WORTHINGTON INDUSTRIES INC
Form 10-K
August 01, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2011

or

¨ 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 1-8399

WORTHINGTON INDUSTRIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Ohio	**31-1189815**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
200 Old Wilson Bridge Road, Columbus, Ohio	**43085**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s telephone number, including area code: **(614) 438-3210**
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, Without Par Value	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 ¨

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 ¨ No 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 ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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. þ

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.

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

(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). Yes ¨ No þ

The aggregate market value of the Common Shares (the only common equity of the Registrant) held by non-affiliates computed by reference to the closing price on the New York Stock Exchange on November 30, 2010, the last business day of the Registrant s most recently completed second fiscal quarter, was approximately $717,342,269. For this purpose, executive officers and directors of the Registrant are considered affiliates.

Indicate the number of shares outstanding of each of the Registrant s classes of common stock, as of the latest practicable date. On July 26, 2011, the number of Common Shares issued and outstanding was 74,328,346.

DOCUMENT INCORPORATED BY REFERENCE:

Selected portions of the Registrant s definitive Proxy Statement to be furnished to shareholders of the Registrant in connection with the Annual Meeting of Shareholders to be held on September 29, 2011, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent provided herein.

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SAFE HARBOR STATEMENT

Selected statements contained in this Annual Report on Form 10-K, including, without limitation, in PART I Item 1. Business and PART II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995 (the Act). Forward-looking statements reflect our current expectations, estimates or projections concerning future results or events. These statements are often identified by the use of forward-looking words or phrases such as believe, expect, anticipate, may, could, intend, estimate, plan, foresee, likely, will, should or other similar words or phrases. These forward-looking statements include, without limitation, statements relating to:

- *business plans or future or expected growth, performance, sales, volumes, cash flows, earnings, balance sheet strengths, debt, financial condition or other financial measures;*
- *projected profitability potential, capacity and working capital needs;*
- *demand trends for us or our markets;*
- *pricing trends for raw materials and finished goods and the impact of pricing changes;*
- *anticipated capital expenditures and asset sales;*
- *anticipated improvements and efficiencies in costs, operations, sales, inventory management, sourcing and the supply chain and the results thereof;*
- *the ability to make acquisitions and the projected timing, results, benefits, costs, charges and expenditures related to acquisitions, newly-created joint ventures, headcount reductions and facility dispositions, shutdowns and consolidations;*
- *the alignment of operations with demand;*
- *the ability to operate profitably and generate cash in down markets;*
- *the ability to capture and maintain margins and market share and to develop or take advantage of future opportunities, new products and markets;*
- *expectations for Company and customer inventories, jobs and orders;*
- *expectations for the economy and markets or improvements therein;*
- *expected benefits from transformation plans, cost reduction efforts and other new initiatives;*
- *expectations for increasing volatility or improving and sustaining earnings, earnings potential, margins or shareholder value;*
- *effects of judicial rulings; and*
- *other non-historical matters.*

Because they are based on beliefs, estimates and assumptions, forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from those projected. Any number of factors could affect actual results, including, without limitation, those that follow:

- *the effect of national, regional and worldwide economic conditions generally and within major product markets, including a prolonged or substantial economic downturn;*
- *the effect of conditions in national and worldwide financial markets;*
- *product demand and pricing;*
- *changes in product mix, product substitution and market acceptance of our products;*
- *fluctuations in pricing, quality or availability of raw materials (particularly steel), supplies, transportation, utilities and other items required by operations;*
- *effects of facility closures and the consolidation of operations;*
- *the effect of financial difficulties, consolidation and other changes within the steel, automotive, construction and other industries in which we participate;*
- *failure to maintain appropriate levels of inventories;*
- *financial difficulties (including bankruptcy filings) of original equipment manufacturers, end-users and customers, suppliers, joint venture partners and others with whom we do business;*
- *the ability to realize targeted expense reductions from headcount reductions, facility closures and other cost reduction efforts;*

- *the ability to realize other cost savings and operational, sales and sourcing improvements and efficiencies, and other expected benefits from transformation initiatives, on a timely basis;*
- *the overall success of, and the ability to integrate, newly-acquired businesses and achieve synergies and other expected benefits and cost savings therefrom;*
- *the overall success of newly-created joint ventures, including the demand for their products, and the ability to achieve the anticipated benefits and cost savings therefrom;*
- *capacity levels and efficiencies, within facilities, within major product markets and within the industry as a whole;*
- *the effect of disruption in the business of suppliers, customers, facilities and shipping operations due to adverse weather, casualty events, equipment breakdowns, acts of war or terrorist activities or other causes;*
- *changes in customer demand, inventories, spending patterns, product choices and supplier choices;*
- *risks associated with doing business internationally, including economic, political and social instability, foreign currency exposure and the acceptance of our products in new markets;*
- *the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;*
- *adverse claims experience with respect to worker s compensation, product recalls or product liability, casualty events or other matters;*
- *deviation of actual results from estimates and/or assumptions used by us in the application of our significant accounting policies;*
- *level of imports and import prices in our markets;*
- *the impact of judicial rulings and governmental regulations, including those adopted by the United States Securities and Exchange Commission and other governmental agencies as contemplated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, both in the United States and abroad; and*
- *other risks described from time to time in the filings of Worthington Industries, Inc. with the United States Securities and Exchange Commission, including those described in PART I Item 1A. Risk Factors of this Annual Report on Form 10-K.*

We note these factors for investors as contemplated by the Act. It is impossible to predict or identify all potential risk factors. Consequently, you should not consider the foregoing list to be a complete set of all potential risks and uncertainties. Any forward-looking statements in this Annual Report on Form 10-K are based on current information as of the date of this Annual Report on Form 10-K, and we assume no obligation to correct or update any such statements in the future, except as required by applicable law.

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PART I

Item 1. Business

General Overview

Worthington Industries, Inc. is a corporation formed under the laws of the State of Ohio (individually, the Registrant or Worthington Industries or, collectively with the subsidiaries of Worthington Industries, Inc., we, our, Worthington or the Company). Founded in 1955, Worthington primarily a diversified metals processing company, focused on value-added steel processing and manufactured metal products. Our manufactured metal products include: pressure cylinder products such as propane, oxygen and helium tanks, hand torches, refrigerant and industrial cylinders, camping cylinders, scuba tanks and helium balloon kits; framing systems and stairs for mid-rise buildings; steel pallets and racks; and, through joint ventures, suspension grid systems for concealed and lay-in panel ceilings, laser welded blanks; light gauge steel framing for commercial and residential construction and current and past model automotive service stampings.

Worthington is headquartered at 200 Old Wilson Bridge Road, Columbus, Ohio 43085, telephone (614) 438-3210. The common shares of Worthington Industries are traded on the New York Stock Exchange under the symbol WOR.

Worthington Industries maintains an Internet web site at www.worthingtonindustries.com. This uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate Worthington Industries web site into this Annual Report on Form 10-K. Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as well as Worthington Industries definitive annual meeting proxy materials filed pursuant to Section 14 of the Exchange Act, are available free of charge, on or through the Worthington Industries web site, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the SEC).

Segments

At the end of the fiscal year ended May 31, 2011 (fiscal 2011), we had 35 manufacturing facilities worldwide and held equity positions in 12 joint ventures, which operated an additional 43 manufacturing facilities worldwide.

Our operations are managed principally on a products and services basis and include three reportable business segments: Steel Processing, Pressure Cylinders and Metal Framing. The Steel Processing reportable business segment consists of the Worthington Steel business unit (Worthington Steel), and includes Precision Specialty Metals, Inc. (PSM), a specialty stainless processor located in Los Angeles, California, and Spartan Steel Coating, LLC (Spartan), a consolidated joint venture that operates a cold-rolled hot dipped galvanizing line. The Pressure Cylinders reportable business segment consists of the Worthington Cylinders business unit (Worthington Cylinders) and India-based Worthington Nitin Cylinders Limited (WNCL), a consolidated joint venture that manufactures high pressure, seamless steel cylinders for compressed natural gas storage in motor vehicles and for industrial gases. The Metal Framing reportable business segment consists of the Dietrich Metal Framing business unit (Dietrich).

As more fully described in the ***Recent Developments*** section herein, on March 1, 2011, we contributed certain assets of Dietrich to a newly-formed joint venture, Clarkwestern Dietrich Building Systems LLC (ClarkDietrich), in which we received a 25% noncontrolling interest. We retained seven of the 13 metal framing facilities, which continue to operate, on a short-term basis, to support the transition of the business into the new joint venture. Following this brief transition period, these assets will be disposed of. The financial

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results and operating performance of the retained facilities will continue to be reported within our Metal Framing operating segment until their expected disposition in fiscal 2012. The contributed net assets, which were deconsolidated effective March 1, 2011, will continue to be reported within Metal Framing on a historical basis.

All other operating segments are combined and disclosed in the Other category, which also includes income and expense items not allocated to our reportable business segments. The Other category includes the Worthington Steelpac Systems, LLC (Steel Packaging) and Worthington Global Group, LLC (the Global Group) operating segments.

As more fully described in the ***Recent Developments*** section herein, on May 9, 2011, we contributed substantially all of the net assets of our then automotive body panels subsidiary, The Gerstenslager Company (Gerstenslager), to ArtiFlex Manufacturing, LLC (ArtiFlex), a newly-formed joint venture in which we received a 50% noncontrolling interest. As a result of this transaction, we no longer maintain an Automotive Body Panels operating segment. We will continue to report the financial results and operating performance of this former operating segment on a historical basis through May 9, 2011 as part of the Other category for segment reporting purposes.

During the third quarter of fiscal 2011, we made certain organizational changes impacting the internal reporting and management structure of our previously reported Mid-Rise Construction, Military Construction and Commercial Stairs operating segments. As a result of these organizational changes, management responsibilities and internal reporting for these businesses were re-aligned and combined into a single operating segment, the Global Group. The purpose of the Global Group is to identify and develop potential growth platforms by applying our core competencies in metals manufacturing and construction methods. The first set of initiatives includes expansion of high density mid-rise residential construction in emerging international markets and development of new business in sectors such as renewable energy. The composition of our reportable business segments was unchanged from this development.

We hold equity positions in 12 joint ventures, which are further discussed in the ***Joint Ventures*** section herein. The Spartan and WNCL joint ventures are consolidated with their operating results reported within the Steel Processing and Pressure Cylinders reportable business segments, respectively.

During fiscal 2011, the Steel Processing, Pressure Cylinders and Metal Framing operating segments served approximately 1,100, 2,700 and 2,200 customers, respectively, located primarily in the United States. Foreign operations accounted for approximately 8% of consolidated net sales during fiscal 2011 and were comprised primarily of sales to customers in Canada and Europe. No single customer accounted for over 10% of consolidated net sales during fiscal 2011.

Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note M Segment Data of this Annual Report on Form 10-K for a full description of our reportable business segments.

Recent Developments

On July 1, 2011, our Pressure Cylinders operating segment purchased substantially all of the net assets of the BernzOmatic business (Bernz) from Irwin Industrial Tool Company, a subsidiary of Newell Rubbermaid, Inc. (the Seller), for cash consideration of approximately $51.0 million. The assets purchased include substantially all of the operating assets of Bernz, including machinery and equipment, intellectual property, inventories and the Bernz-owned facility in Winston-Salem, North Carolina. We will lease the Medina, New York facility from the Seller. Accounts receivable as of the closing date are being retained by the Seller. Foreign inventories and operations will transition to us over a period of approximately 90 days. We also generally assumed the trade accounts payable of Bernz arising in the ordinary course of business as of the closing date.

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On May 9, 2011, our automotive body panel subsidiary, The Gerstenslager Company, closed an agreement with International Tooling Solutions, LLC, a tooling design and build company, to combine their businesses in a newly-formed joint venture. This new joint venture, ArtiFlex, provides an integrated solution for engineering, tooling, stamping, assembly and other services to customers primarily in the automotive industry. Our investment in ArtiFlex is accounted for under the equity method, as our ownership interest does not constitute a controlling financial interest. As we do not have a controlling financial interest in ArtiFlex, the contributed net assets were deconsolidated effective May 9, 2011.

On March 18, 2011, we joined with Gestamp Renewables group to create Gestamp Worthington Wind Steel, LLC, a 50%-owned joint venture focused on producing towers for wind turbines being constructed in North America. This unconsolidated joint venture has identified Cheyenne, Wyoming as the site of the initial production facility. We anticipate contributing $9.5 million of cash to the Gestamp JV, mostly in fiscal 2012. Our investment in this joint venture is accounted for under the equity method, as our ownership interest does not constitute a controlling financial interest.

On March 1, 2011, we closed an agreement with Marubeni-Itochu Steel America Inc. (MISA) to combine certain assets of Dietrich and ClarkWestern Building Systems in a newly-created joint venture. In exchange for the contributed net assets, we received a 25% interest in the new joint venture, ClarkDietrich, as well as the assets of certain MISA Metals, Inc. (MMI) steel processing locations, some of which were subsequently classified as assets held for sale in our consolidated balance sheet. Our contribution to ClarkDietrich consisted of our metal framing business, including all of the related working capital and six of the 13 facilities. We retained and continue to operate the remaining facilities, on a short-term basis, to support the transition of the business into the new joint venture. Our investment in ClarkDietrich is accounted for under the equity method, as our ownership interest does not constitute a controlling financial interest. As we do not have a controlling financial interest in ClarkDietrich, the contributed net assets were deconsolidated effective March 1, 2011.

On December 28, 2010, we acquired a 60% ownership interest in Nitin Cylinders Limited, which is now Worthington Nitin Cylinders Limited, for cash consideration of approximately $21.2 million. WNCL is a manufacturer of high pressure, seamless steel cylinders for compressed industrial gases and compressed natural gas storage in motor vehicles. The results of this joint venture are consolidated in our Pressure Cylinders operating segment due to our controlling financial interest.

On November 19, 2010, we joined with Hubei Modern Urban Construction and Development Group Co., Ltd. (HMUCG) of China to create Worthington Modern Steel Framing Manufacturing Co. Ltd (WMSFMCo.). We contributed approximately $6.2 million of cash in exchange for our 40% ownership interest in the joint venture. The purpose of WMSFMCo. is to design, manufacture, assemble and distribute steel framing materials and accessories for construction projects in five Central Chinese provinces and to provide project management and building design and construction supply services for those projects. Our investment in this joint venture is accounted for under the equity method, as our ownership interest does not constitute a controlling financial interest.

On June 21, 2010, our Pressure Cylinders operating segment acquired, for cash consideration of $12.2 million, the net assets of Hy-Mark Cylinders, Inc. (Hy-Mark), which manufactured extruded aluminum cylinders for medical oxygen, scuba, beverage service, industrial specialty and professional racing applications. The assets of Hy-Mark have been moved to our pressure cylinders facility located in Mississippi.

Transformation Plan

In our fiscal year ended May 31, 2008 (fiscal 2008), we initiated a transformation plan (the Transformation Plan) with the overall goal of improving our sustainable earnings potential, asset utilization and operational performance. To accomplish this, the Transformation Plan focuses on cost reduction, margin expansion and organizational capability improvements and, in the process, seeks to drive excellence in three core competencies: sales; operations; and supply chain management. The Transformation Plan is comprehensive in scope and includes aggressive diagnostic and implementation phases.

To date, we have completed the transformation phases in each of the core facilities within our Steel Processing operating segment, including the facilities of our Mexican joint venture, Serviacero Planos, S. de R. L. de C.V. We also substantially completed the transformation phases at our metal framing facilities prior to their contribution to ClarkDietrich.

As of May 31, 2011, we have recognized approximately $67.9 million of total restructuring charges associated with the Transformation Plan, including charges of $18.1 million, $43.0 million, $4.2 million and $2.6 million during fiscal 2008, fiscal 2009, fiscal 2010 and fiscal 2011, respectively. See Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense of this Annual Report on Form 10-K for further information regarding our restructuring charges. That information is incorporated herein by reference.

We have seen positive results from these efforts, even with the negative impact of the recent economic recession. Accordingly, during our upcoming fiscal year, we plan to initiate the diagnostics phase in our Pressure Cylinders operating segment.

As this process began, we retained a consulting firm to assist in the development and implementation of the Transformation Plan. As it progressed, we formed internal teams dedicated to this effort, and they ultimately assumed full responsibility for executing the Transformation Plan. These internal teams are now an integral part of our business and constitute what we refer to as the Centers of Excellence (COE). The COE will continue to monitor the performance metrics and new processes instituted across our transformed operations and drive continuous improvements in all areas of our operations. The majority of the expenses related to the COE will be included in selling, general and administrative (SG&A) expense going forward.

Steel Processing

Our Steel Processing operating segment consists of the Worthington Steel business unit, which includes PSM, a specialty stainless processor located in Los Angeles, California, and Spartan, a consolidated joint venture that operates a cold-rolled hot dipped galvanizing line. For fiscal 2011, fiscal 2010 and fiscal 2009, the percentage of consolidated net sales generated by our Steel Processing operating segment was approximately 58%, 51%, and 45%, respectively.

Worthington Steel is one of the largest independent intermediate processors of flat-rolled steel in the United States. It occupies a niche in the steel industry by focusing on products requiring exact specifications. These products cannot typically be supplied as efficiently by steel mills or end-users of these products.

Our Steel Processing operating segment serves approximately 1,100 customers, principally in the agricultural, appliance, automotive, construction, hardware, furniture, HVAC, lawn and garden, leisure and recreation, office equipment and tubing markets. Automotive-related customers have historically represented approximately half of this operating segment s net sales. No single customer represented greater than 10% of net sales for the Steel Processing operating segment during fiscal 2011.

Worthington Steel buys coils of steel from integrated steel mills and mini-mills and processes them to the precise type, thickness, length, width, shape and surface quality required by customer specifications. Computer-aided processing capabilities include, among others:

- pickling, a chemical process using an acidic solution to remove surface oxide which develops on hot-rolled steel;

- slitting, which cuts steel to specific widths;

- cold reducing, which achieves close tolerances of thickness;
- hot-dipped galvanizing, which coats steel with zinc and zinc alloys through a hot-dipped process;
- hydrogen annealing, a thermal process that changes the hardness and certain metallurgical characteristics of steel;
- cutting-to-length, which cuts flattened steel to exact lengths;
- tension leveling, a method of applying pressure to achieve precise flatness tolerances for steel;
- edging, which conditions the edges of the steel by imparting round, smooth or knurled edges;
- non-metallic coating, including dry lubrication, acrylic and paint; and
- configured blanking, which stamps steel into specific shapes.

Worthington Steel also toll processes steel for steel mills, large end-users, service centers and other processors. Toll processing is different from typical steel processing in that the mill, end-user or other party retains title to the steel and has the responsibility for selling the end product. Toll processing enhances Worthington Steel s participation in the market for wide sheet steel and large standard orders, which is a market generally served by steel mills rather than by intermediate steel processors.

The steel processing industry is fragmented and highly competitive. There are many competitors, including other independent intermediate processors. Competition is primarily on the basis of price, product quality and the ability to meet delivery requirements. Technical service and support for material testing and customer-specific applications enhance the quality of products (See Item 1. Business Technical Services). However, the extent to which technical service capability has improved Worthington Steel s competitive position has not been quantified. Worthington Steel s ability to meet tight delivery schedules is, in part, based on the proximity of our facilities to customers, suppliers and one another. The extent to which plant location has impacted Worthington Steel s competitive position has not been quantified. Processed steel products are priced competitively, primarily based on market factors, including, among other things, market pricing, the cost and availability of raw materials, transportation and shipping costs, and overall economic conditions in the United States and abroad.

As noted in the ***Recent Developments*** section herein, on March 1, 2011 we acquired certain steel processing assets of MISA Metals, Inc.

Pressure Cylinders

Our Pressure Cylinders operating segment consists of the Worthington Cylinders business unit and WNCL, a consolidated joint venture based in India. For fiscal 2011, fiscal 2010 and fiscal 2009, the percentage of consolidated net sales generated by our Pressure Cylinders operating segment was approximately 24%, 24% and 20%, respectively.

Our Pressure Cylinders operating segment produces a diversified line of pressure cylinders, including: low-pressure liquefied petroleum gas (LPG) and refrigerant gas cylinders; high-pressure and industrial/specialty gas cylinders; seamless steel high pressure cylinders for compressed natural gas storage in motor vehicles; aluminum-lined, composite-wrapped high-pressure cylinders; airbrake tanks; and certain consumer products. The following is a more detailed discussion of these products:

- LPG cylinders are sold to manufacturers, distributors and mass merchandisers to hold fuel for recreational vehicle equipment, residential and light commercial heating systems, industrial forklifts and commercial/residential cooking (the latter, generally outside North America).

Refrigerant gas cylinders are sold primarily to major refrigerant gas producers and distributors and are used to hold refrigerant gases for commercial, residential and automotive air conditioning and refrigeration systems.

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Industrial gas products include high-pressure, acetylene and specialty gas (steel and aluminum) cylinders. These cylinders are sold to gas producers and distributors for gas containment for uses such as cutting, welding, breathing (medical, diving and firefighting), semiconductor production, and beverage delivery.

Retail products include camping fuel cylinders, barbecue grill cylinders, propane accessories, including propane-fueled camping equipment, hand held torches and accessories and Balloon Time helium balloon kits for all party occasions. These products are sold primarily to manufacturers, distributors and mass merchandisers.

Alternative fuel cylinders include Type I, II, III and ASME tanks for containment of compressed natural gas, hydrogen and propane.

Specialty products include air reservoirs for truck and truck trailers, which are sold to original equipment manufacturers, and a variety of fire suppression and chemical tanks.

While a large percentage of sales within Pressure Cylinders are made to major accounts, this operating segment serves approximately 2,700 customers. During fiscal 2011, no single customer represented more than 10% of net sales generated by our Pressure Cylinders operating segment.

The Pressure Cylinders operating segment produces low-pressure steel cylinders in a wide range of refrigerant capacities and steel and aluminum cylinders in a wide range of LPG capacities. Low-pressure cylinders are produced by precision stamping, drawing, welding and/or brazing component parts to customer specifications. They are then tested, painted and packaged, as required. High-pressure steel cylinders are manufactured by several processes, including deep drawing, tube spinning and billet piercing.

In the United States and Canada, high-pressure and low-pressure cylinders are primarily manufactured in accordance with United States Department of Transportation and Transport Canada specifications. Outside the United States and Canada, cylinders are manufactured according to European norm specifications, as well as various other international standards.

In the United States and Canada, Worthington Cylinders has one principal domestic competitor in the low-pressure non-refillable refrigerant market, one principal domestic competitor in the low-pressure LPG cylinder market and three principal domestic competitors in the high-pressure cylinder market. There are also several foreign competitors in these markets. We believe that Worthington Cylinders has the largest domestic market share in both low-pressure cylinder markets. In the European high-pressure cylinder market, there are also several competitors. We believe that Worthington Cylinders is a leading producer in both the high-pressure cylinder and low-pressure non-refillable cylinder markets in Europe. Worthington Cylinders generally has a strong competitive position for its retail and specialty products, but competition varies on a product-by-product basis. As with our other operating segments, competition is based upon price, service and quality.

The Pressure Cylinders operating segment uses the trade name Worthington Cylinders to conduct business and the registered trademark Balloon Time® to market low-pressure helium balloon kits; the registered trademark Bernzomatic® to market certain fuel cylinders and hand held torches; the registered trademark WORTHINGTON PRO GRADE® to market certain LPG cylinders, hand torches and camping fuel cylinders; the registered trademark MAP-PRO® Pro-Max® to market certain hand torch cylinders; and the registered trademark SCI® to market certain cylinders for transportation of compressed gases for inflation of flotation bags and escape slides, Self Contained Breathing Cylinders (SCBA) for firefighting and cylinders to contain compressed natural gas. The Pressure Cylinders operating segment intends to continue to use and renew these registered trademarks.

As noted under ***Recent Developments*** section herein, Hy-Mark and the consolidated joint venture with Nitin Cylinders Limited, WNCL, became part of the Pressure Cylinders operating segment during fiscal 2011.

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Metal Framing

The Metal Framing operating segment consists of our Dietrich Metal Framing business unit. As more fully described in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies, on March 1, 2011, we contributed certain assets of Dietrich to a newly-formed joint venture, ClarkDietrich. We retained seven of the 13 metal framing facilities, which continue to operate, on a short-term basis, to support the transition of the business into the new joint venture. Following this brief transition period, these assets will be disposed of. The financial results and operating performance of the retained facilities will continue to be reported within our Metal Framing operating segment until their expected disposition in fiscal 2012. The contributed net assets, which were deconsolidated effective March 1, 2011, will continue to be reported within Metal Framing on a historical basis. Refer to the ***Joint Ventures*** section herein for additional information about the operations of ClarkDietrich.

Other

The Other category consists of operating segments that do not meet the applicable aggregation criteria and materiality tests for purposes of separate disclosure, and other corporate related entities. Through May 9, 2011, these operating segments included Automotive Body Panels, Steel Packaging, and the Global Group. On May 9, 2011, in connection with the contribution of our automotive body panels subsidiary, Gerstenslager, to ArtiFlex and the resulting deconsolidation of the contributed net assets, we no longer maintain a separate Automotive Body Panels operating segment. Accordingly, subsequent to May 9, 2011, the operating segments comprising the Other category consists of Steel Packaging and the Global Group. Each of these operating segments is explained in more detail below. We will continue to report the historical financial results and operating performance of our former Automotive Body Panels operating segment on a historical basis through May 9, 2011. This former operating segment has historically been reported in the Other category for segment reporting purposes, as it has not meet the applicable aggregation criteria or materiality thresholds for separate disclosure. Accordingly, this organizational change did not impact the composition of our reportable segments.

Steel Packaging. The Steel Packaging operating segment is an ISO-9001: 2000 certified manufacturer of engineered, recyclable steel packaging solutions for external and internal movement of product. Steel Packaging operates three facilities, with one facility in each of Indiana, Ohio and Pennsylvania. Steel Packaging designs and manufactures reusable custom platforms, racks and pallets made of steel for supporting, protecting and handling products throughout the shipping process for industries such as automotive, lawn and garden and recreational vehicles.

Global Group. The purpose of the Global Group operating segment, which comprises our Mid-Rise Construction, Military Construction and Commercial Stairs business units, is to identify and develop potential growth platforms by applying our core competencies in metals manufacturing and construction methods. The Global Group operates a business platform that includes high density mid-rise residential construction in emerging markets. Other operating activities of the Global Group include the design, supply and build of mid-rise light gauge steel framed commercial structures and multi-family housing units; the supply and construction of metal framing products for, and in the framing of, single family housing, with a focus on military housing; and the manufacturing of pre-engineered steel egress stair solutions.

Segment Financial Data

Financial information for the reportable business segments is provided in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note M Segment Data of this Annual Report on Form 10-K. That financial information is incorporated herein by reference.

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Financial Information About Geographic Areas

In fiscal 2011, our foreign operations represented 8% of consolidated net sales, 5% of pre-tax earnings attributable to controlling interest and 32% of consolidated net assets. During fiscal 2011, fiscal 2010 and fiscal 2009, we had operations in North America, China, Europe and India. Summary information about our foreign operations, including net sales and fixed assets by geographic region, is provided in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies Risks and Uncertainties of this Annual Report on Form 10-K. That information is incorporated herein by reference.

Suppliers

The primary raw material purchased by Worthington is steel. We purchase steel from major primary producers of steel, both domestic and foreign. The amount purchased from any particular supplier varies from year to year depending on a number of factors including market conditions, then current relationships and prices and terms offered. In nearly all market conditions, steel is available from a number of suppliers and generally any supplier relationship or contract can and has been replaced with little or no significant interruption to our business. In fiscal 2011, we purchased approximately 1.8 million tons of steel (68% hot-rolled, 18% galvanized and 14% cold-rolled) on a consolidated basis. Steel is purchased in large quantities at regular intervals from major primary producers, both domestic and foreign. In the Steel Processing operating segment, steel is primarily purchased and processed based on specific customer orders. The Pressure Cylinders operating segment purchases steel to meet production schedules. For certain raw materials, there are more limited suppliers for example, hydrogen and zinc, which are generally purchased at market prices. Since there are a limited number of suppliers in the hydrogen and zinc markets, if delivery from a major supplier is disrupted due to a force majeure type occurrence, it may be difficult to obtain an alternative supply. Raw materials are generally purchased in the open market on a negotiated spot-market basis at prevailing market prices. Supply contracts are also entered into, some of which have fixed pricing and some of which are indexed (monthly or quarterly). During fiscal 2011, we purchased steel from the following major suppliers, in alphabetical order: AK Steel Corporation; ArcelorMittal; California Steel Industries, Inc; Duferco Farrell Corp; Gallatin Steel Company; North Star BlueScope Steel LLC; Nucor Corporation; Severstal North America, Inc.; Steel Dynamics, Inc.; Stemcor Holdings Limited; United States Steel Corporation (U.S. Steel); USS-POSCO Industries, and RG Steel LLC. Alcoa, Inc. was the primary aluminum supplier for the Pressure Cylinders operating segment in fiscal 2011. Major suppliers of zinc to the Steel Processing operating segment were, in alphabetical order: Considar Metal Marketing Inc. (a/k/a HudBay); Industrias Peñoles; Teck Cominco Limited; U.S. Zinc; and Xstrata Zinc Canada. Approximately 31 million pounds of zinc were purchased in fiscal 2011. We believe our supplier relationships are good.

Technical Services

We employ a staff of engineers and other technical personnel and maintain fully equipped laboratories to support operations. These facilities enable verification, analysis and documentation of the physical, chemical, metallurgical and mechanical properties of raw materials and products. Technical service personnel also work in conjunction with the sales force to determine the types of flat-rolled steel required for customer needs. Additionally, technical service personnel design and engineer metal framing structures and provide sealed shop drawings to the building construction markets. To provide these services, we maintain a continuing program of developmental engineering with respect to product characteristics and performance under varying conditions. Laboratory facilities also perform metallurgical and chemical testing as dictated by the regulations of the United States Department of Transportation, Transport Canada, and other associated agencies, along with International Organization for Standardization (ISO) and customer requirements. An IASI (International Accreditations Service, Incorporated) accredited product-testing laboratory supports these design efforts.

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Seasonality and Backlog

Historically, sales have generally been weaker in the third quarter of our fiscal year, primarily due to reduced activity in the building and construction industry as a result of inclement weather, as well as customer plant shutdowns in the automotive industry due to holidays. Sales are generally strongest in the fourth quarter of our fiscal year as our operating segments are generally operating at seasonal peaks.

We do not believe backlog is a significant indicator of our business.

Employees

As of May 31, 2011, we had approximately 8,400 employees, including our unconsolidated joint ventures. Approximately 7% of these employees are represented by collective bargaining units. Worthington believes it has good relationships with its employees in general, including those covered by collective bargaining units.

Joint Ventures

As part of our strategy to selectively develop new products, markets and technological capabilities and to expand an international presence, while mitigating the risks and costs associated with those activities, we participate in two consolidated and ten unconsolidated joint ventures.

Consolidated

Spartan is a 52%-owned consolidated joint venture with a subsidiary of Severstal North America, Inc. (Severstal), located in Monroe, Michigan. It operates a cold-rolled, hot-dipped galvanizing line for toll processing steel coils into galvanized and galvannealed products intended primarily for the automotive industry. Spartan s financial results are fully consolidated within our Steel Processing reportable business segment. The equity owned by Severstal is shown as noncontrolling interest on our consolidated balance sheets and Severstal s portion of net earnings is included as net earnings attributable to noncontrolling interest in our consolidated statements of earnings.

WNCL is a 60%-owned consolidated joint venture with India-based Nitin Cylinders Limited (Nitin). WNCL manufactures high pressure, seamless steel cylinders for compressed natural gas storage in motor vehicles, and produces cylinders for compressed industrial gases. WNCL s financial results are fully consolidated within our Pressure Cylinders reportable business segment. The equity owned by Nitin is shown as noncontrolling interest on our consolidated balance sheets and Nitin s portion of net earnings is included as net earnings attributable to noncontrolling interest in our consolidated statements of earnings.

Unconsolidated

ArtiFlex, a 50%-owned joint venture with ITS-H Holdings, LLC, provides an integrated solution for engineering, tooling, stamping, assembly and other services to customers primarily in the automotive industry. ArtiFlex owns and operates four manufacturing facilities one each in Kentucky and Ohio; and two facilities in Michigan and leases another manufacturing facility in Ohio.

ClarkDietrich, a 25%-owned joint venture with ClarkWestern Building Systems, LLC, is the industry leader in the manufacture and supply of light gauge steel framing products in the United States. ClarkDietrich manufactures a full line of drywall studs and accessories, structural studs and joists, metal lath and accessories, and shaft wall studs and track used primarily in residential and commercial construction. This joint venture operates 13 manufacturing facilities, one each in Connecticut, Florida, Georgia, Hawaii, Illinois, Kansas, and Maryland and two each in California, Ohio and Texas.

Gestamp Worthington Wind Steel, LLC (the Gestamp JV), a 50%-owned joint venture with Gestamp Wind Steel U.S., Inc., focuses on producing towers for wind turbines being constructed in the North American market. The Gestamp JV plans to construct a manufacturing facility in Cheyenne, Wyoming, that is expected to begin operating prior to the end of the fourth quarter of fiscal 2012.

LEFCO Worthington, LLC (LEFCO Worthington), a 49%-owned joint venture with LEFCO Industries, is a minority business enterprise which offers engineered wooden crates, specialty pallets and steel rack systems for a variety of industries. LEFCO Worthington operates one manufacturing facility in Cleveland, Ohio.

Samuel Steel Pickling Company (Samuel), a 31.25%-owned joint venture with Samuel Manu-Tech Pickling, operates a steel pickling facility in Twinsburg, Ohio, and one in Cleveland, Ohio. Samuel also performs in-line slitting, side trimming, pickle dry, under winding and the application of dry lube coatings during the pickling process.

Serviacero Planos, S. de R.L. de C.V. (Serviacero Worthington), a 50%-owned joint venture with Inverzer, S.A. de C.V., operates three facilities in Mexico, one each in Leon, Queretaro and Monterrey. Serviacero Worthington provides steel processing services such as slitting, multi-blanking and cutting-to-length to customers in a variety of industries including automotive, appliance, electronics and heavy equipment.

TWB Company, L.L.C. (TWB), a 45%-owned joint venture with ThyssenKrupp Steel North America, Inc., is a leading North American supplier of tailor welded blanks. TWB produces laser-welded blanks for use in the automotive industry for products such as inner-door panels, body sides, rails and pillars. TWB operates facilities in: Prattville, Alabama; Monroe, Michigan; and in Puebla, Ramos Arizpe (Saltillo) and Hermosillo, Mexico.

Worthington Armstrong Venture (WAVE), a 50%-owned joint venture with Armstrong Ventures, Inc., a subsidiary of Armstrong World Industries, Inc., is one of the three largest global manufacturers of suspension grid systems for concealed and lay-in panel ceilings used in residential ceiling markets. It competes with the two other global manufacturers and numerous smaller manufacturers. WAVE operates eight facilities in six countries: Aberdeen, Maryland; Benton Harbor, Michigan; and North Las Vegas, Nevada, within the United States; Shanghai, the Peoples Republic of China; Team Valley, United Kingdom; Prouvy, France; Marval, Pune, India; and Madrid, Spain.

WMSFMCo, a 40%-owned joint venture with China-based HMUCG, designs, manufactures, assembles and distributes steel framing materials and accessories for construction projects in five Central Chinese provinces and also provides project management and building design and construction supply services thereto. This joint venture operates one facility located in Xiantao City, Hubei Province, China.

Worthington Specialty Processing (WSP), a 51%-owned joint venture with U.S. Steel, operates three steel processing facilities located in Canton, Jackson and Taylor, Michigan, which are managed by Worthington Steel. WSP serves primarily as a toll processor for U.S. Steel and others. Its services include slitting, blanking, cutting-to-length, laser welding, tension leveling and warehousing. WSP is considered to be jointly controlled and not consolidated due to substantive participating rights of the minority partner.

See Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note B Investments in Unconsolidated Affiliates for additional information about our unconsolidated joint ventures.

Environmental Regulation

Our manufacturing facilities, generally in common with those of similar industries making similar products, are subject to many federal, state and local requirements relating to the protection of the environment. We continually examine ways to reduce emissions and waste and to decrease costs related to

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environmental compliance. The cost of compliance or capital expenditures for environmental control facilities required to meet environmental requirements are not anticipated to be material when compared with overall costs and capital expenditures and, accordingly, are not anticipated to have a material effect on our financial position, results of operations, cash flows, or the competitive position of Worthington or any particular segment.

Item 1A. Risk Factors

Future results and the market price for Worthington Industries common shares are subject to numerous risks, many of which are driven by factors that cannot be controlled or predicted. The following discussion, as well as other sections of this Annual Report on Form 10-K, including PART II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, describe certain business risks. Consideration should be given to the risk factors described below as well as those in the Safe Harbor Statement at the beginning of this Annual Report on Form 10-K, in conjunction with reviewing the forward-looking statements and other information contained in this Annual Report on Form 10-K. These risks are not the only risks we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial in our operations.

Economic or Industry Downturns

The global recession that began in 2008 adversely affected and may continue to adversely affect our business and our industries, as well as the industries and businesses of many of our customers and suppliers. The volatile domestic and global recessionary climate had significant negative impacts on our business. The global recession, and the sluggish pace of the recovery from the global recession, resulted in a significant decrease in customer demand throughout nearly all of our markets, including our two largest markets construction and automotive. The impacts of existing and any new government measures to aid economic recovery, including various measures intended to provide stimulus to the economy in general or to certain industries, and the growing debt levels of the United States and other countries, continue to be unknown. Overall, operating levels across many of our business segments have fallen and may remain at depressed levels until economic conditions improve and demand increases. While certain sectors of the economy have stabilized and recovered from the economic downturn, we are unable to predict the strength, pace or sustainability of the economic recovery or the effects of government intervention or debt levels. Overall general economic conditions, both domestically and globally, have improved from the lows reached during the recession. The automotive market has shown signs of strengthening, and the construction market has shown signs of stabilizing. However, global economic conditions remain fragile, and the possibility remains that the domestic or global economies, or certain industry sectors of those economies that are key to our sales, may not recover as quickly as anticipated, or could further deteriorate, which could result in a corresponding decrease in demand for our products and negatively impact our results of operations and financial condition.

The construction and automotive industries account for a significant portion of our net sales, and reductions in demand from these industries have adversely impacted and may continue to adversely affect our business. The overall downturn in the economy, the disruption in capital and credit markets, declining real estate values, high unemployment rates and reduced consumer confidence and spending caused significant reductions in demand from our end markets in general and, in particular, the construction and automotive end markets. Demand in the commercial and residential construction markets has been weak as it has been difficult for companies and consumers to obtain credit for construction projects and the economic slowdown has caused delays in or cancellations of construction projects. Non-residential construction, including publicly financed state and municipal projects, has slowed significantly due to overcapacity of commercial properties and the reluctance of state and local governments to borrow money to spend on capital projects when faced with stagnant or declining tax revenues and increased operating costs. The domestic auto industry continues to experience a difficult operating environment, which has resulted in and may continue to result in lower levels of vehicle production and an associated decrease in demand for products sold to the automotive industry. Many automotive manufacturers and their suppliers have reduced production levels and eliminated manufacturing capacity, through the closure of facilities, reduction in operations and other cost reduction actions. The construction industry has shown signs of stabilizing from further erosion, and the automotive industry has strengthened and shown signs of recovery from the lows reached in recent years. However, both the construction and automotive markets remain depressed compared to historical norms, and we cannot predict the strength, pace or sustainability of recovery in these markets. The difficulties faced by the automotive and construction industries have adversely affected and may continue to adversely affect our business. If demand for the products we sell to the automotive or construction markets were to be further reduced, this could negatively affect our sales, financial results and cash flows.

Financial difficulties and bankruptcy filings by our customers could have an adverse impact on our business. Many of our customers have experienced and continue to experience challenging financial conditions. General Motors and Chrysler have gone through bankruptcy proceedings and both companies implemented plans which significantly reduced their production capacity and dealership networks. Certain other customers have filed or may in the future file bankruptcy petitions. These and other customers may be in need of additional capital or credit to continue operations. The bankruptcies and financial difficulties of certain customers and/or their failure to obtain credit or otherwise improve their overall financial condition could result in numerous changes within the markets we serve, including additional plant closings, decreased production, reduced demand, changes in product mix, unfavorable changes in the prices, terms or conditions we are able to obtain and other changes that may result in decreased purchases from us and otherwise negatively impact our business. These conditions also increase the risk that our customers may delay or default on their payment obligations to us, particularly customers in hard hit industries such as automotive and construction. The relative weakness in the automotive industry continues the risk that some of our customers who are suppliers to the automotive industry could have further financial difficulties. The same is true of our customers in other industries, including construction, which are also experiencing weakness. The automotive industry has shown signs of strengthening from the low levels of recent years, and the construction industry has shown signs of stabilizing. However, economic conditions remain fragile, and the possibility remains that these markets may not recover as quickly as anticipated, or could further deteriorate. Should the economy or any of our markets not improve, the risk of bankruptcy filings by our customers may continue to increase. Such bankruptcy filings may result not only in a reduction in our sales, but also in a loss associated with our potential inability to collect outstanding accounts receivable from the affected customers. While we have taken and will continue to take steps intended to mitigate the impact of financial difficulties and potential bankruptcy filings by our customers, these matters could have a negative impact on our business.

The events in Japan could adversely affect our business and financial results. A number of our customers, particularly in the automotive market, rely upon suppliers in Japan for certain components of their products. The earthquakes, tsunami and nuclear power plant problems in Japan prevented some companies from receiving sufficient supplies of components, and demand in some industries, such as automotive, has been adversely affected. Other risks resulting from this tragedy include potential disruptions to other industries which include our customers or suppliers, negative macroeconomic effects on international trade and/or our customers, and unforeseen challenges which could develop as the situation in Japan evolves and the full scope of the damage and its effects is comprehended. While there exists a risk that the effects of the disaster could continue to have an adverse effect on us, we are unable at this time to reliably evaluate the scope or probability of those risks.

Volatility in the United States and worldwide capital and credit markets has significantly impacted and may continue to significantly impact our end markets and has resulted and may continue to result in negative impacts on demand, increased credit and collection risks and other adverse effects on our business. The domestic and worldwide capital and credit markets have experienced significant volatility, disruptions and dislocations with respect to price and credit availability. These factors have caused diminished availability of credit and other capital in our end markets, including automotive and construction, and for participants in, and the customers of, those markets. There is continued uncertainty as to the sustainability of the recovery of the capital and credit markets and the impact this period of volatility will have on our end markets and business in general. Further volatility in the United States or worldwide capital and credit markets may continue to significantly impact our key end markets and result in further reductions in sales volumes, increased credit and collection risks and other adverse effects on our business.

Raw Material Pricing and Availability

The costs of manufacturing our products and our ability to supply our customers could be negatively impacted if we experience interruptions in deliveries of needed raw materials or supplies. If, for any reason, our supply of flat-rolled steel or other key raw materials, such as aluminum, zinc or helium, is curtailed or we are otherwise unable to obtain the quantities we need at competitive prices, our business could suffer and our financial results could be adversely affected. Such interruptions could result from a number of factors, including a shortage of capacity in the supplier base or of the raw materials, energy or the inputs needed to make steel or other supplies, a failure of suppliers to fulfill their supply or delivery obligations, financial difficulties of suppliers resulting in the closing or idling of supplier facilities, other significant events affecting supplier facilities, significant weather events, those factors listed in the immediately following paragraph or other factors beyond our control. Further, the number of suppliers has decreased in recent years due to industry consolidation and the financial difficulties of certain suppliers, and this consolidation may continue. Accordingly, if delivery from a major supplier is disrupted, it may be more difficult to obtain an alternative supply than in the past.

Our future operating results may be affected by fluctuations in raw material prices, and we may be unable to pass on any increases in raw material costs to our customers. Our principal raw material is flat-rolled steel, which we purchase from multiple primary steel producers. The steel industry as a whole has been cyclical, and at times availability and pricing can be volatile due to a number of factors beyond our control. These factors include general economic conditions, domestic and worldwide demand, the influence of hedge funds and other investment funds participating in commodity markets, curtailed production from major suppliers due to factors such as the closing or idling of facilities, accidents or equipment breakdowns, repairs or catastrophic events, labor costs or problems, competition, new laws and regulations, import duties, tariffs, energy costs, availability and cost of steel inputs (e.g., ore, scrap, coke and energy), currency exchange rates and other factors described in the immediately preceding paragraph. This volatility, as well as any increases in raw material costs, could significantly affect our steel costs and adversely impact our financial results. If our suppliers increase the prices of our critical raw materials, we may not have alternative sources of supply. In addition, in an environment of increasing prices for steel and other raw materials, competitive conditions may impact how much of the price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, our financial results could be adversely affected. Also, if steel prices decrease, competitive conditions may impact how quickly we must reduce our prices to our customers, and we could be forced to use higher-priced raw materials to complete orders for which the selling prices have decreased. Decreasing steel prices could also require us to write-down the value of our inventory to reflect current market pricing, as was the case during fiscal 2009.

Inventories

Our business could be harmed if we fail to maintain proper inventory levels. We are required to maintain sufficient inventories to accommodate the needs of our customers including, in many cases, short lead times and just-in-time delivery requirements. Although we typically have customer orders in hand prior to placement of our raw material orders for Steel Processing, we anticipate and forecast customer demand for each of our operating segments. We purchase raw materials on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers based upon orders, customer volume expectations, historic buying practices and market conditions. Inventory levels in excess of customer demand may result in the use of higher-priced inventory to fill orders reflecting lower selling prices, if steel prices have significantly decreased. These events could adversely affect our financial results. Conversely, if we underestimate demand for our products or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages. Inventory shortages could result in unfilled orders, negatively impacting our customer relationships and resulting in lost revenues, which could harm our business and adversely affect our financial results.

Suppliers and Customers

The loss of significant volume from our key customers could adversely affect us. In fiscal 2011, our largest customer accounted for approximately 6% of our consolidated net sales, and our ten largest customers accounted for approximately 24% of our consolidated net sales. A significant loss of, or decrease in, business from any of our key customers could have an adverse effect on our sales and financial results if we cannot obtain replacement business. Also, due to consolidation in the industries we serve, including the construction, automotive and retail industries, our sales may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments with respect to, one or more of our top customers. In addition, certain of our top customers may be able to exert pricing and other influences on us, requiring us to market, deliver and promote our products in a manner that may be more costly to us. Moreover, we generally do not have long-term contracts with our customers. As a result, although our customers periodically provide indications of their product needs and purchases, they generally purchase our products on an order-by-order basis, and the relationship, as well as particular orders, can be terminated at any time.

Many of our key industries, such as construction and automotive, are cyclical in nature. Many of our key industries, such as construction and automotive, are cyclical and can be impacted by both market demand and raw material supply, particularly with respect to steel. The demand for our products is directly related to, and quickly impacted by, customer demand in our industries, which can change as the result of changes in the general United States or worldwide economy and other factors beyond our control. Adverse changes in demand or pricing can have a negative effect on our business.

Significant sales reductions for any of the Detroit three automakers could have a negative impact on our business. Approximately half of the net sales of our Steel Processing operating segment and a significant amount of the net sales of certain joint ventures are to automotive-related customers. Although we do sell to the domestic operations of foreign automakers, a significant portion of our automotive sales are to Ford, General Motors, and Chrysler and their suppliers. A reduction in sales for any of the Detroit three automakers could negatively impact our business. In addition, beginning in 2011, automobile producers must begin complying with new Corporate Average Fuel Economy mileage requirements for new cars and light trucks that they produce. As automakers work to produce vehicles that comply with these new standards, they may reduce the amount of steel used in cars and trucks to improve fuel economy, thereby reducing demand for steel and resulting in further over-supply of steel in North America.

The closing or relocation of customer facilities could adversely affect us. Our ability to meet delivery requirements and the overall cost of our products as delivered to customer facilities are important competitive factors. If customers close or move their production facilities further away from our manufacturing facilities which can supply them, it could have an adverse effect on our ability to meet competitive conditions, which could result in the loss of sales. Likewise, if customers move their production facilities overseas, it could result in the loss of potential sales for us.

Sales conflicts with our customers and/or suppliers may adversely impact us. In some instances, we may compete with one or more of our customers and/or suppliers in pursuing the same business. Such conflicts may strain our relationships with those parties, which could adversely affect our future business with them.

The closing or idling of steel manufacturing facilities could have a negative impact on us. As steel makers have reduced their production capacities by closing or idling production lines in light of the challenging economic conditions, the number of facilities from which we can purchase steel, in particular certain specialty

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steels, has decreased. Accordingly, if delivery from a supplier is disrupted, particularly with respect to certain types of specialty steel, it may be more difficult to obtain an alternate supply than in the past. These closures and disruptions could also have an adverse effect on our suppliers on-time delivery performance, which could have an adverse effect on our ability to meet our own delivery commitments and may have other adverse effects on our business.

The loss of key supplier relationships could adversely affect us. Over the years, our various manufacturing operations have developed relationships with certain steel and other suppliers which have been beneficial to us by providing more assured delivery and a more favorable all-in cost, which includes price and shipping costs. If any of those relationships were disrupted, it could have an adverse effect on delivery times and the overall cost of our raw materials, which could have a negative impact on our business. In addition, we do not have long-term contracts with any of our suppliers. If, in the future, we are unable to obtain sufficient amounts of steel and other products at competitive prices and on a timely basis from our traditional suppliers, we may be unable to obtain these products from alternative sources at competitive prices to meet our delivery schedule, which could have a material adverse affect on our results of operations.

Competition

Our business is highly competitive, and increased competition could negatively impact our financial results. Generally, the markets in which we conduct business are highly competitive. Our competitors include a variety of both domestic and foreign companies in all major markets. Competition for most of our products is primarily on the basis of price, product quality and our ability to meet delivery requirements. Depending on a variety of factors, including raw material, energy, labor and capital costs, government control of currency exchange rates and government subsidies of foreign steel producers, our business may be materially adversely affected by competitive forces. The economic recession has also resulted in significant open capacity, which could attract increased competitive presence. Competition may also increase if suppliers to or customers of our industries begin to more directly compete with our businesses through acquisition or otherwise. Increased competition could cause us to lose market share, increase expenditures, lower our margins or offer additional services at a higher cost to us, which could adversely impact our financial results.

Sales by competitors of light gauge metal framing products which are not code compliant could adversely affect us. Our unconsolidated metal framing joint venture, ClarkDietrich, is an industry leader in driving code compliance for light gauge metal framing. If our competitors offer cheaper products which are not code compliant, and certain customers are willing to purchase such non-compliant products, it may be difficult for ClarkDietrich to be cost competitive on these sales.

Material Substitution

If steel prices increase compared to certain substitute materials, the demand for our products could be negatively impacted, which could have an adverse effect on our financial results. In certain applications, steel competes with other materials, such as aluminum (particularly in the automobile industry), cement and wood (particularly in the construction industry), composites, glass and plastic. Prices of all of these materials fluctuate widely, and differences between the prices of these materials and the price of steel may adversely affect demand for our products and/or encourage material substitution, which could adversely affect prices and demand for steel products. The high cost of steel relative to other materials may make material substitution more attractive for certain uses.

Freight and Energy

Increasing energy and freight costs could increase our operating costs, which could have an adverse effect on our financial results. The availability and cost of freight and energy, such as electricity, natural gas and diesel fuel, is important in the manufacture and transport of our products. Our operations consume substantial amounts of energy, and our operating costs generally increase when energy costs rise. Factors that may affect our energy costs include significant increases in fuel, oil or natural gas prices, unavailability of electrical power or other energy sources due to droughts, hurricanes or other natural causes or due to shortages resulting from insufficient supplies to serve customers, or interruptions in energy supplies due to equipment failure or other causes. During periods of increasing energy and freight costs, we may be unable to fully recover our operating cost increases through price increases without reducing demand for our products. Our financial results could be adversely affected if we are unable to pass all of the increases on to our customers or if we are unable to obtain the necessary freight and energy. Also, increasing energy costs could put a strain on the transportation of our materials and products if the increased costs force certain transporters to close.

Information Systems

We are subject to information system security risks and systems integration issues that could disrupt our internal operations. We are dependent upon information technology for the distribution of information internally and also to our customers and suppliers. This information technology is subject to damage or interruption from a variety of sources, including, without limitation, computer viruses, security breaches and defects in design. We could also be adversely affected by system or network disruptions if new or upgraded business management systems are defective, not installed properly or not properly integrated into operations. We recently implemented a new software-based enterprise resource planning system. Various measures have been implemented to manage our risks related to information system and network disruptions, but a system failure could negatively impact our operations and financial results.

Business Disruptions

Disruptions to our business or the business of our customers or suppliers could adversely impact our operations and financial results. Business disruptions, including increased costs for, or interruptions in, the supply of energy or raw materials, resulting from shortages of supply or transportation, severe weather events (such as hurricanes, tsunamis, earthquakes, tornados, floods and blizzards), casualty events (such as explosions, fires or material equipment breakdown), acts of terrorism, pandemic disease, labor disruptions, the idling of facilities due to reduced demand (such as resulting from the recent economic downturn) or other events (such as required maintenance shutdowns), could cause interruptions to our businesses as well as the operations of our customers and suppliers. While we maintain insurance coverage that can offset some losses relating to certain types of these events, losses from business disruptions could have an adverse effect on our operations and financial results and we could be adversely impacted to the extent any such losses are not covered by insurance or cause some other adverse impact to us.

Foreign Operations

Economic, political and other risks associated with foreign operations could adversely affect our international financial results. Although the substantial majority of our business activity takes place in the United States, we derive a portion of our revenues and earnings from operations in foreign countries, and we are subject to risks associated with doing business internationally. We have wholly-owned facilities in Austria, Canada, the Czech Republic, India and Portugal and joint venture facilities in China, France, India, Mexico, Spain and the United Kingdom, and are becoming more active in exploring foreign opportunities. The risks of doing business in foreign countries include, among other factors: the potential for adverse changes in the local political climate, in diplomatic relations between foreign countries and the United States or in government policies, laws or regulations; terrorist activity that may cause social disruption; logistical and communications challenges; costs of complying with a variety of laws and regulations; difficulty in staffing and managing geographically diverse operations; deterioration of foreign economic conditions; inflation and fluctuations in interest rates; currency rate fluctuations; foreign exchange restrictions; differing local business practices and cultural considerations; restrictions on imports and exports or sources of supply, including energy and raw materials; changes in duties, quotas, tariffs, taxes or other protectionist measures; and potential issues related

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to matters covered by the Foreign Corrupt Practices Act or similar laws. We believe that our business activities outside of the United States involve a higher degree of risk than our domestic activities, and any one or more of these factors could adversely affect our operating results and financial condition. In addition, the global recession and the volatility of worldwide capital and credit markets have significantly impacted and may continue to significantly impact our foreign customers and markets. These factors have resulted in decreased demand in our foreign operations and have had significant negative impacts on our business. Refer to the *Economic or Industry Downturns* risk factor herein for additional information concerning the impact of the global recession and the volatility of capital and credit markets on our business.

Joint Ventures

A change in the relationship between the members of any of our joint ventures may have an adverse effect on that joint venture. We have been successful in the development and operation of various joint ventures, and our equity in net income from our joint ventures, particularly WAVE, has been important to our financial results. We believe an important element in the success of any joint venture is a solid relationship between the members of that joint venture. If there is a change in ownership, a change of control, a change in management or management philosophy, a change in business strategy or another event with respect to a member of a joint venture that adversely impacts the relationship between the joint venture members, it could adversely impact that joint venture. In addition, joint ventures necessarily involve special risks. Whether or not we hold a majority interest or maintain operational control in a joint venture, our partners may have economic or business interests or goals that are inconsistent with our interests or goals. For example, our partners may exercise veto rights to block actions that we believe to be in our best interests, may take action contrary to our policies or objects with respect to our investments, or may be unable or unwilling to fulfill their obligations or commitments to the joint venture.

Acquisitions

We may be unable to successfully consummate, manage or integrate our acquisitions. A portion of our growth has occurred through acquisitions. We may from time to time continue to seek attractive opportunities to acquire businesses, enter into joint ventures and make other investments that are complementary to our existing strengths. There are no assurances, however, that any acquisition opportunities will arise or, if they do, that they will be consummated, or that any needed additional financing for such opportunities will be available on satisfactory terms when required. In addition, acquisitions involve risks that the businesses acquired will not perform in accordance with expectations, that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect, that we may assume unknown liabilities from the seller, that the acquired businesses may not be integrated successfully and that the acquisitions may strain our management resources or divert management s attention from other business concerns. International acquisitions may present unique challenges and increase our exposure to the risks associated with foreign operations and countries. Failure to successfully integrate any of our acquisitions may cause significant operating inefficiencies and could adversely affect our operations and financial condition.

Capital Expenditures

Our business requires capital investment and maintenance expenditures, and our capital resources may not be adequate to provide for all of our cash requirements. Many of our operations are capital intensive. For the five-year period ended May 31, 2011, our total capital expenditures, including acquisition and investment activity, were approximately $455.4 million. Additionally, at May 31, 2011, we were obligated to make aggregate lease payments of $32.4 million under operating lease agreements. Our business also requires expenditures for maintenance of our facilities. We currently believe that we have adequate resources (including cash and cash equivalents, cash provided by operating activities, availability under existing credit facilities and unused lines of credit) to meet our cash needs for normal operating costs, capital expenditures, debt repayments, dividend payments, future acquisitions and working capital for our existing business. However, given the current challenges, uncertainty and volatility in the domestic and global economies and financial markets, there can be no assurance that our capital resources will be adequate to provide for all of our cash requirements.

Litigation

We may be subject to legal proceedings or investigations, the resolution of which could negatively affect our results of operations and liquidity in a particular period. Our results of operations or liquidity in a particular period could be affected by an adverse ruling in any legal proceedings or investigations which may be pending against us or filed against us in the future. We are also subject to a variety of legal compliance risks, including, without limitation, potential claims relating to product liability, health and safety, environmental matters, intellectual property rights, taxes and compliance with U.S. and foreign export laws, anti-bribery laws, competition laws and sales and trading practices. While we believe that we have adopted appropriate risk management and compliance programs to address and reduce these risks, the global and diverse nature of our operations means that these risks will continue to exist and additional legal proceedings and contingencies may arise from time to time. A future adverse ruling or settlement or an unfavorable change in laws, rules or regulations could have a material adverse effect on our results of operations or liquidity in a particular period. For additional information regarding our pending legal proceedings and contingencies, refer to Part I Item 3. Legal Proceedings within this Annual Report on Form 10-K and Note E Contingent Liabilities and Commitments to the Consolidated Financial Statements included in Part II Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Accounting and Tax Estimates

We are required to make accounting and tax-related estimates, assumptions and judgments in preparing our consolidated financial statements, and actual results may differ materially from the estimates, assumptions and judgments that we use. In preparing our consolidated financial statements in accordance with accounting principles generally accepted in the United States, we are required to make certain estimates and assumptions that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain information that is used in the preparation of our consolidated financial statements is dependent on future events, or cannot be calculated with a high degree of precision from data available to us. In some cases, these estimates and assumptions are particularly difficult to determine and we must exercise significant judgment. The estimates, assumptions and judgments having the greatest amount of uncertainty, subjectivity and complexity are related to our accounting for bad debts, returns and allowances, inventory, self-insurance reserves, derivatives, stock-based compensation, deferred tax assets and liabilities and asset impairments. Our actual results may differ materially from the estimates, assumptions and judgments that we use, which could have a material adverse effect on our financial condition and results of operations.

Tax Laws and Regulations

Tax increases or changes in tax laws could adversely affect our financial results. We are subject to tax and related obligations in the jurisdictions in which we operate or do business, including state, local, federal and foreign taxes. The taxing rules of the various jurisdictions in which we operate or do business often are complex and subject to varying interpretations. Tax authorities may challenge tax positions that we take or historically have taken, and may assess taxes where we have not made tax filings or may audit the tax filings we have made and assess additional taxes. Some of these assessments may be substantial, and also may involve the imposition of penalties and interest. In addition, governments could impose new taxes on us or increase the rates at which we are taxed in the future. The payment of substantial additional taxes, penalties or interest resulting from tax assessments, or the imposition of any new taxes, could materially and adversely impact our results of operations, financial condition and cash flows. In addition, our provision for income taxes and cash tax liability in the future could be adversely affected by changes in U.S. tax laws. Potential changes that may adversely affect our financial results include, without limitation, decreasing the ability of U.S. companies to receive a tax credit for foreign taxes paid or to defer the U.S. deduction of expenses in connection with investments made in other countries.

Claims and Insurance

Adverse claims experience, to the extent not covered by insurance, may have an adverse effect on our financial results. We self-insure a significant portion of our potential liability for workers compensation, product liability, general liability, property liability, automobile liability and employee medical claims. In order to reduce risk, we purchase insurance from highly-rated, licensed insurance carriers that cover most claims in excess of the applicable deductible or retained amounts. We maintain reserves for the estimated cost to resolve open claims as well as an estimate of the cost of claims that have been incurred but not reported. The occurrence of significant claims, our failure to adequately reserve for such claims, a significant cost increase to maintain our insurance or the failure of our insurance providers to perform could have an adverse impact on our financial condition and results of operations.

Principal Shareholder

Our principal shareholder may have the ability to exert significant influence in matters requiring a shareholder vote and could delay, deter or prevent a change in control of Worthington Industries. Pursuant to our charter documents, certain matters such as those in which a person would attempt to acquire or take control of the Company, must be approved by the vote of the holders of common shares representing at least 75% of Worthington Industries outstanding voting power. Approximately 25% of our outstanding common shares are beneficially owned, directly or indirectly, by John P. McConnell, our Chairman of the Board and Chief Executive Officer. As a result of his beneficial ownership of our common shares, Mr. McConnell may have the ability to exert significant influence in these matters and other proposals upon which our shareholders may vote.

Senior Management

If we lose our senior management or other key employees, our business may be adversely affected. Our ability to successfully operate, grow our business and implement our business strategies is largely dependent on the efforts, abilities and services of our senior management and other key employees. The loss of any of these individuals or our inability to attract, train and retain additional personnel could reduce the competitiveness of our business or otherwise impair our operations or prospects. Our future success will also depend, in part, on our ability to attract and retain qualified personnel, such as engineers and other skilled technicians, who have experience in the application of our products and are knowledgeable about our business, markets and products. We cannot assure that we will be able to retain our existing senior management personnel or other key employees or attract additional qualified personnel when needed. We have not entered into any formal employment agreements or change in control agreements with our executive officers, and the loss of any member of our management team could adversely impact our business and operations. Additionally, we may modify our management structure from time to time or reduce our overall workforce as we did in certain operating segments during the recent economic downturn, which may create marketing, operational and other business risks.

Credit Ratings

Ratings agencies may downgrade our credit ratings, which could make it more difficult for us to raise capital and could increase our financing costs. Any downgrade in our credit ratings may make raising capital more difficult, may increase the cost and affect the terms of future borrowings, may affect the terms under which we purchase goods and services and may limit our ability to take advantage of potential business opportunities. In addition, the interest rate on our revolving credit facility is tied to our credit ratings, and any downgrade of our credit ratings would likely result in an increase in the current cost of borrowings under our revolving credit facility.

Difficult Financial Markets

Should we be required to raise capital in the current financing environment, we could face higher borrowing costs, less available capital, more stringent terms and tighter covenants or, in extreme conditions, an inability to raise capital. Although we currently have significant borrowing availability under our existing credit facilities, should those facilities become unavailable due to covenant or other defaults, or should we otherwise be required to raise capital outside our existing facilities, given the current uncertainty and volatility in the U.S. credit and capital markets, our ability to access capital and the terms under which we do so may be negatively impacted. Any adverse change in our access to capital or the terms of our borrowings, including increased costs, could have a negative impact on our financial condition.

Environmental, Health and Safety

We may incur additional costs related to environmental and health and safety matters. Our operations and facilities are subject to a variety of federal, state, local and foreign laws and regulations relating to the protection of the environment and human health and safety. Failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in increased costs and capital expenditures and potentially fines and civil or criminal sanctions, third-party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations. Over time, we and predecessor operators of our facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Environmental liabilities, including cleanup obligations, could exist at our facilities or at off-site locations where materials from our operations were disposed of or at facilities we have divested, which could result in future expenditures that cannot be currently quantified and which could reduce our profits and cash flow. We may be held strictly liable for any contamination of these sites, and the amount of any such liability could be material. Under the joint and several liability principle of certain environmental laws, we may be held liable for all remediation costs at a particular site, even with respect to contamination for which we are not responsible. Changes in environmental and human health and safety laws, rules, regulations or enforcement policies could have a material adverse effect on our business, financial condition or results of operations.

Legislation and Regulation

Certain proposed legislation and regulations may have an adverse impact on the economy in general and in our markets specifically, which may adversely affect our business. Our business may be negatively impacted by a variety of new or proposed legislation or regulations. For example, legislation and regulations proposing increases in taxation on, or heightened regulation of, carbon or other greenhouse gas emissions may result in higher prices for steel, higher prices for utilities required to run our facilities, higher fuel costs for us and our suppliers and distributors and other adverse impacts. See the immediately following risk factor for additional information regarding legislation and regulations concerning climate change and greenhouse gas emissions. To the extent that new legislation or regulations increase our costs, we may not be able to fully pass these costs on to our customers without a resulting decline in sales and adverse impact to our profits. Likewise, to the extent new legislation or regulations would have an adverse effect on the economy, our markets or the ability of domestic businesses to compete against foreign operations, it could also have an adverse impact on us.

Legislation or regulations concerning climate change and greenhouse gas emissions may negatively affect our results of operations. Energy is a significant input in a number of our operations and products, and many believe that consumption of energy derived from fossil fuels is a contributor to global warming. A number of

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governments and governmental bodies have introduced or are contemplating legislative and regulatory changes in response to the potential impacts of climate change and greenhouse gas emissions. The European Union has established greenhouse gas regulations, and Canada has published details of a regulatory framework for greenhouse gas emissions. The U.S. Environmental Protection Agency has issued and proposed regulations addressing greenhouse gas emissions, including regulations which will require reporting of greenhouse gas emissions from large sources and suppliers in the United States. Legislation previously has been introduced in the U.S. Congress aimed at limiting carbon emissions from companies that conduct business that is carbon-intensive. Among other potential items, such bills could include a system of carbon emission credits issued to certain companies, similar to the European Union s existing cap-and-trade system. Several U.S. states have also adopted, and other states may in the future adopt, legislation or regulations implementing state-wide or regional cap-and-trade systems that apply to some or all industries that emit greenhouse gases. It is impossible at this time to forecast what the final regulations and legislation, if any, will look like and the resulting effects on our business and operations. Depending upon the terms of any such regulations or legislation, however, we could suffer a negative financial impact as a result of increased energy, environmental and other costs necessary to comply with limitations on greenhouse gas emissions, and we may see changes in the margins of our greenhouse gas-intensive and energy-intensive assets. In addition, depending upon whether similar limitations are imposed globally, the regulations and legislation could negatively impact our ability to compete with foreign companies situated in areas not subject to such limitations. Many of our customers in the United States, Canada and Europe may experience similar impacts, which could result in decreased demand for our products.

Seasonality

Our operations have been subject to seasonal fluctuations that may impact our cash flows for a particular period. Historically, our sales are generally weaker in the third quarter of the fiscal year, primarily due to reduced activity in the building and construction industry as a result of the colder, more inclement weather, as well as customer plant shutdowns in the automotive industry due to holidays. Sales are generally strongest in the fourth quarter of the fiscal year when all of our business segments are normally operating at seasonal peaks. Our quarterly results may also be affected by the timing of large customer orders. Consequently, our cash flow from operations may fluctuate significantly from quarter to quarter. If, as a result of any such fluctuation, our quarterly cash flows were significantly reduced, we may be unable to service our indebtedness or maintain compliance with certain covenants under our credit facilities. A default under any of the documents governing our indebtedness could prevent us from borrowing additional funds, limit our ability to pay interest or principal and allow our lenders to declare the amounts outstanding to be immediately due and payable and to exercise certain other remedies.

Impairment Charges

Continued or enhanced weakness or instability in the economy, our markets or our results of operations could result in future asset impairments, which would reduce our reported earnings and net worth. We review the carrying value of our long-lived assets, including intangible assets with finite useful lives, whenever events or changes in circumstances indicate that the carrying value of an asset or an asset group may not be recoverable. When a potential impairment is indicated, accounting standards require a charge to be recognized in the consolidated financial statements if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows of that asset or asset group. The loss recognized would be the amount by which the carrying value of the asset or asset group exceeds fair value. In recent months, we have seen signs of improvement in overall economic conditions, both domestically and globally. However, economic conditions remain fragile, and the possibility remains that the domestic or global economies, or certain industry sectors that are key to our sales, may not recover as quickly as anticipated, or could further deteriorate. If certain of our business segments continue to be adversely affected by the challenging and volatile economic and financial conditions, we may be required to record additional impairments, which would negatively impact our results of operations.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties.

General

Our principal corporate offices are located in a leased office building in Columbus, Ohio, containing approximately 117,700 square feet. We also own three facilities used for administrative and medical purposes in Columbus, Ohio, containing an aggregate of approximately 166,000 square feet. As of May 31, 2011, we owned or leased a total of approximately 8,600,000 square feet of space for our operations, of which approximately 7,200,000 square feet (8,100,000 square feet with warehouses) was devoted to manufacturing, product distribution and sales offices. Major leases contain renewal options for periods of up to 10 years. For information concerning rental obligations, refer to Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations *Contractual Cash Obligations and Other Commercial Commitments* as well as Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note Q Operating Leases of this Annual Report on Form 10-K. We believe the distribution and office facilities provide adequate space for our operations and are well maintained and suitable.

Excluding joint ventures, we operate 35 manufacturing facilities and ten warehouses. These manufacturing facilities are well maintained and in good operating condition, and are believed to be sufficient to meet current needs.

Steel Processing

Our Steel Processing operating segment, which includes the consolidated joint venture Spartan, operates 13 manufacturing facilities, 12 of which are wholly-owned, containing a total of approximately 3,300,000 square feet, and one that is leased, containing approximately 150,000 square feet. These facilities are located in Alabama, California, Indiana, Maryland, Michigan (2), Ohio (5) and Tennessee (2). This operating segment also owns one warehouse in Ohio, containing approximately 110,000 square feet, one warehouse in Michigan, containing approximately 100,000 square feet, and one warehouse in California, containing approximately 60,000 square feet. As noted above, this operating segment s corporate offices are located in Columbus, Ohio.

Pressure Cylinders

Our Pressure Cylinders operating segment operates 11 owned manufacturing facilities and one leased manufacturing facility. These facilities are located in California, Mississippi, Ohio (3), Wisconsin, Austria, Canada, the Czech Republic, India and Portugal and contain a total of approximately 1,900,000 square feet. This operating segment also operates two owned warehouses, one in Austria and one in the Czech Republic, containing a total of approximately 97,000 square feet, and three leased warehouses, two in Ohio and one in Canada, containing a total of approximately 164,000 square feet.

Metal Framing

Our Metal Framing operating segment operates three manufacturing facilities and one warehouse. Of these manufacturing facilities, one is leased, containing a total of approximately 85,000 square feet, and two are owned, containing a total of approximately 242,000 square feet. The leased warehouse contains approximately 314,000 square feet. All of these properties operate exclusively to support the transition of our metal framing business into the ClarkDietrich joint venture and will be subsequently shut down, closed or sold.

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Other

Steel Packaging operates three facilities, one each in Indiana, Ohio and Pennsylvania. The manufacturing facilities in Indiana and Pennsylvania are leased and contain a total of approximately 290,000 square feet; and the facility located in Ohio is owned and contains approximately 21,000 square feet. Global Group includes Worthington Military Construction, Inc., Worthington Mid-Rise Construction, Inc. and Worthington Metal Fabricators, LLC which operate manufacturing facilities in Ohio, Tennessee and Washington which contain approximately 223,500 square feet and lease approximately 18,300 square feet for administrative offices in Hawaii and Ohio. Additionally, we retained Gerstenslager s manufacturing facility in Wooster, Ohio, which is subject to a lease agreement with ArtiFlex and contains approximately 900,000 square feet.

Joint Ventures

The Spartan consolidated joint venture owns and operates one manufacturing facility in Michigan, which is included in the number disclosed above for the Steel Processing operating segment, and the WNCL consolidated joint venture owns and operates a manufacturing facility in India. The unconsolidated joint ventures operate a total of 43 manufacturing facilities, located in Alabama, California (2), Connecticut, Georgia, Hawaii, Illinois, Kansas, Kentucky, Maryland, Michigan (8), Nevada and Ohio (6), domestically, and in China, France, India, Mexico (6), Spain and the United Kingdom, internationally.

Item 3. Legal Proceedings

Various legal proceedings, which generally have arisen in the ordinary course of business, are pending against Worthington. None of this pending litigation, individually or collectively, is expected to have a material adverse effect on the financial position, results of operation or cash flows of the Company.

Notwithstanding the statement above, refer to Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note E Contingent Liabilities and Commitments within this Annual Report on Form 10-K for additional information regarding certain litigation which remained pending during fiscal 2011. Additionally, refer to Item 8 Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note T Subsequent Events for information regarding developments that occurred subsequent to May 31, 2011 related to litigation pending during fiscal 2011.

Item 4. [Reserved]

Supplemental Item Executive Officers of the Registrant

The following table lists the names, positions held and ages of the Registrant s executive officers as of August 1, 2011:

Name	Age	Position(s) with the Registrant	Present Office Held Since
John P. McConnell	57	Chairman of the Board and Chief Executive Officer; a Director	1996
George P. Stoe	65	President and Chief Operating Officer	2008
B. Andrew Rose	41	Vice President and Chief Financial Officer	2008
Dale T. Brinkman	58	Vice President-Administration, General Counsel and Secretary	2000
Andrew J. Billman	43	President, Worthington Cylinder Corporation	2011
Matthew A. Lockard	42	Vice President-Corporate Development and Treasurer	2009
Ralph V. Roberts	64	Senior Vice President-Marketing and President, Worthington Global Group, LLC	2006
Mark A. Russell	48	President, The Worthington Steel Company	2007
Eric M. Smolenski	41	Vice President-Human Resources	2005
Richard G. Welch	53	Controller	2000
Virgil L. Winland	63	Senior Vice President-Manufacturing	2001

John P. McConnell has served as Worthington Industries Chief Executive Officer since June 1993, as a director of Worthington Industries continuously since 1990, and as Chairman of the Board of Worthington Industries since September 1996. Mr. McConnell serves as the Chair of the Executive Committee of Worthington Industries Board of Directors. He has served in various positions with the Company since 1975.

George P. Stoe has served as President and Chief Operating Officer of Worthington Industries since October 2008. He served as Executive Vice President and Chief Operating Officer of Worthington Industries from December 2005 to October 2008. He previously served as President of Worthington Cylinder Corporation from January 2003 to December 2005.

B. Andrew Andy Rose has served as Vice President and Chief Financial Officer of Worthington Industries since December 2008. From 2007 to 2008, he served as a senior investment professional with MCG Capital Corporation, a private equity firm specializing in investments in middle market companies; and from 2002 to 2007, he was a founding partner at Peachtree Equity Partners, L.P., a private equity firm backed by Goldman Sachs.

Dale T. Brinkman has served as Worthington Industries Vice President-Administration since December 1998 and as Worthington Industries General Counsel since September 1982. He has been Secretary of Worthington Industries since September 2000 and served as Assistant Secretary of Worthington Industries from September 1982 to September 2000.

Andrew J. Billman has served as President of Worthington Cylinder Corporation since August 2011. From February 2010 to August 2011, he served as Vice President-Purchasing for Worthington Industries. He has served in various other positions with the Company since 1991.

Matthew A. Lockard has served as Treasurer of Worthington Industries since February 2009, and as Vice President-Corporate Development of Worthington Industries since July 2005. From April 2001 to July 2005,

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Mr. Lockard served as Vice President-Global Business Development for Worthington Cylinder Corporation. Mr. Lockard served in various other positions with the Company from January 1994 to April 2001.

Ralph V. Roberts has served as Senior Vice President-Marketing of Worthington Industries since January 2001, and also as President of Worthington Global Group, LLC (or its predecessors) since November 2006. From June 1998 through January 2001, he served as President of The Worthington Steel Company, and he held various other positions with the Company from December 1973 to June 1998, including Vice President-Corporate Development and Chief Executive Officer of the WAVE joint venture.

Mark A. Russell has served as President of The Worthington Steel Company since February 2007. From August 2004 through February 2007, Mr. Russell was a partner in Russell & Associates, an acquisition group formed to acquire aluminum products companies.

Eric M. Smolenski has served as Vice President-Human Resources of Worthington Industries since December 2005. From January 2001 to December 2005, Mr. Smolenski served as the Director of Corporate Human Resources Services of Worthington Industries, and he served in various other positions with the Company from January 1994 to January 2001.

Richard G. Welch has served as the Corporate Controller of Worthington Industries since March 2000 and prior thereto, he served as Assistant Controller of Worthington Industries from August 1999 to March 2000. He served as Principal Financial Officer of Worthington Industries on an interim basis from September 2008 to December 2008.

Virgil L. Winland has served as Senior Vice President-Manufacturing of Worthington Industries since January 2001. He served in various other positions with Worthington from 1971 to January 2001, including President of Worthington Cylinder Corporation from June 1998 through January 2001.

Executive officers serve at the pleasure of the directors of the Registrant. There are no family relationships among any of the Registrant s executive officers or directors. No arrangements or understandings exist pursuant to which any individual has been, or is to be, selected as an executive officer of the Registrant.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Shares Information

The common shares of Worthington Industries, Inc. (Worthington Industries) trade on the New York Stock Exchange (NYSE) under the symbol WOR and are listed in most newspapers as WorthgtnInd. As of July 26, 2011, Worthington Industries had 6,941 registered shareholders. The following table sets forth (i) the low and high closing prices and the closing price per share for Worthington Industries common shares for each quarter of fiscal 2010 and fiscal 2011, and (ii) the cash dividends per share declared on Worthington Industries common shares for each quarter of fiscal 2010 and fiscal 2011.

	Market Price			Cash Dividends
	Low	High	Closing	Declared
Fiscal 2010				
Quarter Ended				
August 31, 2009	$ 11.19	$ 15.49	$ 13.17	$ 0.10
November 30, 2009	$ 11.05	$ 15.95	$ 11.71	$ 0.10
February 28, 2010	$ 11.47	$ 17.35	$ 15.84	$ 0.10
May 31, 2010	$ 13.95	$ 17.67	$ 14.72	$ 0.10
Fiscal 2011				
Quarter Ended				
August 31, 2010	$ 12.05	$ 15.36	$ 14.22	$ 0.10
November 30, 2010	$ 14.63	$ 16.59	$ 16.02	$ 0.10
February 28, 2011	$ 16.44	$ 20.00	$ 19.36	$ 0.10
May 31, 2011	$ 18.30	$ 21.83	$ 21.83	$ 0.10

Dividends are declared at the discretion of Worthington Industries Board of Directors. Worthington Industries Board of Directors declared quarterly dividends of $0.10 per common share in fiscal 2011 and fiscal 2010. On June 29, 2011, the Board of Directors declared a quarterly dividend of $0.12 per common share. This dividend is payable on September 29, 2011, to shareholders of record as of September 15, 2011.

The Board of Directors reviews the dividend on a quarterly basis and establishes the dividend rate based upon Worthington Industries financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other factors which the directors may deem relevant. While Worthington Industries has paid a dividend every quarter since becoming a public company in 1968, there is no guarantee this will continue in the future.

Shareholder Return Performance

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be soliciting material or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or Regulation 14C under the Securities Exchange Act of 1934, as amended (the Exchange Act), or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent we specifically incorporate such information into such a filing.

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The following graph compares the five-year cumulative return on Worthington Industries common shares, the S&P Midcap 400 Index and the S&P 1500 Steel Composite Index. The graph assumes that $100 was invested at May 31, 2006, in Worthington Industries common shares and each index.

* $100 invested on 5/31/06 in common shares or index. Assumes reinvestment of dividends when received. Fiscal year ended May 31.

	5/06	5/07	5/08	5/09	5/10	5/11
Worthington Industries, Inc.	$ 100.00	$ 128.47	$ 125.61	$ 93.03	$ 100.70	$ 153.05
S&P Midcap 400 Index	$ 100.00	$ 121.18	$ 118.15	$ 78.57	$ 105.70	$ 140.53
S&P 1500 Steel Composite Index	$ 100.00	$ 154.83	$ 191.57	$ 76.46	$ 95.88	$ 113.47

Data and graph provided by Zacks Investment Research, Inc. Copyright© 2011, Standard & Poor s, a division of The McGraw-Hill Companies, Inc. All rights reserved. Used with permission.

Worthington Industries is a component of the S&P Midcap 400 Index. The S&P 1500 Steel Composite Index, of which Worthington Industries is a component, is the most specific index relative to the largest line of business of Worthington Industries and its subsidiaries. At May 31, 2011, the S&P 1500 Steel Composite Index included 12 steel related companies from the S&P 500, S&P Midcap 400 and S&P 600 indices: AK Steel Holding Corporation; Allegheny Technologies Incorporated; A.M. Castle & Co.; Carpenter Technology Corporation; Cliffs Natural Resources Inc.; Commercial Metals Company; Nucor Corporation; Olympic Steel, Inc.; Reliance Steel & Aluminum Co.; Steel Dynamics, Inc.; United States Steel Corporation; and Worthington Industries.

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Issuer Purchases of Equity Securities

The following table provides information about purchases made by, or on behalf of, Worthington Industries or any affiliated purchaser (as defined in Rule 10b 18(a) (3) under the Exchange Act of 1934) of common shares of Worthington Industries during each month of the fiscal quarter ended May 31, 2011:

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Common Shares that May Yet Be Purchased Under the Plans or Programs (1)
March 1-31, 2011	37,000(2)	$ 19.75	-	3,194,802
April 1-30, 2011	2,704,962(2)	$ 21.35	2,700,000	494,802
May 1-31, 2011	-	-	-	494,802
Total	2,741,962	$ 21.33	2,700,000	

(1) The number shown represents, as of the end of each period, the maximum number of common shares that could be purchased under the publicly announced repurchase authorization then in effect. On September 26, 2007, we announced that our Board of Directors had authorized the repurchase of up to 10,000,000 of Worthington Industries outstanding common shares. A total of 494,802 common shares were available under this repurchase authorization as of May 31, 2011.

On June 29, 2011, our Board of Directors authorized the repurchase of up to an additional 10,000,000 of Worthington Industries outstanding common shares, increasing the total number of common shares available for repurchase to 10,494,802.

The common shares available for repurchase under these authorizations may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other appropriate factors. Repurchases may be made on the open market or through privately negotiated transactions.

(2) Includes an aggregate of 37,000 common shares and 4,962 common shares surrendered by employees in March and April 2011, respectively, to meet tax withholdings upon exercise of stock options. These common shares were not part of the 10,000,000 share repurchase authorization in effect throughout fiscal 2011.

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Item 6. Selected Financial Data

(in thousands, except per share amounts)	Fiscal Year Ended May 31, 2011	2010	2009	2008	2007
FINANCIAL RESULTS					
Net sales	$ 2,442,624	$ 1,943,034	$ 2,631,267	$ 3,067,161	$ 2,971,808
Cost of goods sold	2,086,467	1,663,104	2,456,533	2,711,414	2,610,176
Gross margin	356,157	279,930	174,734	355,747	361,632
Selling, general and administrative expense	235,198	218,315	210,046	231,602	232,487
Impairment of long-lived assets	4,386	35,409	96,943	-	-
Restructuring and other expense	2,653	4,243	43,041	18,111	-
Joint venture transactions	(10,436)	-	-	-	-
Operating income (loss)	124,356	21,963	(175,296)	106,034	129,145
Miscellaneous income (expense)	597	1,127	(2,329)	620	963
Gain on sale of investment in Aegis	-	-	8,331	-	-
Interest expense	(18,756)	(9,534)	(20,734)	(21,452)	(21,895)
Equity in net income of unconsolidated affiliates	76,333	64,601	48,589	67,459	63,213
Earnings (loss) before income taxes	182,530	78,157	(141,439)	152,661	171,426
Income tax expense (benefit)	58,496	26,650	(37,754)	38,616	52,112
Net earnings (loss)	124,034	51,507	(103,685)	114,045	119,314
Net earnings attributable to noncontrolling interest	8,968	6,266	4,529	6,968	5,409
Net earnings (loss) attributable to controlling interest	$ 115,066	$ 45,241	$ (108,214)	$ 107,077	$ 113,905
Earnings (loss) per share diluted:					
Net earnings (loss) per share attributable to controlling interest	$ 1.53	$ 0.57	$ (1.37)	$ 1.31	$ 1.31
Depreciation and amortization	$ 61,058	$ 64,653	$ 64,073	$ 63,413	$ 61,469
Capital expenditures (including acquisitions and investments)	59,891	98,275	109,491	97,343	90,418
Cash dividends declared	29,411	31,676	48,115	54,640	58,380
Per common share	$ 0.40	$ 0.40	$ 0.61	$ 0.68	$ 0.68
Average common shares outstanding diluted	75,409	79,143	78,903	81,898	87,002
FINANCIAL POSITION					
Total current assets	$ 891,635	$ 782,285	$ 598,935	$ 1,104,970	$ 969,383
Total current liabilities	525,002	379,802	372,080	664,895	420,494
Working capital	$ 366,633	$ 402,483	$ 226,855	$ 440,075	$ 548,889
Property, plant and equipment, net	$ 405,334	$ 506,163	$ 521,505	$ 549,944	$ 564,265
Total assets	1,667,249	1,520,347	1,363,829	1,988,031	1,814,182
Total debt	383,210	250,238	239,393	380,450	276,650
Total shareholders equity controlling interest	689,910	711,413	706,069	885,377	936,001
Per share	$ 9.62	$ 8.98	$ 8.94	$ 11.16	$ 11.02
Common shares outstanding	71,684	79,217	78,998	79,308	84,908

Our Automotive Body Panels operations have been excluded from consolidated operating results since their deconsolidation in May 2011. Our Metal Framing operations have been excluded from consolidated operating results since their deconsolidation in March 2011, except for our Metal Framing operations in Canada, which have been excluded since their disposition in November 2009. The acquisition of the net assets of three MISA Metals, Inc. steel processing locations has been reflected since March 2011. The acquisition of our 60% interest in Nitin Cylinders Limited has been reflected since December 2010. The acquisition of the net assets of Hy-Mark Cylinders, Inc. has been reflected since June 2010. The acquisition of the steel processing assets of Gibraltar Industries, Inc. and its subsidiaries has been reflected since February 2010. The acquisition of the membership interests of Structural Composites Industries, LLC has been reflected since September 2009. The acquisition of the net assets related to the businesses of Piper Metal Forming Corporation, U.S. Respiratory, Inc. and Pacific Cylinders, Inc. has been reflected since June 2009. The acquisition of the net assets of Laser Products has been reflected since July 2008. The acquisition of the net assets of The Sharon Companies Ltd. has been reflected since June 2008. The acquisition of the capital stock of Precision Specialty Metals, Inc. has been reflected since August 2006.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Selected statements contained in this Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based, in whole or in part, on management s beliefs, estimates, assumptions and currently available information. For a more detailed discussion of what constitutes a forward-looking statement and of some of the factors that could cause actual results to differ materially from such forward-looking statements, please refer to the Safe Harbor Statement in the beginning of this Annual Report on Form 10-K and Part I Item 1A. Risk Factors of this Annual Report on Form 10-K.

Introduction

Worthington Industries, Inc., together with its subsidiaries (collectively, we, our, Worthington, or the Company), is primarily a diversifi metals processing company, focused on value-added steel processing and manufactured metal products. Our manufactured metal products include: pressure cylinder products such as propane, refrigerant, oxygen, and industrial cylinders, scuba tanks, hand torches, and helium balloon kits; framing systems and stairs for mid-rise buildings; steel pallets and racks; and, through joint ventures, suspension grid systems for concealed and lay-in panel ceilings; laser-welded blanks; light gauge steel framing for commercial and residential construction; and current and past model automotive service stampings. Our number one goal is to increase shareholder value, which we seek to accomplish by optimizing existing operations, developing and commercializing new products and applications, and pursuing strategic acquisitions and joint ventures.

As of May 31, 2011, excluding our joint ventures, we operated 35 manufacturing facilities worldwide, principally in three reportable business segments: Steel Processing, Pressure Cylinders and Metal Framing, each of which is comprised of a similar group of products and services. As more fully described in the ***Recent Business Developments*** section herein, on March 1, 2011, we contributed certain assets of Dietrich Metal Framing (Dietrich) to a newly-formed joint venture, Clarkwestern Dietrich Building Systems LLC (ClarkDietrich), in which we received a 25% noncontrolling interest. We retained seven of the 13 metal framing facilities, which continue to operate, on a short-term basis, to support the transition of the business into the new joint venture. Following this brief transition period, these assets will be disposed of. The financial results and operating performance of the retained facilities will continue to be reported within our Metal Framing operating segment until their expected disposition in fiscal 2012. The contributed net assets, which were deconsolidated effective March 1, 2011, will continue to be reported within Metal Framing on a historical basis.

Operating segments that do not meet the applicable aggregation criteria or materiality tests for separate disclosure, as well as other corporate-related entities, are combined and presented in an Other category for segment reporting purposes. Through May 9, 2011, the operating segments included within the Other category consisted of Automotive Body Panels, Steel Packaging, and the recently formed Worthington Global Group (the Global Group). As more fully described in the ***Recent Business Developments*** section herein, on May 9, 2011, in connection with the contribution of our automotive body panels subsidiary, The Gerstenslager Company (Gerstenslager), to the ArtiFlex joint venture, and the resulting deconsolidation of the contributed net assets, we no longer maintain a separate Automotive Body Panels operating segment. Accordingly, in periods subsequent to May 9, 2011, the operating segments included within the Other category consist of Steel Packaging and the Global Group. We will continue to report the financial results and operating performance of our former Automotive Body Panels operating segment on a historical basis through May 9, 2011.

The Global Group operating segment was formed during the third quarter of our fiscal year ended May 31, 2011 (fiscal 2011) as a result of certain organizational changes impacting the internal reporting and management structure of our then Mid-Rise Construction, Military Construction and Commercial Stairs operating segments. Refer to Note M Segment Data for additional information regarding the Global Group operating segment.

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We also held equity positions in 12 joint ventures, which operated an additional 43 manufacturing facilities worldwide as of May 31, 2011. For more information regarding our operating segments, refer to Part I Item 1. Business of this Annual Report on Form 10-K.

Overview

During fiscal 2011, we continued to benefit from the strengthening of the automotive market as well as the improving overall general economic conditions, both domestically and internationally, that began in the latter part of our fiscal year ended May 31, 2010 (fiscal 2010). Although the construction market remains depressed compared to historical norms, there has been a break from further erosion and some signs of stability. Recent acquisitions by both our Steel Processing and our Pressure Cylinders operating segments have produced solid results and proven complementary to our existing businesses as have our recently formed joint ventures. Continued execution of the Transformation Plan has enhanced efficiencies at our facilities and positioned us to respond more quickly to current and future opportunities and challenges.

Market & Industry Overview

We sell our products and services to a diverse customer base and a broad range of end markets. The breakdown of our net sales by end market for fiscal 2011 and fiscal 2010 is illustrated in the following chart:

The automotive industry is the largest consumer of flat-rolled steel and thus the largest end market for our Steel Processing operating segment. Approximately 49% of the net sales of our Steel Processing operating segment are to the automotive market. North American vehicle production, primarily by Chrysler, Ford and General Motors (the Detroit Three automakers), has a considerable impact on the activity within this operating segment. The majority of the net sales from four of our unconsolidated joint ventures are also to the automotive end market.

As noted in Part I Item 1A. Risk Factors of this Annual Report on Form 10-K, we believe that the damage caused by the earthquake and resulting tsunami that struck Japan on March 11, 2011, has caused disruptions in and negatively impacted many of the markets we serve. As the impact from this catastrophe continues to evolve, we are currently unable to determine how deep or how long the impact will be on each of our markets. We continue to monitor the situation and are prepared to act as outcomes become more evident.

Substantially all of the net sales of our Metal Framing and Global Group operating segments, as well as approximately 11% of the net sales of our Steel Processing operating segment, are to the construction market, both residential and non-residential. We estimate that approximately 10% of our net sales to the construction market are to the residential sector. While the market price of steel significantly impacts these businesses, there are other key indicators that are meaningful in analyzing construction market demand, including U.S. gross domestic product (GDP), the Dodge Index of construction contracts and trends in the relative price of framing lumber and steel. The construction market is also the predominant end market of two of our joint ventures, Worthington Armstrong Venture (WAVE) and ClarkDietrich, whose net sales are not included in our consolidated operating results.

The net sales of our Pressure Cylinders and Steel Packaging operating segments and approximately 40% of the net sales of our Steel Processing operating segment are to other markets such as leisure and recreation, industrial gas, HVAC, lawn and garden, agriculture and appliance. Given the different products that make up these net sales and the wide variety of end markets, it is difficult to detail the key market indicators that drive this portion of our business. However, we believe that the trend in U.S. GDP is generally a good economic indicator for analyzing the performance of these operating segments.

We use the following information to monitor our costs and demand in our major end markets:

	Fiscal Year Ended May 31,			Inc / (Dec)	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
U.S. GDP (% growth year-over-year)[1]	2.7%	0.1%	-1.0%	2.6%	1.1%
Hot-Rolled Steel ($ per ton)[2]	$ 680	$ 549	$ 726	$ 131	($ 177)
Detroit Three Auto Build (000s vehicles)[3]	7,251	5,650	5,606	1,601	44
No. America Auto Build (000s vehicles)[3]	12,756	10,643	9,880	2,113	763
Zinc ($ per pound)[4]	$ 1.00	$ 0.94	$ 0.65	$ 0.06	$ 0.29
Natural Gas ($ per mcf)[5]	$ 4.14	$ 4.35	$ 7.02	($ 0.21)	($ 2.67)
On-Highway Diesel Fuel Prices ($ per gallon)[6]	$ 3.35	$ 2.77	$ 3.17	$ 0.58	($ 0.40)

[1] 2011 figures based on revised actuals [2] CRU Index; annual average [3] CSM Autobase [4] LME Zinc; annual average [5] NYMEX Henry Hub Natural Gas; annual average [6] Energy Information Administration; annual average (excludes taxes)

U.S. GDP growth rate trends are generally indicative of the strength in demand and, in many cases, pricing for our products. A year-over-year increase in U.S. GDP growth rates is indicative of a stronger economy, which generally increases demand and pricing for our products. Conversely, decreasing U.S. GDP growth rates generally indicate the opposite effect, which we experienced during the first six months of fiscal 2010. Changes in U.S. GDP growth rates can also signal changes in conversion costs related to production and in selling, general and administrative (SG&A) expenses. The fourth quarter of fiscal 2011 is the sixth quarter in a row of positive year-over-year change in U.S. GDP.

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The market price of hot-rolled steel is one of the most significant factors impacting our selling prices and operating results. When steel prices fall, we typically have higher-priced material flowing through cost of goods sold, while selling prices compress to what the market will bear, negatively impacting our results. On the other hand, in a rising price environment, our results are generally favorably impacted, as lower-priced material purchased in previous periods flows through cost of goods sold, while our selling prices increase at a faster pace to cover current replacement costs. The following table presents the average quarterly market price per ton of hot-rolled steel during fiscal 2011 and fiscal 2010.

(dollars per ton [1])	Fiscal Year		Inc / (Dec)	
	2011	2010	2011 vs. 2010	
1st Quarter	$ 611	$ 439	$ 172	39.2%
2nd Quarter	$ 557	$ 538	$ 19	3.5%
3rd Quarter	$ 699	$ 549	$ 150	27.3%
4th Quarter	$ 851	$ 669	$ 182	27.2%
Annual Avg.	$ 680	$ 549	$ 131	23.9%

[1] CRU Hot-Rolled Index

No single customer contributed more than 10% of our consolidated net sales during fiscal 2011. While our automotive business is largely driven by the production schedules of the Detroit Three automakers, our customer base is much broader and includes other domestic manufacturers and many of their suppliers. During fiscal 2011, we continued to build upon the improvement in automotive production from the Detroit Three automakers that began in the latter part of fiscal 2010. Vehicle production for the Detroit Three automakers during fiscal 2011 was up 28% over fiscal 2010. Additionally, North American vehicle production during fiscal 2011 was up 20% over fiscal 2010.

Certain other commodities, such as zinc, natural gas and diesel fuel, represent a significant portion of our cost of goods sold, both directly through our plant operations and indirectly through transportation and freight expense.

Recent Business Developments

On July 1, 2011, our Pressure Cylinders operating segment purchased substantially all of the net assets of the BernzOmatic business (Bernz) from Irwin Industrial Tool Company, a subsidiary of Newell Rubbermaid, Inc. (the Seller), for cash consideration of approximately $51.0 million. The assets purchased include substantially all of the operating assets of Bernz, including machinery and equipment, intellectual property, inventories and the Bernz-owned facility in Winston-Salem, North Carolina. We will lease the Medina, New York facility from the Seller. Additionally, accounts receivable as of the closing date are being retained by the Seller. Foreign inventories and operations will transition to us over a period of approximately 90 days. We also generally assumed the trade accounts payable of Bernz arising in the ordinary course of business as of the closing date.

On May 9, 2011, our automotive body panels subsidiary, Gerstenslager, closed an agreement with International Tooling Solutions, LLC, a tooling design and build company, to combine their businesses in a newly-formed joint venture. This new joint venture, ArtiFlex, provides an integrated solution for engineering, tooling, stamping, assembly and other services to customers primarily in the automotive industry. Our investment in ArtiFlex is accounted for under the equity method, as our ownership interest does not constitute a controlling financial interest. As we do not have a controlling financial interest in ArtiFlex, the contributed net assets were deconsolidated effective May 9, 2011.

On March 18, 2011, we joined with Gestamp Renewables group to create Gestamp Worthington Wind Steel, LLC, a 50%-owned joint venture focused on producing towers for wind turbines being

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constructed in North America. This unconsolidated joint venture has identified Cheyenne, Wyoming as the site of its initial production facility. We anticipate contributing $9.5 million of cash to the Gestamp JV, mostly in fiscal 2012. Our investment in this joint venture is accounted for under the equity method, as our ownership interest does not constitute a controlling financial interest.

On March 1, 2011, we closed an agreement with Marubeni-Itochu Steel America Inc. (MISA) to combine certain assets of Dietrich and ClarkWestern Building Systems in a newly-created joint venture. In exchange for the contributed net assets, we received a 25% interest in the new joint venture, ClarkDietrich, as well as the assets of certain MISA Metals, Inc. (MMI) steel processing locations, some of which were subsequently classified as assets held for sale in our consolidated balance sheet. Our contribution to ClarkDietrich consisted of our metal framing business, including all of the related working capital and six of the 13 facilities. We retained and continue to operate the remaining facilities, on a short-term basis, to support the transition of the business into the new joint venture. Following this brief transition period, these assets will be disposed of. Our investment in ClarkDietrich is accounted for under the equity method, as our ownership interest does not constitute a controlling financial interest. As we do not have a controlling financial interest in ClarkDietrich, the contributed net assets were deconsolidated effective March 1, 2011.

On December 28, 2010, we acquired a 60% ownership interest in Nitin Cylinders Limited, which is now Worthington Nitin Cylinders Limited (WNCL), for cash consideration of approximately $21.2 million. WNCL is a manufacturer of high pressure, seamless steel cylinders for compressed industrial gases and compressed natural gas storage in motor vehicles. The results of this joint venture are consolidated in our Pressure Cylinders operating segment due to our controlling financial interest.

On November 19, 2010, we joined with Hubei Modern Urban Construction and Development Group Co., Ltd. (HMUCG) of China to create Worthington Modern Steel Framing Manufacturing Co. Ltd (WMSFMCo.). We contributed approximately $6.2 million of cash in exchange for our 40% ownership interest in the joint venture. The purpose of WMSFMCo. is to design, manufacture, assemble and distribute steel framing materials and accessories for construction projects in five Central Chinese provinces and to provide project management and building design and construction supply services for those projects. Our investment in this joint venture is accounted for under the equity method, as our ownership interest does not constitute a controlling financial interest.

On June 21, 2010, our Pressure Cylinders operating segment acquired, for cash consideration of $12.2 million, the net assets of Hy-Mark Cylinders, Inc. (Hy-Mark), which manufactured extruded aluminum cylinders for medical oxygen, scuba, beverage service, industrial specialty and professional racing applications. The assets of Hy-Mark have been moved to our pressure cylinders facility located in Mississippi.

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Results of Operations

Fiscal 2011 Compared to Fiscal 2010

Consolidated Operations

The following table presents consolidated operating results:

	Fiscal Year Ended May 31,				
(dollars in millions)	2011	% of Net sales	2010	% of Net sales	Increase/ (Decrease)
Net sales	$ 2,442.6	100.0%	$ 1,943.0	100.0%	$ 499.6
Cost of goods sold	2,086.4	85.4%	1,663.1	85.6%	423.3
Gross margin	356.2	14.6%	279.9	14.4%	76.3
Selling, general and administrative expense	235.2	9.6%	218.3	11.2%	16.9
Impairment of long-lived assets	4.4	0.2%	35.4	1.8%	(31.0)
Restructuring and other expense	2.6	0.1%	4.2	0.2%	(1.6)
Joint venture transactions	(10.4)	0.4%	-	0.0%	(10.4)
Operating income	124.4	5.1%	22.0	1.1%	102.4
Miscellaneous income	0.6	0.0%	1.1	0.1%	(0.5)
Interest expense	(18.8)	-0.8%	(9.5)	-0.5%	9.3
Equity in net income of unconsolidated affiliates	76.3	3.1%	64.6	3.3%	11.7
Income tax expense	(58.5)	-2.4%	(26.7)	-1.4%	31.8
Net earnings	124.0	5.1%	51.5	2.7%	72.5
Net earnings attributable to noncontrolling interest	(8.9)	-0.4%	(6.3)	-0.3%	(2.6)
Net earnings attributable to controlling interest	$ 115.1	4.7%	$ 45.2	2.3%	$ 69.9

Net earnings represent the results for our consolidated operations, including 100% of our consolidated joint ventures, Spartan Steel Coating, LLC (Spartan) and WNCL. The noncontrolling interest, or 48% of Spartan and 40% of WNCL, is subtracted to arrive at net earnings attributable to controlling interest (i.e., Worthington). For fiscal 2011, net earnings attributable to controlling interest were $115.1 million, an increase of $69.9 million from fiscal 2010.

Net sales increased $499.6 million from fiscal 2010 to $2,442.6 million. Higher volumes increased net sales by $271.3 million, most notably in our Steel Processing and Pressure Cylinders operating segments. Additionally, average selling prices increased over the prior fiscal year due to the higher cost of steel, favorably impacting net sales by $228.3 million in fiscal 2011. Selling prices are affected by the market price of steel, which averaged $680 per ton for fiscal 2011 as compared to an average of $549 per ton for fiscal 2010 (an increase of 24%).

Gross margin improved $76.3 million from fiscal 2010. The improvement in gross margin was primarily due to increased volumes in our Steel Processing and Pressure Cylinders operating segments, as well as an increase in the spread between average selling prices and the cost of steel, most notably in Steel Processing.

SG&A expense increased $16.9 million from fiscal 2010, primarily due to the impact of acquisitions and higher profit sharing and bonus expense, driven by the increase in net earnings during fiscal 2011.

Impairment charges decreased $31.0 million from fiscal 2010. Fiscal 2011 impairment charges of $4.4 million were comprised of the impairment of certain long-lived assets within our Global Group operating segment ($2.5 million) and our Steel Packaging operating segment ($1.9 million). This

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compares to impairment charges of $35.4 million in fiscal 2010, consisting primarily of the impairment of goodwill and other long-lived assets of our Commercial Stairs business unit reported as part of our then Construction Services operating segment ($32.7 million) as well as the impairment of certain long-lived assets within our Steel Packaging operating segment ($2.7 million). For additional information regarding these impairment charges, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note C Goodwill and Other Long-Lived Assets.

Restructuring and other expense decreased $1.6 million from fiscal 2010. Substantially all of the activity in both fiscal 2011 and fiscal 2010 was associated with the Transformation Plan, which continued to progress through the remaining steel processing facilities as well as the metal framing facilities that are now part of ClarkDietrich. Restructuring charges incurred in fiscal 2011 consisted primarily of employee severance and facility exit costs. Restructuring charges incurred in fiscal 2010 also consisted of employee severance and facility exit costs as well as professional fees. For additional information regarding these restructuring charges, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense.

Fiscal 2011 operating income was also favorably impacted by a one-time net gain of $10.4 million related to the contribution of certain net assets to our newly formed joint ventures, Artiflex and ClarkDietrich, and the corresponding deconsolidations of Gerstenslager and Dietrich. A one-time gain of approximately $8.6 million was recognized in connection with the deconsolidation of Gerstenslager, which was recorded net of impairment charges of approximately $6.4 million related to certain long-lived assets retained in the transaction. Similarly, a one-time gain of approximately $1.8 million was recognized in connection with the deconsolidation of Dietrich, which was recorded net of impairment charges of approximately $18.3 million and restructuring charges of approximately $11.2 million incurred in connection with the metal framing facilities retained. We continue to operate these facilities, on a short-term basis, to support the transition of the business into the new joint venture. Following this brief transition period, these assets will be disposed of. For additional information regarding the items classified as joint venture transactions in our consolidated statements of earnings, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies.

Interest expense increased $9.3 million from fiscal 2010 primarily due to higher interest rates as a result of the April 2010 issuance of 6.50% notes due April 15, 2020 with an aggregate principal amount of $150.0 million. Higher debt levels driven by acquisitions, share repurchases and increased working capital needs also contributed to the increase in interest expense in fiscal 2011.

Equity in net income of unconsolidated affiliates increased $11.7 million from fiscal 2010. The majority of our equity in net income of unconsolidated affiliates is attributed to our WAVE joint venture, where net income increased 7% from fiscal 2010. Four other joint ventures, TWB Company, Worthington Specialty Processing, Serviacero Worthington and Samuel Steel Pickling all contributed earnings and showed a combined improvement of $5.1 million over fiscal 2010. ClarkDietrich also contributed to the fiscal 2011 increase, providing $2.1 million of equity income since its formation on March 1, 2011. For additional information regarding our unconsolidated affiliates, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note B Investments in Unconsolidated Affiliates.

Income tax expense increased $31.8 million from fiscal 2010. Fiscal 2011 income tax expense reflects an effective tax rate attributable to controlling interest of 33.7% versus 37.1% in fiscal 2010. These rates are calculated based on net earnings attributable to controlling interest, as reflected in our consolidated statements of earnings. The decrease in the effective tax rate attributable to controlling interest was due primarily to (i) various changes in the estimated valuation of deferred

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taxes, including a $3.0 million valuation allowance recorded during fiscal 2010 related to net operating losses previously reported in state income tax filings, and (ii) the change in the mix of income among the jurisdictions in which we do business, partially offset by the impact of a fiscal 2010 tax benefit associated with the previously mentioned impairment charges. The 33.7% rate is lower than the federal statutory rate of 35.0% primarily as a result of the benefits from lower tax rates on foreign income and the qualified production activities deduction (collectively decreasing the rate by 4.1%). These impacts were partially offset by state and local income taxes of 2.8% (net of their federal tax benefit). For additional information regarding the deviation from statutory income tax rates, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note K Income Taxes.

Segment Operations

Steel Processing

The following table summarizes the operating results of our Steel Processing operating segment for the periods indicated:

	Fiscal Year Ended May 31,				
(dollars in millions)	2011	% of Net sales	2010	% of Net sales	Increase/ (Decrease)
Net sales	$ 1,405.5	100.0%	$ 989.0	100.0%	$ 416.5
Cost of goods sold	1,216.5	86.6%	853.2	86.3%	363.3
Gross margin	189.0	13.4%	135.8	13.7%	53.2
Selling, general and administrative expense	111.6	7.9%	84.9	8.6%	26.7
Restructuring and other income	(0.3)	0.0%	(0.5)	-0.1%	0.2
Operating income	$ 77.7	5.5%	$ 51.4	5.2%	$ 26.3
Material cost	$ 1,001.9		$ 685.3		$ 316.6
Tons shipped (in thousands)	2,589		2,055		534

Net sales and operating income highlights were as follows:

Net sales increased by $416.5 million from fiscal 2010 to $1,405.5 million. Direct and toll volume increased 25% and 27%, respectively, accounting for $256.3 million of the increase in net sales during fiscal 2011. The increase in volume was driven by stronger economic conditions, especially in the automotive end market. Additionally, higher base material prices in fiscal 2011 led to increased pricing for our products, favorably impacting net sales by $160.2 million over fiscal 2010.

Operating income increased by $26.3 million from fiscal 2010 to $77.7 million. Higher volumes, aided by the impact of acquisitions, improved operating income by $53.9 million. The impact of higher volumes, however, was partially offset by higher manufacturing expenses. Additionally, SG&A expense increased $26.7 million during fiscal 2011 due to higher profit sharing and bonus expenses, the impact of acquisitions and an increase in the portion of allocated corporate expenses.

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Pressure Cylinders

The following table summarizes the operating results of our Pressure Cylinders operating segment for the periods indicated:

	Fiscal Year Ended May 31,				
(dollars in millions)	**2011**	**% of Net sales**	**2010**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 591.9	100.0%	$ 467.6	100.0%	$ 124.3
Cost of goods sold	474.8	80.2%	376.0	80.4%	98.8
Gross margin	117.1	19.8%	91.6	19.6%	25.5
Selling, general and administrative expense	68.1	11.5%	61.2	13.1%	6.9
Restructuring and other expense	-	0.0%	0.3	0.1%	(0.3)
Operating income	$ 49.0	8.3%	$ 30.1	6.4%	$ 18.9
Material cost	$ 273.9		$ 208.3		$ 65.6
Units shipped (in thousands)	59,037		55,436		3,601

Net sales and operating income highlights were as follows:

- Net sales increased by $124.3 million from fiscal 2010 to $591.9 million. Higher volumes increased net sales by $92.2 million driven by the continued recovery in the European industrial gas and automotive markets, stable market conditions in our North American operations and the impact of acquisitions. Additionally, higher overall pricing for our products increased net sales by $32.1 million over fiscal 2010.

- Operating income increased $18.9 million from fiscal 2010 to $49.0 million. Strong results from our North American operations, and the improvement and return to profitability of our European operations were the primary drivers of the increase in fiscal 2011 operating income. SG&A expense increased $6.9 million in fiscal 2011 mainly due to higher profit sharing and bonus expenses, the impact of acquisitions and an increase in the portion of allocated corporate expenses.

Metal Framing

The following table summarizes the operating results of our Metal Framing operating segment for the periods indicated. The operating results of the net assets contributed to ClarkDietrich are included through March 1, 2011, the date they were deconsolidated.

	Fiscal Year Ended May 31,				
(dollars in millions)	**2011**	**% of Net sales**	**2010**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 249.5	100.0%	$ 330.6	100.0%	$ (81.1)
Cost of goods sold	225.8	90.5%	294.6	89.1%	(68.8)
Gross margin	23.7	9.5%	36.0	10.9%	(12.3)
Selling, general and administrative expense	31.6	12.7%	42.3	12.8%	(10.7)
Restructuring and other expense	1.4	0.6%	3.9	1.2%	(2.5)
Joint venture transactions	(1.8)	0.7%	-	0.0%	1.8
Operating loss	$ (7.5)	-3.0%	$ (10.2)	-3.1%	$ 2.7

Material cost	$ 161.0	$ 200.2	$ (39.2)
Tons shipped (in thousands)	184	278	(94)

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Net sales and operating loss highlights were as follows:

Net sales decreased by $81.1 million from fiscal 2010 to $249.5 million. A 34% decline in volumes, driven by the contribution of our metal framing business to ClarkDietrich as well as depressed levels of demand in the commercial and residential construction markets, reduced net sales by $111.9 million. Higher base material prices led to increased pricing for our products, favorably impacting net sales by $30.8 million.

Operating loss decreased $2.7 million from fiscal 2010 to $7.5 million. Gross margin decreased $12.3 million in fiscal 2011 driven by lower volumes due to the contribution of our metal framing business to ClarkDietrich as well as depressed levels of demand. The impact of the decrease in gross margin during fiscal 2011 was partially offset by a $10.7 million decrease in SG&A expense, also driven by lower volumes.

Additionally, a one-time net gain of $1.8 million recognized in connection with the deconsolidation of certain net assets of Dietrich also favorably impacted fiscal 2011 operating results. This gain was recorded net of impairment and restructuring charges incurred in connection with certain metal framing facilities retained of $18.3 million and $11.2 million, respectively. We continue to operate these facilities, on a short-term basis, to support the transition of the business into the new joint venture. Following this brief transition period, these assets will be disposed of. For additional information regarding the items classified as joint venture transactions in our consolidated statements of earnings, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies.

Other

The Other category includes our Steel Packaging and Global Group operating segments, which do not meet the materiality tests for purposes of separate disclosure, as well as certain income and expense items not allocated to our operating segments. The Other category also includes the results of our former Automotive Body Panels operating segment, on a historical basis, through May 9, 2011.

The following table summarizes the operating results of the Other category for the periods indicated:

	Fiscal Year ended May 31,				
(dollars in millions)	**2011**	**% of Net sales**	**2010**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 195.6	100.0%	$ 155.9	100.0%	$ 39.7
Cost of goods sold	169.3	86.6%	139.5	89.5%	29.8
Gross margin	26.3	13.4%	16.4	10.5%	9.9
Selling, general and administrative expense	23.6	12.1%	29.8	19.1%	(6.2)
Impairment of long-lived assets	4.4	2.2%	35.4	22.7%	(31.0)
Restructuring and other expense	1.6	0.8%	0.5	0.3%	1.1
Joint venture transactions	(8.6)	4.4%	-		(8.6)
Operating income (loss)	$ 5.3	2.7%	$ (49.3)	-31.6%	$ 54.6

Net sales and operating income (loss) highlights were as follows:

Net sales increased $39.7 million in fiscal 2011 to $195.6 million, as volumes across all operating segments increased. Construction-related business units within the Global Group operating segment, however, continue to be negatively affected by the weakness in the commercial construction.

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Operating income improved $54.6 million from fiscal 2010 to $5.3 million. An increase in gross margin during fiscal 2011, aided by improvements in most operating segments, favorably impacted operating income by $9.9 million. Additionally, impairment charges decreased $31.0 million from fiscal 2010. Fiscal 2011 impairment charges of $4.4 million were comprised of the impairment of certain long-lived assets within our Global Group operating segment ($2.5 million) and our Steel Packaging operating segment ($1.9 million). This compares to impairment charges of $35.4 million in fiscal 2010, consisting primarily of the impairment of goodwill and other long-lived assets of our previously reported Construction Services operating segment ($32.7 million) as well as the impairment of certain long-lived assets within our Steel Packaging operating segment ($2.7 million).

Fiscal 2011 operating income was also favorably impacted by a one-time net gain of $8.6 million recognized in connection with the deconsolidation of Gerstenslager. This gain was recorded net of impairment charges of approximately $6.4 million related to certain long-lived assets of Gerstenslager that were retained. For additional information regarding the items classified as joint venture transactions in our consolidated statements of earnings, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies.

Fiscal 2010 Compared to Fiscal 2009

Consolidated Operations

The following table presents consolidated operating results:

	Fiscal Year Ended May 31,				
(dollars in millions)	**2010**	**% of Net sales**	**2009**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 1,943.0	100.0%	$ 2,631.3	100.0%	$ (688.3)
Cost of goods sold	1,663.1	85.6%	2,456.6	93.4%	(793.5)
Gross margin	279.9	14.4%	174.7	6.6%	105.2
Selling, general and administrative expense	218.3	11.2%	210.0	8.0%	8.3
Impairment of long-lived assets	35.4	1.8%	97.0	3.7%	(61.6)
Restructuring and other expense	4.2	0.2%	43.0	1.6%	(38.8)
Operating income (loss)	22.0	1.1%	(175.3)	-6.7%	197.3
Miscellaneous income (expense)	1.1	0.1%	(2.4)	-0.1%	(3.5)
Gain on sale of investment in Aegis Metal Framing, LLC	-	0.0%	8.3	0.3%	(8.3)
Interest expense	(9.5)	-0.5%	(20.7)	-0.8%	(11.2)
Equity in net income of unconsolidated affiliates	64.6	3.3%	48.6	1.8%	16.0
Income tax (expense) benefit	(26.7)	-1.4%	37.8	1.4%	64.5
Net earnings (loss)	51.5	2.7%	(103.7)	-3.9%	155.2
Net earnings attributable to noncontrolling interest	(6.3)	-0.3%	(4.5)	-0.2%	(1.8)
Net earnings (loss) attributable to controlling interest	$ 45.2	2.3%	$ (108.2)	-4.1%	$ 153.4

Net earnings attributable to controlling interest were $45.2 million for fiscal 2010, compared to a net loss attributable to controlling interest of $108.2 million for fiscal 2009.

Net sales in fiscal 2010 decreased $688.3 million from fiscal 2009 to $1,943.0 million. Decreased volumes, primarily in our Metal Framing operating segment and former Mid-Rise Construction and Military Construction operating segments, lowered net sales by $363.3 million. Lower average selling prices made up the remaining decrease, lowering net sales by $325.0 million. Selling prices are affected by the market price of steel, which averaged $549 per ton for fiscal 2010 as compared to an average of $726 per ton for fiscal 2009 (down 24%).

Gross margin in fiscal 2010 increased $105.2 million from fiscal 2009, and as a percent of net sales to 14.4% from 6.6%. This was primarily due to a $129.4 million improvement in the spread between selling prices and material costs, and $60.9 million in savings and efficiencies in manufacturing expenses, largely as a result of the Transformation Plan. The improved spread and manufacturing efficiencies were partially offset by depressed volumes, which reduced the gross margin by $85.1 million.

SG&A expense increased $8.3 million from fiscal 2009, largely as a result of higher profit sharing and bonus expense. Improvements in current year earnings and lower award achievement in the prior year resulted in an $18.7 million increase in fiscal 2010 expense. This was partially offset by decreased bad debt expense of $9.2 million in fiscal 2010, primarily related to large automotive customers in the Steel Processing and Automotive Body Panels operating segments emerging from bankruptcy, making payments on their accounts and no longer requiring previously established allowances due to risks of insolvency.

Impairment charges of $35.4 million for fiscal 2010 represented the third quarter write-off of goodwill and impairment charges for the former Construction Services operating segment ($32.7 million) and the second quarter impairment of long-lived assets related to the Steel Packaging operating segment ($2.7 million). The fiscal 2009 goodwill impairment charge of $97.0 million related to the Metal Framing operating segment, as the forecasted cash flows and discount rate assumptions used in valuing this operating segment were revised to reflect a weakened economy and construction market, which resulted in a valuation of the business which no longer supported the goodwill balance. The pre-tax restructuring charges of $4.2 million in fiscal 2010 and $43.0 million in fiscal 2009 related to the Transformation Plan, and included costs related to professional fees, facility closures and job reductions.

Interest expense of $9.5 million in fiscal 2010 declined $11.2 million from fiscal 2009 due to lower interest rates and lower average borrowings. We redeemed $118.5 million of 6.70% senior notes due December 1, 2009 (the 2009 Notes) in June 2009, and the remaining $19.5 million of the 2009 Notes upon maturity in December 2009. The redemptions were funded by a combination of cash on hand and borrowings under existing credit facilities, which carried a lower interest rate than the 2009 Notes.

Equity in net income of unconsolidated affiliates of $64.6 million was largely made up of earnings from our WAVE joint venture, which were up 6%. Although WAVE is predominantly in the construction market, a majority of its sales go to the renovation sector, which had not been as heavily affected by the general downturn in the construction markets. Most of our other joint ventures also experienced improvements in their earnings. See Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note B Investments in Unconsolidated Affiliates for further information about our participation in unconsolidated joint ventures.

Income tax expense for fiscal 2010 was $26.7 million compared to a tax benefit of $37.8 million from the net loss in fiscal 2009. The fiscal 2010 expense represents an effective tax rate attributable to controlling interest of 37.1% versus 25.9% in fiscal 2009. These rates are calculated on net earnings or loss attributable to controlling interest, as reflected in our consolidated statements of earnings. The change in the effective tax rate attributable to controlling interest was primarily due to the weakness in our European cylinders operations, resulting in a higher mix of domestic income, which is taxed at a higher rate relative to foreign income, and the non-deductible goodwill impairment in fiscal 2009. In addition, a $3.0 million valuation allowance was recorded during the fourth quarter of fiscal 2010 against deferred tax assets, related to net operating losses previously reported in state income tax filings, of the Metal Framing operating segment.

The 37.1% rate is higher than the federal statutory rate of 35.0%, largely as a result of the change in valuation allowances, income tax accruals for tax audit resolutions and changes in estimated deferred taxes (collectively increasing the rate by 6.6%). These impacts were offset by benefits from the qualified production activities deduction and lower tax rates on foreign income (collectively decreasing the rate by 3.7%). For additional information regarding the deviation from statutory income rates, see Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note K Income Taxes.

Segment Operations

Steel Processing

The following table summarizes the operating results of our Steel Processing operating segment for the periods indicated:

(dollars in millions)	Fiscal Year Ended May 31, 2010	% of Net sales	2009	% of Net sales	Increase/ (Decrease)
Net sales	$ 989.0	100.0%	$ 1,183.0	100.0%	$ (194.0)
Cost of goods sold	853.2	86.3%	1,167.4	98.7%	(314.2)
Gross margin	135.8	13.7%	15.6	1.3%	120.2
Selling, general and administrative expense	84.9	8.6%	79.8	6.7%	5.1
Restructuring and other expense (income)	(0.5)	-0.1%	3.9	0.3%	(4.4)
Operating income (loss)	$ 51.4	5.2%	$ (68.1)	-5.8%	$ 119.5
Material cost	$ 685.3		$ 991.4		$ (306.1)
Tons shipped (in thousands)	2,055		2,011		44

Net sales and operating income (loss) highlights were as follows:

Net sales decreased by $194.0 million from fiscal 2009 to $989.0 million. The decrease was primarily attributable to lower average pricing ($217.1 million) due to the lower base prices of hot-rolled steel during fiscal 2010. Partially offsetting the decrease was stronger demand, particularly in the automotive market, as well as additional net sales resulting from the acquisition of the steel processing assets of Gibraltar Industries, Inc. (the Gibraltar Assets) in fiscal 2010.

Operating income was $51.4 million in fiscal 2010, compared to an operating loss of $68.1 million in fiscal 2009. Stronger demand, driven by the improved economy, and a larger spread between average selling prices and material costs, along with the acquisition of Gibraltar s steel processing assets, resulted in an aggregate $119.5 million increase to operating income. SG&A expense was $5.1 million higher than in fiscal 2009, primarily due to higher profit sharing and bonus expenses, as well as the acquisition of the Gibraltar Assets, but was partially offset by a reduction in bad debt expense. Restructuring and other expense in fiscal 2009 related largely to the Transformation Plan.

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Pressure Cylinders

The following table summarizes the operating results of our Pressure Cylinders operating segment for the periods indicated:

	Fiscal Year Ended May 31,				
(dollars in millions)	2010	% of Net sales	2009	% of Net sales	Increase/ (Decrease)
Net sales	$ 467.6	100.0%	$ 537.4	100.0%	$ (69.8)
Cost of goods sold	376.0	80.4%	429.8	80.0%	(53.8)
Gross margin	91.6	19.6%	107.6	20.0%	(16.0)
Selling, general and administrative expense	61.2	13.1%	45.4	8.4%	15.8
Restructuring and other expense	0.3	0.1%	1.0	0.2%	(0.7)
Operating income	$ 30.1	6.4%	$ 61.2	11.4%	$ (31.1)
Material cost	$ 208.3		$ 257.5		$ (49.2)
Units shipped (in thousands)	55,436		47,639		7,797

Net sales and operating income highlights were as follows:

Net sales of $467.6 million represented a decrease of $69.8 million from fiscal 2009. Weak demand, primarily in our European operations, and lower average selling prices were the drivers behind this decrease. The decrease in net sales was partially offset by the acquisitions of Structural Composites Industries, LLC (SCI) and Piper Metal Forming Corporation, U.S. Respiratory, Inc. and Pacific Cylinders, Inc. (collectively Piper), which took place during fiscal 2010, and contributed $43.1 million in net sales.

Operating income in fiscal 2010 decreased $31.1 million from fiscal 2009. An unfavorable change in the sales mix reduced gross margin by $21.4 million, while operational improvements and efficiencies in manufacturing expenses aided gross margin by $5.4 million. Gross margin as a percentage of net sales was stable at 19.6%. SG&A expenses increased $15.8 million, primarily due to the acquisitions of SCI and Piper, charges and expenses related to litigation and an increased share of corporate profit sharing, bonus and other expenses.

Metal Framing

The following table summarizes the operating results of our Metal Framing operating segment for the periods indicated:

	Fiscal Year Ended May 31,				
(dollars in millions)	2010	% of Net sales	2009	% of Net sales	Increase/ (Decrease)
Net sales	$ 330.6	100.0%	$ 661.0	100.0%	$ (330.4)
Cost of goods sold	294.6	89.1%	638.1	96.5%	(343.5)
Gross margin	36.0	10.9%	22.9	3.5%	13.1
Selling, general and administrative expense	42.3	12.8%	54.9	8.3%	(12.6)
Goodwill impairment	-	0.0%	96.9	14.7%	(96.9)
Restructuring and other expense	3.9	1.2%	13.7	2.1%	(9.8)
Operating loss	$ (10.2)	-3.1%	$ (142.6)	-21.6%	$ 132.4

Material cost	$ 200.2	$ 502.1	$ (301.9)
Tons shipped (in thousands)	278	459	(181)

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Net sales and operating loss highlights were as follows:

Net sales decreased by $330.4 million from fiscal 2009 to $330.6 million. Lower volumes reduced net sales by $259.3 million, and lower average selling prices decreased net sales by $71.1 million. Lower volumes were largely attributable to the weak economy and depressed levels of demand in the commercial and residential construction markets. Lower average selling prices were mainly due to the lower average base prices of steel in fiscal 2010.

The operating loss of $10.2 million in fiscal 2010 improved from a $142.6 million operating loss in fiscal 2009. Fiscal 2009 s results included a $96.9 million goodwill impairment charge recorded in the second fiscal quarter. In fiscal 2010, weak volumes were offset by lower manufacturing and SG&A expenses realized from plant closures and headcount reductions. Additionally, the spread between average selling prices and material costs improved as reductions in material costs were realized.

Other

The following table summarizes the operating results of the Other category for the periods indicated:

	Fiscal Year ended May 31,				
(dollars in millions)	2010	% of Net sales	2009	% of Net sales	Increase/ (Decrease)
Net sales	$ 155.9	100.0%	$ 249.9	100.0%	$ (94.0)
Cost of goods sold	139.5	89.5%	221.3	88.6%	(81.8)
Gross margin	16.4	10.5%	28.6	11.4%	(12.2)
Selling, general and administrative expense	29.8	19.1%	29.9	12.0%	(0.1)
Impairment of long-lived assets	35.4	22.7%	-	0.0%	35.4
Restructuring and other expense	0.5	0.3%	24.5	9.8%	(24.0)
Operating loss	$ (49.3)	-31.6%	$ (25.8)	-10.3%	$ (23.5)

Net sales and operating loss highlights were as follows:

Net sales decreased by $94.0 million in fiscal 2010 to $155.9 million. Net sales in the Mid-Rise Construction, Military Construction, and Commercial Stairs operating segments decreased an aggregate of $71.8 million from fiscal 2009, primarily due to the ongoing depressed construction market. The Automotive Body Panels and Steel Packaging operating segments also experienced lower volumes, resulting in reductions in net sales of $10.9 million and $11.3 million, respectively.

The operating loss widened by $23.5 million versus fiscal 2009 due to the lower volumes mentioned above and $35.4 million in impairment charges. We recognized a $24.7 million write-off of goodwill and an $8.0 million impairment of other long-lived assets related to the former Construction Services operating segment, and a $2.7 million impairment of long-lived assets related to the Steel Packaging operating segment. These impairments were partially offset by lower restructuring charges related to the Transformation Plan, as the outside consulting fees associated with this effort have ceased. The responsibility for executing the Transformation Plan has been assumed by our internal teams.

Liquidity and Capital Resources

During fiscal 2011, we generated $71.9 million in cash from operating activities, received $20.6 million of proceeds from the sale of assets, invested $22.0 million in property, plant and equipment and paid $31.7 million, net of cash acquired, for the net assets of Hy-Mark and our 60% ownership interest in WNCL.

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Additionally, we repurchased 7,954,698 of our common shares for $132.8 million and paid $30.2 million in dividends on our common shares, which excludes $11.0 million of dividend payments made to noncontrolling interests. These activities were funded with $133.0 million of short-term borrowings as well as the cash generated from operating activities. The following table summarizes our consolidated cash flows for each period shown:

	Fiscal Years Ended May 31,	
(in millions)	**2011**	**2010**
Net cash provided by operating activities	$ 71.9	$ 110.4
Net cash used by investing activities	(39.3)	(81.9)
Net cash used by financing activities	(35.4)	(25.8)
Increase (decrease) in cash and cash equivalents	(2.8)	2.7
Cash and cash equivalents at beginning of period	59.0	56.3
Cash and cash equivalents at end of period	$ 56.2	$ 59.0

We believe we have access to adequate resources to meet our needs for normal operating costs, mandatory capital expenditures, mandatory debt redemptions, dividend payments and working capital for our existing businesses. These resources include cash and cash equivalents, cash provided by operating activities and unused lines of credit. We also believe we have adequate access to the financial markets to allow us to be in a position to sell long-term debt or equity securities. However, given the current uncertainty and volatility in the financial markets, our ability to access capital and the terms under which we can do so may change.

Operating activities

Our business is cyclical and cash flows from operating activities may fluctuate during the year and from year to year due to economic conditions. We rely on cash and short-term financing to meet cyclical increases in working capital needs. Cash requirements generally rise during periods of increased economic activity or increasing raw material prices due to higher levels of inventory and accounts receivable. During economic slowdowns, or periods of decreasing raw material costs, cash requirements generally decrease as a result of the reduction of inventories and accounts receivable.

Net cash provided by operating activities was $71.9 million in fiscal 2011 compared to $110.4 million in fiscal 2010. The decrease from fiscal 2010 was driven primarily by changes in working capital as well as a change in classification of proceeds from our revolving trade accounts receivable securitization facility as short-term borrowings effective June 1, 2010. Proceeds received prior to June 1, 2010, were recorded as a reduction in accounts receivable. As of May 31, 2011, proceeds received and outstanding were $90.0 million compared to $45.0 million and $60.0 million as of May 31, 2010 and 2009, respectively. The overall decrease in net cash provided by operating activities was partially offset by higher net earnings during fiscal 2011.

Investing activities

Net cash used by investing activities was $39.3 million and $81.9 million in fiscal 2011 and fiscal 2010, respectively. This decrease of $42.6 million was caused by several factors, as explained below.

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Capital expenditures reflect cash used for investment in property, plant and equipment and are presented below by reportable business segment (this information excludes cash flows related to acquisition and divestiture activity):

(in millions)	Fiscal Year Ended May 31, 2011	2010
Steel Processing	$ 6.1	$ 5.9
Pressure Cylinders	10.0	19.4
Metal Framing	1.1	2.6
Other	4.8	6.4
	$ 22.0	$ 34.3

Capital expenditures in our Pressure Cylinders operating segment decreased $9.4 million in fiscal 2011 due primarily to expenditures for an upgrade of the capabilities at our pressure cylinders facility located in Austria. Significant expenditures on this project were incurred in fiscal 2010, when the project was completed.

We also used less cash for acquisitions in fiscal 2011, as the aggregate price paid in fiscal 2010 for the Gibraltar Assets, the assets of Piper and the membership interests of SCI was $31.4 million more than the aggregate price paid for the assets of Hy-Mark and our 60% ownership interest in WNCL in fiscal 2011. Higher proceeds from the sale of assets, which increased by $4.7 million in fiscal 2011, also contributed to the year-over-year decrease in cash used by investing activities. The impact of these items was partially offset by a $5.7 million increase in investments in unconsolidated affiliates due primarily to our $6.2 million contribution to our joint venture in China, WMSFMCo., in the fourth quarter of fiscal 2011.

Investment activities are largely discretionary and future investment activities could be reduced significantly or eliminated as economic conditions warrant. We assess acquisition opportunities as they arise, and such opportunities may require additional financing. There can be no assurance, however, that any such opportunities will arise, that any such acquisitions will be consummated or that any needed additional financing will be available on satisfactory terms when required.

Financing activities

Net cash used by financing activities was $35.4 million and $25.8 million in fiscal 2011 and fiscal 2010, respectively. In fiscal 2011, $132.8 million of cash was used to repurchase 7,954,698 of our common shares (see *Common shares* caption below). These share repurchases were funded with short-term borrowings, which increased $133.0 million in fiscal 2011 (see *Short-term borrowings* caption below). In fiscal 2010, the net proceeds from the issuance of the $150.0 million aggregate principal amount of senior notes due April 15, 2020 were used to pay down other debt and reduce amounts then outstanding under our revolving trade accounts receivable securitization facility.

Long-term debt Our senior unsecured long-term debt is rated investment grade by both Moody s Investors Service, Inc. (Baa2) and Standard & Poor s Ratings Group (BBB). We typically use the net proceeds from long-term debt for acquisitions, refinancing outstanding debt, capital expenditures and general corporate purposes. As of May 31, 2011, we were in compliance with our long-term debt covenants. Our long-term debt agreements do not include ratings triggers or material adverse change provisions.

On June 12, 2009, we redeemed $118.5 million of the then $138.0 million outstanding principal amount of 6.70% senior notes due December 1, 2009 (the 2009 Notes). The consideration paid for the 2009 Notes was $1,025 per $1,000 principal amount of the 2009 Notes, plus accrued and unpaid interest. The remainder of the 2009 Notes became due and were redeemed, at face value, on December 1, 2009. The redemptions were funded by a combination of cash on hand and borrowings under existing credit facilities.

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On April 13, 2010, we issued $150.0 million aggregate principal amount of senior notes due April 15, 2020 (the 2020 Notes). The 2020 Notes bear interest at a rate of 6.50%. The 2020 Notes were sold to the public at 99.890% of the principal amount thereof, to yield 6.515% to maturity. We used the net proceeds from the offering to repay a portion of the then outstanding borrowings under our revolving credit facility and amounts then outstanding under our revolving trade accounts receivable securitization facility. The proceeds on the issuance of the 2020 Notes were reduced for debt discount ($0.2 million), payment of debt issuance costs ($1.5 million) and settlement of a hedging instrument entered into in anticipation of the issuance of the 2020 Notes ($1.4 million).

Short-term borrowings Our short-term debt agreements do not include ratings triggers or material adverse change provisions. We were in compliance with our short-term debt covenants at May 31, 2011.

We maintain a $400.0 million multi-year revolving credit facility (the Credit Facility), which matures in May 2013. Borrowings under the Credit Facility have maturities of less than one year and given that our intention has been to repay them within a year, they have been classified as short-term borrowings within current liabilities on our consolidated balance sheets. However, we can also extend the term of amounts borrowed by renewing these borrowings for the term of the Credit Facility. We have the option to borrow at rates equal to an applicable margin over the LIBOR, Prime or Fed Funds rates. The applicable margin is determined by our credit rating. At May 31, 2011, $41.5 million of borrowings were outstanding under the Credit Facility and bore interest at rates based on LIBOR, which averaged 0.87% at May 31, 2011. There were no borrowings outstanding under the Credit Facility at May 31, 2010.

We provided $9.0 million in letters of credit for third-party beneficiaries as of May 31, 2011. The letters of credit secure potential obligations to certain bond and insurance providers. These letters can be drawn at any time at the option of the beneficiaries, and while not drawn against at May 31, 2011 or May 31, 2010, these letters of credit are issued against and therefore reduce availability under the Credit Facility. We had $349.5 million available to us under the Credit Facility at May 31, 2011, compared to $426.7 million available to us at May 31, 2010.

We also have a $100.0 million revolving trade accounts receivable securitization facility (the AR Facility). The AR Facility was available throughout fiscal 2011 and fiscal 2010. Pursuant to the terms of the AR Facility, certain of our subsidiaries sell their accounts receivable without recourse, on a revolving basis, to Worthington Receivables Corporation (WRC), a wholly-owned, consolidated, bankruptcy-remote subsidiary. In turn, WRC may sell without recourse, on a revolving basis, up to $100.0 million of undivided ownership interests in this pool of accounts receivable to a multi-sell, asset-backed commercial paper conduit (the Conduit). Purchases by the Conduit are financed with the sale of A1/P1 commercial paper. We retain an undivided interest in this pool and are subject to risk of loss based on the collectability of the receivables from this retained interest. Because the amount eligible to be sold excludes receivables more than 90 days past due, receivables offset by an allowance for doubtful accounts due to bankruptcy or other cause, concentrations over certain limits with specific customers and certain reserve amounts, we believe additional risk of loss is minimal. As of May 31, 2011, the pool of eligible accounts receivable exceeded the $100.0 million limit and $90.0 million of undivided ownership interests in this pool of accounts receivable had been sold.

In June 2009, amended accounting guidance was issued with respect to the accounting for and disclosure of transfers of financial assets. This amended guidance impacts new transfers of many types of financial assets, including but not limited to factoring arrangements and sales of trade receivables, mortgages and installment loans. We adopted this amended accounting guidance on June 1, 2010. Upon adoption, it was determined that asset transfers to the AR facility no longer qualified for sales treatment. Accordingly, the $90.0 million of net proceeds received and outstanding at May 31, 2011 are classified as short-term borrowings in our consolidated balance sheets and as net proceeds from short-term borrowings in our consolidated statements of cash flows. Asset transfers prior to June 1, 2010, qualified for sales treatment and were therefore recorded as a reduction in the accounts receivable balance. As of May 31, 2010 and May 31, 2009, the $45.0 million and $60.0 million, respectively, in proceeds from the AR Facility were recorded as a reduction in the accounts receivable balance. Facility fees incurred after the adoption of the amended accounting guidance have been classified as interest expense. In contrast, facility fees incurred prior to June 1, 2010, were classified as miscellaneous expense. Facility fees of $1.1 million, $1.2 million, and $2.6 million were incurred during fiscal 2011, fiscal 2010 and fiscal 2009, respectively.

We also maintain a $9.5 million credit facility, through our consolidated joint venture, WNCL, that matures in November 2011. This credit facility bears interest at a variable rate, which was 13.5% at May 31, 2011.

Common shares We declared quarterly dividends of $0.10 per common share for each quarter of fiscal 2011. We paid dividends on our common shares of $30.2 million and $31.7 million in fiscal 2011 and fiscal 2010, respectively. On June 29, 2011, our Board of Directors declared a quarterly dividend of $0.12 per share. This dividend is payable on September 29, 2011, to shareholders of record as of September 15, 2011.

On September 26, 2007, the Board authorized the repurchase of up to 10,000,000 of our outstanding common shares, of which 494,802 common shares remained available for repurchase at May 31, 2011. During fiscal 2011, we paid $132.8 million to repurchase 7,954,698 of our common shares. No common share repurchases were made under this authorization during fiscal 2010.

On June 29, 2011, the Board authorized the repurchase of up to an additional 10,000,000 of our outstanding common shares, increasing the total number of common shares available for repurchase to 10,494,802.

The common shares available for repurchase under these authorizations may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other relevant considerations. Repurchases may be made on the open market or through privately negotiated transactions.

Dividend Policy

We currently have no material contractual or regulatory restrictions on the payment of dividends. Dividends are declared at the discretion of our Board of Directors. The Board reviews the dividend quarterly and establishes the dividend rate based upon our financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other relevant factors. While we have paid a dividend every quarter since becoming a public company in 1968, there is no guarantee this will continue in the future.

Contractual Cash Obligations and Other Commercial Commitments

The following table summarizes our contractual cash obligations as of May 31, 2011. Certain of these contractual obligations are reflected on our consolidated balance sheet, while others are disclosed as future obligations in accordance with U.S. GAAP.

		Payments Due by Period			
(in millions)	**Total**	**Less Than 1 Year**	**1 - 3 Years**	**4 - 5 Years**	**After 5 Years**
Short-term borrowings	$ 133.0	$ 133.0	$ -	$ -	$ -
Long-term debt	250.3	-	0.2	100.2	149.9
Interest expense on long-term debt	109.2	15.1	30.2	24.9	39.0
Operating leases	32.4	7.8	11.3	5.1	8.2
Unconditional purchase obligations	18.9	2.4	4.7	4.7	7.1
Total contractual cash obligations	$ 543.8	$ 158.3	$ 46.4	$ 134.9	$ 204.2

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Interest expense on long-term debt is computed by using the fixed rates of interest on the debt, including impacts of the related interest rate hedge. Unconditional purchase obligations are to secure access to a facility used to regenerate acid used in our Steel Processing operating segment through the fiscal year ending May 31, 2019. Due to the uncertainty regarding the timing of future cash outflows associated with our unrecognized tax benefits of $5.4 million, we are unable to make a reliable estimate of the periods of cash settlement with the respective tax authorities and have not included this amount in the contractual obligations table above.

The following table summarizes our other commercial commitments as of May 31, 2011. These commercial commitments are not reflected in our consolidated balance sheet.

		Commitment Expiration by Period			
(in millions)	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Guarantees	$ 20.9	$ 15.9	$ -	$ 5.0	$ -
Standby letters of credit	9.0	9.0	-	-	-
Total commercial commitments	$ 29.9	$ 24.9	$ -	$ 5.0	$ -

Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements that we believe are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of May 31, 2011, we were party to an operating lease for an aircraft in which we have guaranteed a residual value at the termination of the lease. The maximum obligation under the terms of this guarantee was approximately $15.9 million at May 31, 2011. We have also guaranteed the repayment of a $5.0 million term loan held by ArtiFlex, an unconsolidated joint venture. Based on current facts and circumstances, we have estimated the likelihood of payment pursuant to these guarantees, and determined that the fair value of our obligation under each guarantee based on those likely outcomes is not material.

Recently Issued Accounting Standards

In June 2011, new accounting guidance was issued regarding the presentation of comprehensive income in financial statements prepared in accordance with U.S. GAAP. This new guidance requires entities to present reclassification adjustments included in other comprehensive income on the face of the financial statements and allows entities to present total comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. It also eliminates the option for entities to present the components of other comprehensive income as part of the statement of equity. For public companies, this accounting guidance is effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2011, with early adoption permitted. Retrospective application to prior periods is required. The adoption of this new guidance, effective for us on June 1, 2012, is not expected to have a material impact on our financial position or results of operations.

In May 2011, amended accounting guidance was issued that resulted in common fair value measurements and disclosures under both U.S. GAAP and International Financial Reporting Standards. This amended guidance is explanatory in nature and does not require additional fair value measurements nor is it intended to result in significant changes in the application of current guidance. The amended guidance is effective for interim and annual periods beginning after December 15, 2011. We do not expect the adoption of this amended accounting guidance, effective for us on March 1, 2012, to have a material impact on our financial position or results of operations.

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In October 2009, amended accounting guidance was issued for revenue arrangements with multiple deliverables. This amended guidance sets forth requirements that must be met for an entity to recognize revenue from a sale of a delivered item that is part of a multiple-element arrangement when other items have not been delivered. Additionally, the amended guidance requires more disclosure about an entity s multiple-element arrangements. This amended guidance became effective for fiscal years beginning on or after June 15, 2010, and interim periods within those fiscal years. Our adoption of this amended accounting guidance on June 1, 2011, did not have a material impact on our financial position or results of operations.

Environmental

We do not believe environmental issues have had or will have a material effect on our capital expenditures, future results of operations or financial position.

Inflation

The effects of inflation on our operations were not significant during the periods presented in the consolidated financial statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. We continually evaluate our estimates, including those related to our valuation of receivables, inventories, intangible assets, accrued liabilities, income and other tax accruals and contingencies and litigation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical accounting policies are defined as those that reflect our significant judgments and uncertainties that could potentially result in materially different results under different assumptions and conditions. Although actual results historically have not deviated significantly from those determined using our estimates, as discussed below, our financial position or results of operations could be materially different if we were to report under different conditions or to use different assumptions in the application of such policies. We believe the following accounting policies are the most critical to us, as these are the primary areas where financial information is subject to our estimates, assumptions and judgment in the preparation of our consolidated financial statements.

Revenue Recognition: We recognize revenue upon transfer of title and risk of loss provided evidence of an arrangement exists, pricing is fixed and determinable and the ability to collect is probable. In circumstances where the collection of payment is highly questionable at the time of shipment, we defer recognition of revenue until payment is collected. We provide for returns and allowances based on historical experience and current customer activities.

The business units that comprise the Global Group operating segment, which have contributed less than 5.0% of consolidated net sales for each of the last three fiscal years, recognize revenue on a percentage-of-completion method.

Receivables: In order to ensure that our receivables are properly valued, we utilize two contra-receivable accounts: returns and allowances and allowance for doubtful accounts. Returns and allowances are used to record estimates of returns or other allowances resulting from quality, delivery, discounts or other issues affecting the value of receivables. This account is estimated based on historical trends and current market conditions, with the offset to net sales.

The allowance for doubtful accounts is used to record the estimated risk of loss related to the customers inability to pay. This allowance is maintained at a level that we consider appropriate based on factors that affect collectability, such as the financial health of our customers, historical trends of charge-offs and recoveries and current economic and market conditions. As we monitor our receivables, we identify customers that may have payment problems, and we adjust the allowance accordingly, with the offset to selling, general and administrative expense. Account balances are charged off against the allowance when recovery is considered remote.

We review our receivables on an ongoing basis to ensure that they are properly valued and collectible. Based on this review, we believe our related reserves are sized appropriately. The reserve for doubtful accounts decreased approximately $1.6 million during fiscal 2011 to $4.2 million. This reduction was primarily the result of the write-off of previously reserved accounts and, to a lesser extent, the contribution of our metal framing business to the ClarkDietrich joint venture.

While we believe our allowances are adequate, changes in economic conditions, the financial health of customers and bankruptcy settlements could impact our future earnings. If the economic environment and market conditions deteriorate, particularly in the automotive and construction end markets where our exposure is greatest, additional reserves may be required.

Inventory Valuation: Our inventory is valued at the lower of cost or market, with cost determined using a first-in, first-out method. This assessment requires the use of significant estimates to determine replacement cost, cost to complete, normal profit margin and ultimate selling price of the inventory. We believe that our inventories were valued appropriately as of May 31, 2011, and May 31, 2010.

Impairment of Definite-Lived Long-Lived Assets: We review the carrying value of our long-lived assets, including intangible assets with finite useful lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. Impairment testing involves a comparison of the sum of the undiscounted future cash flows of the asset or asset group to its respective carrying amount. If the sum of the undiscounted future cash flows exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the sum of the undiscounted future cash flows, then a second step is performed to determine the amount of impairment, if any, to be recognized in our consolidated statements of earnings. An impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds fair value.

Fiscal 2011: During the fourth quarter of fiscal 2011, due largely to changes in the intended use of certain long-lived assets within our former Automotive Body Panels operating segment that were not contributed to the ArtiFlex joint venture, we determined indicators of impairment were present. Recoverability of the identified asset group was tested using future cash flow projections based on management s long range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. The subsequent comparison of book value to fair value also indicated excess book value, resulting in an impairment charge of $6.4 million. Consistent with the classification of the gain on deconsolidation, as more fully described in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial statements Note A Summary of Significant Accounting Policies, this impairment charge was recognized within the joint venture transactions line item in our consolidated statements of earnings. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note P Fair Value for information regarding the determination of fair value for these assets.

During the fourth quarter of fiscal 2011, due largely to changes in the intended use of certain long-lived within our Metal Framing operating segment that were not contributed to the ClarkDietrich joint venture, we determined indicators of impairment were present. Recoverability of the identified assets was tested using future cash flow projections based on management s estimate of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. The subsequent

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comparison of book value to fair value also indicated excess book value, resulting in an impairment charge of $18.3 million. Consistent with the classification of the gain on deconsolidation and related restructuring charges, as more fully described in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial statements Note A Summary of Significant Accounting Policies, this impairment charge was recognized within the joint venture transactions line item in our consolidated statements of earnings. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note P Fair Value for information regarding the determination of fair value for these assets.

During the fourth quarter of fiscal 2011, due largely to changes in the intended use of certain long-lived assets within our Commercial Stairs business unit, we determined indicators of impairment were present. Recoverability of the identified asset group was tested using future cash flow projections based on management s long range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. The subsequent comparison of book value to fair value also indicated excess book value, resulting in an impairment charge of $2.5 million, which was recognized within impairment of long-lived assets in our consolidated statement of earnings. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note P Fair Value for information regarding the determination of fair value for these assets.

During the fourth quarter of fiscal 2011, due largely to changes in the intended use of certain long-lived assets within our Steel Packaging operating segment, we determined indicators of impairment were present. Recoverability of the identified asset group was tested using future cash flow projections based on management s long range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. The subsequent comparison of book value to fair value also indicated excess book value, resulting in an impairment charge of $1.9 million, which was recognized within impairment of long-lived assets in our consolidated statement of earnings. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note P Fair Value for information regarding the determination of fair value for these assets.

During the third quarter of fiscal 2011, due largely to changes in the intended use of certain long-lived assets within our Metal Framing and Steel Packaging operating segments, we determined indicators of impairment were present. Recoverability of the identified asset groups was tested using future cash flow projections based on management s long range estimates of market conditions. The sum of the undiscounted future cash flows related to each asset group was more than the net book value for each of the asset groups; therefore, no impairment charges were recognized.

During the second and third quarters of fiscal 2011, due largely to changes in the intended use of certain long-lived assets of our consolidated joint venture, Spartan, we determined indicators of impairment were present. Recoverability of the identified asset group was tested using future cash flow projections based on management s long range estimates of market conditions. The sum of the undiscounted future cash flows related to the asset group was more than the net book value; therefore, no impairment charges were recognized.

Fiscal 2010: Due largely to changes in the intended use of certain long-lived assets within our Steel Processing operating segment during the fourth quarter of fiscal 2010, we determined that indicators of impairment were present. Therefore, long-lived assets were tested for impairment during the fourth quarter of fiscal 2010. Recoverability of the identified asset groups was tested using future cash flow projections based on management s long range estimates of market conditions. The sum of the undiscounted future cash flows related to each asset group was more than the net book value for each of the asset groups; therefore, no impairment charges were recognized.

Due to continued deterioration in business and market conditions impacting our Metal Framing and then Construction Services operating segments during the third quarter of fiscal 2010, we determined that indicators of potential impairment were present for long-lived assets. Therefore, long-lived assets, including intangible assets with finite useful lives, were tested for impairment during the fiscal quarter ended February 28, 2010. Recoverability of the identified asset groups was tested using future cash flow projections based on management s long range estimates of market conditions.

The sum of the undiscounted future cash flows related to the identified metal framing assets was more than the related net book value of the asset group. Therefore, no impairment charges were recognized with regard to these long-lived assets.

The sum of the undiscounted future cash flows related to an identified asset group within the then Construction Services operating segment was less than the net book value for the asset group. Therefore, an impairment charge of $8.1 million was recognized during the fiscal quarter ended February 28, 2010. This impairment charge was recorded within impairment of long-lived assets in our consolidated statements of earnings, and was based on the excess of the assets carrying amounts over their respective fair values at February 28, 2010. The impaired assets consisted largely of customer lists and also included trade name and technology assets. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note P Fair Value for information regarding the determination of fair value for these assets.

Due to continued deterioration in business and market conditions impacting our Metal Framing and then Construction Services operating segments during the first and second quarters of fiscal 2010, we determined that indicators of potential impairment were present for certain long-lived assets. Therefore, the identified assets, including intangible assets with finite useful lives, were tested for impairment during the fiscal quarters ended August 31, 2009 and November 30, 2009. Recoverability of the identified asset groups was tested using future cash flow projections based on management s long range estimates of market conditions. The sum of the undiscounted future cash flows related to each asset group was more than the corresponding net book value; therefore, no impairment charges were recognized.

Due to continued deterioration in business and market conditions impacting the Steel Packaging operating segment during the second quarter of fiscal 2010, we determined that indicators of potential impairment were present for certain long-lived assets. Therefore, those long-lived assets were tested for impairment during the fiscal quarter ended November 30, 2009. Recoverability of the identified asset groups was tested using future cash flow projections based on management s long range estimates of market conditions. The sum of the undiscounted future cash flows related to the Steel Packaging asset group was less than the net book value for the asset group. Therefore, an impairment charge of $2.7 million was recognized. This impairment charge was recorded within impairment of long-lived assets in our consolidated statement of earnings, and was based on the excess of the assets carrying amounts over their respective fair values at November 30, 2009. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note P Fair Value for information regarding the determination of fair value for these assets.

Impairment of Indefinite-Lived Long-Lived Assets: Purchased goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate that impairment may be present. Application of goodwill impairment testing involves judgment, including but not limited to, the identification of reporting units and estimating the fair value of each reporting unit. A reporting unit is defined as an operating segment or one level below an operating segment. We test goodwill at the operating segment level as we have determined that the characteristics of the reporting units within each operating segment are similar and allow for their aggregation in accordance with the applicable accounting guidance.

The goodwill impairment test consists of comparing the fair value of each operating segment, determined using discounted cash flows, to each operating segment s respective carrying value. If the estimated fair value of an operating segment exceeds its carrying value, there is no impairment. If the carrying