PAN AMERICAN SILVER CORP
Form 6-K
March 23, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT of 1934

March 23, 2010

Pan American Silver Corp.
(Exact name of registrant as specified in its charter)

1500-625 HOWE STREET
VANCOUVER BC CANADA V6C 2T6
(Address of principal executive offices)

000-13727
(Commission File Number)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F	o	Form 40-F	x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1). _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): ______

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pan American Silver Corp.
(Registrant)

Date: March 23, 2010

By: /s/ ROBERT PIROOZ

Robert Pirooz
General Counsel and Secretary

EXHIBIT LIST

Exhibit	Description
99.1	Pan American Silver Announces Filing of Audited 2009 Annual Financial Statements.

nt-size:1.0pt;">

972.2

77.9

1,151.8

Goodwill

23.8

1,149.4

104.4

1,277.6

Intangible assets, net

12.3

772.6

130.7

915.6

Intercompany receivables

1,439.3

33.6

(1,472.9

)

Other assets	
	15.7
	64.6
	1.8
	82.1
Total assets	
$	5,255.2

$	
	5,385.5
$	
	625.4
$	
	(5,230.8)
$	
	6,035.3

Liabilities & Equity

Accounts payable

$

35.7

$

314.5

$

41.6

$

(16.6

)

$

375.2

Accrued compensation and retirement costs

	13.9
	70.4
	6.0
	90.3
Other current liabilities	
	50.2
	89.1
	7.4

(49.0

)

97.7

Deferred income taxes

75.0

(75.0

)

Current maturities of long-term debt and short-term borrowings	0.3
	11.9
	12.2
Total current liabilities	100.1
	549.0

66.9

(140.6

)

575.4

Long-term debt

1,519.0

1,519.0

Intercompany borrowings

1,316.5

156.4

(1,472.9

)

Other long-term liabilities

270.7

271.0

24.0

565.7

Total Reliance shareholders equity

3,365.4

3,243.1

374.2

	(3,617.3
)	
	3,365.4
Noncontrolling interests	
	5.9
	3.9
	9.8
Total equity	

		3,365.4
		3,249.0
		378.1
		(3,617.3)
		3,375.2
Total liabilities and equity	$	5,255.2
	$	5,385.5

$	625.4
$	(5,230.8)
$	6,035.3

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

Condensed Unaudited Consolidating Balance Sheet
As of December 31, 2011

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Cash and cash equivalents	$ 15.1	$ 10.8	$ 58.7	$	$ 84.6
Accounts receivable, less allowance for doubtful accounts	69.6	739.1	87.5		896.2
Inventories	43.7	1,017.4	151.7		1,212.8
Intercompany receivables	0.3	11.6	0.9	(12.8)	
Other current assets	108.7	28.0	7.5	(63.1)	81.1
Total current assets	237.4	1,806.9	306.3	(75.9)	2,274.7
Investments in subsidiaries	3,217.0	273.9		(3,490.9)	
Property, plant and equipment, net	100.0	931.5	74.0		1,105.5
Goodwill	23.8	1,115.7	104.8		1,244.3
Intangible assets, net	13.6	748.0	134.3		895.9
Intercompany receivables	1,229.9	35.9		(1,265.8)	
Other assets	13.7	70.0	1.8		85.5
Total assets	$ 4,835.4	$ 4,981.9	$ 621.2	$ (4,832.6)	$ 5,605.9
Liabilities & Equity					
Accounts payable	$ 31.2	$ 270.6	$ 46.2	$ (12.8)	$ 335.2
Accrued compensation and retirement costs	22.0	81.4	7.6		111.0
Other current liabilities	49.3	41.4	15.4	11.9	118.0
Deferred income taxes		75.0		(75.0)	
Current maturities of long-term debt and short-term borrowings	0.2	0.2	11.8		12.2
Total current liabilities	102.7	468.6	81.0	(75.9)	576.4
Long-term debt	1,319.0				1,319.0
Intercompany borrowings		1,097.2	168.6	(1,265.8)	
Other long-term liabilities	269.8	264.9	23.8		558.5
Total Reliance shareholders equity	3,143.9	3,146.8	344.1	(3,490.9)	3,143.9
Noncontrolling interests		4.4	3.7		8.1
Total equity	3,143.9	3,151.2	347.8	(3,490.9)	3,152.0
Total liabilities and equity	$ 4,835.4	$ 4,981.9	$ 621.2	$ (4,832.6)	$ 5,605.9

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

Condensed Unaudited Consolidating Statement of Income
For the three months ended June 30, 2012
(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 189.7	$ 1,924.1	$ 154.3	$ (58.4)	$ 2,209.7
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	132.9	1,457.1	108.7	(58.4)	1,640.3
Warehouse, delivery, selling, general and administrative	16.2	326.2	24.4	(20.1)	346.7
Depreciation and amortization	3.4	29.8	3.3		36.5
	152.5	1,813.1	136.4	(78.5)	2,023.5
Operating income	37.2	111.0	17.9	20.1	186.2
Other income (expense):					
Interest	(14.8)	(4.7)	(0.5)	5.0	(15.0)
Other income (expense), net	22.8	(0.7)	(0.5)	(25.1)	(3.5)
Income before equity in earnings of subsidiaries and income taxes	45.2	105.6	16.9		167.7
Equity in earnings of subsidiaries	60.1	7.9		(68.0)	
Income before income taxes	105.3	113.5	16.9	(68.0)	167.7
Income tax (benefit) provision	(3.5)	57.4	3.6		57.5
Net income	108.8	56.1	13.3	(68.0)	110.2
Less: Net income attributable to noncontrolling interests		1.4			1.4
Net income attributable to Reliance	$ 108.8	$ 54.7	$ 13.3	$ (68.0)	$ 108.8

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

Condensed Unaudited Consolidating Statement of Income
For the three months ended June 30, 2011

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 182.8	$ 1,804.0	$ 116.4	$ (53.7)	$ 2,049.5
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	129.2	1,386.4	76.8	(53.7)	1,538.7
Warehouse, delivery, selling, general and administrative	19.8	293.7	20.7	(20.5)	313.7
Depreciation and amortization	3.5	26.2	1.8		31.5
	152.5	1,706.3	99.3	(74.2)	1,883.9
Operating income	30.3	97.7	17.1	20.5	165.6
Other income (expense):					
Interest	(15.3)	(12.0)		11.8	(15.5)
Other income, net	30.3	6.1		(32.3)	4.1
Income before equity in earnings of subsidiaries and income taxes	45.3	91.8	17.1		154.2
Equity in earnings of subsidiaries	51.6	7.9		(59.5)	
Income before income taxes	96.9	99.7	17.1	(59.5)	154.2
Income tax (benefit) provision	(1.8)	51.9	3.9		54.0
Net income	98.7	47.8	13.2	(59.5)	100.2
Less: Net income attributable to noncontrolling interests		1.3	0.2		1.5
Net income attributable to Reliance	$ 98.7	$ 46.5	$ 13.0	$ (59.5)	$ 98.7

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

Condensed Unaudited Consolidating Statement of Income
For the six months ended June 30, 2012

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 382.4	$ 3,896.3	$ 345.9	$ (126.6)	$ 4,498.0
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	286.6	2,944.9	245.9	(126.6)	3,350.8
Warehouse, delivery, selling, general and administrative	31.2	670.7	49.2	(46.7)	704.4
Depreciation and amortization	6.9	59.0	6.1		72.0
	324.7	3,674.6	301.2	(173.3)	4,127.2
Operating income	57.7	221.7	44.7	46.7	370.8
Other income (expense):					
Interest	(29.2)	(8.6)	(1.2)	9.5	(29.5)
Other income, net	56.7	2.0	0.5	(56.2)	3.0
Income before equity in earnings of subsidiaries and income taxes	85.2	215.1	44.0		344.3
Equity in earnings of subsidiaries	128.1	17.8		(145.9)	
Income before income taxes	213.3	232.9	44.0	(145.9)	344.3
Income tax (benefit) provision	(11.7)	119.6	8.3		116.2
Net income	225.0	113.3	35.7	(145.9)	228.1
Less: Net income attributable to noncontrolling interests		2.9	0.2		3.1
Net income attributable to Reliance	$ 225.0	$ 110.4	$ 35.5	$ (145.9)	$ 225.0

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

Condensed Unaudited Consolidating Statement of Income
For the six months ended June 30, 2011

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ 358.5	$ 3,487.9	$ 225.7	$ (109.9)	$ 3,962.2
Costs and expenses:					
Cost of sales (exclusive of depreciation and amortization shown below)	268.3	2,639.6	147.1	(109.9)	2,945.1
Warehouse, delivery, selling, general and administrative	39.4	597.3	40.9	(45.4)	632.2
Depreciation and amortization	6.9	54.1	3.5		64.5
	314.6	3,291.0	191.5	(155.3)	3,641.8
Operating income	43.9	196.9	34.2	45.4	320.4
Other income (expense):					
Interest	(29.8)	(18.6)	(0.4)	18.7	(30.1)
Other income, net	62.3	6.1		(64.1)	4.3
Income before equity in earnings of subsidiaries and income taxes	76.4	184.4	33.8		294.6
Equity in earnings of subsidiaries	104.7	15.7		(120.4)	
Income before income taxes	181.1	200.1	33.8	(120.4)	294.6
Income tax (benefit) provision	(9.9)	102.9	7.8		100.8
Net income	191.0	97.2	26.0	(120.4)	193.8
Less: Net income attributable to noncontrolling interests		2.3	0.5		2.8
Net income attributable to Reliance	$ 191.0	$ 94.9	$ 25.5	$ (120.4)	$ 191.0

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

Condensed Unaudited Consolidating Cash Flow Statement
For the six months ended June 30, 2012

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Operating activities:					
Net income	$ 225.0	$ 113.3	$ 35.7	$ (145.9)	$ 228.1
Equity in earnings of subsidiaries	(128.1)	(18.9)		145.9	(1.1)
Other operating activities, net	14.1	(193.9)	(26.0)		(205.8)
Cash provided by (used in) operating activities	111.0	(99.5)	9.7		21.2
Investing activities:					
Purchases of property, plant and equipment	(7.6)	(72.0)	(7.2)		(86.8)
Acquisitions of metal service centers, net of cash acquired	(65.9)	(16.4)			(82.3)
Net advances to subsidiaries	(209.4)			209.4	
Other investing activities, net	0.1	1.7			1.8
Cash used in investing activities	(282.8)	(86.7)	(7.2)	209.4	(167.3)
Financing activities:					
Net short-term debt (repayments) borrowings		(29.5)	0.1		(29.4)
Proceeds from long-term debt borrowings	458.0				458.0
Principal payments on long-term debt	(258.0)	(1.5)			(259.5)
Dividends paid	(22.5)				(22.5)
Net intercompany borrowings (repayments)		221.6	(12.2)	(209.4)	
Other financing activities, net	9.9	(1.4)			8.5
Cash provided by (used in) financing activities	187.4	189.2	(12.1)	(209.4)	155.1
Effect of exchange rate changes on cash and cash equivalents					
Increase (decrease) in cash and cash equivalents	15.6	3.0	(9.6)		9.0
Cash and cash equivalents at beginning of year	15.1	10.8	58.7		84.6
Cash and cash equivalents at end of period	$ 30.7	$ 13.8	$ 49.1	$	$ 93.6

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RELIANCE STEEL & ALUMINUM CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

Condensed Unaudited Consolidating Cash Flow Statement
For the six months ended June 30, 2011

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Operating activities:					
Net income	$ 191.0	$ 97.2	$ 26.0	$ (120.4)	$ 193.8
Equity in earnings of subsidiaries	(104.7)	(16.8)		120.4	(1.1)
Other operating activities, net	0.4	(252.3)	(26.3)		(278.2)
Cash provided by (used in) operating activities	86.7	(171.9)	(0.3)		(85.5)
Investing activities:					
Purchases of property, plant and equipment	(5.9)	(58.6)	(1.8)		(66.3)
Net advances to subsidiaries	(243.8)			243.8	
Other investing activities, net	2.6	6.9	0.1		9.6
Cash used in investing activities	(247.1)	(51.7)	(1.7)	243.8	(56.7)
Financing activities:					
Net short-term debt repayments			0.8		0.8
Proceeds from long-term debt borrowings	286.0				286.0
Principal payments on long-term debt	(116.0)	(1.1)			(117.1)
Dividends paid	(17.9)				(17.9)
Net intercompany borrowings		238.9	4.9	(243.8)	
Other financing activities, net	9.1	(1.0)			8.1
Cash provided by financing activities	161.2	236.8	5.7	(243.8)	159.9
Effect of exchange rate changes on cash and cash equivalents			1.4		1.4
Increase in cash and cash equivalents	0.8	13.2	5.1		19.1
Cash and cash equivalents at beginning of year	14.4	8.0	50.5		72.9
Cash and cash equivalents at end of period	$ 15.2	$ 21.2	$ 55.6	$	$ 92.0

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RELIANCE STEEL & ALUMINUM CO.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q may contain forward-looking statements relating to future financial results. Actual results may differ materially as a result of factors over which Reliance Steel & Aluminum Co. has no control. These risk factors and additional information are included in our Annual Report on Form 10-K for the year ended December 31, 2011.

2012 Acquisitions

On July 6, 2012, through our newly-formed subsidiary Bralco Metals (Australia) Pty Ltd, we completed the acquisition of substantially all of the assets of Airport Metals (Australia) Pty Ltd (Airport Metals), a subsidiary of Samuel Son & Co., Limited. Airport Metals, based in Melbourne, operates as a stocking distributor of aircraft materials and supplies.

Effective April, 27, 2012, through our wholly-owned subsidiary Precision Strip, Inc., we acquired the assets of the Worthington Steel Vonore, Tennessee plant, a processing facility owned by Worthington Industries, Inc. The Vonore plant operates as a Precision Strip, Inc. location which processes and delivers carbon steel, aluminum and stainless steel products on a toll basis, processing the metal for a fee without taking ownership of the metal. The addition of the Vonore location to our existing footprint of facilities allows us to better service our customer base in an important geographic area of the country.

Effective April 3, 2012, we acquired all the outstanding limited liability company interests of National Specialty Alloys, LLC (NSA), a global specialty alloy processor and distributor of premium stainless steel and nickel alloy bars and shapes, headquartered in Houston, Texas. In addition to enhancing our existing product offerings with the addition of specialty stainless steel and nickel products, NSA also expands and complements our exposure to the fast-growing energy market. NSA was founded in 1985 and has additional locations in Anaheim, California; Buford, Georgia and Tulsa, Oklahoma. Net sales of NSA during the period from April 3, 2012 through June 30, 2012 were approximately $24.4 million.

Effective February 1, 2012, through our wholly-owned subsidiary Diamond Manufacturing Company, we acquired McKey Perforating Co., Inc. (McKey), headquartered in New Berlin, Wisconsin and its subsidiary, McKey Perforated Products Co., Inc., located in Manchester, Tennessee. McKey was founded in 1867 and provides a full range of metal perforating and fabrication services to customers located primarily in the U.S. McKey will be working closely with Diamond Manufacturing Company to leverage their combined expertise in the perforated metal market and further expand our presence within that market. McKey had net sales of $9.0 million for the five months ended June 30, 2012.

2011 Acquisition

Effective August 1, 2011, we acquired all the outstanding capital securities of Continental Alloys & Services, Inc. (Continental), headquartered in Houston, Texas, and certain affiliated companies for a combined transaction value of approximately $440.8 million, which included the assumption and repayment of $104.7 million of debt. We funded this acquisition with borrowings on our revolving credit facility. Continental is a leading global materials management company focused on high-end steel and alloy pipe, tube and bar products and precision manufacturing of various tools designed for well completion programs of global energy service companies and has 12 locations in seven countries including Canada, Malaysia, Mexico, Singapore, the U.A.E., the United Kingdom, and the United States. This acquisition aligns well with our diversification strategy by increasing our exposure to the fast growing energy market, including the addition of Oil Country Tubular Goods (OCTG) products, new processing capabilities, and entry into new international markets. Continental and its affiliates had combined net sales of approximately $225.8 million for the six months ended June 30, 2012.

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Three Months and Six Months Ended June 30, 2012 Compared to Three Months and Six Months Ended June 30, 2011

The following table sets forth certain income statement data for the three-month and six-month periods ended June 30, 2012 and 2011 (dollars are shown in millions and certain amounts may not calculate due to rounding):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		2011		2012		2011	
	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
Net sales	$ 2,209.7	100.0%	$ 2,049.5	100.0%	$ 4,498.0	100.0%	$ 3,962.2	100.0%
Cost of sales (exclusive of depreciation and amortization expense shown below)	1,640.3	74.2	1,538.7	75.1	3,350.8	74.5	2,945.1	74.3
Gross profit (1)	569.4	25.8	510.8	24.9	1,147.2	25.5	1,017.1	25.7
Warehouse, delivery, selling, general and administrative expense (S,G&A)	346.7	15.7	313.7	15.3	704.4	15.7	632.2	16.0
Depreciation expense	25.8	1.2	23.6	1.2	51.1	1.1	48.7	1.2
Amortization expense	10.7	0.5	7.9	0.4	20.9	0.5	15.8	0.4
Operating income	$ 186.2	8.4%	$ 165.6	8.1%	$ 370.8	8.2%	$ 320.4	8.1%

(1) Gross profit, calculated as net sales less cost of sales, and gross profit margin, calculated as gross profit divided by net sales, are non-GAAP financial measures as they exclude depreciation and amortization expense associated with the corresponding sales. The majority of our orders are basic distribution with no processing services performed. For the remainder of our sales orders, we perform first-stage processing, which is generally not labor intensive as we are simply cutting the metal to size. Because of this, the amount of related labor and overhead, including depreciation and amortization, are not significant and are excluded from our cost of sales. Therefore, our cost of sales is primarily comprised of the cost of the material we sell. We use gross profit and gross profit margin as shown above as measures of operating performance. Gross profit and gross profit margin are important operating and financial measures, as fluctuations in our gross profit and gross profit margin can have a significant impact on our earnings. Gross profit and gross profit margin, as presented, are not necessarily comparable with similarly titled measures for other companies.

Net Sales

	June 30, 2012	June 30, 2011	Dollar Change	Percentage Change
	(in millions)			
Net sales (three months ended)	$ 2,209.7	$ 2,049.5	$ 160.2	7.8%
Net sales (six months ended)	$ 4,498.0	$ 3,962.2	$ 535.8	13.5%
Net sales, same-store (three months ended)	$ 2,078.6	$ 2,049.5	$ 29.1	1.4%
Net sales, same-store (six months ended)	$ 4,238.3	$ 3,962.2	$ 276.1	7.0%

	June 30, 2012	June 30, 2011	Tons Change	Percentage Change
	(in thousands)			

Tons sold (three months ended)	1,146.2	1,042.4	103.8	10.0%
Tons sold (six months ended)	2,319.9	2,074.2	245.7	11.8%
Tons sold, same-store (three months ended)	1,116.6	1,042.4	74.2	7.1%
Tons sold, same-store (six months ended)	2,253.4	2,074.2	179.2	8.6%

	June 30, 2012	June 30, 2011	Price/Ton Change	Percentage Change
Average selling price per ton sold (three months ended)	$ 1,921	$ 1,965	$ (44)	(2.2%)
Average selling price per ton sold (six months ended)	$ 1,937	$ 1,909	$ 28	1.5%
Average selling price per ton sold, same-store (three months ended)	$ 1,855	$ 1,965	$ (110)	(5.6%)
Average selling price per ton sold, same-store (six months ended)	$ 1,879	$ 1,909	$ (30)	(1.6%)

Tons sold and average selling price per ton sold amounts exclude our toll processing sales. Same-store amounts exclude the results of our 2012 and 2011 acquisitions.

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We have continued to see steady improvement in our tons sold in 2012. In general, business activity in most all of our markets served is better in 2012 than in the same period in 2011. In 2012, our strongest markets continue to be energy (oil and gas), aerospace, farm and heavy equipment, and auto (through our toll processing businesses). We have seen some improvements in our non-residential construction related business mainly through industrial construction projects, but it still lags the growth we have seen in other areas.

Since we primarily purchase and sell our inventories in the spot market, the changes in our average selling prices generally fluctuate in accordance with the changes in the costs of the various metals we purchase. The mix of products sold can also have an impact on our average selling prices. Our 2011 and 2012 acquisitions, particularly Continental and NSA who specialize in various alloy steel products, favorably impacted our 2012 three- and six-month period average selling prices as their specialty products have higher selling prices than our company average.

Our 2012 same-store three- and six-month period average selling prices declined from the same periods in 2011 due to lower mill pricing for most of our products as a result of decreases in raw material and scrap costs at the mills as well as high import levels that needed to be absorbed in the marketplace. Lower London Metal Exchange aluminum prices and reduced nickel surcharges were primarily responsible for the drop in common alloy aluminum and stainless steel prices, respectively.

Our major commodity same-store selling prices changed during the three-month period ended June 30, 2012 from the same period in 2011 as follows: carbon steel down 4.7%; aluminum down 2.4%; stainless steel down 12.9%; and alloy up 2.7%. For the 2012 six-month period, our same-store average selling prices changed from the same period in 2011 as follows: carbon steel down 0.3%; aluminum down 0.3%; stainless steel down 9.2%; and alloy up 5.2%. As carbon steel sales represent slightly more than 50% of our sales, changes in carbon steel prices have a significant impact on changes in our overall average price per ton sold.

Cost of Sales

	June 30,					
	2012		2011			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(in millions)					
Cost of sales (three months ended)	$ 1,640.3	74.2%	$ 1,538.7	75.1%	$ 101.6	6.6%
Cost of sales (six months ended)	$ 3,350.8	74.5%	$ 2,945.1	74.3%	$ 405.7	13.8%

The increase in cost of sales in the three- and six-month periods ended June 30, 2012 is primarily due to the increase in tons sold in both periods. See *Net Sales* above for trends in both demand and costs of our products.

Our LIFO reserve adjustment, which is included in our cost of sales and, in effect, reflects cost of sales at current replacement costs, resulted in a credit, or income, of $7.5 million in the three-month period ended June 30, 2012 compared to a charge, or expense, of $25.0 million in the same period in 2011. Our LIFO reserve at June 30, 2012 remained unchanged from December 31, 2011, resulting in no charge or credit in the 2012 six-month period. Our LIFO reserve adjustment resulted in a charge, or expense, of $45.0 million in the 2011 six-month period.

We currently estimate our year-end LIFO reserve to remain unchanged from prior year-end, as we expect our average cost of inventory at December 31, 2012 to remain consistent with prior year-end.

Gross Profit

	June 30,					
	2012		2011			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(in millions)					
Gross profit (three months ended)	$ 569.4	25.8%	$ 510.8	24.9%	$ 58.6	11.5%
Gross profit (six months ended)	$ 1,147.2	25.5%	$ 1,017.1	25.7%	$ 130.1	12.8%

The increase in our gross profit levels in the three and six-month periods ended June 30, 2012 is primarily due to higher sales levels. The gross profit margin fluctuations are due to changing commodity prices that impact the cost of the materials we purchase as well as LIFO adjustments, which in effect reflect cost of sales at current replacement costs. See *Net Sales* and *Cost of Sales* above for discussion on product pricing trends and our LIFO reserve adjustments, respectively.

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Expenses

	June 30, 2012 $	% of Net Sales	2011 $	% of Net Sales	Dollar Change	Percentage Change
	(in millions)					
S,G&A expense (three months ended)	$ 346.7	15.7%	$ 313.7	15.3%	$ 33.0	10.5%
S,G&A expense (six months ended)	$ 704.4	15.7%	$ 632.2	16.0%	$ 72.2	11.4%
S,G&A expense, same-store (three months ended)	$ 328.4	15.8%	$ 313.7	15.3%	$ 14.7	4.7%
S,G&A expense, same-store (six months ended)	$ 673.1	15.9%	$ 632.2	16.0%	$ 40.9	6.5%
Depreciation & amortization expenses (three months ended)	$ 36.5	1.7%	$ 31.5	1.5%	$ 5.0	15.9%
Depreciation & amortization expenses (six months ended)	$ 72.0	1.6%	$ 64.5	1.6%	$ 7.5	11.6%

The additional expenses of our 2012 and 2011 acquisitions and increases in certain warehouse and delivery expenses from additional staffing levels required due to improved demand accounted for most of the increase in S,G&A expense during the three- and six-month periods ended June 30, 2012 compared to the same periods in 2011. Our three-month period ended June 30, 2012 S,G&A expense as a percent of net sales increased as compared to the same period in 2011 primarily due to lower average selling prices in the 2012 three-month period compared to the same period in 2011.

The increase in depreciation and amortization expense was mainly due to our 2012 and 2011 acquisitions and depreciation expense from our recent capital expenditures.

Operating Income

June 30,

2012