



NEWS

FOR IMMEDIATE RELEASE

**RUSSEL METALS ANNOUNCES SECOND QUARTER RESULTS**

TORONTO, CANADA – August 2, 2012 -- Russel Metals Inc. (RUS - TSX) today announced second quarter 2012 earnings of \$23 million, or \$0.38 per share on revenues of \$719 million compared to earnings of \$31 million or \$0.52 per share in the comparative second quarter of 2011. Earnings in the second quarter of 2012 reflected the accelerated write-off of deferred costs and hedging costs relating to the early redemption of the U.S. Senior Notes. The effect of these charges plus additional interest costs for the period from the issuance of the 6% Canadian Senior Notes to the redemption of the U.S. Senior Notes was a reduction in earnings per share of \$0.07 for the quarter. Net earnings for the six months ended June 30, 2012 were \$56 million or \$0.93 per share compared to earnings of \$64 million or \$1.07 per share in the comparative six months ended June 30, 2011.

Revenues in our metals service center segment increased 11% to \$432 million in the second quarter of 2012 compared to the 2011 second quarter on stronger demand levels. Our gross margins, however, were 20.4% compared to 23.7% in the 2011 second quarter as inventory holding gains experienced last year were not repeated. The 2012 second quarter also included operating earnings arising from the acquisitions of Siemens Laserworks and Alberta Industrial Metals during the quarter, both of which were immediately accretive to earnings.

Revenues in our energy tubular products segment for the second quarter of 2012 increased 32% to \$192 million compared to the 2011 second quarter as a result of large line pipe orders in our U.S. operations and strong demand in our operations servicing the Alberta oil sands. These large orders have lower gross margin percentages and consequently our margins in this segment were down to 13.9% in the 2012 compared to 16.2% in the 2011 second quarter. Strong demand resulted in operating profits in the 2012 second quarter consistent with the 2011 second quarter despite the decline in margins.

Revenues in our steel distribution segment increased 11% in the 2012 second quarter to \$92 million

compared to the 2011 second quarter. Gross margins in this segment were down to 13.9% compared to the 18.8% experienced in the 2011 second quarter. Currently, the steel market is experiencing tighter margins due to softening domestic prices in an extremely volatile world economy.

Brian R. Hedges, President and CEO, commented “One of our main strategies has been to protect and grow our strongest asset, the Canadian service center franchise. During the quarter, we completed the acquisitions of Siemens Laserworks and Alberta Industrial Metals. Both of these operations, which are located in Western Canada, are leaders in the markets that they serve and the integration of these two acquisitions is progressing well. During the balance of 2012, we will strengthen our Canadian service center franchise by adding stretcher levellers to our existing cut-to-length equipment in Ontario and Manitoba to further enhance our processing capabilities. In addition in our steel distributors segment, we will be upgrading our cut-to-length line in the Port of Houston at our Arrow Steel Processors facility.”

The Board of Directors approved a quarterly dividend of \$0.35 per common share payable September 17, 2012 to shareholders of record as of August 27, 2012.

The Company will be holding an Investor Conference Call on Friday, August 3, 2012 at 10:00 a.m. ET to review its 2012 second quarter results. The dial-in telephone numbers for the call are 416-340-2216 (Toronto and International callers) and 1-866-226-1792 (U.S. and Canada). Please dial in 10 minutes prior to the call to ensure that you get a line.

A replay of the call will be available at 905-694-9451 (Toronto and International callers) and 1-800-408-3053 (U.S. and Canada) until midnight, Friday, August 17, 2012. You will be required to enter pass code 2119799 in order to access the call.

Additional supplemental financial information is available in our investor conference call package located on our website at [www.russelmetals.com](http://www.russelmetals.com).

Russel Metals is one of the largest metals distribution companies in North America. It carries on business in three metals distribution segments: metals service centers, energy tubular products and steel distributors, under various names including Russel Metals, A.J. Forsyth, Acier Leroux, Acier Loubier, Acier Richler, Alberta Industrial Metals, Arrow Steel Processors, B&T Steel, Baldwin International, Comco Pipe and Supply, Fedmet Tubulars, JMS Russel Metals, Leroux Steel, McCabe Steel, Mégantic Métal, Métaux Russel, Métaux Russel Produits Spécialisés, Milspec, Norton Metals,

Pioneer Pipe, Russel Metals Specialty Products, Russel Metals Williams Bahcall, Siemens Laserworks, Spartan Energy Tubulars, Sunbelt Group, Triumph Tubular & Supply, Wirth Steel and York-Ennis.

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

The forward-looking statements in this document reflect management's current beliefs and are based on information currently available to management. The material assumptions applied in making the forward-looking statements in this document include the following: demand from the manufacturing, resource and construction segments of the Canadian economy remains at current levels and these conditions will continue in the foreseeable future; and oil and gas prices, the price of steel and the value of the Canadian dollar relative to the U.S. dollar will be at similar levels with what we experienced during the second quarter of 2012. Although the forward-looking statements contained in this document are based upon what management believes to be reasonable estimates and assumptions, Russel Metals cannot ensure that actual results will not be materially different from those expressed or implied by these forward-looking statements and does not intend to update any forward-looking statement other than required by law.

-30-

**For further information, contact:**

Marion E. Britton, C.A.

Vice President and

Chief Financial Officer

Russel Metals Inc.

(905) 819-7407

E-mail: [info@russelmetals.com](mailto:info@russelmetals.com)

Website: [www.russelmetals.com](http://www.russelmetals.com)

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS *(UNAUDITED)*

<i>(in millions of Canadian dollars, except per share data)</i>	Quarters ended June 30		Six months ended June 30	
	2012	2011	2012	2011
<b>Revenues</b>	<b>\$ 718.7</b>	\$ 618.6	<b>\$ 1,521.6</b>	\$ 1,276.3
Cost of materials	<b>588.2</b>	484.9	<b>1,247.2</b>	1,004.2
Employee expenses	<b>50.9</b>	48.4	<b>108.8</b>	103.0
Other operating expenses	<b>33.2</b>	33.2	<b>66.1</b>	62.8
<b>Earnings before interest, finance and provision for income taxes</b>	<b>46.4</b>	52.1	<b>99.5</b>	106.3
Interest expense	<b>9.4</b>	6.9	<b>16.1</b>	14.0
Interest income	<b>(0.6)</b>	(0.5)	<b>(1.0)</b>	(1.1)
Other finance expense	<b>4.4</b>	0.9	<b>4.8</b>	1.3
<b>Earnings before provision for income taxes</b>	<b>33.2</b>	44.8	<b>79.6</b>	92.1
Provision for income taxes	<b>10.4</b>	13.7	<b>23.7</b>	28.0
<b>Net earnings for the period</b>	<b>\$ 22.8</b>	\$ 31.1	<b>\$ 55.9</b>	\$ 64.1
<b>Basic earnings per common share</b>	<b>\$ 0.38</b>	\$ 0.52	<b>\$ 0.93</b>	\$ 1.07
<b>Diluted earnings per common share</b>	<b>\$ 0.38</b>	\$ 0.50	<b>\$ 0.92</b>	\$ 1.03

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

<i>(in millions of Canadian dollars)</i>	Quarters ended June 30		Six months ended June 30	
	2012	2011	2012	2011
<b>Net earnings for the period</b>	<b>\$ 22.8</b>	\$ 31.1	<b>\$ 55.9</b>	\$ 64.1
Other comprehensive income (loss), net of tax				
Unrealized foreign exchange gains (losses) on translation of foreign operations	<b>8.1</b>	(2.4)	<b>1.4</b>	(10.4)
Unrealized gains (losses) on items designated as net investment hedges	<b>(3.0)</b>	1.0	<b>(0.9)</b>	4.3
Losses on derivatives designated as cash flow hedges transferred to net earnings in the current period	<b>2.0</b>	0.3	<b>2.3</b>	0.6
Actuarial losses on pension and similar obligations	<b>(1.0)</b>	-	<b>(3.2)</b>	-
Other comprehensive income (loss)	<b>6.1</b>	(1.1)	<b>(0.4)</b>	(5.5)
<b>Total comprehensive income</b>	<b>\$ 28.9</b>	\$ 30.0	<b>\$ 55.5</b>	\$ 58.6

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

<i>(in millions of Canadian dollars)</i>	June 30 2012	December 31 2011
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 272.1	\$ 270.7
Accounts receivable	394.6	382.4
Inventories	722.7	645.6
Prepaid expenses	6.5	4.6
Income taxes receivable	1.8	0.5
	1,397.7	1,303.8
<b>Property, Plant and Equipment</b>	230.6	201.3
<b>Deferred Income Tax Assets</b>	7.4	5.3
<b>Other Assets</b>	3.0	3.3
<b>Goodwill and Intangibles</b>	50.6	24.7
	\$ 1,689.3	\$ 1,538.4
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 350.5	\$ 362.8
Income taxes payable	0.5	17.4
Current portion long-term debt	1.3	1.3
	352.3	381.5
<b>Long-Term Debt</b>	450.8	296.5
<b>Pensions and Benefits</b>	36.5	33.3
<b>Deferred Income Tax Liabilities</b>	3.3	0.4
<b>Provisions</b>	5.2	5.4
<b>Other Non-Current Liabilities</b>	3.3	1.9
	851.4	719.0
<b>Shareholders' Equity</b>		
Common shares	486.6	485.4
Retained earnings	323.6	306.7
Contributed surplus	16.5	15.7
Accumulated other comprehensive loss	(17.5)	(17.1)
Equity component of convertible debenture	28.7	28.7
	837.9	819.4
	\$ 1,689.3	\$ 1,538.4

## CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOW *(UNAUDITED)*

<i>(in millions of Canadian dollars)</i>	Quarters ended June 30		Six months ended June 30	
	2012	2011	2012	2011
<b>Operating activities</b>				
Net earnings for the period	\$ 22.8	\$ 31.1	\$ 55.9	\$ 64.1
Depreciation and amortization	6.1	5.9	11.8	11.9
Deferred income taxes	(0.3)	(0.7)	0.3	(1.2)
Gain on sale of property, plant and equipment	-	-	-	(0.1)
Stock-based compensation	0.5	0.4	1.0	1.3
Difference between pension expense and amount funded	(0.8)	(0.4)	(1.0)	(1.0)
Debt accretion, amortization and other	5.5	2.1	6.9	3.4
<b>Cash from operating activities before non-cash working capital</b>	<b>33.8</b>	38.4	<b>74.9</b>	78.4
<b>Changes in non-cash working capital items</b>				
Accounts receivable	69.6	33.1	(1.4)	(48.4)
Inventories	(19.6)	(85.1)	(69.3)	(93.3)
Accounts payable and accrued liabilities	(33.9)	(9.1)	(20.4)	26.2
Income tax receivable/payable	(5.0)	2.3	(16.5)	(1.0)
Other	(0.8)	(0.5)	(0.7)	(2.5)
<b>Change in non-cash working capital</b>	<b>10.3</b>	(59.3)	<b>(108.3)</b>	(119.0)
<b>Cash from (used in) operating activities</b>	<b>44.1</b>	(20.9)	<b>(33.4)</b>	(40.6)
<b>Financing activities</b>				
Issue of common shares	0.4	0.3	0.9	1.2
Dividends on common shares	(21.0)	(16.5)	(39.0)	(33.0)
Issuance of long-term debt (net)	293.1	-	293.1	-
Repayment of long-term debt	(141.5)	(16.8)	(141.8)	(17.1)
Deferred financing	-	(0.5)	-	(0.5)
<b>Cash from (used in) financing activities</b>	<b>131.0</b>	(33.5)	<b>113.2</b>	(49.4)
<b>Investing activities</b>				
Purchase of property, plant and equipment	(8.8)	(5.2)	(20.7)	(9.6)
Proceeds on sale of property, plant and equipment	-	-	-	0.7
Purchase of businesses	(54.8)	-	(54.8)	-
<b>Cash used in investing activities</b>	<b>(63.6)</b>	(5.2)	<b>(75.5)</b>	(8.9)
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>0.3</b>	(1.8)	<b>(2.9)</b>	(0.1)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>111.8</b>	(61.4)	<b>1.4</b>	(99.0)
Cash and cash equivalents, beginning of the period	160.3	286.1	270.7	323.7
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 272.1</b>	\$ 224.7	<b>\$ 272.1</b>	\$ 224.7
<b>Supplemental cash flow information:</b>				
Income taxes paid	\$ 15.5	\$ 12.9	\$ 41.9	\$ 31.2
Interest paid (net)	\$ 9.1	\$ 0.5	\$ 14.1	\$ 12.7

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

<i>(in millions of Canadian dollars)</i>	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Loss	Equity Component of Convertible Debentures	Total
<b>Balance, December 31, 2011</b>	\$ 485.4	\$ 306.7	\$ 15.7	\$ (17.1)	\$ 28.7	\$ 819.4
Payment of dividends	-	(39.0)	-	-	-	(39.0)
Net earnings for the period	-	55.9	-	-	-	55.9
Other comprehensive loss for the period	-	-	-	(0.4)	-	(0.4)
Recognition of stock-based compensation	-	-	0.8	-	-	0.8
Stock options exercised	1.2	-	-	-	-	1.2
<b>Balance, June 30, 2012</b>	<b>\$ 486.6</b>	<b>\$ 323.6</b>	<b>\$ 16.5</b>	<b>\$ (17.5)</b>	<b>\$ 28.7</b>	<b>\$ 837.9</b>

<i>(in millions of Canadian dollars)</i>	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Loss	Equity Component of Convertible Debentures	Total
<b>Balance, December 31, 2010</b>	\$ 483.7	\$ 257.5	\$ 13.9	\$ (11.0)	\$ 28.7	\$ 772.8
Payment of dividends	-	(33.0)	-	-	-	(33.0)
Net earnings for the period	-	64.1	-	-	-	64.1
Other comprehensive loss for the period	-	-	-	(5.5)	-	(5.5)
Recognition of stock-based compensation	-	-	1.1	-	-	1.1
Stock options exercised	1.5	-	-	-	-	1.5
<b>Balance, June 30, 2011</b>	<b>\$ 485.2</b>	<b>\$ 288.6</b>	<b>\$ 15.0</b>	<b>\$ (16.5)</b>	<b>\$ 28.7</b>	<b>\$ 801.0</b>