Russel Metals

Q2

June 30, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

August 12, 2014

B. R. Hedges
President and
Chief Executive Officer

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

RUSSEL METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2014

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) of Russel Metals Inc. and its subsidiaries provides information to assist readers of, and should be read in conjunction with, the condensed consolidated financial statements for the six months ended June 30, 2014 including the notes thereto, and the MD&A and the audited consolidated financial statements for the year ended December 31, 2013, 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 in this MD&A are as of August 12, 2014.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements or information within the meaning of applicable securities laws, including statements as to our future capital expenditures, our outlook, the availability of future financing and our ability to pay dividends. Forward-looking statements relate to future events or our future performance. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us, inherently involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including the factors described below.

We are subject to a number of risks and uncertainties which could have a material adverse effect on our future profitability and financial position, including the risks and uncertainties listed below, which are important factors in our business and the metals distribution industry. Such risks and uncertainties include, but are not limited to: the current economic climate; volatility in metal prices; volatility in oil and natural gas prices; cyclicality of the metals industry and the industries that purchase our products; lack of credit availability that may limit the ability of our customers to obtain credit or expand their businesses; significant competition that could reduce our market share; the interruption in sources of metals supply; the integration of future acquisitions, including successfully adapting to a public company control environment and retaining key acquisition management personnel; failure to renegotiate any of our collective agreements and work stoppages; disruption in our customer or suppliers' operations due to labour disruptions or the existence of events or circumstances that cause a force majeure; environmental liabilities; environmental concerns or changes in government regulations in general, and those related to oil sands production, shale fracking or oil distribution in particular; changes in government regulations relating to workplace safety and worker health; currency exchange risk, particularly between the Canadian and U.S. dollar; the failure of our key computer-based systems, including our enterprise resource and planning systems; the failure to implement new technologies; the loss of key individuals; the inability to access affordable financing, capital or insurance; interest rate risk; dilution; and change of control.

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

NON-GAAP MEASURES

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

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

OVERVIEW

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

Our basic earnings per share was $0.50 for the quarter ended June 30, 2014 compared to $0.33 for the same quarter of 2013.

Our earnings increase was driven by an increase in revenues in our metals service centers segment of 11%, in our energy products segment of 17% and in our steel distributors segment of 63% in the second quarter of 2014 compared to the second quarter of 2013. This increase is a result of a combination of higher volumes and higher selling prices as the price of steel was higher in the second quarter of 2014 than the second quarter of 2013.

For the six months ended June 30, 2014, our basic earnings per share was $0.97 compared to $0.69 for the same period in 2013. This increase was a result of higher volumes and steel prices compared to 2013.

RESULTS OF OPERATIONS

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

	Quarters Ended June 30			Six Months Ended June 30		
(millions, except percentages)	**2014**	2013	change as a % of 2013	**2014**	2013	change as a % of 2013
Segment Revenues						
Metals service centers	**$ 419.4**	$ 377.8	11.0%	**$ 810.9**	$ 736.8	10.1%
Energy products	**365.7**	312.9	16.9%	**810.8**	702.1	15.5%
Steel distributors	**106.3**	65.1	63.3%	**193.6**	138.7	39.6%
Other	**1.9**	2.3		**2.0**	2.3	
	$ 893.3	$ 758.1	17.8%	**$ 1,817.3**	$ 1,579.9	15.0%
Segment Operating Profits						
Metals service centers	**$ 25.4**	$ 20.5	23.9%	**$ 46.6**	$ 38.5	21.0%
Energy products	**27.1**	17.0	59.4%	**59.8**	41.5	44.1%
Steel distributors	**8.6**	5.0	72.0%	**14.9**	9.8	52.0%
Corporate expenses	**(5.2)**	(2.8)	(85.7%)	**(10.4)**	(7.1)	(46.5%)
Other	**0.5**	0.5		**(1.0)**	(1.0)	
Operating profits	**$ 56.4**	$ 40.2	40.3%	**$ 109.9**	$ 81.7	34.5%
Segment Gross Margin as a % of Revenues						
Metals service centers	**20.9%**	20.4%		**21.3%**	20.6%	
Energy products	**18.6%**	15.9%		**17.7%**	15.6%	
Steel distributors	**13.7%**	13.2%		**13.5%**	12.9%	
Total operations	**19.3%**	18.1%		**19.0%**	17.8%	
Segment Operating Profits as a % of Revenues						
Metals service centers	**6.1%**	5.4%		**5.7%**	5.2%	
Energy products	**7.4%**	5.4%		**7.4%**	5.9%	
Steel distributors	**8.1%**	7.7%		**7.7%**	7.1%	
Total operations	**6.3%**	5.3%		**6.0%**	5.2%	

METALS SERVICE CENTERS

a) *Description of operations*

We provide processing and distribution services to a broad base of approximately 39,000 end users through a network of 53 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.

b) *Factors affecting results*

The following is a general discussion of the significant factors affecting the results of our metals service centers. More specific information on how these factors impacted the second quarter of 2014 and 2013 is found in the sections that follow.

Steel prices fluctuate significantly throughout the steel cycle. Steel prices are influenced by overall demand, trade sanctions, iron ore prices, scrap steel prices and product availability. Steel prices have increased during the first half of 2014. 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 22,000 Canadian customers mean that our results tend to mirror the performance of the regional economies of Canada. Our U.S. operations, which have approximately 17,000 customers, are impacted by the local economic conditions in the regions that they serve.

The decline of the Canadian dollar in the first half of 2014 versus the same period in 2013 increased revenues and profits for our U.S. operations translated to Canadian dollars. Revenues and profits of our U.S. operations reported for the six months ended June 30, 2014 were converted at $1.0970 per US$1 compared to $1.0161 per US$1 for the same period of 2013. The exchange rate at June 30, 2014 used to translate the balance sheet was $1.0676 per US$1 versus $1.0636 per US$1 at December 31, 2013.

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.

c) *Metals service centers segment results -- Three Months Ended June 30, 2014 Compared to June 30, 2013*

Revenues for the three months ended June 30, 2014, increased 11% to $419 million compared to the same period in 2013. Tons shipped in the metals service centers segment in the second quarter of 2014 were approximately 4% higher than the second quarter of 2013 and 5% higher than the first quarter of 2014. The average selling price of metal for the three months ended June 30, 2014 was approximately 7% higher than the average selling price for the three months ended June 30, 2013 and 2% higher than the first quarter of 2014. Consistent with the 2014 first quarter, the increase in tons shipped was primarily generated by higher volumes in the Alberta region and at our U.S. operations. In both our results and MSCI industry statistics the U.S. market was stronger than the Canadian market. Based on the MSCI data, our growth exceeded the industry.

Gross margin dollars for the second quarter of 2014 were $11 million higher than the second quarter of 2013 due to both stronger volumes and higher selling prices. Gross margin as a percentage of revenues increased to 20.9% for the three months ended June 30, 2014 compared to 20.4% in the second quarter of 2013 but decreased from 21.7% in the 2014 first quarter.

Operating expenses in the second quarter of 2014 were higher by $6 million or 11% than in the second quarter of 2013, mainly related to the increase in activity in the 2014 second quarter, the increase in foreign exchange on U.S. metals service centers and costs of $1.9 million related to our analysis of a potential new ERP system.

Metals service centers operating profit for the three months ended June 30, 2014 of $25 million compares to $21 million for the same period in 2013 and reflects the improved market conditions.

d) Metals service centers segment results -- Six Months Ended June 30, 2014 Compared to June 30, 2013

Revenues for the six months ended June 30, 2014 were $811 million compared to $737 million for the same period in 2013. Tons shipped in the metals service centers segment in the six months ended June 30, 2014 were approximately 5% higher than the same period in 2013. The average selling price of metal for the six months ended June 30, 2014 was approximately 4% higher than the selling price for the six months ended June 30, 2013.

Gross margin as a percentage of revenues was 21.3% for the six months ended June 30, 2014 compared to 20.6% for the same period in 2013 mainly due to increased steel prices.

Operating expenses for the six months ended June 30, 2014 increased 11% compared to the same period in 2013, mainly related to increased activity, higher variable compensation, the increase in foreign exchange on U.S. metals service centers and the ERP system analysis carried out during the first half of 2014.

Metals service centers operating profit for the six months ended June 30, 2014 increased to $47 million compared to $39 million for the same period in 2013 a result of higher steel prices and volumes.

ENERGY 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. A significant portion of our business units are clustered in Alberta in Canada, and in the U.S., in Colorado and Texas. A large portion of our inventories are located in third party yards ready for distribution to customers throughout North America. In addition, we operate from 59 Canadian and 18 U.S. facilities mainly to support our valve and fitting operations. The majority of these facilities are oil field stores which form the Apex Distribution network. We purchase our products from the pipe division of North American steel mills, independent manufacturers of pipe, valve and fittings, international steel mills and other distributors. Our energy products segment operates under the names Apex Distribution, Apex Monarch, Apex Remington, 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 the operations in our energy products segment. More specific information on how these factors impacted the second quarter of 2014 and 2013 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 prices of oil and gas strengthened in 2014 resulting in stronger 2014 rig activity in the first and second quarter. Activity in Western Canada is dependent on Canadian oil prices which are below U.S. oil prices due to additional refining requirements and a shortage of pipeline capacity. Fracking technology, applied to horizontal drilling, enables producers to economically drill in the oil and gas-rich shale fields and remains the focus of our OCTG 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 Chinese pipe, which remain in effect and reduce imports of these products. The U.S. government has reviewed pipe from a number of countries and in July 2014 announced additional duties. Prices of valves and fittings are not as sensitive to steel price fluctuations because they are highly engineered value-added products.

Our Canadian operations can be affected by the U.S. dollar exchange rate since some products are sourced outside of Canada and are priced in U.S. dollars. Movement in the Canadian dollar 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 products segment results -- Three Months Ended June 30, 2014 Compared to June 30, 2013

Revenues in our energy products segment increased 17% to $366 million for the second quarter of 2014 compared to the same period in 2013 due to increased activity in the sector. Revenues from our Canadian operations servicing oil and gas drilling activity increased significantly compared to the second quarter of 2013 due to the increase in activity in the Alberta oil patch. Our other operations in this segment were also up a combined 4% on a same store basis.

Gross margin as a percentage of revenues for the three months ended June 30, 2014 was 18.6% compared to 15.9% for the same period in 2013 due to higher margins at most of our energy products operations. Margins improved due to increased revenues at our operations selling valves and fittings which have higher margins than our pipe operations.

Operating expenses increased 25% compared to the second quarter of 2013 due to increased activity, higher variable compensation, the increase in foreign exchange on our U.S. operations and the addition of Apex Monarch in December 2013.

This segment generated an operating profit of $27 million for the three months ended June 30, 2014, compared to $17 million for the same period in 2013. Operating profits were up due to the significant increase in activity in energy resulting in increased revenues.

d) Energy products segment results -- Six Months Ended June 30, 2014 Compared to June 30, 2013

Revenues increased 16% to $811 million for the six months ended June 30, 2014 compared to the same period in 2013. Revenues from our Canadian operations servicing oil and gas drilling activity increased 50% compared to 2013. Our other operations were also up a combined 2% on a same store basis.

Gross margin as a percentage of revenues for the six months ended June 30, 2014 was 17.7% compared to 15.6% for the same period in 2013 due to product mix.

Operating expenses increased 24% compared to 2013 due to increased activity, higher variable compensation, the increase in foreign exchange on our U.S. operations and the addition of Apex Monarch.

Operating profit was $60 million for the six months ended June 30, 2014 compared to $42 million for the same period in 2013.

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 second quarter of 2014 and 2013 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. Steel imports are affected both by mill capacity by product line in North America, as well as international supply and demand. In addition, these factors significantly affect product availability in North America. The increase in economic activity in the metals service center sector has led to increased activity at steel distributors.

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

Our Canadian operations source product outside of Canada that is priced in U.S. dollars and is therefore impacted by movement in the Canadian dollar.

c) Steel distributors segment results -- Three Months Ended June 30, 2014 Compared to June 30, 2013

Steel distributors, revenues increased 63% to $106 million for the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due to higher volumes and prices.

Gross margin as a percentage of revenues was 13.7% for the three months ended June 30, 2014 compared to 13.2% for the three months ended June 30, 2013. The increase related to stronger steel prices due to increased demand and more competitively priced off shore product offerings.

Operating expenses were $6 million in the second quarter of 2014 compared to $4 million in the 2013 second quarter due to higher variable compensation, the increase in foreign exchange on U.S. operations and increased volumes.

Operating profit for the three months ended June 30, 2014 was $9 million, compared to $5 million for the three months ended June 30, 2013 mainly reflecting higher volumes.

d) Steel distributors segment results -- Six Months Ended June 30, 2014 Compared to June 30, 2013

Revenues for the six months ended June 30, 2014 increased 40% to $194 million compared to the six months ended June 30, 2013 due to stronger demand in both Canada and the U.S.

Gross margin as a percentage of revenues increased to 13.5% for the six months ended June 30, 2014 compared to 12.9% for the same period in 2013.

Operating expenses were $11 million for the six months ended June 30, 2014 compared to $8 million for the same period in 2013 mainly related to higher variable compensation, the increase in foreign exchange on U.S. operations and increased volumes.

Operating profit for the six months ended June 30, 2014 was $15 million compared to $10 million for the six months ended June 30, 2013 a result of increased demand.

Corporate Expenses -- Three and Six Months Ended June 30, 2014 Compared to June 30, 2013

Corporate expenses were $5 million for the three months ended June 30, 2014 compared to $3 million in 2013. For the six months ended June 30, 2014 corporate expenses of $10 million were higher than the $7 million for the six months ended June 30, 2013. Corporate expenses for the first half were higher mainly due to higher variable compensation related to stronger earnings and an increase in stock-based compensation as a result of share price increases.

Consolidated Results -- Three and Six Months Ended June 30, 2014 Compared to June 30, 2013

Operating profits were $56 million for the three months ended June 30, 2014 compared to $40 million for the three months ended June 30, 2013. Operating profits for the six months ended June 30, 2014 were $110 million compared to $82 million for the same period in 2013.

INTEREST EXPENSE AND INCOME

Net interest expense was $9 million for the three months ended June 30, 2014 and June 30, 2013. Net interest expense was $18 million for the six months ended June 30, 2014 and 2013.

OTHER FINANCE EXPENSE

Other finance expense was $3 million for the three months ended June 30, 2014 and $5 million for the six months ended June 30, 2014. Other finance expense relates to the fair value of the contingent consideration associated with the Apex Distribution and Apex Monarch acquisitions. The fair value adjustment in the first half of 2014 and 2013 related to imputed interest on the expected future contingent consideration payments of $3 million and an increase in the expected future payments related to stronger results recorded in the 2014 second quarter of $2 million. The change in the total expected future payments related to the Apex Distribution and Apex Monarch acquisitions was due to the strong operating results of those operations in the first half of 2014.

INCOME TAXES

We recorded a provision for income taxes of $14 million for the second quarter of 2014 compared to $10 million for the second quarter of 2013. Our effective income tax rate for the three months ended June 30, 2014 was 31.2% and for the six months ended June 30, 2014 was 31.6%. Our effective income tax rate for the three months ended June 30, 2013 was 32.5% and for the six months ended June 30, 2013 was 31.4%.

NET EARNINGS

Net earnings for the second quarter of 2014 were $31 million compared to $20 million in the second quarter of 2013. Basic earnings per share for the second quarter of 2014 was $0.50 per share compared to $0.33 per share for the second quarter of 2013. Basic earnings per share for the six months ended June 30, 2014 was $0.97 per share compared to $0.69 for the same period last year.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for second quarter of 2014 was 61,159,759 compared to 60,844,045 for the second quarter of 2013. The weighted average number of common shares outstanding for the six months ended June 30, 2014 was 61,063,797 compared to 60,668,215 for the six months ended June 30, 2013. As at June 30, 2014 and August 12, 2014, we had 61,414,260 common shares outstanding. The number of common shares outstanding increased as a result of options exercised in 2013 and 2014.

We paid common share dividends of $22 million or $0.35 per share in the second quarter of 2014 as compared to $21 million or $0.35 per share in the second quarter of 2013. On August 12, 2014 the Board of Directors approved a quarterly dividend for the 2014 third quarter of $0.38.

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.

We have $300 million of 6.0% Senior Notes due April 19, 2022. The indenture for our Senior Notes treats quarterly dividends above $0.35 per share as restricted payments. We currently have a basket of approximately $211 million available for restricted payments, which is adjusted for 50% of our net earnings or losses on a quarterly basis. This basket is available for increased dividend payments.

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. In addition, we believe we would be able to finance our short-term cash requirements with alternate financing structures and pay the dividend.

EBITDA

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

(millions)	Quarters Ended June 30		Six Months Ended June 30	
	2014	2013	**2014**	2013
Net earnings for the period	**$ 30.5**	$ 19.9	**$ 59.5**	$ 41.6
Provision for income taxes	**13.8**	9.6	**27.5**	19.1
Interest and finance expense, net	**12.1**	10.7	**22.9**	21.0
Adjusted earnings before interest, finance and income taxes	**56.4**	40.2	**109.9**	81.7
Depreciation and amortization	**8.6**	8.2	**17.2**	16.4
Adjusted earnings before interest, finance, income taxes, depreciation and amortization (adjusted EBITDA)	**$ 65.0**	$ 48.4	**$ 127.1**	$ 98.1

We believe that adjusted 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 adjusted EBITDA are significant in assessing our operating results and liquidity. Therefore, adjusted 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 $16 million for the six months ended June 30, 2014 compared to $14 million in the same period of 2013. Depreciation expense was $14 million for the six months ended June 30, 2014 and 2013. We expect capital expenditures to exceed depreciation in the short term due to the purchase of additional processing equipment, the relocation and expansion of service center locations and a planned upgrade of our computer systems.

LIQUIDITY

At June 30, 2014, we had cash of $52 million compared to $116 million at December 31, 2013.

We generated $85 million from operations in the six months ended June 30, 2014 and utilized $82 million in working capital to support our growth as well as $16 million for capital expenditures and $43 million for dividends to shareholders.

We experience significant swings in working capital to support revenue levels which impact cash flow. Our recent strong revenue growth has resulted in increased working capital requirements. 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 $1.9 billion at June 30, 2014 compared to $1.8 billion at December 31, 2013. At June 30, 2014, current assets excluding cash represented 75% of our total assets excluding cash, versus 73% at December 31, 2013.

Increases in inventory utilized cash of $94 million in the six months ended June 30, 2014. This inventory increase was a result of increased activity at our steel distributors and in our operations servicing oil drilling activity in Canada in support of increased activity for the next two quarters. Inventories represented 45% of our total assets at June 30, 2014 and 42% at December 31, 2013.

Inventory by Segment	**June 30 2014**	Mar. 31 2014	Dec. 31 2013	Sept. 30 2013	June 30 2013
Metals service centers	**$ 265**	$ 275	$ 259	$ 247	$ 255
Energy products	**455**	412	433	420	427
Steel distributors	**142**	86	74	67	88
Total operations	**$ 862**	$ 773	$ 766	$ 734	$ 770

	Quarters Ended				
Inventory Turns by Segment	**June 30 2014**	Mar. 31 2014	Dec. 31 2013	Sept. 30 2013	June 30 2013
Metals service centers	**5.0**	4.5	4.3	4.7	4.7
Energy products	**2.6**	3.6	3.0	2.9	2.5
Steel distributors	**2.6**	3.5	3.3	3.9	2.6
Total operations	**3.3**	3.9	3.5	3.6	3.2

At June 30, 2014, our metals service centers had lower inventory tons priced at higher values compared to December 31, 2013. Inventory turns improved mainly due to higher revenues.

Our energy products operations had inventory at the end of the second quarter of 2014 5% higher than December 31, 2013 due to inventory build relating to the anticipated higher level of activity in the Canadian oil patch in the last half of the year.

Our steel distributors segment had significantly higher inventory levels compared to December 31, 2013 as strong sales activity led to increased purchases to support higher revenues in the segment.

Accounts receivable utilized cash of $55 million in the six months ended June 30, 2014 due to increased revenues in the first half of 2014. Accounts receivable represented 27% of our total assets at June 30, 2014 compared to 25% of our total assets at December 31, 2013.

During the six months ended June 30, 2014, we made income tax payments of $21 million compared to payments of $18 million for the six months ended June 30, 2013.

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

	Quarters Ended June 30		Six Months Ended June 30	
(millions)	**2014**	2013	**2014**	2013
Cash from operating activities before non-cash working capital	**$ 42.0**	$ 31.4	**$ 84.8**	$ 63.8
Purchase of property, plant and equipment	**(10.6)**	(7.4)	**(15.5)**	(14.0)
	$ 31.4	$ 24.0	**$ 69.3**	$ 49.8

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)	**June 30 2014**	December 31 2013
Long-Term Debt		
6.0% $300 million Senior Notes due April 19, 2022	**$ 294**	$ 294
7.75% $175 million Convertible Debentures due September 30, 2016	**164**	161
Finance lease obligations, maturing 2014 to 2017	**2**	3
	460	458
Current portion	**(1)**	(1)
	$ 459	$ 457

Our Convertible Debentures have been split between debt and equity. The debt allocated to equity is accreted as a charge through interest expense over the life of the debentures. The amount allocated to equity represented the valuation of the holders' option to convert the Convertible Debentures into common shares. Based on current share prices we would expect the Convertible Debentures to be converted to equity at redemption or maturity which would result in 6,788,427 common shares being issued.

Cash and Bank Credit Facilities

As at June 30, 2014 (millions)	Russel Metals Facility	U.S. Subsidiary Facility	Total
Bank loans	$ (15)	$ -	$ (15)
Cash net of outstanding cheques	58	9	67
Net cash (borrowings)	43	9	52
Letters of credit	(65)	(25)	(90)
	$ (22)	$ (16)	$ (38)
Facilities			
Borrowings and letters of credit	$ 275	$ 21	$ 296
Letters of credit	50	-	50
Facilities availability	$ 325	$ 21	$ 346
Available line based on borrowing base	$ 325	$ 21	$ 346

We have a credit facility with a syndicate of Canadian and U.S. banks totaling $325 million which expires June 24, 2017. The syndicated facility consists of availability of $275 million under Tranche I to be utilized for borrowings and letters of credit, and $50 million under Tranche II to be utilized only for letters of credit. Letters of credit are issued under Tranche II first and additional needs are issued under Tranche I. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of our eligible accounts receivable and inventories, to a maximum of $325 million. As of June 30, 2014, we were entitled to borrow and issue letters of credit totaling $325 million under this facility. At June 30, 2014, we had borrowings of $15 million under this facility (December 31, 2013: $nil). At June 30, 2014 we had letters of credit outstanding of $65 million compared to $24 million at December 31, 2013.

The maximum borrowings net of cash on hand under our U.S. subsidiary facility, including letters of credit, are US$20 million. At June 30, 2014, our U.S. subsidiary had no borrowings under this facility and had letters of credit of US$23 million. At December 31, 2013, this subsidiary had no borrowings under this facility and had letters of credit of US$4 million.

As at June 30, 2014, the Company was in compliance with its financial covenants.

With our cash, cash equivalents and our bank facilities we have access to approximately $308 million of cash based on our June 30, 2014 balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases. These lines may be used to support increased working capital needs when volumes and steel prices increase.

CONTRACTUAL OBLIGATIONS

As at June 30, 2014, we were contractually obligated to make payments as per the following table:

Contractual Obligations	Payments due in				
(millions)	2014	2015 and 2016	2017 and 2018	2019 and thereafter	Total
Accounts payable	$ 445	$ -	$ -	$ -	$ 445
Debt	-	175	-	300	475
Long-term debt interest	16	63	36	64	179
Finance lease obligations	1	2	1	-	4
Operating leases	11	35	23	32	101
Total	$ 473	$ 275	$ 60	$ 396	$ 1,204

As part of the purchase consideration for Apex Distribution and Apex Monarch we agreed to pay additional cash consideration during the five years ending 2017 and 2018, respectively, based on earnings before interest and taxes and return on net assets. During the quarter ending March 31, 2014, we paid $4 million in satisfaction of the Apex Distribution obligation for 2013. The obligation was increased by $3 million in the second quarter of 2014 related to the change in fair value due to imputed interest and an increase in the expected payment. The fair value of the contingent consideration was $45 million at June 30, 2014. The amount is reviewed quarterly and adjusted through income for increases or decreases in the liability.

We have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 15 of our 2013 consolidated financial statements. During the six months ended June 30, 2014, we contributed $2 million to these plans. We expect to contribute approximately $7 million during the remainder of the year. The defined benefit obligations reported in the financial statements use different assumptions than the going concern actuarial valuations prepared for funding. In addition, the actuarial valuations provide a solvency valuation, which is a valuation assuming the plan is wound up at the valuation date. Our reported funding obligations would increase by $6 million on a solvency basis and thus additional funding could be required based on solvency if the plans were wound up. We estimate the impact of a change in the discount rate on the solvency obligation would be similar to that disclosed in Note 15 of our 2013 consolidated financial statements.

We have disclosed our obligations related to environmental litigation, 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.

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

Our most significant assets are accounts receivable and inventories.

Accounts Receivable

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of our customers to make required payments. Assessments are based on aging of receivables, legal issues (bankruptcy status), past collection experience, current financials 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 June 30, 2014 approximates our reserve at December 31, 2013. Bad debt expense for the six months ended June 30, 2014 as a percentage of revenue approximates that of 2013.

Inventories

We review our inventories to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. The inventory reserve level at June 30, 2014 approximated the level at December 31, 2013.

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.

Business Combinations

For each acquisition, we review the fair value of assets acquired. Where we deem it appropriate we hire outside business valuators to assist in the assessment of the fair value of property, plant, equipment and intangibles and contingent consideration of acquired businesses. The assessment of fair values for contingent consideration is completed quarterly and requires significant judgement.

Employee Benefit Plans

Our actuaries 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 interest rate, rate of compensation increase, rate of increase in government benefits and expected average remaining years of service of employees. While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect employee benefit obligations and future net benefit plan costs. We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance immediately in other comprehensive income.

We had approximately $100 million in plan assets for our defined benefit plans at June 30, 2014, an increase of $7 million over December 31, 2013. The discount rate used on the employee benefit plan obligation for the quarter ended June 30, 2014 was 4.25% which is 0.5% lower than the interest rate at December 31, 2013 resulting in an increase in our accrued benefit obligation of $10 million.

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 Executive Vice President and Chief Financial Officer have caused management and other employees to design and document our disclosure controls and procedures and our internal controls over financial reporting. The design and evaluation of internal controls was completed using the framework and criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

No changes were made in our disclosure controls and procedures or our internal controls over financial reporting during the second quarter of 2014 that have materially affected, or 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 has grown over the last decade.

We strive to deal with the cyclical nature of the business by operating with the lowest possible net assets throughout the course of a cycle. This intensive asset management reduces borrowings and therefore interest expense in declining periods in the economic cycle. This in turn creates higher, more stable returns on net assets over a cycle. Our conservative management approach creates relatively stronger trough earnings but could cause potential peak earnings to be somewhat muted. Management believes that this strategy will result in higher profits throughout a cycle and we 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. New acquisitions could be either major stand-alone operations or ones that complement our existing operations. We made acquisitions in both 2012 and 2013. We continue to review opportunities for acquisitions.

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

Our acquisitions in 2012 and 2013 increased our exposure to the Western Canadian oil and gas segment. We believe that this continues to be an area of growth long term; however, our exposure to the cyclicality of oil and gas pricing has increased. Management believes the acquisition of the oil field operations of Apex Distribution provides a more stable stream of revenues and earnings for the energy products segment. Our Annual Information Form includes a summary of risks related to our business.

OUTLOOK

Activity levels increased in the second quarter primarily in our energy products and steel distributor segments compared to 2013. The positive trends in steel prices and product demand are expected to continue into the second half of the year. We expect 2014 third quarter operating results to be stronger than the third quarter of 2013 as we capitalize on our investments in acquisitions and processing equipment over the last several years.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS *(UNAUDITED)*

(in millions of Canadian dollars, except per share data)	Quarters ended June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Revenues	**$ 893.3**	$ 758.1	**$ 1,817.3**	$ 1,579.9
Cost of materials (Note 3)	**721.1**	620.8	**1,472.8**	1,298.7
Employee expenses (Note 12)	**70.4**	58.3	**141.9**	120.8
Other operating expenses (Note 12)	**45.4**	38.8	**92.7**	78.7
Earnings before interest, finance expense and provision for income taxes	**56.4**	40.2	**109.9**	81.7
Interest expense (Note 13)	**9.1**	9.2	**18.1**	18.0
Interest income (Note 13)	**-**	-	**-**	(0.1)
Other finance expense (Note 13)	**3.0**	1.5	**4.8**	3.1
Earnings before provision for income taxes	**44.3**	29.5	**87.0**	60.7
Provision for income taxes	**13.8**	9.6	**27.5**	19.1
Net earnings for the period	**$ 30.5**	$ 19.9	**$ 59.5**	$ 41.6
Net earnings attributed to:				
Equity holders	**$ 30.5**	$ 19.9	**$ 59.5**	$ 41.5
Non-controlling interest	**-**	-	**-**	0.1
	$ 30.5	$ 19.9	**$ 59.5**	$ 41.6
Basic earnings per common share (Note 11)	**$ 0.50**	$ 0.33	**$ 0.97**	$ 0.69
Diluted earnings per common share (Note 11)	**$ 0.48**	$ 0.33	**$ 0.95**	$ 0.68

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(UNAUDITED)*

(in millions of Canadian dollars)	Quarters ended June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Net earnings for the period	**$ 30.5**	$ 19.9	**$ 59.5**	$ 41.6
Other comprehensive income (loss), net of tax				
Items that may be reclassified to earnings				
Unrealized foreign exchange (losses) gains on translation foreign operations	**(13.5)**	12.1	**1.0**	19.0
Items that may not be reclassified to earnings				
Actuarial gains (losses) on pension and similar obligations, net of taxes (Note 19)	**1.4**	4.9	**(2.7)**	5.4
Other comprehensive (loss) income	**(12.1)**	17.0	**(1.7)**	24.4
Total comprehensive income	**$ 18.4**	$ 36.9	**$ 57.8**	$ 66.0

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(UNAUDITED)*

(in millions of Canadian dollars)	**June 30 2014**	December 31 2013
ASSETS		
Current		
Cash and cash equivalents	**$ 52.2**	$ 116.2
Accounts receivable	**511.5**	456.2
Inventories (Note 3)	**861.5**	766.3
Prepaid expenses	**10.3**	5.9
Income taxes receivable	**1.4**	6.3
	1,436.9	1,350.9
Property, Plant and Equipment (Note 4)	**239.2**	238.9
Deferred Income Tax Assets	**2.3**	3.0
Pension and Benefits (Note 8)	**0.3**	0.2
Financial and Other Assets	**6.0**	6.1
Goodwill and Intangibles (Note 5)	**215.4**	218.7
	$ 1,900.1	$ 1,817.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 444.8**	$ 384.1
Income taxes payable	**0.9**	0.2
Current portion long-term debt (Note 7)	**1.0**	1.2
	446.7	385.5
Long-Term Debt (Note 7)	**459.3**	457.2
Pensions and Benefits (Note 8)	**26.7**	23.3
Deferred Income Tax Liabilities	**19.3**	20.5
Provisions and Other Non-Current Liabilities (Note 15)	**38.7**	48.9
	990.7	935.4
Shareholders' Equity (Note 9)		
Common shares	**523.1**	509.5
Retained earnings	**328.6**	314.6
Contributed surplus	**14.7**	16.2
Accumulated other comprehensive income	**13.0**	12.0
Equity component of convertible debentures	**28.7**	28.7
Total Shareholders' Equity Attributable to Equity Holders	**908.1**	881.0
Non-controlling interest	**1.3**	1.4
Total Shareholders' Equity	**909.4**	882.4
Total Liabilities and Shareholders' Equity	**$ 1,900.1**	$ 1,817.8

ON BEHALF OF THE BOARD,

A. Laberge
Director

J. Hanna
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 June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Operating activities				
Net earnings for the period	**$ 30.5**	$ 19.9	**$ 59.5**	$ 41.6
Depreciation and amortization	**8.6**	8.2	**17.2**	16.4
Deferred income taxes	**(1.3)**	-	**(0.5)**	(0.6)
Loss (gain) on sale of property, plant and equipment	**-**	(0.4)	**1.0**	(0.6)
Stock-based compensation	**0.4**	0.6	**0.8**	1.2
Difference between pension expense and amount funded	**(0.4)**	0.5	**(0.4)**	0.6
Debt accretion, amortization and other	**1.2**	1.1	**2.4**	2.1
Change in fair value of contingent consideration	**3.0**	1.5	**4.8**	3.1
Cash from operating activities before non-cash working capital	**42.0**	31.4	**84.8**	63.8
Changes in non-cash working capital items				
Accounts receivable	**34.7**	58.1	**(55.2)**	44.0
Inventories	**(95.6)**	9.8	**(94.4)**	6.0
Accounts payable and accrued liabilities	**6.8**	(45.3)	**54.7**	(34.2)
Income tax receivable/payable	**(2.9)**	2.2	**6.7**	2.5
Other	**(1.2)**	(1.3)	**(4.4)**	(2.4)
Change in non-cash working capital	**(58.2)**	23.5	**(92.6)**	15.9
Cash (used in) from operating activities	**(16.2)**	54.9	**(7.8)**	79.7
Financing activities				
Increase in bank borrowings	**-**	(3.6)	**-**	6.4
Issue of common shares	**9.6**	1.0	**11.3**	16.5
Dividends on common shares	**(21.5)**	(21.3)	**(42.8)**	(42.6)
Repayment of long-term debt	**(0.2)**	(0.9)	**(0.5)**	(1.2)
Cash used in financing activities	**(12.1)**	(24.8)	**(32.0)**	(20.9)
Investing activities				
Purchase of property, plant and equipment	**(10.6)**	(7.4)	**(15.5)**	(14.0)
Proceeds on sale of property, plant and equipment	**0.4**	1.9	**0.6**	2.3
Payment of contingent consideration	**-**	-	**(4.1)**	-
Cash used in investing activities	**(10.2)**	(5.5)	**(19.0)**	(11.7)
Effect of exchange rates	**4.4**	(1.8)	**(5.2)**	(1.6)
(Decrease) increase in cash and cash equivalents	**(34.1)**	22.8	**(64.0)**	45.5
Cash and cash equivalents, beginning of the period	**86.3**	137.8	**116.2**	115.1
Cash and cash equivalents, end of the period	**$ 52.2**	$ 160.6	**$ 52.2**	$ 160.6
Supplemental cash flow information:				
Income taxes paid	**$ 17.7**	$ 7.5	**$ 21.0**	$ 18.0
Interest paid (net)	**$ 9.9**	$ 17.4	**$ 18.0**	$ 18.5

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

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

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Equity Component of Convertible Debentures	Non-Controlling Interest	Total
Balance, January 1, 2014	$ 509.5	$ 314.6	$ 16.2	$ 12.0	$ 28.7	$ 1.4	$ 882.4
Payment of dividends	-	(42.8)	-	-	-	-	(42.8)
Net earnings for the period	-	59.5	-	-	-	-	59.5
Other comprehensive loss for the period	-	-	-	(1.7)	-	-	(1.7)
Recognition of stock-based compensation	-	-	0.8	-	-	-	0.8
Stock options exercised	13.6	-	(2.3)	-	-	-	11.3
Transfer of net actuarial losses on defined benefit plans	-	(2.7)	-	2.7	-	-	-
Change in non-controlling interest	-	-	-	-	-	(0.1)	(0.1)
Balance, June 30, 2014	$ 523.1	$ 328.6	$ 14.7	$ 13.0	$ 28.7	$ 1.3	$ 909.4

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Equity Component of Convertible Debentures	Non-Controlling Interest	Total
Balance, January 1, 2013	$ 487.9	$ 305.3	$ 17.3	$ (11.2)	$ 28.7	$ 1.4	$ 829.4
Payment of dividends	-	(42.6)	-	-	-	-	(42.6)
Net earnings for the period	-	41.6	-	-	-	-	41.6
Other comprehensive income for the period	-	-	-	24.4	-	-	24.4
Recognition of stock-based compensation	-	-	1.2	-	-	-	1.2
Stock options exercised	19.7	-	(3.2)	-	-	-	16.5
Conversion of debentures	0.1	-	-	-	-	-	0.1
Transfer of net actuarial gains on defined benefit plans	-	5.4	-	(5.4)	-	-	-
Balance, June 30, 2013	$ 507.7	$ 309.7	$ 15.3	$ 7.8	$ 28.7	$ 1.4	$ 870.6

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 August 12, 2014.

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, 2013. 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, 2013. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013.

These condensed consolidated financial statements have been 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. FUTURE ACCOUNTING CHANGES

On May 28, 2014, the IASB published *IFRS 15 Revenue from Contracts with Customer*, which replaces *IAS 18, Revenues.* This new standard requires revenue to be recognized to depict the transfer of goods or services, for an amount which reflects the payment that the entity expects to receive in exchange for those goods or services. The new standard includes additional disclosure requirements and will apply to financial statements beginning on or after January 1, 2017. The Company is currently evaluating the impact on the financial statements of adopting this new standard.

3. 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 $1.4 million during the quarter ended June 30, 2014 (2013: $0.5 million) and $3.2 million for the six months ended June 30, 2014 (2013: $2.9 million). Inventories of $0.7 billion were expensed in cost of materials for the quarter ended June 30, 2014 (2013: $0.6 billion) and $1.5 billion (2013: $1.3 billion) were expensed for the six months ended June 30, 2014. The Company did not have any reversals of previous inventory impairment charges during the quarters and six months ended June 30, 2014 and 2013.

4. PROPERTY, PLANT AND EQUIPMENT

Cost *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2013	$ 216.4	$ 315.3	$ 24.4	$ 556.1
Additions	3.6	11.1	0.8	15.5
Disposals	-	(4.4)	(1.0)	(5.4)
Foreign exchange	0.1	0.1	-	0.2
Balance, June 30, 2014	**$ 220.1**	**$ 322.1**	**$ 24.2**	**$ 566.4**

Accumulated depreciation and amortization *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance, December 31, 2013	$ 87.7	$ 208.5	$ 21.0	$ 317.2
Depreciation and amortization	3.6	9.7	0.4	13.7
Disposals	-	(2.8)	(1.0)	(3.8)
Foreign exchange	-	0.1	-	0.1
Balance, June 30, 2014	**$ 91.3**	**$ 215.5**	**$ 20.4**	**$ 327.2**

Net book value *(millions)*	
December 31, 2013	$ 238.9
June 30, 2014	**$ 239.2**

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

Land included in land and buildings was $33.4 million (December 31, 2013: $32.6 million).

(millions)	Quarters ended June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Depreciation - cost of materials	**$ 1.9**	$ 1.8	**$ 3.9**	$ 3.6
Depreciation - other operating expense	**5.0**	4.9	**9.8**	9.9
	$ 6.9	$ 6.7	**$ 13.7**	$ 13.5

5. GOODWILL AND INTANGIBLES

(millions)	**June 30 2014**	December 31 2013
Goodwill	**$ 127.0**	$ 126.9
Intangibles	**83.4**	86.8
Trademarks	**5.0**	5.0
	$ 215.4	$ 218.7

The entire trademarks balance relates to the energy products segment.

a) The continuity of goodwill is as follows:

Goodwill *(millions)*		Metals Service Centers		Energy Products		**Total June 30 2014**		Total December 31 2013
Balance, beginning of the period	$	37.6	$	89.3	**$**	**126.9**	$	110.7
Business acquisition		-		-		**-**		15.5
Foreign exchange		0.1		-		**0.1**		0.7
Balance, end of the period	$	37.7	$	89.3	**$**	**127.0**	$	126.9

b) The continuity of intangibles is as follows:

Cost *(millions)*		Metals Service Centers		Energy Products		**Total June 30 2014**		Total December 31 2013
Balance, beginning of the period	$	18.3	$	79.5	**$**	**97.8**	$	81.7
Business acquisitions		-		-		**-**		15.7
Foreign exchange		-		-		**-**		0.4
Balance, end of the period	$	18.3	$	79.5	**$**	**97.8**	$	97.8

Accumulated amortization *(millions)*		Metals Service Centers		Energy Products		**Total June 30 2014**		Total December 31 2013
Balance, beginning of the period	$	(5.9)	$	(5.1)	**$**	**(11.0)**	$	(5.3)
Amortization		(0.4)		(3.0)		**(3.4)**		(5.7)
Balance, end of the period	$	(6.3)	$	(8.1)	**$**	**(14.4)**	$	(11.0)

Carrying amount		
December 31, 2013	$	86.8
June 30, 2014	**$**	**83.4**

The carrying amount of intangible assets as at June 30, 2014 relates to customer relationships and non-competition agreements arising from the acquisitions of JMS Metals Services, Norton Metal Products, Siemens Laserworks, Alberta Industrial Metals, Apex Distribution, Keystone Oilfield, Northern Valve Services and Monarch Supply. The remaining amortization period for customer relationships is 8 to 15 years and for non-competition agreements is one to two years.

6. REVOLVING CREDIT FACILITIES

The Company has a credit agreement with a syndicate of banks which provides a credit facility of $275.0 million available for borrowings and letters of credit and an additional $50.0 million for letters of credit. The syndicated facility with a term to June 24, 2017 consists of availability of $275.0 million under Tranche I to be utilized for borrowings and letters of credit and $50.0 million under Tranche II to be utilized only for letters of credit. Letters of credit are issued under Tranche II first and additional needs are issued under Tranche I. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of the Company's eligible accounts receivable and inventories, to a maximum of $325.0 million. 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 June 30, 2014, the Company had borrowings of $15.0 million (December 31, 2013: $nil) and letters of credit of $65.1 million (December 31, 2013: $23.9 million) under this facility.

The Company's U.S. Subsidiary has a US$20 million credit facility. At June 30, 2014 and December 31, 2013 the subsidiary had no borrowings and letters of credit of US$23.3 million and US$3.6 million, respectively.

As at June 30, 2014, the Company was in compliance with its financial covenants.

7. LONG-TERM DEBT

(millions)	**June 30 2014**	December 31 2013
6.0% $300 million Senior Notes due April 19, 2022	**$ 294.2**	$ 293.9
7.75% $175 million Convertible Debentures due September 30, 2016	**163.7**	161.6
Finance lease obligations (Note 17)	**2.4**	2.9
Less: current portion	**(1.0)**	(1.2)
Total long-term debt	**$ 459.3**	$ 457.2

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

Prior to April 19, 2017, the Company may redeem the Notes in whole or in part at an amount which is the greater of (i) the present value of future interest and principal payments based on Canada bond yield or (ii) 101% of the principal amount plus accrued and unpaid interest. After April 19, 2017, the Company may redeem the Notes in whole or in part at any time at 103% of the principal amount declining rateably to 100% of the principal amount on or after April 19, 2020.

The Notes contain certain restrictions on the payment of common share dividends in excess of $0.35 per share per quarter. The Notes also contain certain covenants that limit the Company's ability to incur additional indebtedness. The Company was in compliance with these covenants at June 30, 2014. 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) In October 2009, the Company issued $175 million of 7.75% Convertible Unsecured Subordinated Debentures (the "Convertible Debentures") for net proceeds of $167.1 million. The Convertible Debentures mature on September 30, 2016, and interest is payable semi-annually on March 31 and September 30 in each year. Each debenture is convertible into common shares of the Company at the option of the holder at any time on or prior to the business day immediately preceding (i) maturity date; or (ii) the date specified for redemption of the Convertible Debentures, at a conversion price of $25.75 being a conversion rate of 38.8350 common shares per $1,000 principal amount of Convertible Debentures. During the six months ended June 30, 2014, Convertible Debentures of $56,000 (2013: $82,000) principal were converted to 2,173 shares (2013: 3,183 shares).

8. PENSION AND BENEFITS

As at June 30, 2014, the Company determined its accrued benefit obligations related to the employee future benefit plans using a discount rate of 4.25% (December 31, 2013: 4.75%) and also determined the fair value of the defined benefit pension plan assets as at the statement of financial position date. The net change in the accrued benefit obligations less the defined benefit plan assets resulted in an actuarial gain on employee future benefit plans of $2.0 million for the three month period ended June 30, 2014 (2013: gain of $6.7 million) and an actuarial loss of $3.6 million for the six months ended June 30, 2014 (2013: gain of $7.4 million), which was recorded net of tax through other comprehensive income.

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

(millions)	**June 30 2014**	December 31 2013
Present value of defined benefit pension obligations	**$ 121.8**	$ 111.5
Present value of plan assets	**100.3**	93.1
	21.5	18.4
Other post retirement benefit obligations	**4.9**	4.7
Defined benefit obligations, net	**$ 26.4**	$ 23.1

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

	Pension Plans		Other Benefit Plans	
(millions)	**June 30 2014**	December 31 2013	**June 30 2014**	December 31 2013
Defined benefit obligation				
Plans with surplus	**$ (0.3)**	$ (0.2)	**$ -**	$ -
Partially funded plans	**21.8**	18.6	**-**	-
Unfunded plans	**-**	-	**4.9**	4.7
Defined benefit obligation	**$ 21.5**	$ 18.4	**$ 4.9**	$ 4.7

9. SHAREHOLDERS' EQUITY

a) At June 30, 2014 and 2013, the authorized share capital of the Company consisted of:

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

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

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

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

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

	Number of Shares	Amount (millions)
Balance, December 31, 2013	60,946,393	$ 509.5
Stock options exercised	465,694	13.6
Debentures converted	2,173	-
Balance, June 30, 2014	**61,414,260**	**$ 523.1**

The continuity of contributed surplus is as follows:

(millions)

Balance, December 31, 2013	$ 16.2
Stock-based compensation expense	0.8
Exercise of options	(2.3)
Balance, June 30, 2014	**$ 14.7**

Dividends paid or declared are as follows:

	Quarter ended June 30	
	2014	2013
Dividends paid (millions)	**$ 21.5**	$ 21.3
Dividends paid per share	**$ 0.35**	$ 0.35
Quarterly dividend per share declared on August 12, 2014 (August 7, 2013)	**$ 0.38**	$ 0.35

10. 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	
	June 30 2014	December 31 2013	**June 30 2014**	December 31 2013
Balance, beginning of the period	**2,606,430**	3,055,428	**$ 26.77**	$ 25.92
Granted	**149,172**	389,607	**30.00**	28.99
Exercised	**(465,694)**	(736,633)	**24.14**	24.24
Expired or forfeited	**(24,050)**	(101,972)	**31.34**	28.01
Balance, end of the period	**2,265,858**	2,606,430	**$ 27.47**	$ 26.77
Exercisable	**1,609,299**	1,803,063	**$ 27.18**	$ 26.67

The outstanding options had an exercise price range as follows:

(number of options)	**June 30 2014**	December 31 2013
$ 25.75 - $ 33.81	**1,772,663**	1,970,587
$ 15.86 - $ 25.74	**463,395**	588,943
$ 9.15 - $ 15.85	**29,800**	46,900
Options outstanding	**2,265,858**	2,606,430

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

	June 30 2014	December 31 2013
Dividend yield	**5%**	5%
Expected volatility	**32%**	40%
Expected life	**5 yrs**	5 yrs
Risk free rate of return	**2.75%**	3.5%
Weighted average fair value of options granted	**$ 5.43**	$ 7.21

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

Deferred Share Units (DSU)

At June 30, 2014, there were 99,084 DSUs outstanding (December 31, 2013: 104,413). The liability and fair value of DSUs was $3.4 million at June 30, 2014 (December 31, 2013: $3.3 million). Dividends declared on common shares accrue to the units in the DSU plan in the form of additional DSUs.

Restricted Share Units (RSU)

The Company has a RSU plan for eligible employees as designated by the Board of Directors. RSU's are awarded by the Board of Directors to eligible employees annually. The following is a continuity of RSU's outstanding.

	Number of Units	
	June 30 2014	December 31 2013
Balance, beginning of the period	**123,673**	69,610
Granted	**83,776**	54,063
Paid out	**(14,825)**	-
Balance, end of the period	**192,624**	123,673

The RSU liability for vested RSUs at June 30, 2014 was $3.8 million (December 31, 2013: $3.0 million). The fair value of RSUs was $6.6 million at June 30, 2014 (December 31, 2013: $3.9 million). Dividends declared on common shares accrue to the units in the RSU plan in the form of additional RSU's.

11. EARNINGS PER SHARE

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

(millions)	Quarters ended June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Net income used in calculation of basic earnings per share	**$ 30.5**	$ 19.9	**$ 59.5**	$ 41.6
Interest and accretion expense, net of income taxes	**2.5**	-	**4.9**	-
Net income used in calculation of diluted earnings per share	**$ 33.0**	$ 19.9	**$ 64.4**	$ 41.6

In determining the diluted weighted average shares outstanding for the quarter ended June 30, 2013, 6,792,544 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 June 30, 2013 have been excluded from net earnings used in the calculation of diluted earnings per share. For the six months ended June 30, 2013, 6,792,544 shares related to convertible debentures and the interest and accretion thereon were excluded since the effect was anti-dilutive.

(number of shares)	Quarters ended June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Weighted average shares outstanding	**61,159,759**	60,844,045	**61,063,797**	60,668,215
Dilution impact of stock options	**291,168**	152,786	**199,529**	162,712
Dilution impact of convertible debentures	**6,788,427**	-	**6,788,427**	-
Diluted weighted average shares outstanding	**68,239,354**	60,996,831	**68,051,753**	60,830,927

12. EXPENSES

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

(millions)	Quarters ended June 30 **2014**	Quarters ended June 30 2013	Six months ended June 30 **2014**	Six months ended June 30 2013
Employee Expenses				
Wages and salaries	**$ 61.6**	$ 49.9	**$ 122.4**	$ 101.9
Other employee related costs	**8.8**	8.4	**19.5**	18.9
	$ 70.4	$ 58.3	**$ 141.9**	$ 120.8
Other Operating Expenses				
Plant and other expenses	**$ 23.7**	$ 21.0	**$ 47.1**	$ 41.2
Delivery expenses	**14.5**	12.7	**28.6**	25.3
Repairs and maintenance	**2.9**	2.7	**5.6**	5.2
Selling expenses	**2.3**	1.6	**5.9**	4.6
Professional fees	**2.2**	1.4	**4.3**	2.9
Loss (gain) on sale of property, plant and equipment	**-**	(0.4)	**1.0**	(0.6)
Foreign exchange (gains) losses	**(0.2)**	(0.2)	**0.2**	0.1
	$ 45.4	$ 38.8	**$ 92.7**	$ 78.7

13. FINANCE EXPENSE

Finance expense (income) is comprised of the following:

(millions)	Quarters ended June 30 **2014**	Quarters ended June 30 2013	Six months ended June 30 **2014**	Six months ended June 30 2013
Interest on 6.0% Senior Notes	**$ 4.6**	$ 4.6	**$ 9.2**	$ 9.2
Interest on 7.75% Convertible Debentures	**4.4**	4.4	**8.8**	8.5
Other interest expense	**0.1**	0.2	**0.1**	0.3
Interest expense	**9.1**	9.2	**18.1**	18.0
Interest income	**-**	-	**-**	(0.1)
Change in fair value of contingent consideration (Note 15)	**3.0**	1.5	**4.8**	3.1
Finance expense, net	**$ 12.1**	$ 10.7	**$ 22.9**	$ 21.0

Interest expense on long-term debt is comprised of the interest calculated on the face value of long-term debt, issue costs and accretion of the carrying value of the long-term debt. Long-term debt interest expense is charged to earnings using the effective interest method. Accretion and issue cost amortization for the quarters ended June 30, 2014 and June 30, 2013 was $1.2 million and $1.1 million respectively. For the six months ended June 30, 2014 and 2013 was $2.5 million and $2.1 million respectively.

14. INCOME TAXES

The consolidated effective income tax rates for the quarters ended June 30, 2014 and June 30, 2013 were 31.2% and 32.5% respectively and for the six months ended June 30, 2014 and 2013 were 31.6% and 31.5% respectively.

15. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(millions)	**June 30 2014**	December 31 2013
Contingent consideration	**$ 30.7**	$ 40.3
Provisions for decommissioning liabilities	**2.6**	2.8
Deferred compensation and employee incentives	**5.4**	5.8
	$ 38.7	$ 48.9

a) The continuity of contingent considerations is as follows:

(millions)	Apex	Monarch	**Total June 30 2014**	Total December 31 2013
Balance, beginning of the period	$ 38.1	$ 6.2	**$ 44.3**	$ 42.9
Business acquisitions	-	-	**-**	6.5
Paid during the period	(4.1)	-	**(4.1)**	(0.3)
Accretion expense	2.6	0.7	**3.3**	6.1
Change in fair value	1.3	0.2	**1.5**	(10.8)
Effect of movements in exchange rates	-	-	**-**	(0.1)
	37.9	7.1	**45.0**	44.3
Less: current portion	(11.6)	(2.7)	**(14.3)**	(4.0)
Balance, end of the period	$ 26.3	$ 4.4	**$ 30.7**	$ 40.3

The liability for contingent consideration relating to Apex Distribution and Monarch will end on December 31, 2017 and December 31, 2018, respectively. The Company's contingent consideration obligation for Apex Distribution and Monarch are uncapped.

The undiscounted expected cash outflow relating to the contingent consideration for the Apex Distribution acquisition is estimated to be $47.7 million (December 31, 2013: $50.5 million). Contingent consideration amounting to $4.1 million was paid in the six months ended June 30, 2014 (2013: $nil). The expected undiscounted cash outflow relating to the contingent consideration for the Monarch acquisition is estimated to be $10.1 million (December 31, 2013 $9.9 million).

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

(millions)	**June 30 2014**	December 31 2013
Balance, beginning of the period	**$ 2.8**	$ 5.0
Utilization	**(0.2)**	(2.2)
Balance, end of the period	**$ 2.6**	$ 2.8

c) Deferred compensation includes the RSU and DSU liabilities. The RSU liability that will be paid in 2015 of $1.8 million was classified as current and is included in accounts payable and accrued liabilities.

16. 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 products

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

iii) Steel distributors

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

The Company has segmented its operations on the basis of management reporting and geographic segments in which it operates. For the quarter ended June 30, 2014, the inter-segment sales from steel distributors to metals service centers were $13.2 million (2013: $7.5 million) and for the six months ended June 30, 2014 were $21.7 million (2013: $12.9 million). These sales, which are at market rates, are eliminated in the following table.

a) Results by business segment:

(millions)	Quarters ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Segment Revenues				
Metals service centers	**$ 419.4**	$ 377.8	**$ 810.9**	$ 736.8
Energy products	**365.7**	312.9	**810.8**	702.1
Steel distributors	**106.3**	65.1	**193.6**	138.7
	891.4	755.8	**1,815.3**	1,577.6
Other	**1.9**	2.3	**2.0**	2.3
	$ 893.3	$ 758.1	**$ 1,817.3**	$ 1,579.9
Segment Operating Profits				
Metals service centers	**$ 25.4**	$ 20.5	**$ 46.6**	$ 38.5
Energy products	**27.1**	17.0	**59.8**	41.5
Steel distributors	**8.6**	5.0	**14.9**	9.8
	61.1	42.5	**121.3**	89.8
Corporate expenses	**(5.2)**	(2.8)	**(10.4)**	(7.1)
Other income (expense)	**0.5**	0.5	**(1.0)**	(1.0)
Earnings before interest, finance expense and provision for income taxes	**56.4**	40.2	**109.9**	81.7
Interest and finance expense, net	**(12.1)**	(10.7)	**(22.9)**	(21.0)
Provision for income taxes	**(13.8)**	(9.6)	**(27.5)**	(19.1)
Net earnings	**$ 30.5**	$ 19.9	**$ 59.5**	$ 41.6

(millions)	Quarters ended June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Capital Expenditures				
Metals service centers	**$ 7.3**	$ 5.4	**$ 10.7**	$ 9.4
Energy products	**2.8**	1.6	**4.1**	3.4
Steel distributors	**0.5**	0.3	**0.7**	1.0
Other	**-**	0.1	**-**	0.2
	$ 10.6	$ 7.4	**$ 15.5**	$ 14.0
Depreciation Expense				
Metals service centers	**$ 5.4**	$ 5.3	**$ 10.7**	$ 10.5
Energy products	**1.2**	1.2	**2.4**	2.4
Steel distributors	**0.1**	-	**0.2**	0.1
Other	**0.2**	0.2	**0.4**	0.5
	$ 6.9	$ 6.7	**$ 13.7**	$ 13.5

(millions)	**June 30 2014**	December 31 2013
Current Identifiable Assets		
Metals service centers	**$ 481.3**	$ 426.7
Energy products	**711.6**	698.3
Steel distributors	**188.8**	105.8
	1,381.7	1,230.8
Non-Current Identifiable Assets		
Metals service centers	**238.7**	241.4
Energy products	**199.6**	200.9
Steel distributors	**5.3**	4.8
	1,825.3	1,677.9
Assets not included in segments		
Cash and cash equivalents	**52.2**	116.2
Income tax assets	**3.7**	9.3
Deferred financing charges	**1.0**	1.2
Other assets	**5.0**	4.9
Corporate and other operating assets	**12.9**	8.3
Total assets	**$ 1,900.1**	$ 1,817.8
Liabilities		
Metals service centers	**$ 185.5**	$ 155.7
Energy products	**217.1**	212.5
Steel distributors	**22.4**	9.7
	425.0	377.9
Liabilities not included in segments		
Income taxes payable and deferred income tax liabilities	**20.2**	20.7
Long-term debt	**460.3**	458.4
Pensions and benefits	**26.7**	23.3
Corporate and other liabilities	**58.5**	55.1
Total liabilities	**$ 990.7**	$ 935.4

b) Results by geographic segment:

(millions)	Quarters ended June 30 **2014**	2013	Six months ended June 30 **2014**	2013
Segment Revenues				
Canada	**$ 605.2**	$ 458.1	**$ 1,243.0**	$ 1,055.0
United States	**286.2**	297.7	**572.3**	522.6
	$ 891.4	$ 755.8	**$ 1,815.3**	$ 1,577.6
Segment Operating Profits				
Canada	**$ 45.6**	$ 29.4	**$ 89.7**	$ 65.2
United States	**15.5**	13.1	**31.6**	24.6
	$ 61.1	$ 42.5	**$ 121.3**	$ 89.8

(millions)	**June 30 2014**	December 31 2013
Identifiable Assets		
Canada	**$ 1,391.4**	$ 1,269.2
United States	**433.9**	408.7
	$ 1,825.3	$ 1,677.9

17. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities

Financial assets and liabilities are as follows:

June 30, 2014 *(millions)*	**Loans and Receivables**	**Other Financial Liabilities**	**Total**
Cash and cash equivalents	**$ 52.2**	**$ -**	**$ 52.2**
Accounts receivable	**511.5**	**-**	**511.5**
Financial assets	**1.0**	**-**	**1.0**
Accounts payables and accrued liabilities	**-**	**(444.8)**	**(444.8)**
Current portion of long-term debt	**-**	**(1.0)**	**(1.0)**
Contingent consideration	**-**	**(30.7)**	**(30.7)**
Long-term debt	**-**	**(459.3)**	**(459.3)**
Total	**$ 564.7**	**$ (935.8)**	**$ (371.1)**

December 31, 2013 *(millions)*	Loans and Receivables	Other Financial Liabilities	Total
Cash and cash equivalents	$ 116.2	$ -	$ 116.2
Accounts receivable	456.2	-	456.2
Financial assets	1.2	-	1.2
Accounts payables and accrued liabilities	-	(384.1)	(384.1)
Current portion long-term debt	-	(1.2)	(1.2)
Contingent consideration	-	(40.3)	(40.3)
Long-term debt	-	(457.2)	(457.2)
Total	$ 573.6	$ (882.8)	$ (309.2)

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

(millions)	Quarters ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Embedded derivatives	**$ (0.9)**	$ (0.3)	**$ (1.0)**	$ (0.4)
Forward contracts	**1.0**	0.5	**0.9**	0.2

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 measurement of contingent consideration obligations arising from business combinations is determined by applying the income approach using the probability weighted expected return on assets and a discount rate of 13.2%. The calculation uses unobservable (level 3) inputs including: (i) the estimated amount and timing of projected cash flows; (ii) the probability of the achievement of the factors on which the contingency is based; (iii) average net assets; and (iv) the risk-adjusted discount rate used to present value the projected cash flows. Significant changes in any of these inputs in isolation can result in a significantly higher or lower fair value measurement.

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 senior debt are reflected in "Long-term debt" and "Current portion long-term debt".

Fair Value

The Company records its debt at amortized cost using the effective interest method. The fair value of long-term debt as at June 30, 2014 and December 31, 2013 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:

June 30, 2014 **Primary Debt Instruments**

(millions)	Carrying amount	Fair value Level 1	Fair value Level 2
6.0% $300 million Senior Notes due April 19, 2022	**$ 294.2**	**$ -**	**$ 315.8**
7.75% $175 million Convertible Debentures due September 30, 2016	**163.7**	**239.0**	**-**
Finance lease obligations	**2.4**	**-**	**2.4**
Total	**$ 460.3**	**$ 239.0**	**$ 318.2**
Current portion	**$ 1.0**		
Long-term portion	**$ 459.3**		

December 31, 2013 Primary Debt Instruments

(millions)	Carrying amount	Fair value Level 1	Fair value Level 2
6.0% $300 million Senior Notes due April 19, 2022	$ 293.9	$ -	$ 303.0
7.75% $175 million Convertible Debentures due September 30, 2016	161.6	218.7	-
Finance lease obligations	2.9	-	2.9
Total	$ 458.4	$ 218.7	$ 305.9
Current portion	$ 1.2		
Long-term portion	$ 457.2		

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 June 30, 2014, 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 6);
- 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 their current ability to pay. No allowance for credit losses on financial assets was required as of June 30, 2014 and December 31 2013, other than the allowance for doubtful accounts. As at June 30, 2014, trade accounts receivable greater than 90 days represented less than 6% of trade accounts receivable (December 31, 2013: 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 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) *Liquidity risk*

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

As at June 30, 2014, the Company was contractually obligated to make payments under its financial liabilities that come due during the following periods:

(millions)	Accounts Payable	Long-Term Debt Maturities	Long-Term Debt Interest	Operating Lease Obligations	Total
2014	$ 444.8	$ -	$ 15.8	$ 10.7	$ 471.3
2015	-	-	31.6	18.5	50.1
2016	-	174.8	31.6	16.6	223.0
2017	-	-	18.0	12.8	30.8
2018	-	-	18.0	9.7	27.7
2019 and beyond	-	300.0	63.8	32.6	396.4
Total	$ 444.8	$ 474.8	$ 178.8	$ 100.9	$ 1,199.3

As at June 30, 2014, the Company was contractually obligated to make payments under finance leases as follows:

(millions)	
2014	$ 0.7
2015	0.9
2016	0.6
2017	0.3
2018	1.1
Total minimum lease payments	3.6
Interest at rates varying between 1.8% and 14.5%	(1.2)
Net minimum lease payments	2.4
Less: current portion	(1.0)
Long-term portion	$ 1.4

At June 30, 2014, the Company was contractually obligated to repay its letters of credit under both its bank facilities at maturity (Note 6).

f) *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 June 30, 2014, the Company had outstanding forward foreign exchange contracts in the amount of US$46.2 million maturing in 2014 (December 31, 2013: US$24.5 million). A 1% change in foreign exchange rates would not result in a significant increase or decrease in accounts payable or net earnings.

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.

18. 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. In addition, the Company has been provided with notice of a possible claim. Although the outcome of these claims cannot be determined, management intends to defend all claims and has recorded provisions, as required, 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 two 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 has an obligation to pay additional consideration for its acquisitions of Apex Distribution and Apex Monarch, based upon achievement of performance measures contractually at the time of purchase.

19. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Quarters ended June 30		Six months ended June 30	
(millions)	**2014**	2013	**2014**	2013
Tax on items that may not be reclassified to earnings				
Income tax on actuarial (losses) gains on pension and similar obligations	**$ (0.6)**	$ (1.8)	**$ 0.9**	$ (2.0)

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