RELIANCE STEEL & ALUMINUM CO
Form 10-K/A
August 06, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to__________

Commission file number: 001-13122

RELIANCE STEEL & ALUMINUM CO.
(Exact name of registrant as specified in its charter)

California	**95-1142616**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

350 South Grand Avenue, Suite 5100
Los Angeles, California 90071
(213) 687-7700
(Address of principal executive offices and telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes oNo þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yeso No þ

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing price on the New York Stock Exchange on June 30, 2007 was approximately $3,700,000,000.

As of January 31, 2008, 72,488,824 shares of the registrant s common stock, no par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 21, 2008 (the Proxy Statement) are incorporated by reference into Part III of this report.

EXPLANATORY NOTE

Reliance Steel & Aluminum Co. (the Company or we, us and our) is filing this Amendment No. 1 on Form 10-K/A its Annual Report on Form 10-K for the fiscal year ended December 31, 2007 (the Original Filing) to remove a reference to a third-party valuation specialist included in its notes to consolidated financial statements (Note 3, Acquisitions). The Company received a comment letter from the Securities and Exchange Commission with respect to its reference to an unnamed third-party valuation specialist. We believe that we have ultimate responsibility over the work performed by the third-party valuation specialist, and accordingly, we are amending our Annual Report on Form 10-K to delete the reference to the third-party valuation specialist. The following items have been updated in this amended filing:

PART II

Item 8. Financial Statements and Supplementary Data

Item 9A. Controls and Procedures

Item 9A (T). Controls and Procedures

PART IV

Item 15. Exhibits, Financial Statement Schedules

All of the information in this Form 10-K/A is as of December 31, 2007 and does not reflect events or circumstances that may have occurred after the Original Filing.

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PART II

Item 8. Financial Statements and Supplementary Data.

RELIANCE STEEL & ALUMINUM CO.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENT SCHEDULE:

All other schedules are omitted because either they are not applicable, not required or the information required is included in the Consolidated Financial Statements, including the notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Reliance Steel & Aluminum Co.

We have audited the accompanying consolidated balance sheets of Reliance Steel & Aluminum Co. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Reliance Steel & Aluminum Co. and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, Reliance Steel & Aluminum Co. changed its method of accounting for Share-Based Payments in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) on January 1, 2006.

Additionally, as discussed in Note 11 to the consolidated financial statements, Reliance Steel & Aluminum Co. changed its method of accounting for Defined Benefit Pension and Other Postretirement Plans in accordance with Statement of Financial Accounting Standards No. 158 on December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Reliance Steel & Aluminum Co. s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2008 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 28, 2008

RELIANCE STEEL & ALUMINUM CO.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	December 31, 2007	December 31, 2006
Current assets:		
Cash and cash equivalents	$ 77,023	$ 57,475
Accounts receivable, less allowance for doubtful accounts of $16,153 at December 31, 2007 and $16,755 at December 31, 2006	691,462	666,273
Inventories	911,315	904,318
Prepaid expenses and other current assets	24,028	22,179
Income taxes receivable	17,575	25,144
Total current assets	1,721,403	1,675,389
Property, plant and equipment, at cost:		
Land	115,294	108,022
Buildings	417,677	385,851
Machinery and equipment	669,671	565,951
Accumulated depreciation	(378,007)	(317,152)
	824,635	742,672
Goodwill	886,152	784,871
Intangible assets, net	464,291	354,195
Cash surrender value of life insurance policies, net	73,953	41,190
Other assets	13,043	15,856
Total assets	$ 3,983,477	$ 3,614,173

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:		
Accounts payable	$ 333,986	$ 340,356
Accrued expenses	37,863	36,481
Accrued compensation and retirement costs	95,539	92,905
Accrued insurance costs	36,884	34,475
Deferred income taxes	23,136	23,706
Current maturities of long-term debt	71,815	22,257
Current maturities of capital lease obligations	641	559
Total current liabilities	599,864	550,739
Long-term debt	1,008,765	1,083,095
Capital lease obligations	4,495	4,956
Long-term retirement costs and other long-term liabilities	62,224	46,111
Deferred income taxes	200,181	181,628
Minority interest	1,699	1,246

Commitments and contingencies				
Shareholders equity:				
Preferred stock, no par value:				
Authorized shares 5,000,000				
None issued or outstanding		¾		¾
Common stock, no par value:		646,406		701,690
Authorized shares 100,000,000				
Issued and outstanding shares 74,906,824 at December 31, 2007 and 75,702,046 at December 31, 2006, stated capital				
Retained earnings		1,439,598		1,046,339
Accumulated other comprehensive income /(loss)		20,245		(1,631)
Total shareholders equity		2,106,249		1,746,398
Total liabilities and shareholders equity	$	3,983,477	$	3,614,173

See accompanying notes to consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share and per share amounts)

	Year Ended December 31, 2007	2006	2005
Net sales	$ 7,255,679	$ 5,742,608	$ 3,367,051
Other income, net	9,931	5,768	3,671
	7,265,610	5,748,376	3,370,722
Costs and expenses:			
Cost of sales (exclusive of depreciation and amortization shown below)	5,418,161	4,231,386	2,449,000
Warehouse, delivery, selling, general and administrative	1,034,139	821,386	507,905
Depreciation and amortization	79,873	62,474	46,631
Interest	78,710	61,692	25,222
	6,610,883	5,176,938	3,028,758
Income before minority interest and income taxes	654,727	571,438	341,964
Minority interest	(334)	(306)	(8,752)
Income from continuing operations before income taxes	654,393	571,132	333,212
Provision for income taxes	246,438	216,625	127,775
Net income	$ 407,955	$ 354,507	$ 205,437
Earnings per share:			
Income from continuing operations diluted	$ 5.36	$ 4.82	$ 3.10
Weighted average shares outstanding diluted	76,064,616	73,599,681	66,194,724
Income from continuing operations basic	$ 5.39	$ 4.85	$ 3.12
Weighted average shares outstanding basic	75,622,799	73,134,102	65,870,068
Cash dividends per share	$ .32	$ .22	$ .19

See accompanying notes to consolidated financial statements.

RELIANCE STEEL & ALUMINUM CO.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(In thousands, except share and per share amounts)

	Common Stock		Retained	Accumulated Other Comprehensive Income	
	Shares	**Amount**	**Earnings**	**(Loss)**	**Total**
Balance at January 1, 2005	65,339,934	$ 313,953	$ 508,147	$ 452	$ 822,552
Net income for the year			205,437		205,437
Other comprehensive income (loss):					
Foreign currency translation gain				1	1
Unrealized gain on investments				40	40
Minimum pension liability				(168)	(168)
Comprehensive income					205,310
Stock options exercised	866,900	10,811	3,476		14,287
Stock issued under incentive bonus plan	11,164	246			246
Cash dividends $.19 per share			(12,530)		(12,530)
Balance at December 31, 2005	66,217,998	325,010	704,530	325	1,029,865
Net income for the year			354,507		354,507
Other comprehensive income (loss):					
Foreign currency translation gain				1,221	1,221
Unrealized gain on investments				116	116
Minimum pension liability				423	423
Comprehensive income					356,267
Adjustment to initially apply SFAS No. 158, net of tax				(3,716)	(3,716)
Stock options exercised	438,290	7,115	3,446		10,561
Stock based compensation		6,060			6,060
Stock and stock options issued in connection with business acquisition	8,962,268	360,453			360,453
Stock issued to a retirement savings plan	78,288	2,830			2,830
Stock issued under incentive bonus plan	5,202	222			222
Cash dividends $.22 per share			(16,144)		(16,144)
Balance at December 31, 2006	75,702,046	701,690	1,046,339	(1,631)	1,746,398
Net income for the year			407,955		407,955
Other comprehensive income (loss):					
Foreign currency translation gain				24,681	24,681
Unrealized loss on investments				(54)	(54)
Minimum pension liability				(2,751)	(2,751)
Comprehensive income					429,831
Stock based compensation		10,120			10,120
Stock options exercised	872,001	16,483	9,511		25,994
Stock repurchased	(1,673,467)	(82,168)			(82,168)

Stock issued under incentive bonus plan	6,244	281			281
Cash dividends $.32 per share			(24,207)		(24,207)
Balance at December 31, 2007	74,906,824	$ 646,406	$ 1,439,598	$ 20,245	$ 2,106,249

See accompanying notes to consolidated financial statements.

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RELIANCE STEEL & ALUMINUM CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2007	**2006**	**2005**
Operating activities:			
Net income	$ 407,955	$ 354,507	$ 205,437
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	79,873	62,474	46,631
Debt premium amortization		(2,149)	
Deferred income taxes	12,042	7,295	(1,059)
Gain on debt extinguishment		(2,264)	
Gain on sales of property and equipment	(1,181)	(723)	
Minority interest	334	306	8,752
Stock based compensation expense	10,120	6,060	
Tax benefit of stock options exercised			3,476
Excess tax benefits from stock based compensation	(9,511)	(3,446)	
Decrease/(increase) in cash surrender values of life insurance policies	231	(582)	
Changes in operating assets and liabilities (excluding effect of businesses acquired):			
Accounts receivable	61,265	(50,566)	(15,391)
Inventories	129,582	(89,414)	(11,345)
Prepaid expenses and other assets	11,087	6,569	(2,624)
Accounts payable and accrued expenses	(62,833)	(97,103)	38,342
Net cash provided by operating activities	638,964	190,964	272,219
Investing activities:			
Purchases of property, plant and equipment	(124,127)	(108,742)	(53,740)
Acquisitions of metals service centers and net asset purchases of metals service centers, net of cash acquired	(269,957)	(542,604)	(94,377)
Proceeds from sales of property and equipment	5,045	3,487	1,485
Tax reimbursements made related to prior acquisitions	(619)	(894)	
Net investment in life insurance policies	(31,028)	(3,096)	
Proceeds from redemption of life insurance policies	878	1,415	
Net cash used in investing activities	(419,808)	(650,434)	(146,632)
Financing activities:			
Proceeds from borrowings	658,770	2,547,316	393,000
Principal payments on long-term debt and short-term borrowings	(778,520)	(2,063,656)	(486,511)
Payment of debt issue costs		(8,170)	
Payments to minority shareholders		(1,291)	(7,159)
Net refunds from letters of credit		12,919	
Dividends paid	(24,207)	(16,145)	(12,530)
Excess tax benefit from stock based compensation	9,511	3,446	

Exercise of stock options	16,483	7,115	10,811
Issuance of common stock	281	222	246
Common stock repurchase	(82,168)		
Net cash (used in) provided by financing activities	(199,850)	481,756	(102,143)
Effect of exchange rate changes on cash	242	167	(81)
Increase in cash and cash equivalents	19,548	22,453	23,363
Cash and cash equivalents at beginning of year	57,475	35,022	11,659
Cash and cash equivalents at end of year	$ 77,023	$ 57,475	$ 35,022
Supplemental cash flow information:			
Interest paid during the period	$ 78,167	$ 70,306	$ 25,309
Income taxes paid during the period	$ 221,145	$ 213,901	$ 118,909
Non-cash investing and financing activities:			
Issuance of common stock and stock options in connection with acquisition of metals service center	$	$ 360,453	$
Issuance of short-term notes payable in connection with acquisition of metals service center	$ 6,713	$	$
Issuance of common stock to employee retirement savings plan	$	$ 2,830	$

See accompanying notes to consolidated financial statements.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

1. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Reliance Steel & Aluminum Co. and its subsidiaries, which include Allegheny Steel Distributors, Inc., Aluminum and Stainless, Inc., American Metals Corporation, American Steel, L.L.C. (50.5%-owned until January 3, 2006 when it became wholly-owned), AMI Metals, Inc., CCC Steel, Inc., Central Plains Steel Co. (until September 1, 2006 when it was merged into Reliance), Chapel Steel Corp., Chatham Steel Corporation, Clayton Metals, Inc., Crest Steel Corporation, Durrett Sheppard Steel Co., Inc., Earle M. Jorgensen Company, Encore Group Limited, Encore Metals (USA) Inc., Liebovich Bros., Inc., Lusk Metals, Metalweb Limited, Pacific Metal Company, PDM Steel Service Centers, Inc., Phoenix Corporation, Precision Strip, Inc., Reliance Pan Pacific Pte., Ltd. (70%-owned), RSAC Management Corp., Service Steel Aerospace Corp., Siskin Steel & Supply Company, Inc., Toma Metals, Inc., Valex Corp. (97%-owned), Viking Materials, Inc., and Yarde Metals, Inc., on a consolidated basis (Reliance or the Company). All subsidiaries of Reliance, other than American Steel, L.L.C., Earle M. Jorgensen Company, Encore Group Limited, Encore Metals (USA) Inc., and Reliance Pan Pacific Pte., Ltd. are held by RSAC Management Corp. All significant intercompany transactions have been eliminated in consolidation. The Company consolidates its 70% investment in Reliance Pan Pacific Pte., Ltd. and its 88% investment in Valex Holdings Limited. Effective January 3, 2006, the Company purchased the remaining 49.5% interest in American Steel, L.L.C. Prior to that, the Company consolidated its 50.5% investment in American Steel, L.L.C.

Business

In 2007, the Company operated a metals service center network of more than 180 locations in 37 states, Belgium, Canada, China, South Korea and the United Kingdom that provided value-added metals processing services and distributed a full line of more than 100,000 metal products.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Concentrations of Credit Risk

Concentrations of credit risk with respect to trade receivables are limited due to the geographically diverse customer base and various industries into which the Company s products are sold. Trade receivables are typically non-interest bearing and are initially recorded at cost. Sales to the Company s recurring customers are generally made on open account terms while sales to occasional customers may be made on a C.O.D. basis when collectibility is not assured. Past due status of customer accounts is determined based on how recently payments have been received in relation to payment terms granted. Credit is generally extended based upon an evaluation of each customer s financial condition, with terms consistent in the industry and no collateral required. Losses from credit sales are provided for in the financial statements and consistently have been within the allowance provided. The allowance is an estimate of the uncollectibility of accounts receivable based on an evaluation of specific customer risks along with additional reserves based on historical and probable bad debt experience. Amounts are written off against the allowance in the period the Company determines that the receivable is uncollectible. As a result of the above factors, the Company does not consider itself to have any significant concentrations of credit risk.

Inventory

A significant portion of our inventory is valued using the last-in, first-out (LIFO) method. Under this method, older costs are included in inventory, which may be higher or lower than current costs. This method of valuation is subject to year-to-year fluctuations in cost of material sold, which is influenced by the inflation or deflation existing within the metals industry as well as fluctuations in our product mix and on-hand inventory levels.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Fair Values of Financial Instruments

Fair values of cash and cash equivalents, trade accounts receivable and the current portion of long-term debt approximate cost due to the short period of time to maturity. Fair values of long-term debt, which have been determined based on borrowing rates currently available to the Company, or to other companies with comparable credit ratings, for loans with similar terms or maturity, approximate the carrying amounts in the consolidated financial statements with the exception of our $600,000,000 senior unsecured notes issued in November 2006. In April 2007, these notes were exchanged for publicly traded notes registered with the Securities and Exchange Commission. The fair market value of these senior unsecured notes at December 31, 2007 was approximately $567,000,000.

Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. The Company maintains cash and cash equivalents with high-credit, quality financial institutions. The Company, by policy, limits the amount of credit exposure to any one financial institution. At times, cash balances held at financial institutions were in excess of federally-insured limits.

Long-Lived Assets

In accordance with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* and SFAS No. 142, *Goodwill and Other Intangible Assets,* the Company no longer amortizes goodwill which is deemed to have an indefinite life but is subject to annual impairment tests. Other intangible assets continue to be amortized over their useful lives. Indefinite-lived intangible assets are not subject to amortization.

For purposes of performing annual impairment tests, the Company identified reporting units in accordance with the guidance provided within SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information.* As of November 1, 2007 and 2006, the dates of our annual impairment testing, the Company identified 45 and 41 reporting units, respectively. Each reporting unit constitutes a business under the definition provided by EITF 98-3, *Determining Whether a Non-Monetary Transaction Involves Receipt of Productive Assets or of a Business*. The Company assigns goodwill at the business unit/reporting unit level at the time of acquisition, where applicable, as each business unit operates independently from the other business units and is evaluated at the business unit level for financial performance.

The Company tests for impairment of goodwill by calculating the fair value of a reporting unit using the discounted cash flow method. Under this method, the fair market value of each reporting unit is estimated based on expected future economic benefits discounted to a present value at a rate of return commensurate with the risk associated with the investment. Year five of these projections is considered the terminal year. Projected cash flows are discounted to present value using an estimated weighted average cost of capital, which considers both returns to equity and debt investors. An annual assessment was performed and the Company determined that no impairment existed at November 1, 2007 or November 1, 2006.

Property, plant and equipment is recorded at cost and the provision for depreciation of these assets is generally computed on the straight-line method at rates designed to distribute the cost of assets over the useful lives, estimated as follows:

Buildings	$31^1/2$ years
Machinery and equipment	3 20 years

The Company reviews the recoverability of its long-lived assets as required by SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. The Company has determined that no impairment of long-lived assets exists as of December 31, 2007 or 2006.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Revenue Recognition

The Company recognizes revenue from product or processing sales upon concluding that all of the fundamental criteria for product revenue recognition have been met. Such criteria are usually met at the time title to the product passes to the customer, typically upon delivery, or at the time services are performed for its toll processing services. Shipping and handling charges are included as revenue in net sales. Costs incurred in connection with shipping and handling the Company s products which are related to third-party carriers are not material and are typically included in cost of sales. Costs incurred in connection with shipping and handling the Company s products that are performed by Company personnel are typically included in operating expenses. For the years ended December 31, 2007, 2006 and 2005, shipping and handling costs included in Warehouse, delivery, selling, general and administrative expenses were approximately $184,449,000, $142,697,000, and $75,868,000, respectively.

Segment Information

The Company has one reportable business segment metals service centers. The acquisitions made during 2007 did not result in new segments. Although a variety of products or services are sold at each of the Company s various locations, in total, sales were comprised of the following in each of the three years ended December 31:

	2007	2006	2005
Carbon steel	46%	49%	55%
Aluminum	19	18	20
Stainless and alloy steel	28	24	15
Toll processing	2	2	4
Other	5	7	6
Total	100%	100%	100%

The following table summarizes consolidated financial information of the Company s operations by geographic location based on where sales originated from:

	United States	Foreign Countries (in thousands)	Total
Year-Ended December 31, 2007			
Net Sales	$6,902,040	$353,639	$7,255,679
Long Lived Assets	2,088,342	173,732	2,262,074
Year-Ended December 31, 2006			
Net Sales	5,576,183	166,425	5,742,608
Long Lived Assets	1,894,446	44,338	1,938,784
Year-Ended December 31, 2005			
Net Sales	3,315,319	51,732	3,367,051
Long Lived Assets	913,304	8,418	921,722

Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123R using the modified prospective transition method. SFAS No. 123R revises SFAS No. 123, *Accounting for Stock-Based Compensation,* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS No. 123R is supplemented by SEC Staff Accounting Bulletin (SAB) No. 107, *Share Based Payment*. SAB No. 107 expresses the SEC staff s views regarding the interaction between SFAS No. 123R and certain SEC rules and regulations including the valuation of share-based payment arrangements.

The Company recognizes the cost of all employee and director stock options on a straight-line basis over their respective vesting periods, net of estimated forfeitures. Since the Company has selected the modified prospective method of transition, the prior periods have not been restated. Prior to adopting SFAS No. 123R, the Company applied APB Opinion No. 25, and related interpretations in accounting for its stock-based compensation plans. All stock options were granted at or above the grant date market price. Accordingly, no compensation cost was recognized for stock option grants prior to 2006.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Under this transition method, stock based compensation cost recognized for the years ended December 31, 2007 and 2006 respectively, includes: (i) compensation cost for all stock-based payments granted prior to, but not yet vested, as of January 1, 2006, and (ii) compensation cost for all stock-based payments granted or modified subsequent to January 1, 2006. The stock- based compensation expense recorded in accordance with SFAS No. 123R was $10,120,000 and $6,060,000 for the years ended December 31, 2007 and 2006, respectively included in Warehouse, delivery, selling, general and administrative expense caption of the Company s Consolidated Statements of Income.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123R during the prior periods presented. For the purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes option-pricing model and amortized to expense over the options vesting periods.

	Year Ended December 31, 2005 (in thousands, except per share amounts)
Reported net income	$ 205,437
Stock-based compensation cost, net of tax	2,954
Pro forma net income	$ 202,483
Earnings per share from continuing operations:	
Basic reported	$ 3.12
Basic pro forma	$ 3.07
Diluted reported	$ 3.10
Diluted pro forma	$ 3.06

Environmental Remediation Costs

The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remediation feasibility study. Such accruals are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. The Company s management is not aware of any environmental remediation obligations which would materially affect the operations, financial position or cash flows of the Company.

Foreign Currencies

The currency effects of translating the financial statements of those foreign subsidiaries of the Company which operate in local currency environments are included in the Accumulated Other Comprehensive Income (Loss) component of shareholders equity. Gains and losses resulting from foreign currency transactions are included in the results of operations in Other income, net caption and amounted to a net gain of approximately $7,337,000 for the year ended December 31, 2007. Foreign currency transaction gains and losses were not material in the prior periods presented.

Impact of Recently Issued Accounting Standards

In July 2006, the FASB issued Interpretation No. 48 (FIN No. 48), *Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109*. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN No. 48 prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company adopted the provision of this interpretation effective January 1, 2007. The adoption of FIN No. 48 did not have a material impact on the Company s consolidated financial position and results of operations. See Note 9, Income Taxes, for further discussion.

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In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statement No. 87, 88, 106 and 132(R).* This Standard requires recognition of the funded status of a benefit plan in the statement of financial position. The Standard also requires recognition in other comprehensive income of certain gains and losses that arise during the period but are deferred under pension accounting rules, as well as modifies the timing of reporting and adds certain disclosures. The Company adopted the recognition provisions of SFAS No. 158 and applied them to the funded status of its defined benefit and postretirement plans as of December 31, 2006. The initial recognition of the funded status of its defined benefit and postretirement plans resulted in a decrease in Shareholders equity of $3,716,000, which was net of a tax benefit of $2,293,000.

In September 2006, the FASB also issued SFAS No. 157, *Fair Value Measurements.* This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which is the year beginning January 1, 2008 for the Company. The adoption of SFAS No. 157 is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which is the year beginning January 1, 2008 for the Company. The adoption of SFAS No. 159 is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141R (revised 2007), *Business Combinations*, which is a revision of SFAS No. 141, *Business Combinations*. In accordance with the new standard, upon initially obtaining control, the acquiring entity in a business combination must recognize 100% of the fair values of the acquired assets, including goodwill, and assumed liabilities, with only limited exceptions even if the acquirer has not acquired 100% of its target. As a consequence, the current step acquisition model will be eliminated. Also, contingent consideration arrangements will be fair valued at the acquisition date and included on that basis in the purchase price consideration. In addition, all transaction costs will be expensed as incurred. SFAS No. 141R is effective as of the beginning of an entity s first fiscal year beginning after December 15, 2008 which is the year beginning January 1, 2009 for the Company. Adoption is prospective and early adoption is not permitted. The Company is currently evaluating the impact that the adoption of SFAS 141R will have on its consolidated financial statements and notes thereto.

2. Investments in Joint Venture Companies

From inception on July 1, 1995 through April 30, 2002, the Company owned a 50% interest in the Membership Units of American Steel, L.L.C. (American Steel), which operates metals service centers in Portland, Oregon and Kent (Seattle), Washington, and processes and distributes primarily carbon steel products. American Industries, Inc. (Industries) owned the other 50% interest in American Steel. The Operating Agreement (Agreement) gave the Company operating control over the assets and operations of American Steel. However, due to the existence of super-majority veto rights in favor of Industries prior to May 1, 2002, the Company accounted for this investment under the equity method and recorded its share of earnings based upon the terms of the Agreement.

Effective May 1, 2002, the Agreement was amended and one additional membership unit was issued to the Company, giving the Company 50.5% of the outstanding membership units. As part of the amendment, all super-majority and unanimous voting rights included in the Agreement were eliminated, among other changes. Due to this change in ownership structure, the Company began consolidating American Steel s financial results as of May 1, 2002. In January 2006, the Company purchased the remaining 49.5% interest in American Steel and began including 100% of American Steel s earnings in its consolidated results of operations.

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In October 2005, the Company, with its partner Manufacturing Network Pte. Ltd. (MNPL), a Singapore company, formed Reliance Pan Pacific Pte., Ltd. (Reliance Pan Pacific). Reliance Pan Pacific, a Singapore company, is 70%-owned by the Company and 30%-owned by MNPL. Reliance Pan Pacific had no activity in 2005. In March 2006, Reliance Pan Pacific purchased Everest Metals (Suzhou) Co., Ltd. (Everest Metals), a metals service center company based near Shanghai, China. The Company consolidates the financial results of Everest Metals. Net sales during 2007 were approximately $6,000,000.

In October 2007, Valex Corp., a subsidiary of the Company, formed Valex Holdings Limited (Valex Holdings), a Hong Kong Company. The Company owns 88% of Valex Holdings. Valex Holdings formed Valex China Co. Ltd. (Valex China) in the People s Republic of China as a wholly-owned subsidiary. Valex China operates a processing and distribution facility in China in the Nanhui district of Shanghai. The Company consolidates the financial results of Valex China. Activity during 2007 was minimal.

3. Acquisitions

2007 Acquisitions

Acquisition of Metalweb plc

As of October 1, 2007, the Company acquired all of the outstanding capital stock of Metalweb plc (Metalweb), a metals service center company headquartered in Birmingham, England. Metalweb, established in 2001, specializes in the processing and distribution of primarily aluminum products for non-structural aerospace components and general engineering parts and has three additional service centers located in London, Manchester and Oxford, England. The company acquired Metalweb through RSAC Management Corp., the Company s wholly-owned subsidiary. Metalweb now operates as a wholly-owned subsidiary of RSAC Management Corp. Metalweb has been re-registered as Metalweb Limited.

Acquisition of Clayton Metals, Inc.

On July 1, 2007, the Company acquired all of the outstanding capital stock of Clayton Metals, Inc. (Clayton Metals), an Illinois corporation headquartered in Wood Dale, Illinois. Clayton Metals, founded in 1976, specializes primarily in the processing and distribution of aluminum, stainless steel and red metal flat-rolled products, custom extrusions and aluminum circles through its metals service center locations in Wood Dale, Illinois; Cerritos, California; High Point, North Carolina; and Parsippany, New Jersey. Clayton Metals now operates as a wholly-owned subsidiary of RSAC Management Corp.

Acquisition of Encore Group

As of February 1, 2007, the Company acquired the net assets and business of the Encore Group of metals service center companies (Encore Metals, Encore Metals (USA), Inc., Encore Coils, and Team Tube in Canada) headquartered in Edmonton, Alberta, Canada. Encore was organized in 2004 in connection with the buyout by management and a private equity fund of certain former Corus CIC and Corus America businesses. Encore specializes in the processing and distribution of alloy and carbon bar and tube, as well as stainless steel sheet, plate and bar and carbon steel flat-rolled products, through its 17 facilities located mainly in Western Canada. The Company acquired the Encore Group assets through RSAC Canada Limited (now Encore Group Limited), the Company s wholly-owned Canadian subsidiary, and RSAC Canada (Tube) ULC (now Team Tube Canada ULC), a subsidiary of RSAC Canada Limited. Encore Group Limited and Encore Metals (USA), Inc. now operate as wholly-owned subsidiaries of Reliance. As discussed in Note 16, Subsequent Events, on January 1, 2008 the Company sold certain assets and the business of the Encore Coils division.

Acquisition of Crest Steel Corporation

On January 2, 2007, the Company purchased all of the outstanding capital stock of Crest Steel Corporation (Crest), a metals service center company headquartered in Carson, California with facilities in Riverside, California and Phoenix, Arizona. Crest now operates as a wholly-owned subsidiary of RSAC Management Corp. Crest was founded in 1963 and specializes in the processing and distribution of carbon steel products including flat-rolled, plate, bars and structurals.

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Acquisition of Industrial Metals and Surplus, Inc.

Also on January 2, 2007, the Company, through its wholly-owned subsidiary Siskin Steel & Supply Company, Inc. (Siskin), purchased the outstanding capital stock of Industrial Metals and Surplus, Inc. (Industrial Metals), a metals service center company headquartered in Atlanta, Georgia and a related company, Athens Steel, Inc. (Athens Steel), located in Athens, Georgia. Industrial Metals was founded in 1978 and specializes in the processing and distribution of carbon steel structurals, flat-rolled and ornamental iron products. Industrial Metals and Athens Steel now operate as divisions of Siskin.

Summary purchase price allocations for 2007 acquisitions

The total cost of the acquisitions of Clayton Metals, Crest, Industrial Metals, Encore Group and Metalweb of approximately $281,443,000 was funded with borrowings on the Company s syndicated credit facility. Total debt assumed, net of cash, in connection with these acquisitions was approximately $81,849,000. The allocation of the total purchase price to the fair values of the assets acquired and liabilities assumed is as follows:

	(in thousands)
Cash consideration, including direct acquisition costs	$ 274,730
Debt issued	6,713
Total purchase price	$ 281,443
Allocation of the total purchase price to the fair values of assets acquired and liabilities assumed:	
Cash	$ 4,773
Accounts Receivable	82,373
Inventory	130,814
Property, plant and equipment	27,685
Goodwill	91,720
Intangible assets subject to amortization	63,690
Intangible assets not subject to amortization	47,218
Other current and long-term assets	5,485
Total assets acquired	453,758
Total liabilities assumed	(172,315)
Net assets acquired/Purchase price	$ 281,443

The consolidated financial statements reflect the allocations of each acquisition s purchase price, which is preliminary as of December 31, 2007 for Metalweb.

2006 Acquisitions

Acquisition of Yarde Metals, Inc.

On August 1, 2006, the Company acquired 100% of the outstanding capital stock of Yarde Metals, Inc. (Yarde Metals), a metals service center company headquartered in Southington, Connecticut for approximately $100,000,000 plus the assumption of approximately $101,000,000 of Yarde Metals outstanding debt, net of cash acquired. The Yarde Metals sellers were paid an additional amount in 2007 related to the Company s election of Section 338(h)(10) treatment for income tax purposes, resulting in a goodwill addition of approximately $600,000 for the year ended

December 31, 2007. Yarde Metals was founded in 1976 and specializes in the processing and distribution of stainless steel and aluminum plate, rod and bar products. Yarde has additional metals service centers in Pelham, New Hampshire; East Hanover, New Jersey; Hauppauge, New York; High Point, North Carolina; Streetsboro, Ohio; and Limerick, Pennsylvania and a sales office in Ft. Lauderdale, Florida. Yarde Metals operates as a wholly-owned subsidiary of RSAC Management Corp.

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The allocation of the total purchase price to the fair values of the assets acquired and liabilities assumed is as follows:

	(in thousands)
Allocation of the total purchase price to the fair values of assets acquired and liabilities assumed:	
Cash	$ 10,244
Accounts receivable	53,448
Inventory	79,987
Property, plant and equipment	18,062
Goodwill	47,657
Intangible assets subject to amortization	3,100
Intangible assets not subject to amortization	22,900
Other current and long-term assets	5,743
Total assets acquired	241,141
Current and long-term debt	(111,168)
Other current and long-term liabilities	(29,204)
Total liabilities assumed	(140,372)
Net assets acquired/Purchase price	$ 100,769

The acquisition of Yarde Metals was funded with borrowings on the Company s syndicated credit facility and a short-term supplemental credit facility.

Acquisition of Earle M. Jorgensen Company

On April 3, 2006, the Company acquired Earle M. Jorgensen Company (EMJ). EMJ, headquartered in Lynwood, California, is one of the largest distributors of metal products in North America with 40 service and processing centers. The Company paid $6.50 in cash and issued .1784 of a share of Reliance common stock for each outstanding share of EMJ common stock. The fraction of the share of Reliance common stock issued in exchange for each share of EMJ common stock as a result of the acquisition was determined by the average daily closing sale price for Reliance common stock reported on the New York Stock Exchange for the 20-day trading period ending with and including the second complete trading day prior to the date that the acquisition became effective (Average Stock Price). The Average Stock Price for that 20-day period exceeded the upper limit of the 15% symmetrical collar established in the merger agreement. In accordance with this formula, Reliance issued 8,962,268 shares of its common stock in exchange for the 50,237,094 shares of outstanding EMJ common stock. The recorded value of the cash and stock consideration, in accordance with purchase accounting rules, was $13.64 per EMJ share, the stock portion of which was calculated using a Reliance per share price of $40.00 which was the 3-day average closing price as of the date the Average Stock Price exceeded the upper limit of the collar. The purchase also included the assumption of approximately $252,900,000 of EMJ outstanding debt, including $250,000,000 of 9.75% senior secured notes and $2,900,000 of other debt. In addition, the Company cashed out certain EMJ stock option holders for aggregate consideration of approximately $29,456,000 and incurred direct acquisition costs of approximately $12,882,000.

The Company assumed an EMJ stock option plan and converted the outstanding EMJ options to options to acquire 287,886 shares of Reliance common stock on the same terms and conditions as were applicable to such options under the EMJ plan, with adjusted exercise price and number of shares to reflect the difference in the value of the stock. The

Company also assumed an obligation resulting from EMJ s settlement with the U.S. Department of Labor to contribute 258,006 shares of Reliance common stock to a phantom stock plan supplementing the EMJ Retirement Savings Plan. At December 31, 2007 the remaining obligation to contribute cash to this phantom plan supplementing the EMJ Retirement Savings Plan consisted of the cash equivalent of 157,756 shares of Reliance common stock. This obligation will be satisfied by future cash contributions as allowed under the Internal Revenue Code and ERISA requirements. EMJ now operates as a wholly-owned subsidiary of Reliance.

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The total cost of the acquisition, including cash and stock consideration, direct acquisition costs and the value of vested options assumed, and allocation of the total purchase price to the fair values of the assets acquired and liabilities assumed is as follows:

		(in thousands)
Cash consideration	$	326,546
Value of common stock and vested stock options		360,453
Cash out of certain EMJ stock options		29,456
Direct acquisition costs		12,882
Total purchase price	$	729,337
Allocation of the total purchase price to the fair values of assets acquired and liabilities assumed:		
Cash	$	46,091
Accounts receivable		191,203
Inventory		344,446
Property, plant and equipment		185,366
Goodwill		354,077
Intangible assets subject to amortization		93,800
Intangible assets not subject to amortization		187,900
Other current and long-term assets		65,177
Total assets acquired		1,468,060
Current and long-term debt		(274,745)
Deferred income taxes		(156,689)
Other current and long-term liabilities		(307,289)
Total liabilities assumed		(738,723)
Net assets acquired/Purchase price	$	729,337

The cash portion of the acquisition was funded with borrowings on the Company s existing syndicated credit facility.

Acquisition of Flat Rock Metal Processing L.L.C.

In March 2006, Precision Strip, Inc., a wholly-owned subsidiary of the Company, acquired certain assets and business of Flat Rock Metal Processing L.L.C. (Flat Rock) based in Flat Rock, Michigan. Flat Rock was founded in 2001 and was a privately held toll processing company with facilities in Perrysburg, Ohio; Eldridge, Iowa; and Portage, Indiana. The Flat Rock facilities in Perrysburg, Ohio and Eldridge, Iowa began operating as Precision Strip locations immediately after the acquisition date. The Portage, Indiana location became operational in September 2006. In July 2006, Precision Strip made a decision to close the Eldridge, Iowa facility and did so by the end of November 2006. Costs associated with the closure were minimal. Both Perrysburg, Ohio and Portage, Indiana locations process and deliver carbon steel, aluminum and stainless steel products on a toll basis, processing the metal for a fee, without taking ownership of the metal. The purchase was funded with borrowings under the Company s line of credit.

Acquisition of Everest Metals (Suzhou) Co., Ltd.

Also in March 2006, Reliance Pan Pacific completed its purchase of Everest Metals, a metals service center company based near Shanghai, China. Reliance Pan Pacific is a joint venture company formed in October 2005 that is 70% owned by Reliance and 30% owned by MNPL, a Singapore based company. MNPL sold its 100% interest in Everest Metals to Reliance Pan Pacific on March 1, 2006. Everest Metals was formed in 2001 and began processing and distributing primarily aluminum products to the electronics industry in 2002.

Acquisition of the minority interest in American Steel, L.L.C.

In January 2006, the Company purchased the remaining 49.5% of American Steel, from American Industries, Inc., the holder of the minority interest. As a result, effective January 3, 2006 the Company includes 100% of American Steel s income in its financial results. American Steel operates as a wholly-owned subsidiary of Reliance.

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2005 Acquisition

Acquisition of Chapel Steel Corp.

On July 1, 2005, the Company acquired 100% of the outstanding capital stock of Chapel Steel Corp. (Chapel Steel), headquartered in Spring House (Philadelphia), Pennsylvania. The Company paid approximately $94,200,000 in cash for the equity of Chapel Steel and assumed approximately $16,800,000 of Chapel Steel s debt. The Chapel Steel sellers were paid an additional amount in 2006 related to the Company s election of Section 338(h)(10) treatment for income tax purposes, resulting in a goodwill addition of $894,000 for the year ended December 31, 2006.

Chapel Steel was a privately held metals service center company founded in 1972 that processes and distributes carbon and alloy steel plate products from five facilities in Pottstown (Philadelphia), Pennsylvania; Bourbonnais (Chicago), Illinois; Houston, Texas; Birmingham, Alabama; and Portland, Oregon. Chapel Steel also warehouses and distributes its products in Cincinnati, Ohio and Hamilton, Ontario, Canada. Chapel Steel operates as a wholly-owned subsidiary of RSAC Management Corp.

The acquisition was funded on July 1, 2005 with borrowings on the Company s syndicated credit facility. The following table summarizes the allocation of the total purchase price to the fair values of the assets acquired and liabilities assumed of Chapel Steel at the date of the acquisition:

	(in thousands)
Cash	$ 21
Accounts receivable	24,549
Inventory	26,261
Property, plant and equipment	11,076
Goodwill	43,843
Intangible assets subject to amortization	10,700
Intangible assets not subject to amortization	19,000
Other current and long-term assets	1,293
Total assets acquired	136,743
Capital lease obligations	(6,332)
Borrowings on line of credit	(16,780)
Other current liabilities	(18,342)
Total liabilities assumed	(41,454)
Net assets acquired	$ 95,289

Summary purchase price allocation information for all acquisitions

All of the acquisitions discussed in this note have been accounted for under the purchase method of accounting and, accordingly, each purchase price has been allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of each acquisition. The accompanying consolidated statements of income include the revenues and expenses of each acquisition since its respective acquisition date. The consolidated financial statements reflect the allocations of each acquisition s purchase price as of December 31, 2007 or 2006, as applicable.

As part of the purchase price allocations of the 2007, 2006, and 2005 acquisitions, $47,218,000, $210,800,000 and $19,000,000, respectively, were allocated to the trade names acquired, none of which is subject to amortization. The Company determined that the trade name acquired in connection with these acquisitions had indefinite lives since their economic lives are expected to approximate the life of each company acquired. Additionally, the Company recorded other identifiable intangible assets related to customer relationships for 2007, 2006, and 2005 acquisitions of $62,038,000, $89,300,000 and $10,600,000, respectively, with weighted average lives of 23.6, 25.1 and 8.5 years, respectively. The goodwill amounts from all of the acquisitions are expected to be deducted for tax purposes in future years with the exception of the Crest and EMJ goodwill amounts.

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Pro forma financial information

The following unaudited pro forma summary financial results present the consolidated results of operations as if our 2007 and 2006 acquisitions had occurred at the beginning of each reporting period, after the effect of certain adjustments, including increased depreciation expense resulting from recording fixed assets at fair value, interest expense on the acquisition debt, amortization of certain identifiable intangible assets, debt premium amortization from recording the EMJ senior notes at fair value, and a provision for income taxes for companies that were previously taxed as S-Corporations under Section 1361 of the Internal Revenue Code. The pro forma results have been presented for comparative purposes only and are not indicative of what would have occurred had these acquisitions been made as of January 1, 2007 or January 1, 2006, or of any potential results which may occur in the future.

	Year Ended December, 31	
	2007	2006
	(in thousands, except per share amounts)	
Pro forma (unaudited):		
Net sales	$ 7,378,044	$ 7,089,813
Net income	$ 411,158	$ 395,896
Earnings per share diluted	$ 5.41	$ 5.22
Earnings per share basic	$ 5.44	$ 5.25

4. Inventories

Inventories of the Company have primarily been stated on the last-in, first-out (LIFO) method, which is not in excess of market. The Company uses the LIFO method of inventory valuation because it results in a better matching of costs and revenues. At December 31, 2007 and 2006, cost on the first-in, first-out (FIFO) method exceeds the LIFO value of inventories by $278,609,000 and $234,853,000, respectively. Inventories of $174,189,000 and $111,865,000 at December 31, 2007 and 2006, respectively, were stated on the FIFO method, which is not in excess of market.

5. Goodwill

The changes in the carrying amount of goodwill for each of the three years in the period ended December 31, 2007 are as follows:

	(in thousands)
Balance as of January 1, 2005	$ 341,780
Acquisition	42,950
Balance as of December 31, 2005	384,730
Acquisitions	399,247
Adjustment related to tax distributions for a prior acquisition	894
Balance as of December 31, 2006	784,871
Acquisitions	91,720
Adjustments related to tax distributions and other	3,370
Effect of foreign currency translation	6,191
Balance as of December 31, 2007	$ 886,152

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6. Intangible Assets, net

At December 31, 2007 and 2006, intangible assets, net, consisted of the following:

	December 31, 2007		December 31, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
Intangible assets subject to amortization:				
Covenants not to compete	$ 6,803	$ (6,175)	$ 6,353	$ (6,005)
Loan fees	16,147	(6,808)	15,001	(5,237)
Customer list/relationships	176,124	(18,967)	107,200	(9,749)
Software internal use	8,100	(1,417)	8,100	(607)
Other	1,748	(657)	421	(382)
	208,922	(34,024)	137,075	(21,980)
Intangible assets not subject to amortization:				
Trade names	289,393		239,100	
	$ 498,315	$ (34,024)	$ 376,175	$ (21,980)

Amortization expense for intangible assets amounted to approximately $12,007,000, $6,859,000 and $4,125,000 for the years ended December 31, 2007, 2006 and 2005, respectively. The following is a summary of estimated aggregate amortization expense for each of the next five years (in thousands):

2008	$ 12,520
2009	11,804
2010	11,659
2011	11,243
2012	10,262

7. Cash Surrender Value of Life Insurance, net

The Company s wholly-owned subsidiary, EMJ, is the owner and beneficiary of life insurance policies on all former nonunion employees of a predecessor company including certain current employees of EMJ. These policies, by providing payments to EMJ upon the death of covered individuals, were designed to provide cash to EMJ in order to repurchase shares held by employees in EMJ s former Stock Bonus Plan (now Retirement Savings Plan) and shares held individually by employees upon the termination of their employment. The Company is also the owner and beneficiary of key man life insurance policies on certain current and former executives of the Company, its subsidiaries and predecessor companies.

Cash surrender value of the life insurance policies increases by a portion of the amount of premiums paid and by dividend income earned under the policies. Dividend rates for most of the policies held by EMJ are fixed at 11.26%. Income earned under the policies held by EMJ totaled $27,954,000 during the year ended December 31, 2007 and $20,346,000 during the period from April 3, 2006 through December 31, 2006, and is recorded in the Other income, net caption in the accompanying statements of income.

Prior to 2007, EMJ had borrowed against the cash surrender value of certain policies to pay a portion of the premiums and accrued interest on loans against those policies, for repurchases of shares, and to fund working capital needs. No additional borrowings against the cash surrender values of the policies were made during 2007. The annual payment of accrued interest on the outstanding loans was financed by cash flows from operations. Interest rates on borrowings under the life insurance policies are fixed at 11.76%. As of December 31, 2007 and 2006, loans and accrued interest outstanding on EMJ s life insurance policies were approximately $251,218,000 and $251,841,000 respectively. Also, at the end of each period, approximately $34,800,000 and $8,700,000 were available for future borrowings. Interest expense on borrowings on cash surrender values made by EMJ totaled $28,956,000 during the year ended December 31, 2007 and $20,230,000 from April 3, 2006 through December 31, 2006, and is included in the Other income, net caption in the accompanying statements of income.

The cash surrender value of all life insurance policies held by the Company, net of loans and related accrued interest, were $73,953,000 and $41,190,000 as of December 31, 2007 and 2006, respectively.

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8. Long-Term Debt

Long-term debt consists of the following:

	December 31, 2007	December 31, 2006
	(in thousands)	
Revolving line of credit ($1,100,000,000 limit) due November 9, 2011, interest at variable rates (based on LIBOR plus 0.55% or the bank s prime rate as of December 31, 2007 and December 31, 2006), weighted average rate of 5.46% and 5.93% at December 31, 2007 and 2006, respectively	$ 185,000	$ 203,000
Senior unsecured notes due January 2, 2009, weighted average fixed interest rate of 7.37% and 7.33% at December 31, 2007 and 2006, respectively	10,000	30,000
Senior unsecured notes due January 2, 2008, fixed interest rate of 7.08% at December 31, 2007 and 2006	30,000	30,000
Senior unsecured notes due from October 15, 2008 to October 15, 2010, weighted average fixed interest rate of 6.66% at December 31, 2007 and 2006	103,000	103,000
Senior unsecured notes due from July 1, 2011 to July 2, 2013, weighted average fixed interest rate of 5.14% at December 31, 2007 and 2006	135,000	135,000
Senior unsecured notes due November 15, 2016, fixed interest rate of 6.20%, comprised of $350,000,000 of principal balance net of $860,000 and $957,000 of unamortized debt discount at December 31, 2007 and 2006, respectively	349,140	349,043
Senior unsecured notes due November 15, 2036, fixed interest rate of 6.85%, comprised of $250,000,000 of principal balance net of $1,360,000 and $1,407,000 of unamortized debt discount at December 31, 2007 and 2006, respectively	248,640	248,593
Senior unsecured notes due June 1, 2012, fixed rate of 9.75%, comprised of $150,000 and $250,000 of principal balance and $9,000 and $19,000 of unamortized debt premium at December 31, 2007 and 2006, respectively	159	269
Variable Rate Demand Industrial Development Revenue Bonds, Series 1989 A, due July 1, 2014, with interest payable quarterly; variable interest rate of 3.43% and 3.80% at December 31, 2007 and 2006, respectively	1,850	2,050
Variable Rate Demand Revenue Bonds, Series 1999, due March 1, 2009, with interest payable quarterly; variable interest rate of 3.62% and 4.11% at December 31, 2007 and 2006, respectively	900	1,225
Industrial Development Revenue Bonds, payable in annual installments of $715,000 on December 1st of each year, fixed interest rate of 5.25%	1,440	2,155
Revolving line of credit ($4,000,000 limit) for operations in China, weighted average interest rate of 6.01% and 6.00% (based on LIBOR plus 1.00%) at December 31, 2007 and 2006, respectively	1,641	1,017
Short-term notes issued in connection with acquisition of a metals service center in 2007, due April 2, 2008, fixed interest rate of 4.00% at December 31, 2007	6,548	
Revolving line of credit for operations in England (GBP£4,250,000 or $8,490,000 limit at December 31, 2007), due February 2009, weighted average interest rate of 6.71% at December 31, 2007	7,262	

Total	1,080,580	1,105,352
Less amounts due within one year	(71,815)	(22,257)
Total long-term debt	$ 1,008,765	$ 1,083,095

On November 9, 2006, the Company amended and restated its syndicated credit agreement to allow for increased borrowings of up to $1,100,000,000. This five-year, unsecured syndicated credit facility, which replaced the $700,000,000 and $100,000,000 existing bank credit lines, has fifteen banks as lenders and can be increased to $1,600,000,000 with their approval.

The Company also has two separate revolving credit facilities for operations in Canada with a combined credit limit of CDN$35,000,000. There were no borrowings outstanding on these credit facilities at December 31, 2007 or December 31, 2006.

At December 31, 2007, the Company had $37,831,000 of letters of credit outstanding under the syndicated credit facility with availability to issue an additional $87,169,000 of letters of credit. The syndicated credit facility includes a commitment fee on the unused portion, at an annual rate of 0.125% at December 31, 2007.

On November 20, 2006, the Company entered into an Indenture (the Indenture), for the issuance of $600,000,000 of unsecured debt securities which are guaranteed by all of the direct and indirect, wholly-owned domestic subsidiaries of the Company and any entities that become such subsidiaries during the term of the Indenture (collectively, the Subsidiary Guarantors). None of Reliance s foreign subsidiaries or its non-wholly-owned domestic subsidiaries is a guarantor. See Note

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15, Condensed Consolidating Financial Statements, for information regarding guarantor and non-guarantor subsidiary condensed financial information. The total debt issued was comprised of two tranches, (a) $350,000,000 aggregate principal amount of senior unsecured notes bearing interest at the rate of 6.20% per annum, maturing on November 15, 2016 and (b) $250,000,000 aggregate principal amount of senior unsecured notes bearing interest at the rate of 6.85% per annum, maturing on November 15, 2036. The notes are senior unsecured obligations of Reliance and rank equally with all other existing and future unsecured and unsubordinated debt obligations of Reliance. Reliance, at its option, may redeem all or part of the notes of either series at any time prior to their maturity by paying a redemption price equal to the greater of 100% of the aggregate principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments (as defined in the Indenture), plus, in each case, accrued and unpaid interest thereon to, but not including, the redemption date. The proceeds from the notes in 2006 were used to pay down outstanding borrowings on the $1,100,000,000 credit facility. In April 2007, these notes were exchanged for publicly traded notes registered with the Securities and Exchange Commission.

The Company also has $278,000,000 of outstanding senior unsecured notes issued in private placements of debt. The outstanding senior notes bear interest at a weighted average fixed rate of 6.0% and have a weighted average remaining life of 3.1 years, maturing from 2008 to 2013.

The $1,100,000,000 syndicated credit agreement and the senior unsecured note agreements require the Company to maintain a minimum net worth and interest coverage ratio and a maximum leverage ratio, and include a change of control provision, among other things.

The following is a summary of aggregate maturities of long-term debt for each of the next five years and thereafter (in thousands):

2008	$ 71,816
2009	11,425
2010	78,250
2011	245,250
2012	450
Thereafter	675,600
	$ 1,082,791

9. Income Taxes

On January 1, 2007, the Company adopted the provisions of FIN No. 48. As a result of the implementation of FIN No. 48, the Company recognized no material adjustment to the liability for unrecognized income tax benefits. At the adoption date of January 1, 2007, the Company had approximately $5,026,000 of unrecognized tax benefits and $770,000 of accrued interest and penalties related to uncertain tax positions. At December 31, 2007, the Company had approximately $3,795,000 of unrecognized tax benefits all of which would impact the effective tax rate if recognized. Accrued interest and penalties related to uncertain tax positions were approximately $1,660,000 at December 31, 2007. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense which amounted to approximately $890,000 during 2007.

Reliance and its subsidiaries file numerous consolidated and separate income tax returns in the United States federal jurisdiction and in many state and foreign jurisdictions. Except for various pre-acquisition periods of newly acquired subsidiaries, the Company is no longer subject to U.S. federal, state and local, or foreign income tax examinations for years before 2002.

The Internal Revenue Service (IRS) is currently examining the Company s 2002 through 2004 federal income tax returns. The IRS has issued significant proposed adjustments related to certain of the Company s inventory costing and LIFO methods. The IRS has also issued a proposed adjustment for a pre-acquisition refund claim filed by one of the

Company s subsidiaries. The Company has not accepted any of the IRS proposed adjustments and is currently contesting them through the IRS administrative proceedings. The Company is also under audit by various foreign jurisdictions but does not anticipate any material adjustments from these examinations. Certain of the current proposed adjustments are merely a timing impact or relate to pre-acquisition contingencies and therefore would not have an effect on the Company s effective tax rate. The Company does not anticipate that the proposed IRS adjustments, when resolved, would result in a material charge to its results of operations or financial condition.

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Reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows (in thousands):

Gross unrecognized tax benefits at January 1, 2007	$ 5,026
Increases in tax positions for prior years	14
Decreases in tax positions for prior years	(1,301)
Increases in tax positions for current years	479
Settlements	(341)
Lapse in statute of limitations	(82)
Gross unrecognized tax benefits at December 31, 2007	$ 3,795

Deferred income taxes are computed using the liability method and reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. The provision for income taxes reflects the taxes to be paid for the period and the change during the period in the deferred tax assets and liabilities.

As of December 31, 2007, the Company had available state net operating loss carryforwards (NOL s) of $526,000 to offset future income taxes, expiring in years 2008 through 2026. Additionally, as of December 31, 2007, the Company had $28,835,000 of minimum tax credits and $248,000 of other miscellaneous tax credits. The minimum tax credits were from the acquisition of EMJ and are subject to an annual limitation amount. The ultimate realization of the federal and state benefits of the credit carryforwards are dependent on future profitable operations. The Company believes that it will be able to realize its NOL s and credits within their respective carryforward periods.

Significant components of the Company s deferred tax assets and liabilities are as follows:

	December 31, 2007	December 31, 2006
	(in thousands)	
Deferred tax assets:		
Accrued expenses not currently deductible for tax	$ 41,122	$ 34,859
Inventory costs capitalized for tax purposes	11,121	10,896
Bad debt	5,345	5,643
Tax credits	29,083	32,415
Net operating loss carryforwards	342	7,910
Other	14,592	9,701
Total deferred tax assets	101,605	101,424
Deferred tax liabilities:		
Tax over book depreciation	(91,635)	(82,451)
Goodwill and other intangible assets	(160,881)	(142,017)
LIFO inventory	(69,687)	(81,967)
Other	(2,719)	(323)
Total deferred tax liabilities	(324,922)	(306,758)
Net deferred tax liabilities	$ (223,317)	$ (205,334)

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Significant components of the provision for income taxes attributable to continuing operations are as follows:

	Year Ended December 31,		
	2007	2006	2005
		(in thousands)	
Current:			
Federal	$ 194,225	$ 166,577	$ 108,612
State	32,966	23,013	16,156
Foreign	7,014	3,397	820
	234,205	192,987	125,588
Deferred:			
Federal	8,917	16,654	1,935
State	1,113	6,660	(671)
Foreign	2,203	324	923
	12,233	23,638	2,187
	$ 246,438	$ 216,625	$ 127,775

The reconciliation of income tax at the U.S. federal statutory tax rates to income tax expense is as follows:

	Year Ended December 31,		
	2007	2006	2005
Income tax at U.S. federal statutory tax rate	35.0%	35.0%	35.0%
State income tax, net of federal tax effect	3.4	3.9	3.2
Other	(0.7)	(1.0)	0.1
Effective tax rate	37.7%	37.9%	38.3%

At December 31, 2007, unremitted earnings of subsidiaries outside of the United States were approximately $55,137,000, on which no United States taxes had been provided. The Company s current intention is to reinvest these earnings outside the United States. It is not practicable to estimate the amount of additional taxes that might be payable upon repatriation of foreign earnings. Valex Korea qualifies for a tax holiday in Korea which consists of a seven-year full exemption from corporate income tax followed by a 50% exemption for the succeeding three years. The exemption is limited to the amount of the Company s initial investment in Valex Korea. The tax holiday began the first year the subsidiary generated taxable income after utilization of any carryforward losses, which was in 2003. The dollar effect of the tax savings from the tax holiday were $494,000, or $0.01 per diluted share in 2007, $552,000, or $0.01 per diluted share in 2006, and $973,000, or $0.01 per diluted share in 2005.

The American Jobs Creation Act of 2004 (the Jobs Act) introduced a number of changes to the income tax laws which may affect the Company in future years. A special one-time tax deduction was created relating to the repatriation of certain foreign earnings to the United States, provided certain conditions are met. The Company did not repatriate any earnings that were subject to this deduction. The Jobs Act also provides for a deduction for income from qualified domestic production activities, which will be phased in from 2005 through 2010. Although the Company has not taken any deductions for qualified domestic production activities, the Company will continue to evaluate what, if any, benefits may result from this deduction in future years.

10. Stock Option Plans

In 1994, the Board of Directors of the Company adopted an Incentive and Non-Qualified Stock Option Plan (the 1994 Plan). The 1994 Plan expired by its terms on December 31, 2003. There are 359,875 options granted and outstanding under the 1994 Plan as of December 31, 2007. The 1994 Plan provided for granting of stock options that were either incentive stock options within the meaning of Section 422A of the Internal Revenue Code of 1986 (the Code) or non-qualified stock options, which do not satisfy the provisions of Section 422A of the Code. Options were required to be granted at an option price per share not less than the fair market value of common stock on the date of grant. Stock options could not be granted longer than 10 years from the date of the 1994 Plan. All options granted had five-year terms and vested at the rate of 25% per year, commencing one year from the date of grant.

In May 2004, the Board of Directors of the Company (the Board) adopted, and the shareholders approved, an Incentive and Non-Qualified Stock Option Plan (the 2004 Plan). This 2004 Plan reserved 6,000,000 shares of the Company s Common Stock for issuance upon exercise of stock options granted under the 2004 Plan. On May 17, 2006 the 2004 Plan was amended to

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allow the Board to extend the term of subsequently granted stock options to up to 10 years, to increase the number of shares available for future grants of options or restricted stock from 6,000,000 shares to 10,000,000 shares, and to provide for the grant of restricted shares of the Company s common stock, in addition to or in lieu of stock options. There are 9,520,750 shares available for issuance with 2,473,250 options granted and outstanding under the 2004 Plan as of December 31, 2007. The 2004 Plan, as amended, provides for granting of stock options that may be either incentive stock options within the meaning of Section 422A of the Code or non-qualified stock options, which do not satisfy the provisions of Section 422A of the Code. Options are required to be granted at an option price per share not less than the fair market value of common stock on the date of grant, except that the exercise price of incentive stock options granted to any employee who owns (or, under pertinent Code provisions, is deemed to own) more than 10% of the outstanding common stock of the Company, must equal at least 110% of fair market value on the date of grant. Stock options cannot be granted longer than 10 years from the date of the plan. All options granted as of December 31, 2007 have five-year terms with the exception of March 2007 grants which have seven-year terms, and all vest at the rate of 25% per year, commencing one year from the date of grant.

In May 1998, the shareholders approved the adoption of a Directors Stock Option Plan for non-employee directors (the Directors Plan), which provides for automatic grants of options to non-employee directors. In February 1999, the Directors Plan was amended to allow the Board authority to grant additional options to acquire the Company s common stock to non-employee directors. In May 2004 the Directors Plan was amended so that any unexpired stock options granted under the Directors Plan to a non-employee director that retires from the Board of Directors at or after the age of 75 become immediately vested and exercisable, and the director, if he or she so desires, must exercise those options within ninety (90) days after such retirement or the options shall expire automatically. In May 2005, after approval of the Company s shareholders, the Directors Plan was further amended and restated providing that options to acquire 6,000 shares of Common Stock would be automatically granted to each non-employee director each year and would become 100% exercisable after one year. Once exercisable, the options would remain exercisable until that date which is ten years after the date of grant. In addition, the amendment increased the number of shares available for future grants of options from the 374,000 shares reserved as of May 2005 to 500,000 shares. Options under the Directors Plan are non-qualified stock options, with an exercise price at least equal to fair market value at the date of grant. All options granted prior to May 2005 expire five years from the date of grant. None of these stock options become exercisable until one year after the date of grant, unless specifically approved by the Board. In each of the following four years, 25% of the options become exercisable on a cumulative basis. As of December 31, 2007, there were 434,000 shares available for issuance with 159,000 options granted and outstanding under the Directors Plan.

In connection with the EMJ acquisition, the Company assumed the EMJ incentive stock option plan (EMJ Plan) and converted the outstanding EMJ options to options to acquire 287,886 shares of Reliance common stock on the same terms and conditions as were applicable to such options under the EMJ plan, with adjusted exercise prices and numbers of shares to reflect the difference in the value of the stock. The exchange of the options was accounted for similar to a modification in accordance with SFAS 123(R). The value of the vested options assumed was included as part of the EMJ purchase price and the value of the unvested options is being recognized to expense over the remaining vesting periods of the respective options. Options granted under the EMJ plan have ten-year terms and vest at the rate of 25% per year. As of December 31, 2007, there were 160,130 options granted and outstanding under the EMJ Plan.

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Stock option activity under all the plans is as follows:

Stock Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2005	2,052,900	$12.56		
Granted	2,021,000	$24.46		
Exercised	(866,900)	$12.47		
Expired or forfeited	(48,000)	$12.47		
Outstanding at December 31, 2005	3,159,000	$20.20		
Granted	42,000	$43.34		
Assumed in acquisition	287,886	$25.13		
Exercised	(438,290)	$16.23		
Expired or forfeited	(43,184)	$22.36		
Outstanding at December 31, 2006	3,007,412	$21.54		
Granted	1,068,500	$45.51		
Exercised	(872,001)	$18.90		
Expired or forfeited	(51,656)	$29.57		
Outstanding at December 31, 2007	3,152,255	$30.27	4.1	$ 75,446,000
Exercisable at December 31, 2007	1,016,021	$20.53	2.7	$ 34,206,000

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions:

	Year Ended December 31, 2007	2006	2005
Weighted average assumptions used:			
Risk free interest rate	4.5%	4.75%	4.25%
Expected life in years	4.8	5.8	4.0
Expected volatility	.40	.38	.27
Expected dividend yield	.71%	.46%	.80%

The total intrinsic value of all options exercised during the years ended December 31, 2007, 2006, and 2005 were $28,069,000, $9,594,000 and $9,110,000, respectively.

A summary of the status of the Company s non-vested stock options as of December 31, 2007 and changes during the year then ended is as follows:

Weighted

Non-vested Options	**Shares**		**Average Grant Date Fair Value**
Non-vested at December 31, 2006	2,055,084	$	8.05
Granted	1,068,500	$	17.43
Forfeited or expired	(51,656)	$	12.25
Vested	(935,694)	$	7.12
Non-vested at December 31, 2007	2,136,234	$	13.05

As of December 31, 2007, there was approximately $21,800,000 of total unrecognized compensation cost related to non-vested share-based compensation awards granted under the stock option plans. That cost is expected to be recognized over approximately a 3-year period or a weighted average period of 1.8 years.

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Proceeds from option exercises under all stock option plans for the years ended December 31, 2007, 2006 and 2005 were $16,483,000, $7,115,000, and $10,811,000, respectively. The tax benefit realized from option exercises during the years ended December 31, 2007, 2006 and 2005 were $10,708,000, $3,555,000, and $3,476,000, respectively.

The following tabulation summarizes certain information concerning outstanding and exercisable options at December 31, 2007:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Outstanding at December 31, 2007	Weighted Average Remaining Contractual Life In Years	Weighted Average Exercise Price	Exercisable at December 31, 2007	Average Exercise Price of Options Exercisable
$8 $13	374,875	0.8	$ 12.38	374,875	$ 12.38
$15 $19	60,000	4.4	$ 17.24	48,750	$ 17.51
$24 $28	1,620,380	3.3	$ 24.62	550,396	$ 24.61
$43 $45	1,055,000	6.3	$ 44.80	42,000	$ 43.34
$61 $62	42,000	9.3	$ 61.33		$
$8 $62	3,152,255	4.1	$ 30.27	1,016,021	$ 20.53

11. Employee Benefits

Employee Stock Ownership Plan

The Company has an employee stock ownership plan (the ESOP) and trust that has been approved by the Internal Revenue Service as a qualified plan. The ESOP is a noncontributory plan that covers certain salaried and hourly employees of the Company. The amount of the annual contribution is at the discretion of the Board, except that the minimum amount must be sufficient to enable the ESOP trust to meet its current obligations.

Defined Contribution Plans

Effective in 1998, the Reliance Steel & Aluminum Co. Master 401(k) Plan (the Master Plan) was established which combined several of the various 401(k) and profit-sharing plans of the Company and its subsidiaries into one plan. Salaried and certain hourly employees of the Company and its participating subsidiaries are covered under the Master Plan. The Master Plan allows each subsidiary s Board to determine independently the annual matching percentage and maximum compensation limits or annual profit-sharing contribution. Eligibility occurs after three months of service, and the Company contribution vests at 25% per year, commencing one year after the employee enters the Master Plan. Other 401(k) and profit-sharing plans exist as certain subsidiaries have not combined their plans into the Master Plan as of December 31, 2007. The EMJ defined contribution plan is expected to be combined into the Master Plan during 2008.

Supplemental Executive Retirement Plans

Effective January 1996, the Company adopted a Supplemental Executive Retirement Plan (SERP), which is a nonqualified pension plan that provides postretirement pension benefits to certain key officers of the Company. The SERP is administered by the Compensation and Stock Option Committee of the Board. Benefits are based upon the employees earnings. Life insurance policies were purchased for most individuals covered by the SERP and are funded by the Company. Separate SERP plans exist for certain wholly-owned subsidiaries of the Company, each of which provides postretirement pension benefits to certain current and former key employees. All of the subsidiary plans have been frozen to include only existing participants. The SERP plans do not maintain their own plan assets, therefore plan assets and related disclosures have been omitted. However, the Company does maintain on its balance sheet assets to fund the SERP plans with values of $13,229,000 and $12,556,000 at December 31, 2007 and 2006, respectively.

Defined Benefit Plans

The Company, through certain of its subsidiaries maintains defined benefit pension plans for certain of its employees. These plans generally provide benefits of stated amounts for each year of service or provide benefits based on the participant s hourly wage rate and years of service. The plans permit the sponsor, at any time, to amend or terminate the plans subject to union approval, if applicable.

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The Company uses a December 31 measurement date for its plans. The following is a summary of the status of the funding of the SERP and Defined Benefit Plans:

	SERP		Defined Benefit Plan	
	2007	2006	2007	2006
	(in thousands)		(in thousands)	
Change in benefit obligation				
Benefit obligation at beginning of year	$ 20,072	$ 15,839	$ 28,080	$ 9,789
Assumed in acquisition		665		20,573
Service cost	964	568	795	721
Interest cost	1,568	1,125	1,586	1,227
Actuarial losses	6,473	2,632	547	632
Change in assumptions	(15)		(2,467)	
Benefits paid	(767)	(757)	(747)	(4,132)
Plan Amendments			121	
Curtailments or settlements			(1,031)	(1,275)
Discount rate changes				545
Benefit obligation at end of year	$ 28,295	$ 20,072	$ 26,884	$ 28,080
Change in plan assets				
Fair value of plan assets	N/A	N/A	$ 21,539	$ 7,636
Acquired in acquisition	N/A	N/A		13,659
Actual return on plan assets	N/A	N/A	2,447	2,125
Employer contributions	N/A	N/A	3,460	2,250
Benefits paid	N/A	N/A	(2,000)	(4,132)
Fair value of plan assets at end of year	N/A	N/A	$ 25,446	$ 21,538
Funded status				
Unfunded status of the plans	$ (28,295)	$ (20,072)	$ (1,438)	$ (6,542)
Items not yet recognized as component of net periodic pension expense				
Unrecognized net actuarial losses/(gain)	10,621	5,415	(1,790)	610
Unamortized prior service cost	196	391		62
	$ 10,817	$ 5,806	$ (1,790)	$ 672

As of December 31, 2007 and 2006, the following amounts were recognized in the balance sheet:

	SERP		Defined Benefit Plan	
	2007	2006	2007	2006
	(in thousands)		(in thousands)	

Amounts recognized in the statement of financial position				
Accrued benefit liability (current)	$ (735)	$ (751)	$	$
Accrued benefit liability (long-term)	(27,558)	(19,321)	(2,155)	(6,714)
Prepaid benefit cost			717	172
Accumulated other comprehensive loss/(gain)	10,817	5,806	(1,790)	672
Net amount recognized	$ (17,476)	$ (14,266)	$ (3,228)	$ (5,870)

The accumulated benefit obligation for all SERP plans was $16,260,000 and $13,217,000 at December 31, 2007 and 2006, respectively.

The accumulated benefit obligation for all defined benefit pension plans was $26,884,000 and $28,080,000 at December 31, 2007 and 2006, respectively.

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	Year Ended December 31, 2007	Year Ended December 31, 2006
	(in thousands)	
Information for defined benefit plans with an accumulated benefit obligation or projected benefit obligation in excess of plan assets		
Accumulated benefit obligation	$22,093	$22,568
Projected benefit obligation	22,093	22,568
Fair value of plan assets	19,938	15,737

Following are the details of net periodic benefit cost related to the SERP and Defined Benefit Plans:

	SERP Year Ended December 31,			Defined Benefit Plan Year Ended December 31,		
	2007	2006	2005	2007	2006	2005
		(in thousands)			(in thousands)	
Service cost	$ 964	$ 568	$ 414	$ 795	$ 721	$ 371
Interest cost	1,568	1,125	863	1,586	1,227	491
Expected return on plan assets				(1,813)	(1,294)	(545)
Curtailment/settlement expense recognized				221	665	
Prior service cost recognized	196	196	196	16	2	(5)
Amortization of net loss	1,251	496	159	14	41	55
	$ 3,979	$ 2,385	$ 1,632	$ 819	$ 1,362	$ 367

Assumptions used to determine net periodic benefit cost for the year ended December 31 are detailed below:

	SERP Year Ended December 31,			Defined Benefit Plan Year Ended December 31,		
	2007	2006	2005	2007	2006	2005
		(in thousands)			(in thousands)	
ghted average assumptions to determine net cost						
ount rate	5.5% 6.0%	5.5% 6.0%	6.0%	5.5% 6.0%	5.2% 6.0%	5.3% 6
ected long-term rate of return on plan assets	N/A	N/A	N/A	7.5% 8.5%	7.5% 8.5%	7.5%
of compensation increase	3.0% 6.0%	3.0% 6.0%	3.0% 6.0%	N/A	N/A	4

Assumptions used to determine the benefit obligation at December 31 are detailed below:

	SERP 2007	SERP 2006	Defined Benefit Plan 2007	Defined Benefit Plan 2006
Weighted average assumptions to determine benefit obligations				
Discount rate	6.0% 6.25%	5.5% 6.0%	6.0% 6.25%	5.5% 6.0%
Expected long-term rate of return on plan assets	N/A	N/A	7.5% 8.5%	7.5% 8.5%
Rate of compensation increase	3.0% 6.0%	3.0% 6.0%	N/A	N/A

The weighted-average asset allocations of the Company s defined benefit plans at December 31, 2007 and 2006, by asset category, are as follows:

	2007	2006
Plan Assets		
Equity securities	67%	63%
Debt securities	30	32
Other	3	5
Total	100%	100%

The above asset allocations are in line with the Company s target asset allocation ranges which are as follows: equity securities 50% to 80%, debt securities 20% to 60%, and other assets of 0% to 10%. The Company establishes its estimated long-term return on plan assets considering various factors including the targeted asset allocation percentages, historic returns and expected future returns. The Company uses a measurement date of December 31 for its SERP and defined benefit plans.

Employer contributions to the SERP and defined benefit plans during 2008 are expected to be $868,000 and $2,600,000, respectively.

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Postretirement Medical Plan

In addition to the Company s defined benefit pension plans, the Company s wholly-owned subsidiary EMJ sponsors a defined benefit health care plan that provides postretirement medical and dental benefits to eligible full time employees and their dependents (the Postretirement Plan). The Postretirement Plan is fully insured, with retirees paying a percentage of the annual premium. Such premiums are adjusted annually based on age and length of service of active and retired participants. The Postretirement Plan contains other cost-sharing features such as deductibles and coinsurance. The Company recognizes the cost of future benefits earned by participants during their working careers, as determined using actuarial assumptions. Gains and losses realized from the remeasurement of the plan s benefit obligation are amortized to income over the expected service period of the participants.

Components of the net periodic pension expense associated with the Postretirement Plan during the years ended December 31, 2007 and 2006, are as follows:

	Year Ended December 31,	
	2007	2006
	(in thousands)	
Service cost	$ 764	$ 349
Interest cost	610	301
Amortization of net loss	201	
	$ 1,575	$ 650

The following tables provide a reconciliation of the changes in the benefit obligation and the unfunded status of the Postretirement Plan as follows:

	Year Ended December 31,	
	2007	2006
	(in thousands)	
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 8,188	$
Assumed in acquisition		6,548
Service cost	764	349
Interest cost	610	301
Benefit payments	(177)	(86)
Actuarial loss	2,102	1,076
Benefit obligation at end of year	$ 11,487	$ 8,188
Unfunded Status	$ (11,487)	$ (8,188)
Items not yet recognized as component of net periodic pension expense		
Unrecognized net actuarial losses	$ 2,977	$ 1,076
Amounts recognized in the statement of financial position		

Accrued benefit liability (current)	$ (386)	$ (85)
Accrued benefit liability (long-term)	(11,101)	(8,103)
Accumulated other comprehensive loss	2,977	1,076
Weighted average assumptions to determine net cost		
Discount rate	5.5%	5.5%
Health care cost trend rate	11.0%	9.0%
Weighted average assumptions as of December 31		
Discount rate	6.25%	5.5%
Health care cost trend rate	10.0%	9.0%
Measurement date for assets and liabilities	2012	2010

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The health care cost trend rate of 11.0% used in the calculation of net benefit cost of the Postretirement Plan for the year ended December 31, 2007 is assumed to decrease 1.0% per year to 6.0% for 2012. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2007		2006	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	(in thousands)		(in thousands)	
Effect on total service and interest cost components	$ 217	$ (133)	$ 99	$ (84)
Effect on postretirement benefit obligation	1,452	(904)	993	(855)

The following is a summary of benefit payments under the Company s various defined benefit plans, which reflect expected future employee service, as appropriate, expected to be paid in the periods indicated:

	SERP Plans	Defined Benefit Plans	Post Retirement Medical Plan
		(in thousands)	
2008	$ 868	$ 998	$ 397
2009	1,187	1,147	404
2010	1,343	1,312	505
2011	1,252	1,347	614
2012	1,152	1,630	684
2013 2017	11,555	11,314	4,306

The amounts in accumulated other comprehensive income that are expected to be recognized as components of net periodic benefit cost during 2008 are as follows:

	SERP Plans	Defined Benefit Plans	Post Retirement Medical Plan
		(in thousands)	
Actuarial loss	$ 1,087	$ 6	$ 122
Prior service cost	196		
Total	$ 1,283	$ 6	$ 122

Supplemental Bonus Plan

In 2005, EMJ reached a settlement with the U.S. Department of Labor regarding a change in its methodology for annual valuations of its stock while it was a private company, for the purpose of making contributions in stock to its retirement plan. This resulted in a special additional contribution to the plan in shares of EMJ common stock to be made over a two-year period. In connection with the acquisition of EMJ in April 2006, Reliance assumed the obligation resulting from EMJ s settlement with the U.S. Department of Labor to contribute 258,006 shares of Reliance common stock to EMJ s Supplemental Bonus Plan, a phantom stock bonus plan supplementing the EMJ Retirement Savings Plan. At December 31, 2007, the remaining obligation to contribute cash to the EMJ Supplemental Bonus

Plan consisted of the cash equivalent of 157,756 shares of Reliance common stock. This obligation will be satisfied by future cash contributions as allowed under the Internal Revenue Code and ERISA requirements.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Contributions to Company Sponsored Retirement Plans

The Company s expense for Company-sponsored retirement plans was as follows:

	Year Ended December 31,		
	2007	2006	2005
		(in thousands)	
Master Plan	$ 8,970	$ 8,116	$ 7,035
Other Defined Contribution Plans	10,020	7,987	3,926
Employee Stock Ownership Plan	1,100	1,000	1,000
Supplemental Executive Retirement Plans	3,979	2,385	1,632
Defined Benefit Plans	819	1,362	367
Post-Retirement Medical Plan	1,575	650	
	$ 26,463	$ 21,500	$ 13,960

12. Shareholders Equity

Common Stock

The Company is authorized to issue 100,000,000 shares of common stock, no par value per share. The Company paid regular quarterly cash dividends on its common stock in 2007. The Company s Board of Directors increased the quarterly dividend to $.08 per share of common stock in February 2007 from $.06 per share. Subsequently in February 2008 the Board of Directors increased the quarterly dividend again from $.08 per share of common stock to $.10 per share. The holders of Reliance common stock are entitled to one vote per share on each matter submitted to a vote of shareholders.

On May 17, 2006, Reliance s Board of Directors declared a two-for-one stock split, in the form of a 100% stock dividend on the Company s common stock. The common stock split was effected by issuing one additional share of common stock for each share held by shareholders of record on July 5, 2006. The additional shares were distributed on July 19, 2006. All share and per share data, including prior period data as appropriate, have been adjusted to reflect this split.

Additionally, during the year ended December 31, 2007, the Company issued 872,001 shares of common stock in connection with the exercise of employee stock options for total proceeds of approximately $16,483,000. Also, 6,244 shares of common stock valued at approximately $281,000 were issued to division managers of the Company in March 2007 under the Key Man Incentive Plan for 2006.

Share Repurchase Program

The Stock Repurchase Plan (Repurchase Plan) was initially established in December 1994 and authorized the Company to purchase shares of its common stock from time to time in the open market or in privately negotiated transactions. In May 2005, the Board amended and restated the Repurchase Plan to authorize the purchase of up to an additional 12,000,000 shares of the Company s common stock and to extend the term of the Repurchase Plan for ten years, to December 31, 2014.

During 2007 the Company repurchased 1,673,467 shares of its common stock at an average cost of $49.10 per share. This was the first time that the Company had repurchased its stock since 2000. Since initiating the Stock Repurchase Plan in 1994, the Company has repurchased 12,750,017 shares at an average cost of $12.93 per share. Repurchased shares are redeemed and treated as authorized but unissued shares. As of December 31, 2007 the Company had authorization to purchase an additional 10,326,533 shares under the Repurchase Plan. Also, in early January 2008, the Company repurchased an additional 2,443,500 shares of its stock at an average cost of $46.97 per share.

Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, no par value per share. No shares of the Company s preferred stock are issued and outstanding. The Company s restated articles of incorporation provide that shares of preferred stock may be issued from time to time in one or more series by the Board. The Board can fix the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of each series of preferred stock. The rights of preferred shareholders may supersede the rights of common shareholders.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Accumulated Other Comprehensive Income (Loss)

SFAS No. 130, *Reporting Comprehensive Income*, defines comprehensive income (loss) as non-stockholder changes in equity. Accumulated other comprehensive income (loss) included the following:

	December 31,	
	2007	2006
	(in thousands)	
Foreign currency translation adjustments	$ 27,402	$ 2,721
Unrealized gain on investments	191	245
Minimum pension liability	(7,348)	(4,597)
	$ 20,245	$ (1,631)

Foreign currency translation adjustments generally are not adjusted for income taxes as they relate to indefinite investments in foreign subsidiaries. The adjustments to unrealized gain on investments and minimum pension liability are net of deferred income taxes of ($118,000) and $4,533,000, respectively, as of December 31, 2007 and ($151,000) and $2,836,000, respectively, as of December 31, 2006.

13. Commitments and Contingencies

Lease Commitments

The Company leases land, buildings and equipment under noncancelable operating leases expiring in various years through 2026. Several of the leases have renewal options providing for additional lease periods. Future minimum payments, by year and in the aggregate, under the noncancelable leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2007 (in thousands):

	Operating Leases	Capital Leases
2008	$ 48,464	$ 847
2009	41,017	823
2010	35,146	814
2011	29,460	805
2012	22,290	803
Thereafter	92,078	1,855
	$ 268,455	$ 5,947
Less, interest		(811)
Capital lease obligations		5,136
Less, current portion		(641)
Long-term capital lease obligations		$ 4,495

Total rental expense amounted to $61,142,000, $43,096,000, and $22,145,000 for 2007, 2006 and 2005, respectively.

Included in the amounts above for operating leases are lease payments to various related parties, who are not executive officers of the Company, in the amounts of $3,330,000, $1,706,000, and $3,766,000 for 2007, 2006 and

2005, respectively. These related party leases are for buildings related to certain of the companies we have acquired and expire in various years through 2021.

Also, in connection with an acquisition, the Company acquired noncancelable capital leases related to three buildings with terms expiring in various years through 2016. At December 31, 2007, total obligations under these capital leases were $4,956,000. The carrying value and accumulated depreciation of those leases at December 31, 2007 were $8,100,000 and $2,046,000, respectively.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Collective Bargaining Agreements

At December 31, 2007, approximately 12% of the Company s total employees were covered by collective bargaining agreements, which expire at various times over the next six years. Approximately 3% of the Company s employees were covered by collective bargaining agreements that expire during 2008.

Environmental Contingencies

The Company is subject to extensive and changing federal, state, local and foreign laws and regulations designed to protect the environment, including those relating to the use, handling, storage, discharge and disposal of hazardous substances and the remediation of environmental contamination. Although the Company believes it is in material compliance with laws and regulations, the Company is from time to time involved in administrative and judicial proceedings and inquiries relating to environmental matters.

At the time of our acquisition of EMJ on April 3, 2006, EMJ was involved in the investigation and remediation of environmental issues at two sites. Annual costs associated with these activities are not material and the Company does not anticipate significant additional expenditures related to these matters.

Legal Matters

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the potential loss, if any, cannot be reasonably estimated. However, the Company believes that the final disposition of such matters will not have a material adverse effect on the financial position, results of operations or cash flow of the Company. The Company maintains various liability insurance coverages to protect the Company s assets from losses arising out of or involving activities associated with ongoing and normal business operations.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

14. Earnings Per Share

The Company calculates basic and diluted earnings per share as required by SFAS No. 128, Earnings Per Share. Basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Diluted earnings per share are calculated including the dilutive effects of warrants, options, and convertible securities, if any.

The following table sets forth the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	2007	2006	2005
	(in thousands, except per share amounts)		
Numerator:			
Net income	$ 407,955	$ 354,507	$ 205,437
Denominator:			
Denominator for basic earnings per share Weighted average shares	75,623	73,134	65,870
Effect of dilutive securities:			
Stock options	442	466	325
Denominator for dilutive earnings per share:			
Adjusted weighted average shares and assumed conversions	76,065	73,600	66,195
Earnings per share from continuing operations diluted	$ 5.36	$ 4.82	$ 3.10
Earnings per share from continuing operations basic	$ 5.39	$ 4.85	$ 3.12

The computations of earnings per share for the years ended December 31, 2007, 2006 and 2005 do not include 1,055,000, 42,000, and 1,985,000 shares reserved for issuance upon exercise of stock options, respectively, because their inclusion would have been anti-dilutive.

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

15. Condensed Consolidating Financial Statements

In November 2006, the Company issued senior unsecured notes in the aggregate principal amount of $600,000,000 at fixed interest rates that are guaranteed by its wholly-owned domestic subsidiaries. The accompanying combined and consolidating financial information has been prepared and presented pursuant to Rule 3-10 of SEC Regulation S-X Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered. The guarantees are full and unconditional and joint and several obligations of each of the guarantor subsidiaries. There are no significant restrictions on the ability of the Company to obtain funds from any of the guarantor subsidiaries by dividends or loan. The supplemental consolidating financial information has been presented in lieu of separate financial statements of the guarantors as such separate financial statements are not considered meaningful. Certain prior year amounts have been adjusted to conform to current year presentation.

Condensed Consolidating Balance Sheet
As of December 31, 2007
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations & Reclassifications	Consolidated
Assets					
Cash and cash equivalents	$ 2,379	$ 56,517	$ 18,127	$	$ 77,023
Accounts receivable, less allowance for doubtful accounts	76,015	557,042	58,405		691,462
Inventories	49,366	765,055	96,894		911,315
Intercompany receivables	381	3,993	616	(4,990)	
Prepaid expenses and other current assets	(61)	45,399	(3,735)		41,603
Total current assets	128,080	1,428,006	170,307	(4,990)	1,721,403
Investments in subsidiaries	2,852,110	62,005		(2,914,115)	
Property, plant and equipment, net	82,283	712,782	29,570		824,635
Goodwill	13,392	815,808	56,952		886,152
Intangible assets, net	5,991	398,832	59,468		464,291
Intercompany receivables		142,733		(142,733)	
Other assets	55	85,017	1,924		86,996
Total assets	$ 3,081,911	$ 3,645,183	$ 318,221	$ (3,061,838)	$ 3,983,477
Liabilities & Shareholders Equity					
Accounts payable	$ 34,485	$ 275,044	$ 29,447	$ (4,990)	$ 333,986
Accrued compensation and retirement costs	9,664	81,014	4,861		95,539

Other current liabilities	7,582	85,611	4,690		97,883
Current maturities of long-term debt	55,200	7,713	8,902		71,815
Current maturities of capital lease obligations		583	58		641
Total current liabilities	106,931	449,965	47,958	(4,990)	599,864
Long-term debt	822,431	186,334			1,008,765
Intercompany borrowings	84,689		58,044	(142,733)	
Deferred taxes and other long-term liabilities		263,713	4,886		268,599
Total shareholders equity	2,067,860	2,745,171	207,333	(2,914,115)	2,106,249
Total liabilities and shareholders equity	$ 3,081,911	$ 3,645,183	$ 318,221	$ (3,061,838)	$ 3,983,477

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RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Condensed Consolidating Balance Sheet
As of December 31, 2006
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations & Reclassifications	Consolidated
Assets					
Cash and cash equivalents	$ 2,556	$ 45,189	$ 9,730	$	$ 57,475
Accounts receivable, less allowance for doubtful accounts	87,570	545,931	32,585	187	666,273
Inventories	79,901	785,855	38,562		904,318
Intercompany receivables	655	2,781	338	(3,774)	
Prepaid expenses and other current assets		46,504	1,006	(187)	47,323
Total current assets	170,682	1,426,260	82,221	(3,774)	1,675,389
Investments in subsidiaries	2,308,683	31,021		(2,339,704)	
Property, plant and equipment, net	87,365	640,014	15,293		742,672
Goodwill	15,328	766,839	2,704		784,871
Intangible assets, net	5,591	348,581	23		354,195
Intercompany receivables	109,477			(109,477)	
Other assets	526	56,062	922	(464)	57,046
Total assets	$ 2,697,652	$ 3,268,777	$ 101,163	$ (2,453,419)	$ 3,614,173
Liabilities & Shareholders Equity					
Accounts payable	$ 42,162	$ 279,927	$ 22,041	$ (3,774)	$ 340,356
Accrued compensation and retirement costs	10,199	78,960	3,746		92,905
Other current liabilities	7,598	84,292	2,772		94,662
Current maturities of long-term debt	20,200	1,040	1,017		22,257
Current maturities of capital lease obligations		559			559
Total current liabilities	80,159	444,778	29,576	(3,774)	550,739
Long-term debt	877,487	205,608			1,083,095
Intercompany borrowings		88,154	20,404	(108,558)	
		232,330	1,611		233,941

Deferred taxes and other long-term liabilities					
Total shareholders equity	1,740,006	2,297,907	49,572	(2,341,087)	1,746,398
Total liabilities and shareholders equity	$ 2,697,652	$ 3,268,777	$ 101,163	$ (2,453,419)	$ 3,614,173

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Condensed Consolidating Statement of Income
For the year ended December 31, 2007
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 913,752	$ 6,020,779	$ 380,062	$ (58,914)	$ 7,255,679
Other income, net	357	53,073	9,280	(52,779)	9,931
	914,109	6,073,852	389,342	(111,693)	7,265,610
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	678,451	4,515,126	283,580	(58,996)	5,418,161
Warehouse, delivery, selling, general and administrative	170,640	821,633	66,544	(24,678)	1,034,139
Depreciation and amortization	8,075	67,634	4,164		79,873
Interest	61,720	41,772	3,237	(28,019)	78,710
	918,886	5,446,165	357,525	(111,693)	6,610,883
Income (loss) before minority interest, equity in earnings of subsidiaries and income taxes	(4,777)	627,687	31,817		654,727
Minority interest			(334)		(334)
Equity in earnings of subsidiaries	424,734	5,332		(430,066)	
Income from continuing operations before income taxes	419,957	633,019	31,483	(430,066)	654,393
Provision for income taxes	12,002	224,470	9,966		246,438
Net income	$ 407,955	$ 408,549	$ 21,517	$ (430,066)	$ 407,955

Condensed Consolidating Statement of Income
For the year ended December 31, 2006
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 869,775	$ 4,706,273	$ 200,457	$ (33,897)	$ 5,742,608
Other income, net	959	85,804	29	(81,024)	5,768
	870,734	4,792,077	200,486	(114,921)	5,748,376

Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	636,252	3,476,215	152,898	(33,979)	4,231,386
Warehouse, delivery, selling, general and administrative	206,330	649,159	32,803	(66,906)	821,386
Depreciation and amortization	7,590	53,938	946		62,474
Interest	29,274	45,839	615	(14,036)	61,692
	879,446	4,225,151	187,262	(114,921)	5,176,938
Income (loss) before minority interest, equity in earnings of subsidiaries and income taxes	(8,712)	566,926	13,224		571,438
Minority interest			(306)		(306)
Equity in earnings of subsidiaries	390,645	4,745		(395,390)	
Income from continuing operations before income taxes	381,933	571,671	12,918	(395,390)	571,132
Provision for income taxes	27,426	183,478	5,721		216,625
Net income	$ 354,507	$ 388,193	$ 7,197	$ (395,390)	$ 354,507

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RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Condensed Consolidating Statement of Income
For the year ended December 31, 2005
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 736,804	$ 2,571,359	$ 77,385	$ (18,497)	$ 3,367,051
Other income, net	435	59,323	(400)	(55,687)	3,671
	737,239	2,630,682	76,985	(74,184)	3,370,722
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	538,970	1,874,008	54,601	(18,579)	2,449,000
Warehouse, delivery, selling, general and administrative	174,931	369,209	13,803	(50,038)	507,905
Depreciation and amortization	6,924	39,159	548		46,631
Interest	26,513	3,922	354	(5,567)	25,222
	747,338	2,286,298	69,306	(74,184)	3,028,758
Income (loss) before minority interest, equity in earnings of subsidiaries and income taxes	(10,099)	344,384	7,679		341,964
Minority interest		(8,666)	(86)		(8,752)
Equity in earnings of subsidiaries	235,436	2,128		(237,564)	
Income from continuing operations before income taxes	225,337	337,846	7,593	(237,564)	333,212
Provision for income taxes	19,900	105,652	2,223		127,775
Net income	$ 205,437	$ 232,194	$ 5,370	$ (237,564)	$ 205,437

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Condensed Consolidating Cash Flow Statement
For the year ended December 31, 2007
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net income	$ 407,955	$ 408,549	$ 21,517	$ (430,066)	$ 407,955
Equity in earnings of subsidiaries	(424,734)	(5,332)		430,066	
Adjustments to reconcile net income to cash provided by operating activities	41,949	192,872	(3,812)		231,009
Cash provided by operating activities	25,170	596,089	17,705		638,964
Investing activities:					
Purchases of property, plant and equipment	(8,809)	(111,930)	(3,388)		(124,127)
Acquisitions of metals service centers and net asset purchases of metals service centers, net of cash acquired	(109,912)	(160,045)			(269,957)
Net borrowings from subsidiaries	194,166			(194,166)	
Other investing activities, net	(492)	(25,315)	83		(25,724)
Cash provided by (used in) investing activities	74,953	(297,290)	(3,305)	(194,166)	(419,808)
Financing activities:					
Net repayments of long-term debt	(20,200)	(55,665)	(43,885)		(119,750)
Dividends paid	(24,207)				(24,207)
Intercompany borrowings (repayments)		(231,806)	37,640	194,166	
Common stock repurchases	(82,168)				(82,168)
Other financing activities	26,275				26,275
Cash provided by (used in) financing activities	(100,300)	(287,471)	(6,245)	194,166	(199,850)
Effect of exchange rate changes on cash and cash equivalents			242		242
Increase (decrease) in cash and cash equivalents	(177)	11,328	8,397		19,548
	2,556	45,189	9,730		57,475

Cash and cash equivalents at beginning of period										
Cash and cash equivalents at end of period	$	2,379	$	56,517	$	18,127	$		$	77,023

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RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Condensed Consolidating Cash Flow Statement
For the year ended December 31, 2006
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net income	$ 354,507	$ 388,191	$ 7,199	$ (395,390)	$ 354,507
Equity in earnings of subsidiaries	(390,645)	(4,745)		395,390	
Adjustments to reconcile net income to cash provided by (used in) operating activities	(73,797)	(97,979)	8,233		(163,543)
Cash provided by (used in) operating activities	(109,935)	285,467	15,432		190,964
Investing activities:					
Purchases of property, plant and equipment	(19,222)	(86,229)	(3,291)		(108,742)
Acquisitions of metals service centers and net asset purchases of metals service centers, net of cash acquired	(318,609)	(223,995)			(542,604)
Net advances to subsidiaries	(92,636)			92,636	
Other investing activities, net	(58)	892	78		912
Cash used in investing activities	(430,525)	(309,332)	(3,213)	92,636	(650,434)
Financing activities:					
Net borrowings (repayments) of long-term debt	548,412	(65,769)	1,017		483,660
Dividends paid	(16,145)				(16,145)
Intercompany borrowings (repayments)		103,526	(10,890)	(92,636)	
Other financing activities	9,493	4,748			14,241
Cash provided by (used in) financing activities	541,760	42,505	(9,873)	(92,636)	481,756
Effect of exchange rate changes on cash and cash equivalents			167		167
Increase in cash and cash equivalents	1,300	18,640	2,513		22,453
Cash and cash equivalents at beginning of period	1,256	26,549	7,217		35,022

Cash and cash equivalents at end of period	$	2,556	$	45,189	$	9,730	$		$	57,475

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

Condensed Consolidating Cash Flow Statement
For the year ended December 31, 2005
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Net income	$ 205,437	$ 232,198	$ 5,368	$ (237,566)	$ 205,437
Equity in earnings of subsidiaries	(235,438)	(2,128)		237,566	
Adjustments to reconcile net income to cash provided by operating activities	137,231	(70,210)	(239)		66,782
Cash provided by operating activities	107,230	159,860	5,129		272,219
Investing activities:					
Purchases of property, plant and equipment	(6,229)	(45,058)	(2,453)		(53,740)
Acquisitions of metals service centers and net asset purchases of metals service centers, net of cash acquired	(94,377)				(94,377)
Net repayments of loans from subsidiaries	45,219			(45,219)	
Other investing activities, net	1,485				1,485
Cash used in investing activities	(53,902)	(45,058)	(2,453)	(45,219)	(146,632)
Financing activities:					
Net repayments of long-term debt	(46,200)	(47,311)			(93,511)
Dividends paid	(12,530)				(12,530)
Intercompany borrowings (repayments)		(48,629)	3,410	45,219	
Other financing activities	3,898				3,898
Cash provided by (used in) financing activities	(54,832)	(95,940)	3,410	45,219	(102,143)
Effect of exchange rate changes on cash and cash equivalents			(81)		(81)
Increase (decrease) in cash and cash equivalents	(1,504)	18,862	6,005		23,363
Cash and cash equivalents at beginning of period	2,760	7,687	1,212		11,659

Cash and cash equivalents at end of period	$	1,256	$	26,549	$	7,217	$		$	35,022

RELIANCE STEEL & ALUMINUM CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007

16. Subsequent Events

Effective January 1, 2008, the Company sold certain assets, primarily accounts receivable, inventory and fixed assets, and the business of the Encore Coils division of Encore Group Limited. The Company retained the Encore Metals and Team Tube divisions. The Encore Coils division processed and distributed carbon steel flat-rolled products through four facilities located in Western Canada. The net sales of Encore Coils during the year ended December 31, 2007 were approximately $37,000,000. The Company retained one of the Encore Coils operations that is now performing toll processing services. Costs related to the sale and resulting loss from the sale were not material.

During the month of January 2008, the Company repurchased 2,443,500 shares of its common stock at an average cost of $46.97 per share under the Stock Repurchase Plan. In February 2008 the Board of Directors increased the quarterly dividend from $.08 per share of common stock to $.10 per share.

RELIANCE STEEL & ALUMINUM CO.
QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 2007, 2006 and 2005:

	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per share amounts)			
2007:				
Net sales	$1,841,890	$ 1,896,036	$ 1,812,092	$1,705,661
Cost of sales	$1,369,438	$ 1,398,539	$ 1,372,128	$1,278,056
Gross profit	$ 472,452	$ 497,497	$ 439,964	$ 427,605
Net income	$ 111,696	$ 122,784	$ 93,565	$ 79,910
Earnings per share from continuing operations diluted	$ 1.46	$ 1.59	$ 1.22	$ 1.06
Earnings per share from continuing operations basic	$ 1.47	$ 1.61	$ 1.24	$ 1.07
2006:				
Net sales	$ 987,986	$ 1,559,222	$ 1,626,208	$1,569,192
Cost of sales	$ 717,801	$ 1,139,349	$ 1,194,139	$1,180,097
Gross profit	$ 270,185	$ 419,873	$ 432,069	$ 389,095
Net income	$ 71,855	$ 100,505	$ 107,505	$ 74,642
Earnings per share from continuing operations diluted	$ 1.07	$ 1.32	$ 1.41	$ .98
Earnings per share from continuing operations basic	$ 1.08	$ 1.34	$ 1.42	$ .99
2005:				
Net sales	$ 811,907	$ 816,342	$ 870,124	$ 868,678
Cost of sales	$ 595,971	$ 594,107	$ 641,396	$ 617,526
Gross profit	$ 215,936	$ 222,235	$ 228,728	$ 251,152
Net income	$ 46,363	$ 49,049	$ 49,437	$ 60,588
Earnings per share from continuing operations diluted	$ .70	$ .74	$ .75	$ .91
Earnings per share from continuing operations basic	$ .71	$ .75	$ .75	$ .92

Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with per share amounts for the year shown elsewhere in the Annual Report on Form 10-K.

RELIANCE STEEL & ALUMINUM CO.
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Year Ended December 31, 2005					
Allowance for doubtful accounts	$ 8,699	$5,173	$ 556(1)	$3,917(2)	$10,511
Year Ended December 31, 2006					
Allowance for doubtful accounts	$10,511	$5,733	$5,025(1)	$4,514(2)	$16,755
Year Ended December 31, 2007					
Allowance for doubtful accounts	$16,755	$3,918	$1,338(1)	$5,858(2)	$16,153

(1) Additions from acquisitions charged to goodwill.

(2) Uncollectible accounts written off, net of recoveries.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of the Company s management, including our CEO and CFO, an evaluation was performed on the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of December 31, 2007 at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

An evaluation was also performed under the supervision and with the participation of our management, including our CEO and CFO, of any change in our internal controls over financial reporting that occurred during our last fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting. That evaluation did not identify any change in our internal controls over financial reporting that occurred during our latest fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as this term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2007.

The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9A(T). Controls and Procedures

Not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Reliance Steel & Aluminum Co.

We have audited Reliance Steel & Aluminum Co. s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Reliance Steel & Aluminum Co. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Reliance Steel & Aluminum Co. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Reliance Steel & Aluminum Co. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2007 of Reliance Steel & Aluminum Co. and our report dated February 28, 2008 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 28, 2008

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements (included in Item 8).

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets at December 31, 2007 and 2006
Consolidated Statements of Income for the Years Ended December 31, 2007, 2006 and 2005
Consolidated Statements of Shareholders Equity for the Years Ended December 31, 2007, 2006 and 2005
Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005
Notes to Consolidated Statements
Quarterly Results of Operations (Unaudited) for the Years Ended December 31, 2007, 2006 and 2005

(2) Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted since the required information is not significant or is included in the Consolidated Financial Statements or notes thereto or is not applicable.

(3) Exhibits

Exhibit Number	Description
2.01	Agreement and Plan of Merger dated as of January 17, 2006, among Reliance Steel & Aluminum Co., RSAC Acquisition Corp. and Earle M. Jorgensen Company[1]
3.01	Registrant s Restated Articles of Incorporation[2]
3.02	Registrant s Amended and Restated Bylaws[2]
3.03	Amendment to Registrant s Restated Articles of Incorporation dated May 20, 1998[3]
4.01	Indenture dated November 20, 2006 by and among Reliance, the Subsidiary Guarantors named therein and Wells Fargo Bank, a National Association and Forms of the Notes and the Exchange Notes under the Indenture[3]
4.02	Earle M. Jorgensen Company 2004 Stock Incentive Plan[10]
4.03	Earle M. Jorgensen Retirement Savings Plan[11]
10.01	Registrant s 1994 Incentive and Non-Qualified Stock Option Plan and the Forms of Agreements related thereto, as amended[2]
10.02	Registrant s Form of Indemnification Agreement for officers and directors[2]
10.03	Incentive Bonus Plan[2]
10.04	Registrant s Supplemental Executive Retirement Plan dated January 1, 1996[4]
10.05	Registrant s Amended and Restated Directors Stock Option Plan[5]
10.06	Registrant s Amended and Restated Stock Option and Restricted Stock Plan[6]

10.07	Credit Agreement dated June 13, 2005[7]

Exhibit Number	Description
10.08	First Amendment to Credit Agreement dated February 16, 2006[8]
10.09	Omnibus Amendment to Note Purchase Agreements[8]
10.10	Form of Note Purchase Agreement dated as of July 1, 2003 by and between the Registrant and each of the Purchasers listed on the Schedule thereto[9]
10.11	Omnibus Amendment No. 2 to Note Purchase Agreements[8]
10.12	Amended and Restated Credit Agreement dated November 9, 2006[12]
14.01	Registrant s Code of Conduct[13]
16	Letter to the SEC from Independent Registered Public Accounting Firm Ernst & Young LLP[14]
21	Subsidiaries of Registrant[15]
23	Consent of Independent Registered Public Accounting Firm Ernst & Young LLP
24	Power of Attorney[16]
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
31.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference from Exhibits 2.1 to Registrant s Form 8-K, originally filed on January 19, 2006.

(2) Incorporated by reference from Exhibits 3.01, 3.02, 10.01, 10.02, 10.03 and 10.06,

respectively, to Registrant s Registration Statement on Form S-1, as amended, originally filed on May 25, 1994 as Commission File No. 33-79318.

(3) Incorporated by reference from Exhibit 10.1and 10.2 to Registrant s Form 8-K dated November 20, 2006.

(4) Incorporated by reference from Exhibit 10.06 to Registrant s Form 10-K, for the year ended December 31, 1996.

(5) Incorporated by reference from Appendix A to Registrant s Proxy Statement for Annual Meeting of Shareholders held May 18, 2005.

(6) Incorporated by reference from Exhibits 4.1, 4.2 and 4.3 to Registrant s Registration Statement on Form S-8 filed on August 4,

2006 as Commission File No. 333-136290.

(7) Incorporated by reference from Exhibit 10.1and 10.2 to Registrant s Form 8-K dated June 13, 2005.

(8) Incorporated by reference from Exhibits 4.2 and 4.3 to Registrant s Form 8-K dated April 3, 2006.

(9) Incorporated by reference from Exhibit 2.2 to Registrant s Form 8-K dated July 1, 2003.

(10) Incorporated by reference from Exhibits 4.1 through 4.7 to Registrant s Registration Statement on Form S-8, filed on April 11, 2006 as Commission File No. 333-133204.

(11) Incorporated by reference from Exhibits 4.1 and 4.2 to Registrant s Registration Statement on Form S-8, filed on April 12,

2006 as Commission File No. 333-133221.

(12) Incorporated by reference from Exhibit 10.1 to Registrant s Form 8-K dated November 9, 2006.

(13) Incorporated by reference from Exhibit 14.01 to Registrant s Form 10-K filed March 15, 2005.

(14) Incorporated by reference from Exhibit 16 to Registrant s Form 10-K filed February 28, 2008.

(15) Incorporated by reference from Exhibit 23 to Registrant s Form 10-K filed February 28, 2008.

(16) Set forth on page 48 of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on this 5th day of August 2008.

RELIANCE STEEL & ALUMINUM CO.

By: /s/ David H. Hannah
David H. Hannah
Chairman and Chief Executive Officer

POWER OF ATTORNEY

The officers and directors of Reliance Steel & Aluminum Co. whose signatures appear below hereby constitute and appoint David H. Hannah and Gregg J. Mollins, or either of them, to act severally as attorneys-in-fact and agents, with power of substitution and resubstitution, for each of them in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ DAVID H. HANNAH	Chief Executive Officer	August 5, 2008
David H. Hannah	(Principal Executive Officer); Chairman of the Board; Director	
/s/ GREGG J. MOLLINS*	President and Chief Operating Officer;	August 5, 2008
Gregg J. Mollins	Director	
/s/ KARLA R. LEWIS	Executive Vice President and Chief Financial Officer	August 5, 2008
Karla R. Lewis	(Principal Financial Officer; Principal Accounting Officer)	
	Director	
Joe D. Crider		
/s/ THOMAS W. GIMBEL*	Director	August 5, 2008
Thomas W. Gimbel		
/s/ DOUGLAS M. HAYES*	Director	August 5, 2008
Douglas M. Hayes		
/s/ MARK V. KAMINSKI*	Director	August 5, 2008

Mark V. Kaminski		
/s/ FRANKLIN R. JOHNSON*	Director	August 5, 2008
Franklin R. Johnson		
/s/ ANDREW G. SHARKEY III*	Director	August 5, 2008
Andrew G. Sharkey III		
/s/ RICHARD J. SLATER*	Director	August 5, 2008
Richard J. Slater		
/s/ LESLIE A. WAITE*	Director	August 5, 2008
Leslie A. Waite		
*By: /s/ DAVID H. HANNAH		August 5, 2008
David H. Hannah as attorney in fact		

EXHIBIT INDEX

Seq Nu

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