

NEWS



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Traded: AMEX, CSE (CAS)
Member: S&P SmallCap 600 Index

**FOR IMMEDIATE RELEASE
TUESDAY, MARCH 15, 2005**

A. M. CASTLE & CO. ANNOUNCES FOURTH QUARTER AND FULL YEAR 2004 RESULTS

FRANKLIN PARK, ILLINOIS, MARCH 15, 2005 — A.M. CASTLE & CO. (AMEX: CAS) a North American distributor of highly engineered metals and plastics, today announced the results of its operations for the fourth quarter and full year ended December 31, 2004. For the final quarter of the year, sales rose 49% to \$197.8 million, up \$65.3 million from \$132.5 million in the same period of 2003. Net income applicable to common stock totalled \$2.2 million, or \$0.14 per share, compared with a loss of \$5.5 million, or \$0.35 per share in the prior year.

Sales for the year were \$761.0 million as compared to \$543.0 in 2003, an increase of 40.1%. Real volume increases accounted for 15 points of the 40% increase, the acquisition of our former joint venture in Mexico added 3 points to the growth. Material price increases (principally metals) accounted for the remaining 22 points of the 40% growth.

Net income for the year was \$15.9 million, or \$1.01 per share, compared with a loss of \$19.0 million, or \$1.20 per share in the prior year. Results for 2003 include \$11.5 million of pre-tax costs for impairments and special charges which, net of their tax benefits, increased the Company's net loss by \$6.9 million, or \$0.44 per share. Excluding the impact of those charges, the net loss for 2003 was \$12.1 million, or \$0.76 per share.

In making the announcement, G. Thomas McKane, Chairman and CEO, noted that the turnaround in the Company's results was a product of the positive earnings leverage created by the restructuring actions taken between 2001 and 2003 and the markedly improved economic environment for Castle's customers, the producer durable equipment manufacturers of North America. "The recovery in our markets," he said, "began early in 2004 with solid improvements in demand and high single-digit metal price increases. As the year progressed, aerospace and oil and gas markets also began to recover and metal prices continued to escalate. For the year," he continued, "our metals business grew at 41% with about one-third attributable to real growth and the balance stemming from metal price increases. Our plastics sales grew by 33% with approximately 3% of that increase attributable to price increases."

Having substantially completed its restructure efforts in 2003 Castle's focus for 2004 was on profitable growth. "Our specific objective," McKane added, "was to generate 20% earnings before interest, taxes, depreciation and amortization (EBITDA) returns on incremental sales and I'm pleased to report that we have achieved that goal. EBITDA for the year totalled \$47.6 million compared with \$3.0 million (exclusive of impairments and special charges) in 2003. As we've pointed out previously, there is very little inventory inflation profit in our operating results as a substantial majority of Castle's inventories are accounted for on a last-in-first-out (LIFO) basis.

In addition to capitalizing on the market recovery, Castle made substantial progress towards returning to an investment grade credit rating. "For the year," McKane continued, "our Debt-to-EBITDA ratio was 2.1 and we reduced our Debt-to-Total Capital ratio to 43.7% from 48.8%."

Looking forward to 2005, McKane noted that the outlook for Castle's customers continues to be strong. "Activity in January and February is ahead of our business plan," McKane said, "and if the pattern continues into March, we are confident that our results for the first quarter of 2005 will not only substantially exceed those of a year ago but will be one of the strongest of any quarter in the Company's history."

In conducting its evaluation of the Company's internal control in financial reporting at December 31, 2004, management found a material weakness in the area of inventory controls.

In the 3rd quarter of 2004 the Company replaced its historical system of inventory verification with an improved system of physical inventory counts. Physical counts will now be taken once or twice each year depending upon location size and risk assessment. This change in internal control over financial reporting on inventory was reported in the 3rd quarter 10Q for the period ending September 30, 2004. As a result of the institution of the improved controls in the second half of 2004, significant inventory write-offs were taken during the 3rd and 4th quarters of 2004.

In addition, the year-end audit revealed a weakness involving inventory stored at third party processors. Further controls have been put in place during the 1st quarter 2005 which will require detailed certification by outside processors of the Company's inventory received, shipped and on hand as of the close of each quarter.

The impact of these items reduced after tax earnings by \$1.0 million in the 3rd quarter and \$2.4 million in the 4th quarter of 2004.

In addition, significant deficiencies in internal controls over the financial close and reporting process were found during the audit that resulted in adjustments to the Company's financial statements, which in management's opinion, in the aggregate, also constituted a material weakness as that term is defined in Section 404 of the Sarbanes-Oxley Act of 2002. As a result, expanded procedures relating to the analysis of workmen compensation reserves, customer credit memo reserves, and accounts payable debit memo reserves have been put in place.

In closing, Mr. McKane invited interested parties to listen to its conference call scheduled for 11:00 a.m. (EST) today, Tuesday, March 15, 2005. Connection is available at www.amcastle.com and will be available for 14 days following the call.

Founded in 1890, A. M. Castle & Co. provides highly engineered materials and value added services to a wide range of companies within the producer durable equipment sector of the

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economy. Its customer base includes many Fortune 500 companies as well as thousands of medium and smaller-sized firms spread across a wide spectrum of industries. Within its core metals business, it specializes in the distribution of carbon, alloy and stainless steels; nickel alloy; aluminum; copper and brass. Through its subsidiary, Total Plastics, Inc., the Company also distributes a broad range of value-added industrial plastics. Together, Castle operates over 60 locations throughout North America. Its common stock is traded on the American and Chicago Stock Exchange under the ticker symbol "CAS".

This release contains a non-GAAP disclosure, EBITDA, which consists of income before provision for income taxes plus depreciation and amortization, and interest expense (including discount on accounts receivable sold), less interest income. EBITDA is presented as a supplemental disclosure to provide the reader with additional information in analyzing the Company's operating results. A reconciliation of EBITDA to net income is provided per SEC requirements.

This release may contain forward-looking statements relating to future financial results. Actual results may differ materially as a result of factors over which the Company has no control. These risk factors and additional information are included in the Company's reports on file with the Securities and Exchange Commission.

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COMPARATIVE STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

| | For the Three Months Ended Dec. 31, | | For the Twelve Months Ended Dec. 31, | |
|--|---|-------------------|--|--------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales | \$ 197,803 | \$ 132,520 | \$ 760,997 | \$ 543,031 |
| Cost of material sold | (145,049) | (96,527) | (543,426) | (384,459) |
| Special charges | - | (100) | - | (1,624) |
| Gross material margin | <u>52,754</u> | <u>35,893</u> | <u>217,571</u> | <u>156,948</u> |
| Plant and delivery expense | (24,561) | (21,142) | (95,229) | (87,055) |
| Sales, general and administrative expense | (20,870) | (15,936) | (79,986) | (68,339) |
| Depreciation and amortization expense | (2,015) | (2,139) | (8,751) | (8,839) |
| Impairment and other operating expenses | - | (532) | - | (6,456) |
| Total operating expense | <u>(47,446)</u> | <u>(39,749)</u> | <u>(183,966)</u> | <u>(170,689)</u> |
| Operating income (loss) | 5,308 | (3,856) | 33,605 | (13,741) |
| Interest expense, net | (2,261) | (2,362) | (8,968) | (9,709) |
| Discount on sale of accounts receivable | (285) | (283) | (969) | (1,157) |
| Income (loss) from continuing operations before income tax and equity in unconsolidated subsidiaries | <u>2,762</u> | <u>(6,501)</u> | <u>23,668</u> | <u>(24,607)</u> |
| Income taxes (provision) benefit | | | | |
| Federal | (1,157) | 2,610 | (7,833) | 8,467 |
| State | (331) | (963) | (2,111) | 274 |
| | <u>(1,488)</u> | <u>1,647</u> | <u>(9,944)</u> | <u>8,741</u> |
| Net income (loss) from continuing operations before equity in unconsolidated subsidiaries and before discontinued operations | 1,274 | (4,854) | 13,724 | (15,866) |
| Equity earnings of joint ventures | 2,002 | 216 | 5,199 | 137 |
| Impairment to joint venture investment and advances | - | (623) | - | (3,453) |
| Income taxes (provision) benefit - unconsolidated subsidiaries | (788) | 160 | (2,046) | 1,305 |
| Net income(loss) before discontinued operations | <u>2,488</u> | <u>(5,101)</u> | <u>16,877</u> | <u>(17,877)</u> |
| Discontinued operations: | | | | |
| Loss on disposal of subsidiary, net of tax | - | (172) | - | (172) |
| Net income (loss) | <u>2,488</u> | <u>(5,273)</u> | <u>16,877</u> | <u>(18,049)</u> |
| Preferred dividends | (239) | (243) | (957) | (961) |
| Net income (loss) applicable to common stock | <u>\$ 2,249</u> | <u>\$ (5,516)</u> | <u>\$ 15,920</u> | <u>\$ (19,010)</u> |
| Basic earnings (loss) per share | | | | |
| Net income (loss) before discontinued operations | \$ 0.14 | \$ (0.34) | \$ 1.01 | \$ (1.19) |
| Discontinued operations | - | (0.01) | - | (0.01) |
| | <u>\$ 0.14</u> | <u>\$ (0.35)</u> | <u>\$ 1.01</u> | <u>\$ (1.20)</u> |
| Diluted earnings (loss) per share | | | | |
| Net income (loss) before discontinued operations | \$ 0.15 | (0.34) | \$ 1.01 | (1.19) |
| Discontinued operations | - | (0.01) | - | (0.01) |
| | <u>\$ 0.15</u> | <u>\$ (0.35)</u> | <u>\$ 1.01</u> | <u>\$ (1.20)</u> |
| EBITDA * | <u>\$ 9,325</u> | <u>\$ (2,124)</u> | <u>\$ 47,555</u> | <u>\$ (8,218)</u> |

*Earnings before interest, discount on sale of accounts receivable, taxes, depreciation and amortization

Reconciliation of EBITDA to net income:

| | For the Three Months Ended Dec 31, | | For the Twelve Months Ended Dec 31, | |
|---|--|-------------------|---|-------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net income (loss) from operations | \$ 2,488 | \$ (5,101) | \$ 16,877 | \$ (17,877) |
| Depreciation and amortization | 2,015 | 2,139 | 8,751 | 8,839 |
| Interest, net | 2,261 | 2,362 | 8,968 | 9,709 |
| Discount on accounts receivable sold | 285 | 283 | 969 | 1,157 |
| Provision (benefit) from income taxes | 1,488 | (1,647) | 9,944 | (8,741) |
| Provision (benefit) from income taxes - unconsolidated subsidiaries | 788 | (160) | 2,046 | (1,305) |
| EBITDA | <u>\$ 9,325</u> | <u>\$ (2,124)</u> | <u>\$ 47,555</u> | <u>\$ (8,218)</u> |

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COMPARATIVE BALANCE SHEETS

(Dollars in thousands)

| | Dec. 31 2004 | Dec. 31, 2003 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and equivalents | \$ 3,106 | \$ 2,455 |
| Accounts receivable, net | 80,323 | 54,232 |
| Inventories (principally on last-in first-out basis) | 135,588 | 117,270 |
| Income tax receivable | 169 | 660 |
| Assets held for sale | 995 | 1,067 |
| Other current assets | 7,325 | 7,184 |
| Total current assets | <u>227,506</u> | <u>182,868</u> |
| Investment in joint ventures | 8,463 | 5,492 |
| Goodwill | 32,201 | 31,643 |
| Pension assets | 42,262 | 42,075 |
| Advances to joint ventures and other assets | 7,586 | 8,688 |
| Property, plant and equipment, at cost | | |
| Land | 4,771 | 4,767 |
| Building | 45,514 | 45,346 |
| Machinery and equipment | 124,641 | 118,447 |
| | <u>174,926</u> | <u>168,560</u> |
| Less - accumulated depreciation | <u>(109,928)</u> | <u>(100,386)</u> |
| | <u>64,998</u> | <u>68,174</u> |
| Total assets | <u>\$ 383,016</u> | <u>\$ 338,940</u> |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 93,342 | \$ 67,601 |
| Accrued liabilities and deferred gains | 23,016 | 19,145 |
| Current and deferred income taxes | 4,349 | 4,852 |
| Current portion of long-term debt | 11,607 | 8,248 |
| Total current liabilities | <u>132,314</u> | <u>99,846</u> |
| Long-term debt, less current portion | 89,771 | 100,034 |
| Deferred income taxes | 19,668 | 13,963 |
| Deferred gain on sale of assets | 6,465 | 7,304 |
| Minority interest | 1,644 | 1,456 |
| Post retirement benefits obligations | 2,905 | 2,683 |
| Stockholders' equity | | |
| Preferred stock | 11,239 | 11,239 |
| Common stock | 159 | 159 |
| Additional paid in capital | 35,082 | 35,009 |
| Earnings reinvested in the business | 82,400 | 66,480 |
| Accumulated other comprehensive income | 1,616 | 1,042 |
| Other - deferred compensation | (2) | (30) |
| Treasury stock, at cost | <u>(245)</u> | <u>(245)</u> |
| Total stockholders' equity | <u>130,249</u> | <u>113,654</u> |
| Total liabilities and stockholders' equity | <u>\$ 383,016</u> | <u>\$ 338,940</u> |

CONDENSED STATEMENT OF CASH FLOWS

(Dollars in thousands)

| | For the Twelve Months Dec. 31, | |
|---|-----------------------------------|-----------------|
| | 2004 | 2003 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 16,877 | \$ (18,049) |
| Net loss from discontinued operations | - | 172 |
| Depreciation | 8,751 | 8,839 |
| Amortization of deferred gain | (839) | (593) |
| Loss on sale of facilities/equipment | 701 | 375 |
| Equity (earnings) from joint ventures | (5,199) | (137) |
| Deferred taxes and income tax receivable | 6,150 | 1,992 |
| Non-cash pension income (loss) and post-retirement benefits | 421 | (1,953) |
| Other | 1,924 | (2,523) |
| Cash from operating activities before working capital changes | <u>28,786</u> | <u>(11,877)</u> |
| Asset impairment and special charges | - | 11,333 |
| Net change in accounts receivable sold | 3,500 | (12,866) |
| Other (increase) decrease in working capital | <u>(16,437)</u> | <u>12,351</u> |
| Net cash from operating activities | 15,849 | (1,059) |
| Cash flows from investing activities: | | |
| Investments and acquisitions | (1,744) | - |
| Advances to joint ventures | - | (289) |
| Capital expenditures | (5,318) | (5,145) |
| Proceeds from sale of assets | - | 14,002 |
| Net cash from investing activities | <u>(7,062)</u> | <u>8,568</u> |
| Cash flows from financing activities: | | |
| Long-term payments on debt | (7,452) | (5,182) |
| Preferred dividends paid | (957) | (961) |
| Other | - | - |
| Net cash from financing activities | <u>(8,409)</u> | <u>(6,143)</u> |
| Effect of exchange rate changes on cash | 273 | 171 |
| Net increase in cash | 651 | 1,537 |
| Cash - beginning of year | <u>\$ 2,455</u> | <u>\$ 918</u> |
| Cash - end of period | <u>\$ 3,106</u> | <u>\$ 2,455</u> |