the final settlement of various holdbacks which may impact net working capital. Siemens Laserworks was consolidated into the Company's operating results effective May 1, 2012.

b) On May 28, 2012, the Company acquired the operating assets of Alberta Industrial Metals, a metal distribution and processing service center located in Red Deer, Alberta. The following summarizes the preliminary allocation of the consideration for the Alberta Industrial Metals acquisition:

(millions)	
Net working capital	$ 4.7
Property, plant and equipment	8.3
Deferred income tax liability	(1.6)
Intangibles	5.5
Goodwill	11.0
Net identifiable assets acquired	$ 27.9
Consideration:	
Cash (net of cash acquired)	$ 27.9

Accounts receivable of $3.8 million, which were included in net working capital, represented gross contractual accounts receivable of which none is considered uncollectible at the time of acquisition. Any accounts receivable which are not collected will result in a reduction of the consideration.

The goodwill from this acquisition corresponds to the growth potential of the core metals service centers segment and capturing unique synergies that can be realized in our metal service centers division in the Alberta Region. The Company expects that approximately $4.6 million of acquired goodwill will be deductible for tax purposes.

The allocations described above are preliminary and subject to change following the final settlement of various holdbacks which may impact net working capital.

The condensed consolidated statements of earnings of the Company for the nine months ended September 30, 2012 includes the operating results of the acquired businesses, including revenues of $26.0 million, earnings before interest, finance and provision for income tax of $3.0 million and transaction costs of $0.8 million. If the acquisition had taken place at the beginning of the fiscal year 2012, the acquired businesses would have increased the Company's sales and earnings before interest, finance and provision for income tax by an additional $51.1 million and $5.5 million respectively.

3. CASH AND CASH EQUIVALENTS

(millions)	**September 30 2012**	December 31 2011
Cash on deposit	**$ 239.2**	$ 217.8
Short-term investments	**7.9**	52.9
	$ 247.1	$ 270.7

Cash on deposit in bank accounts includes demand deposits, net of outstanding cheques.

4. INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis. The Company recorded an inventory impairment charge of $1.0 million during the quarter ended September 30, 2012 and $2.2 million during the nine months ended September 30, 2012 (2011: $nil). The Company did not have any reversals of previous inventory impairment charges during the quarters and nine months ended September 30, 2012 and 2011.

5. PROPERTY, PLANT AND EQUIPMENT

Cost *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2011	$ 188.6	$ 268.0	$ 27.0	$ 483.6
Additions from acquisitions (Note 2)	8.5	11.2	-	19.7
Additions	12.2	13.9	0.3	26.4
Disposals	-	(1.9)	-	(1.9)
Effect of movements in exchange rates	(1.0)	(1.5)	(0.1)	(2.6)
Balance, September 30, 2012	**$ 208.3**	**$ 289.7**	**$ 27.2**	**$ 525.2**

Depreciation and impairment *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2011	$ 73.9	$ 188.8	$ 19.6	$ 282.3
Depreciation and amortization	4.9	11.7	0.5	17.1
Disposals	-	(1.8)	-	(1.8)
Effect of movements in exchange rates	(0.3)	(0.8)	-	(1.1)
Balance, September 30, 2012	**$ 78.5**	**$ 197.9**	**$ 20.1**	**$ 296.5**

Net book value *(millions)*	
December 31, 2011	$ 201.3
September 30, 2012	**$ 228.7**

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

Land included in land and buildings was $33.0 million (December 31, 2011: $24.0 million).

For the quarter ended September 30, 2012, depreciation of $2.0 million was included in cost of materials (2011: $1.6 million) and depreciation of $3.9 million (2011: $3.9 million) was included in other operating expenses. For the nine months ended September 30, 2012, depreciation of $5.2 million (2011: $4.7 million) was included in cost of materials and depreciation of $11.9 million (2011: $11.8 million) was included in other operating expenses.

6. GOODWILL AND INTANGIBLES

a) *The continuity of goodwill is as follows:*

(millions)	
Balance, December 31, 2011	$ 18.4
Additions (Note 2)	18.7
Foreign exchange	(0.3)
Balance, September 30, 2012	**$ 36.8**

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

b) The continuity of intangibles which is comprised of customer relationships acquired through business combinations within the metals service centers segment are as follows:

Cost *(millions)*		
Balance, December 31, 2011	$	10.1
Additions (Note 2)		7.9
Foreign exchange		(0.2)
Balance, September 30, 2012	**$**	**17.8**

Accumulated amortization *(millions)*		
Balance, December 31, 2011	$	(3.8)
Amortization		(0.6)
Balance, September 30, 2012	**$**	**(4.4)**

Carrying amount *(millions)*		
December 31, 2011	$	6.3
September 30, 2012	**$**	**13.4**

The carrying amount of intangible assets as at September 30, 2012 relates to customer relationships arising from the acquisition of JMS Metals Services, Inc., Norton Metal Products, Inc., Siemens Laserworks and Alberta Industrial Metals. The remaining amortization period for customer relationships is 10 to 15 years.

7. REVOLVING CREDIT FACILITIES

The Company maintains a credit agreement with a syndicate of banks which provides a credit facility of $202.5 million available for borrowings and letters of credit and an additional $50 million for letters of credit. The obligations of the Company under this agreement are secured by a pledge of trade accounts receivable and inventories of a significant portion of the Company's operations. At September 30, 2012 and December 31, 2011, the Company had no borrowings and letters of credit of $43.2 million and $44.2 million respectively under this facility. The Company was in compliance with the financial covenants at September 30, 2012.

In July 2012, the Company renewed its U.S. Subsidiary one year credit facility. The maximum credit under this facility is US$30 million (2011: US$45 million). At September 30, 2012 and December 31, 2011, this subsidiary had no borrowings and letters of credit of US$4.8 million and US$6.3 million respectively under this facility.

8. LONG-TERM DEBT

(millions)		**September 30 2012**		December 31 2011
6.0% $300 million Senior Notes due April 19, 2022	**$**	**293.2**	$	-
7.75% $175 million convertible debentures due September 30, 2016		**156.9**		154.3
6.375% U.S. Senior Notes (2011: US$138.9 million)		**-**		139.8
Finance lease obligations (Note 18)		**2.6**		3.7
Less: current portion		**(1.3)**		(1.3)
Total long-term debt	**$**	**451.4**	$	296.5

a) **On April 19, 2012, the Company issued through a private placement, $300 million 6.0% Senior Notes due April 19, 2022, for total net proceeds of $293 million. Interest is due on April 19 and October 19 of each year.**

The Company may redeem up to 35% of the 6.0% Senior Notes prior to April 19, 2014 with the net proceeds of certain equity offerings at the redemption price of 106% of their principal amount plus accrued and unpaid interest. Prior to April 19, 2017, the Company may redeem the notes in whole or in part at an amount which is the greater of (a) the present value of future interest and principal payments based on Canada bond yield or (b) 101% of the principal amount plus accrued and unpaid interest. The Company may also redeem the notes in whole or in part at any time after April 19, 2017 at 103% of the principal amount declining rateably to 100% of the principal amount on or after April 19, 2020.

The $300 million 6.0% Senior Notes contain certain restrictions on the payment of common share dividends in excess of $0.35 per share per quarter. The notes also contain certain covenants that limit the Company's ability to incur additional indebtedness. The Company was in compliance with these covenants at September 30, 2012. Fees associated with the issue of the debt are included in the carrying amount of the debt and are amortized using the effective interest method.

b) On May 25, 2012, the Company redeemed its US$138.9 million 6.375% U.S. Senior Notes at par. The total payment of US$141.5 million included US$138.9 million of principal plus accrued interest. The after tax charge to net earnings relating to the redemption was $3.2 million due to the write-off of deferred financing charges and hedging costs.

9. PENSION AND BENEFITS

As at September 30, 2012, the Company determined its accrued benefit obligation related to the employee future benefit plans using a discount rate of 3.75% (December 31, 2011: 4.5%) and also determined the fair value of the defined benefit pension plan assets as at the statement of financial position date. This resulted in an actuarial loss on employee future benefit plans of $8.0 million for the quarter ended September 30, 2012 (2011: $nil) and $12.6 million for the nine months ended September 30, 2012 (2011: $nil), which was recorded, net of tax through other comprehensive income (Note 20).

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

(millions)	**September 30 2012**	December 31 2011
Present value of defined benefit pension obligations	**$ 129.2**	$ 113.5
Present value of plan assets	**90.3**	85.3
	38.9	28.2
Unrecognized prior service costs	**(0.4)**	(0.5)
	38.5	27.7
Other post retirement benefit obligations	**5.8**	5.6
Defined benefit obligations, net	**$ 44.3**	$ 33.3

10. SHAREHOLDERS' EQUITY

a) *At September 30, 2012 and 2011, the authorized share capital of the Company consisted of:*

(i) an unlimited number of common shares without nominal or par value;

(ii) an unlimited number of Class I preferred shares without nominal or par value, issuable in series; and

(iii) an unlimited number of Class II preferred shares without nominal or par value, issuable in series.

The Directors have the authority to issue the Class I and Class II preferred shares in series and fix the designation, rights, privileges and conditions to be attached to each series, except that the Class I shares shall be entitled to preference over the Class II shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

b) The number of common shares issued and outstanding are as follows:

	Number of Shares	Amount (millions)
Balance, December 31, 2011	60,071,698	$ 485.4
Stock options exercised	84,250	1.7
Balance, September 30, 2012	**60,155,948**	**$ 487.1**

c) The continuity of contributed surplus is as follows:

(millions)	
Balance, December 31, 2011	$ 15.7
Stock-based compensation expense	1.5
Exercise of options	(0.3)
Balance, September 30, 2012	**$ 16.9**

d) Dividends paid or declared are as follows:

	Quarter ended September 30	
	2012	2011
Dividends paid (millions)	**$ 21.1**	$ 18.0
Dividends paid per share	**$ 0.35**	$ 0.30
Quarterly dividend per share declared on October 30, 2012 (November 3, 2011)	**$ 0.35**	$ 0.30

11. STOCK BASED COMPENSATION

Stock Options

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

	Number of Options		**Weighted Average Exercise Price**	
	September 30 2012	December 31 2011	**September 30 2012**	December 31 2011
Balance, beginning of period	**2,857,939**	2,684,662	**$ 25.44**	$ 25.08
Granted	**382,189**	307,127	**26.18**	25.70
Exercised	**(84,250)**	(93,525)	**15.91**	15.19
Expired or forfeited	**(51,150)**	(40,325)	**28.83**	27.07
Balance, end of the period	**3,104,728**	2,857,939	**$ 25.74**	$ 25.44
Exercisable	**2,378,992**	2,169,719	**$ 26.16**	$ 26.23

The outstanding options have an exercise price range as follows:

(number of options)	**September 30 2012**	December 31 2011
$ 25.75 - $ 33.81	**2,211,565**	1,892,126
$ 15.86 - $ 25.74	**771,613**	808,913
$ 9.16 - $ 15.85	**84,550**	109,300
$ 5.20 - $ 9.15	**37,000**	47,600
Options outstanding	**3,104,728**	2,857,939

The Black-Scholes option-pricing model assumptions used to compute compensation expense under the fair value-based method were as follows:

	September 30 2012	December 31 2011
Dividend yield	**5%**	5%
Expected volatility	**41%**	41%
Expected life	**5 yrs**	5 yrs
Risk free rate of return	**3.5%**	4%
Weighted average fair value of options granted	**$ 6.78**	$ 6.83

The expected volatility is based on historical volatility over the last five years.

Deferred Share Units (DSU)

At September 30, 2012, there were 86,860 DSUs outstanding (December 31, 2011: 84,470). The liability and fair value of DSUs was $2.4 million at September 30, 2012 (December 31, 2011: $1.9 million). During the quarter ended September 30, 2012, 12,463 (2011: nil) DSUs were redeemed. Dividends declared on common shares accrue to the units in the DSU plan in the form of additional DSUs.

Restricted Share Units (RSU)

At September 30, 2012, there were 68,720 RSUs issued and outstanding (December 31, 2011: 240,738). During the quarters ended September 30, 2012 and 2011, no RSUs matured or were paid. During the nine months ended September 30, 2012, 228,991 (2011: nil) RSUs matured and were paid. The RSU liability at September 30, 2012 was $1.2 million (December 31, 2011: $5.3 million). The fair value of RSUs was $1.9 million at September 30, 2012 (December 31, 2011: $5.4 million). Dividends declared on common shares accrue to the units in the RSU plan in the form of additional RSUs.

12. EARNINGS PER SHARE

The following table provides the numerator and denominator used to compute basic and diluted earnings per share:

(millions)	Quarters ended September 30 **2012**	Quarters ended September 30 2011	Nine months ended September 30 **2012**	Nine months ended September 30 2011
Net earnings used in calculation of basic earnings per share	**$ 22.5**	$ 25.7	**$ 78.4**	$ 89.8
Interest and accretion expense, net of income taxes	**-**	2.7	**8.2**	8.0
Net earnings used in calculation of diluted earnings per share	**$ 22.5**	$ 28.4	**$ 86.6**	$ 97.8

(number of shares)	Quarters ended September 30 2012	2011	Nine months ended September 30 2012	2011
Weighted average shares outstanding	**60,139,308**	60,062,831	**60,110,769**	60,035,321
Dilution impact of stock options	**52,153**	167,655	**67,165**	130,837
Dilution impact of convertible debentures	**-**	6,796,117	**6,796,117**	6,796,117
Diluted weighted average shares outstanding	**60,191,461**	67,026,603	**66,974,051**	66,962,275

In determining the diluted weighted average shares outstanding for the quarter ended September 30, 2012, 6,796,117 shares related to convertible debenture have been excluded because the effect was anti-dilutive. Interest and accretion related to convertible debentures for the quarter ended September 30, 2012, have been excluded from net earnings used in the calculation of diluted earnings per share.

13. EXPENSES

Details of expense items on the condensed consolidated statements of earnings are as follows:

(millions)	Quarters ended September 30 2012	2011	Nine months ended September 30 2012	2011
Employee Expenses				
Wages and salaries	**$ 43.7**	$ 42.2	**$ 135.1**	$ 128.8
Other employee related costs	**7.2**	7.4	**24.6**	23.8
	$ 50.9	$ 49.6	**$ 159.7**	$ 152.6
Other Operating Expenses				
Plant and other expenses	**$ 13.9**	$ 14.6	**$ 42.6**	$ 45.3
Delivery expenses	**12.4**	11.7	**38.6**	33.4
Repairs and maintenance	**2.4**	2.4	**7.4**	6.9
Selling expenses	**1.6**	2.0	**5.1**	6.0
Professional fees	**1.7**	1.5	**4.5**	4.1
Losses on sale of property, plant and equipment	**-**	0.1	**-**	-
Foreign exchange (gain) loss	**(0.1)**	0.6	**(0.2)**	-
	$ 31.9	$ 32.9	**$ 98.0**	$ 95.7

14. FINANCE EXPENSE

Finance expense (income) is comprised of the following:

(millions)	Quarters ended September 30 2012	2011	Nine months ended September 30 2012	2011
Interest at 6.0% on Senior Notes	**$ 4.6**	$ -	**$ 8.3**	$ -
Interest at 7.75% on convertible debentures	**4.3**	4.2	**12.8**	12.5
Interest at 6.375% on U.S. Senior Notes	**-**	2.4	**3.8**	8.0
Other interest expense	**0.1**	0.1	**0.2**	0.2
Interest expense	**9.0**	6.7	**25.1**	20.7
Interest income	**(0.5)**	(0.4)	**(1.5)**	(1.5)
Other finance expense	**-**	0.4	**4.8**	1.7
Finance expense, net	**$ 8.5**	$ 6.7	**$ 28.4**	$ 20.9

Interest expense on long-term debt is composed of the interest calculated on the face value of long-term debt, amortization of issue costs and accretion of the carrying value of the long-term debt. Long-term debt interest expense is charged to earnings using the effective interest method. Accretion and issue cost amortization for the quarter ended September 30, 2012 was $1.0 million (2011: $1.0 million) and for the nine months ended September 30, 2012 was $3.1 million (2011: $2.9 million).

Other finance expense includes the write-off of $4.4 million of deferred charges and hedging costs relating to the redemption of the U.S. Senior Notes in the second quarter of 2012 (Note 8).

15. INCOME TAXES

The consolidated effective tax rates for the quarters ended September 30, 2012 and 2011 were 29.2% and 32.7% respectively and for the nine months ended September 30, 2012 and 2011 were 29.6% and 31.0% respectively.

16. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(millions)	**September 30 2012**	December 31 2011
Provisions - decommissioning liabilities	**$ 5.1**	$ 5.4
Other non-current liabilities - deferred compensation and employee incentives	**$ 3.6**	$ 1.9

Deferred compensation includes the RSU and the DSU liabilities.

17. SEGMENTED INFORMATION

For the purpose of segment reporting, operating segments were identified as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Accordingly, the Company conducts business in Canada and the U.S. in three business segments:

i) Metals service centers

The Company's network of metals service centers provides processing and distribution services on a broad line of metal products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel and aluminium. The Company services all major geographic regions of Canada and certain regions in the Southeastern and Midwestern regions in the United States.

ii) Energy tubular products

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

iii) Steel distributors

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

The Company has segmented its operations on the basis of management reporting and geographic segments in which it operates. For the quarter ended September 30, 2012, the inter-segment sales from steel distributors to metals service centers were $10.7 million (2011: $13.2 million) and for the nine months ended September 30, 2012 were $34.9 million (2011: $31.7 million). These sales, which are at market rates, are eliminated in the following table.

a) Results by business segment:

(millions)	Quarters ended September 30 2012	2011	Nine Months ended September 30 2012	2011
Segment Revenues				
Metals service centers	**$ 382.3**	$ 390.4	**$ 1,242.6**	$ 1,142.1
Energy tubular products	**249.3**	223.3	**715.8**	592.7
Steel distributors	**78.4**	89.5	**269.8**	241.9
	710.0	703.2	**2,228.2**	1,976.7
Other	**2.6**	2.2	**6.0**	5.0
	$ 712.6	$ 705.4	**$ 2,234.2**	$ 1,981.7
Segment Operating Profits				
Metals service centers	**$ 22.5**	$ 24.2	**$ 85.2**	$ 93.9
Energy tubular products	**15.8**	15.1	**45.2**	43.5
Steel distributors	**5.9**	8.1	**23.7**	27.3
	44.2	47.4	**154.1**	164.7
Corporate expenses	**(4.8)**	(3.1)	**(15.7)**	(13.6)
Other	**0.9**	0.6	**1.4**	0.1
Earnings before finance expense and provision for income taxes	**40.3**	44.9	**139.8**	151.2
Finance expense, net	**(8.5)**	(6.7)	**(28.4)**	(20.9)
Provision for income taxes	**(9.3)**	(12.5)	**(33.0)**	(40.5)
Net earnings	**$ 22.5**	$ 25.7	**$ 78.4**	$ 89.8

(millions)	Quarters ended September 30 2012	2011	Nine Months ended September 30 2012	2011
Capital Expenditures				
Metals service centers	**$ 4.9**	$ 2.8	**$ 12.0**	$ 11.9
Energy tubular products	**0.7**	0.1	**11.8**	0.6
Steel distributors	**0.1**	0.3	**2.5**	0.3
Other	**-**	0.1	**0.1**	0.1
	$ 5.7	$ 3.3	**$ 26.4**	$ 12.9
Depreciation Expense				
Metals service centers	**$ 5.2**	$ 4.7	**$ 15.0**	$ 14.3
Energy tubular products	**0.4**	0.4	**1.2**	1.2
Steel distributors	**-**	0.1	**0.1**	0.3
Other	**0.3**	0.2	**0.8**	0.7
	$ 5.9	$ 5.4	**$ 17.1**	$ 16.5

(millions)	**September 30 2012**	December 31 2011
Current Identifiable Assets		
Metals service centers	**$ 497.8**	$ 462.5
Energy tubular products	**515.9**	448.9
Steel distributors	**123.6**	120.3
	1,137.3	1,031.7
Non-Current Identifiable Assets		
Metals service centers	**241.9**	201.3
Energy tubular products	**17.2**	6.6
Steel distributors	**3.2**	1.0
Identifiable assets by segments	**1,399.6**	1,240.6
Assets not included in segments		
Cash and cash equivalents	**247.1**	270.7
Income tax assets	**12.6**	5.8
Other assets	**2.8**	3.3
Corporate and other operating assets	**17.4**	18.0
Total assets	**$ 1,679.5**	$ 1,538.4
Liabilities		
Metals service centers	**$ 188.7**	$ 199.2
Energy tubular products	**137.2**	136.0
Steel distributors	**4.7**	8.5
Liabilities by segments	**330.6**	343.7
Liabilities not included in segments		
Income taxes payable and deferred income tax liabilities	**2.6**	17.8
Long-term debt	**452.7**	297.8
Pensions and benefits	**44.3**	33.3
Corporate and other liabilities	**29.0**	26.4
Total liabilities	**$ 859.2**	$ 719.0

b) *Results by geographic segment:*

(millions)	Quarters ended September 30 **2012**	2011	Nine months ended September 30 **2012**	2011
Segment Revenues				
Canada	**$ 468.5**	$ 497.0	**$ 1,470.9**	$ 1,382.0
United States	**241.5**	206.2	**757.3**	594.7
	$ 710.0	$ 703.2	**$ 2,228.2**	$ 1,976.7
Segment Operating Profits				
Canada	**$ 32.3**	$ 34.9	**$ 110.4**	$ 117.8
United States	**11.9**	12.5	**43.7**	46.9
	$ 44.2	$ 47.4	**$ 154.1**	$ 164.7

(millions)	**September 30 2012**	December 31 2011
Identifiable Assets		
Canada	**$ 995.4**	$ 904.8
United States	**404.2**	335.8
	$ 1,399.6	$ 1,240.6

18. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities

Financial assets and liabilities are as follows:

September 30, 2012 *(millions)*	**Loans and Receivables**	**Other Financial Liabilities**	**Total**
Cash and cash equivalents	**$ 247.1**	**$ -**	**$ 247.1**
Accounts receivable	**410.3**	**-**	**410.3**
Other assets	**0.5**	**-**	**0.5**
Accounts payable and accrued liabilities	**-**	**(350.9)**	**(350.9)**
Current portion of long-term debt	**-**	**(1.3)**	**(1.3)**
Long-term debt	**-**	**(451.4)**	**(451.4)**
Total	**$ 657.9**	**$ (803.6)**	**$ (145.7)**

December 31, 2011 *(millions)*	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ 270.7	$ -	$ 270.7
Accounts receivable	382.4	-	382.4
Other assets	0.8	-	0.8
Accounts payable and accrued liabilities	-	(362.8)	(362.8)
Current portion long-term debt	-	(1.3)	(1.3)
Long-term debt	-	(296.5)	(296.5)
Total	$ 653.9	$ (660.6)	$ (6.7)

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

	Quarters ended September 30			
	2012		2011	
(millions)	**Fair Value Gain(Loss) Through Earnings**	**Fair Value Gain(Loss) Through AOCI**	Fair Value Gain(Loss) Through Earnings	Fair Value Gain(Loss) Through AOCI
Embedded derivatives	**$ (0.2)**	**$ -**	$ 1.0	$ -
Forward contracts	**-**	**-**	-	-
Hedging instruments				
Cross currency interest rate swaps - cash flow hedges	**-**	**-**	0.3	-
US Senior notes - net investment hedges	**-**	**-**	-	(9.4)

	Nine months ended September 30			
	2012		2011	
(millions)	**Fair Value Gain(Loss) Through Earnings**	**Fair Value Gain(Loss) Through AOCI**	Fair Value Gain(Loss) Through Earnings	Fair Value Gain(Loss) Through AOCI
Embedded derivatives	**$ (0.8)**	**$ -**	$ 1.0	$ -
Forward contracts	**0.1**	**-**	(0.3)	-
Hedging instruments				
Cross currency interest rate swaps - cash flow hedges	**2.3**	**-**	0.9	-
US Senior notes - net investment hedges	**-**	**(0.9)**	-	(5.1)

b) Fair Value

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments. The fair value of long-term debt and related derivative instruments is set forth below.

Debt and Related Derivative Instruments

Carrying Amounts

Amounts recorded in the condensed consolidated statements of financial position are referred to as carrying amounts. The carrying amounts of primary debt are reflected in Long-term debt and Current portion long-term debt.

Fair Value

The Company records its debt at amortized cost using the effective interest method. The fair value of long-term debt as at September 30, 2012 and December 31, 2011 was estimated based on the last quoted trade price, where it exists, or based on current rates available to the Company for similar debt with the same period to maturity.

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

September 30, 2012	**Primary Debt Instruments**	
(millions)	**Carrying amount**	**Fair value**
6.0% $300 million Senior Notes due April 19, 2022	**$ 293.2**	**$ 317.2**
7.75% $175 million convertible debentures due September 30, 2016	**156.9**	**212.6**
Finance lease obligations	**2.6**	**2.6**
Total	**$ 452.7**	**$ 532.4**
Current portion	**$ 1.3**	
Long-term portion	**$ 451.4**	

December 31, 2011	Primary Debt Instruments	
(millions)	Carrying amount	Fair value
7.75% $175 million convertible debentures due September 30, 2016	$ 154.3	$ 195.1
6.375% US$138.9 million Senior Notes due March 1, 2014	139.8	141.6
Finance lease obligations	3.7	3.7
Total	$ 297.8	$ 340.4
Current portion	$ 1.3	
Long-term portion	$ 296.5	

c) *Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposure to customers including accounts receivables.

The Company attempts to minimize credit exposure as follows:

- Cash investments are placed with high-quality financial institutions, with limited exposure to any one institution. At September 30, 2012, nearly all cash and cash equivalents held were issued by institutions that were rated R1 High by DBRS;
- Counterparties to derivative contracts are members of the syndicated credit facility (Note 7);
- Credit limits minimize exposure to any one customer; and
- The customer base is geographically diverse and in different industries.

In order to minimize the risk of uncollectability of trade receivables, the Company performs regular credit reviews of all customers with significant credit limits. Provisions for and write-offs of trade receivables are done on a case by case basis taking into account a customer's past credit history as well as its current ability to pay. No allowance for credit losses on financial assets was required as of September 30, 2012 and December 31 2011, other than the allowance for doubtful accounts. As at September 30, 2012, trade accounts receivable greater than 90 days represented less than 5% of trade accounts receivable (December 31, 2011: 3%).

d) *Interest rate risk*

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market rates of interest. The Company is not exposed to significant interest rate risk. The Company's long-term debt is at fixed interest rates. The Company's short term bank borrowings, net of cash and cash equivalents used to finance working capital, are at floating interest rates.

e) *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company uses foreign exchange contracts with maturities of less than one year to manage foreign exchange risk on certain future committed cash outflows. As at September 30, 2012, the Company had outstanding forward foreign exchange contracts in the amounts of US$40.4 million, maturing in 2012 and 2013 (December 31, 2011: US$27.5 million). A 1% change in foreign exchange rates would not result in a significant increase or decrease in accounts payable or net earnings.

f) *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations when due. Liquidity adequacy is assessed in view of seasonal needs, growth requirements, capital expenditures, and the maturity profile of indebtedness. A centralized treasury function ensures that the Company maintains funding flexibility by assessing future cash flow expectations and by maintaining its committed borrowing facilities. Cash, which is surplus to working capital requirements, is managed by the centralized treasury function and is invested in money market instruments or bank deposits, with durations ranging from current to sixty days.

As at September 30, 2012, the Company was contractually obligated to make payments under its financial liabilities that come due during the following periods:

(millions)	Long-Term Debt Maturities	Long-Term Debt Interest	Operating Lease Obligations	Total
2012	$ -	$ 8.0	$ 3.2	$ 11.2
2013	-	31.7	9.6	41.3
2014	-	31.7	6.8	38.5
2015	-	31.6	3.7	35.3
2016	175.0	28.2	3.0	206.2
2017 and beyond	300.0	95.3	6.1	401.4
Total	$ 475.0	$ 226.5	$ 32.4	$ 733.9

As at September 30, 2012, the Company was contractually obligated to make payments under finance leases as follows:

(millions)

2012	$	0.4
2013		1.5
2014		0.6
2015		0.3
2016		0.1
Total minimum lease payments		2.9
Interest at rates varying between 1.2% and 14.9%		(0.3)
Net minimum lease payments		2.6
Less: current portion		(1.3)
Long-term portion	$	1.3

At September 30, 2012, the Company was contractually obligated to repay its letters of credit under both its bank facilities at maturity (Note 7).

g) Capital management

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

19. CONTINGENCIES, COMMITMENTS AND GUARANTEES

a) Lawsuits and legal claims

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

The Company has also entered into other agreements that provide indemnifications to counterparties in certain transactions including underwriting agreements. These indemnifications generally require the Company to indemnify the counterparties for costs incurred as a result of losses from litigation that may be suffered by counterparties arising from those transactions except in the case of gross negligence by the counterparties. The Company does not expect to make any payments on these indemnifications and, accordingly, no liability has been accrued.

b) Decommissioning liability

The Company is incurring site cleanup and restoration costs related to properties not utilized in current operations. Remedial actions are currently underway at three sites. Decommissioning liabilities have been estimated using discounted cash flow valuation techniques for cleanup costs based on management's best estimates of the amounts required to settle the liabilities.

The Company has asset retirement obligations relating to the land lease for its Thunder Bay Terminal operations whose lease term expires in 2031. The landlord has the option to retain the equipment or to require the Company to remove it. In addition, the Company has end-of-lease obligations in certain service center operations.

c) Business combinations and investments

The Company may have an obligation to pay additional consideration up to US$4.5 million for its Norton acquisition, based upon achievement of performance measures during the five calendar years ending on December 31, 2013 as agreed to at the time of purchase. The Company did not accrue an additional obligation during the quarters ended September 30, 2012 and 2011. The Company did not accrue an additional obligation during the nine months ended September 30, 2012 (2011: $1.3 million). At September 30, 2012, the accrued contingent obligation was $1.0 million (December 31, 2011: $1.6 million).

20. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Quarters ended September 30		Nine months ended September 30	
(millions)	**2012**	2011	**2012**	2011
Income tax on unrealized gains (losses) on items designated as net investment hedges	**$ -**	$ 1.5	**$ 0.1**	$ 1.0
Income tax on losses on derivatives designated as cash flow hedges transferred to net earnings in the current period	**-**	(0.2)	**(1.1)**	(0.4)
Income tax on actuarial losses on pension and similar obligations	**2.1**	-	**3.5**	-
	$ 2.1	$ 1.3	**$ 2.5**	$ 0.6

21. SUBSEQUENT EVENT

On October 24, 2012, the Company signed a share purchase agreement to acquire Apex Distribution Inc. and related companies, a leading Canadian oilfield supply company servicing the energy segment primarily in Alberta and Saskatchewan. The cash consideration on closing will be approximately $225 million. This purchase price will be financed by cash on hand and the Company's credit facility. The purchase price also includes a five year earnout based on earnings before interest and taxes and return on net assets. The acquisition is expected to close in the fourth quarter of 2012.