WORTHINGTON INDUSTRIES INC
Form 10-K
July 30, 2012
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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, 2012

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. ¨

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, 2011, the last business day of the Registrant s most recently completed second fiscal quarter, was approximately $865,736,564. 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 23, 2012, the number of Common Shares issued and outstanding was 69,328,093.

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 27, 2012, 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 maintain margins and capture and maintain market share and to develop or take advantage of future opportunities, new products and new 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 and governmental agency 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;*
- *adverse impacts associated with the recent voluntary recall of our MAP-PRO®, propylene and MAAP® cylinders, including recall costs, legal and notification expenses, lost sales and potential negative customer perceptions of certain pressure cylinder products;*
- *changes in product mix, product substitution and market acceptance of our products;*
- *fluctuations in the 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;*

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- *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 therefrom;*
- *the overall success of newly-created joint ventures, including the demand for their products, and the ability to achieve the anticipated benefits 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 workers 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 the outcome of judicial and governmental agency rulings as well as the impact of 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, compressed natural gas cylinders and helium balloon kits; engineered cabs and operator stations and cab components; framing systems 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, 2012 (fiscal 2012), we had 35 wholly-owned manufacturing facilities worldwide and held equity positions in 12 joint ventures, which operated an additional 44 manufacturing facilities worldwide.

Our operations are managed principally on a products and services basis and include four reportable business segments: Steel Processing, Pressure Cylinders, Engineered Cabs and, on an historical basis, 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 in Monroe, Michigan. The Pressure Cylinders reportable business segment consists of the Worthington Cylinders business unit (Worthington Cylinders) and includes 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 Engineered Cabs reportable business segment consists of the Angus Industries business unit (Angus), which we acquired on December 29, 2011. The Metal Framing reportable business segment consists of the remaining assets of our former Dietrich Metal Framing business unit (Dietrich).

As more fully described in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies of this Annual Report on Form 10-K, on March 1, 2011, we contributed certain assets of Dietrich to ClarkWestern Dietrich Building Systems LLC (ClarkDietrich), an unconsolidated joint venture in which we maintain a 25% noncontrolling interest. We retained certain metal framing facilities, which continued to operate in support of

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the joint venture. As of August 31, 2011, all of the retained facilities had ceased operations. Accordingly, the financial results and operating performance of the retained facilities have been reported within Metal Framing through August 31, 2011. The contributed net assets, which were deconsolidated effective March 1, 2011, have been 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 well as the former Automotive Body Panels operating segment, on a historical basis, through May 9, 2011. On May 9, 2011, we closed an agreement to combine certain assets of The Gerstenslager Company (Gerstenslager) and International Tooling Solutions, LLC in a new joint venture, ArtiFlex Manufacturing, LLC (ArtiFlex). In exchange for the contributed net assets, we received a 50% noncontrolling ownership interest in the new joint venture in addition to certain cash and other consideration.

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

During fiscal 2012, the Steel Processing, Pressure Cylinders and Engineered Cabs operating segments served approximately 1,100, 4,100 and 100 customers, respectively, located primarily in the United States. Foreign operations accounted for approximately 8% of consolidated net sales during fiscal 2012 and were comprised primarily of sales to customers in Europe. No single customer accounted for over 10% of consolidated net sales during fiscal 2012.

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 March 22, 2012, we acquired a 75% ownership interest in PSI Energy Solutions, LLC (PSI). PSI is a professional services firm that develops cost-effective energy solutions for public and private entities throughout North America. The acquired net assets became part of our Global Group operating segment upon closing and will be reported in the Other category for segment reporting purposes.

On January 10, 2012, we announced a voluntary recall of our MAP-PRO®, propylene and MAAP® cylinders and related hand torch kits. The recall was a precautionary step and involved a valve supplied by a third party that may leak when a torch or hose is disconnected from the cylinder. We are unaware of any incidence of fire or injury caused by this situation. For additional information regarding the recall, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements NOTE E Contingent Liabilities and Commitments of this Annual Report on Form 10-K.

On December 29, 2011, we acquired the outstanding economic interests of Angus Industries, Inc. (Angus). Angus designs and manufactures high-quality, custom-engineered open and closed cabs and operator stations for a wide range of heavy mobile equipment. In connection with this acquisition, we established a new operating segment, Engineered Cabs, which is comprised of the operations of Angus and is considered a separate reportable segment.

On December 1, 2011, we acquired the propane fuel cylinders business of The Coleman Company, Inc. (Coleman Cylinders). The acquired net assets became part of our Pressure Cylinders operating segment upon closing of the transaction. Subsequent to closing, we received a request from the Federal Trade

Commission, asking us to provide, on a voluntary basis, certain information related to the acquisition and the industry as it conducts a preliminary investigation into the transaction. The acquisition fell below the threshold for pre-merger notification under the Hart-Scott-Rodino Act.

On September 30, 2011, we completed the acquisition of Poland-based STAKO sp.Z o.o. (STAKO). STAKO manufactures liquefied natural gas, propane and butane fuel tanks for use in passenger cars, buses and trucks. The acquired business became part of our Pressure Cylinders operating segment upon closing of this transaction.

On July 1, 2011, we purchased substantially all of the net assets (excluding accounts receivable) of the BernzOmatic business (Bernz) of Irwin Industrial Tool Company, a subsidiary of Newell Rubbermaid, Inc. Bernz is a leading manufacturer of hand held torches and accessories. The acquired net assets became part of our Pressure Cylinders operating segment upon closing of the transaction.

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.

We completed the transformation phases in each of the core facilities within our Steel Processing operating segment in fiscal 2011, and substantially completed the transformation phases at our metal framing facilities prior to their contribution to ClarkDietrich in March 2011. During fiscal 2012, we initiated the diagnostics phase in our Pressure Cylinders operating segment.

When this process began, we retained a consulting firm to assist in the development and implementation of the Transformation Plan. As the Transformation Plan progressed, we formed internal teams dedicated to this effort, and they ultimately assumed full responsibility for executing the Transformation Plan. Although the consulting firm was again engaged as we rolled out the Transformation Plan in our Pressure Cylinders operating segment, most of the work is now being done by our internal teams. 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 expense going forward, except where they relate to a first time diagnostics phase of the Transformation Plan.

As of May 31, 2012, we have recognized approximately $73.9 million of total restructuring charges associated with the Transformation Plan, including charges of $6.0 million, $2.6 million, $4.2 million, $43.0 million and $18.1 million during fiscal 2012, fiscal 2011, fiscal 2010, fiscal 2009 and fiscal 2008, 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 activities. That information is incorporated herein by reference.

Steel Processing

Our Steel Processing operating segment consists of the Worthington Steel business unit, which includes PSM and our consolidated joint venture, Spartan. For fiscal 2012, fiscal 2011 and fiscal 2010, the percentage of consolidated net sales generated by our Steel Processing operating segment was approximately 62%, 58%, and 51%, respectively.

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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 to the 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 2012.

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-dip 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 coating; 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.

Pressure Cylinders

Our Pressure Cylinders operating segment consists of the Worthington Cylinders business unit and our consolidated joint venture, WNCL. For fiscal 2012, fiscal 2011 and fiscal 2010, the percentage of consolidated net sales generated by our Pressure Cylinders operating segment was approximately 30%, 24% and 24%, respectively.

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Our Pressure Cylinders operating segment manufactures and sells filled and unfilled pressure cylinders and various accessories for diversified end-use market applications. The following is a detailed discussion of these markets:

Retail: These products include liquefied petroleum gas (LPG) cylinders for barbecue grills and camping equipment, propane accessories, hand held torches and accessories including fuel cylinders, and Balloon Time® helium balloon kits. These products are sold primarily to mass merchandisers, cylinder exchangers and distributors. Revenues to these markets totaled $335.7 million and $212.5 million in fiscal 2012 and fiscal 2011, respectively.

Alternative fuels: The sector includes Type I, II, and III cylinders for containment of compressed natural gas and hydrogen for automobiles, buses, and light-duty trucks, as well as propane/autogas cylinders for automobiles. Revenues to these markets totaled $54.2 million and $23.1 million in fiscal 2012 and fiscal 2011, respectively.

Industrial and Other: This market sector includes industrial, refrigerant, and certain LPG cylinders, as well as other specialty products. Cylinders in these markets are generally sold to gas producers and distributors. Industrial cylinders hold fuel for uses such as cutting, welding, breathing (medical, diving and firefighting), semiconductor production, and beverage delivery. Refrigerant gas cylinders are used to hold refrigerant gases for commercial, residential and automotive air conditioning and refrigeration systems. LPG cylinders hold fuel for recreational vehicle equipment, residential and light commercial heating systems, industrial forklifts and commercial/residential cooking (the latter, generally outside North America). 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. Revenues to these markets totaled $380.2 million and $356.3 million in fiscal 2012 and fiscal 2011, respectively.

While a large percentage of Pressure Cylinders sales are made to major accounts, this operating segment serves approximately 4,100 customers. No single customer represented greater than 10% of net sales for the Pressure Cylinders operating segment during fiscal 2012.

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 cylinders are manufactured by several processes, including deep drawing, tube spinning, and billet piercing for steel cylinders. High-pressure, composite-wrapped aluminum cylinders are deep drawn or tube spun.

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 of its LPG gas 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.

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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 trademark WORTHINGTON™ to market certain LPG cylinders, hand torches and camping fuel cylinders; the registered trademarks MAP-PRO® and 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 Apparatus (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.

In connection with the acquisition of the propane fuel cylinders business of The Coleman Company, Inc. (Coleman Cylinders), we executed a trademark license agreement whereby we are required to make minimum annual royalty payments of $2,000,000 in exchange for the exclusive right to use certain Coleman trademarks within the United States and Canada in connection with our operation of the acquired business.

As noted in the ***Recent Developments*** section above, on September 30, 2011, we acquired STAKO, a leading European producer of automotive LPG cylinders with two locations in Poland. On December 1, 2011, we acquired Coleman Cylinders. Both of those businesses became part of the Pressure Cylinders operating segment upon their acquisition dates during fiscal 2012.

Engineered Cabs

The Engineered Cabs operating segment consists of the Angus Industries business unit, which was acquired on December 29, 2011, and includes the Angus-Palm, Angus Engineering and ACT® brands. Angus is headquartered in Watertown, South Dakota and has additional operations in Iowa, South Carolina and Tennessee. In fiscal 2012, approximately 4% of consolidated net sales were generated by our Engineered Cabs operating segment. On an annualized basis, Engineered Cabs would have represented approximately 10% of net sales.

Angus is North America s leading non-captive designer and manufacturer of high-quality, custom-engineered operator cabs, operator stations and custom fabrications of mobile equipment used primarily in the agricultural, construction, mining and various other industries. Angus cabs are used in products ranging from small utility equipment to the largest earthmovers.

Angus produces products for over 150 different equipment platforms for approximately 100 customers, although six customers have historically represented approximately 75% of this operating segment s net sales.

In addition to its cab products, Angus has the capability to provide a full suite of complementary products such as machine structural components, painted weldments, engine doors, boom components and complete frames, as well as a complete range of vacuum-formed plastic/acoustical trim components and assemblies under the ACT brand. Angus has the manufacturing capability for:

- Steel laser cutting;
- Steel bending and forming;
- Roll-form tube curving and bending;
- Machining;
- Welding robotic and manual;
- Automated steel product cleaning and E-coating;

Top coat painting; and

Assembly.

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Key supplies include steel sheet and plate, steel tubing, hardware, controls, wiper systems, glazing materials (glass, polycarbonate), perishables (paint, urethane, caulk), electrical materials, HVAC systems and aesthetic materials (acoustical trim, plastics, foam) which are available from a variety of sources.

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 Manufacturing, LLC (ArtiFlex) and the resulting deconsolidation of the contributed net assets, we ceased to maintain a separate Automotive Body Panels operating segment. Accordingly, subsequent to May 9, 2011, the operating segments comprising the Other category have consisted of Steel Packaging and the Global Group. Each of these operating segments is explained in more detail below.

Steel Packaging. The Steel Packaging operating segment consists of Worthington Steelpac Systems, 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 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 and developed international markets and includes the Mid-Rise Construction, Military Construction and Commercial Stairs business units as well as the recently-formed Global Development Group and Worthington Energy Group business units. The Worthington Energy Group business unit includes our recently-acquired and 75%-owned joint venture, PSI, a services firm that develops cost-effective energy solutions for public and private entities throughout North America. Other operating activities of the Global Group include the design, supply and building/construction of mid-rise light gauge steel framed commercial structures and multi-family housing units; and the supply and construction of metal framing products for, and used in the framing of, single and multi-family housing, with a focus on domestic military bases. During the fourth quarter of fiscal 2012, we formalized plans to close the Commercial Stairs business unit.

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.

Financial Information About Geographic Areas

In fiscal 2012, our foreign operations represented 8% of consolidated net sales, 4% of pre-tax earnings attributable to controlling interest and 30% of consolidated net assets. During fiscal 2012, fiscal 2011 and fiscal 2010, we had operations in Austria, Canada, China, the Czech Republic, India (beginning in fiscal 2011), Mexico, Poland (beginning in fiscal 2012), Portugal and the United States. 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 and Note M Segment Data of this Annual Report on Form 10-K. That information is incorporated herein by reference.

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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 2012, we purchased approximately 1.9 million tons of steel (80% hot-rolled, 5% galvanized and 15% 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, helium and zinc, which are generally purchased at market prices. Since there are a limited number of suppliers in the helium 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 2012, we purchased steel from the following major suppliers, in alphabetical order: AK Steel Corporation; ArcelorMittal; Essar Steel Algoma Inc.; Gallatin Steel Company; NLMK USA; North Star BlueScope Steel LLC; Nucor Corporation; RG Steel, LLC; Severstal North America, Inc.; Steel Dynamics, Inc. and United States Steel Corporation (U.S. Steel). Alcoa, Inc. was the primary aluminum supplier for the Pressure Cylinders operating segment in fiscal 2012. Major suppliers of zinc to the Steel Processing operating segment were, in alphabetical order: Considar Metal Marketing Inc. (a/k/a HudBay); Teck Cominco Limited; U.S. Zinc; and Xstrata Zinc Canada. Approximately 33.0 million pounds of zinc were purchased in fiscal 2012. 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. Engineers at Angus design cabs and cab manufacturing processes. 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.

Seasonality and Backlog

Sales are generally strongest in the fourth quarter of our fiscal year as our operating segments are generally operating at seasonal peaks. 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. We do not believe backlog is a significant indicator of our business.

Employees

As of May 31, 2012, we had approximately 10,500 employees, including those employed by our unconsolidated joint ventures. Approximately 6% 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.

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Joint Ventures

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

Consolidated

PSI is a 75%-owned consolidated joint venture with a subsidiary of Professional Supply, Inc. (20%) and Stonehenge Structured Finance Partners, LLC (5%) (together referred to as PSI Partners), located in Fremont, Ohio. PSI is a professional services company that develops cost-effective energy solutions for entities in North America. PSI designs solutions to minimize energy consumption, manages the energy solution installation, monitors and verifies energy usage, guarantees future energy savings and shares in these savings. Additionally, PSI utilizes certain patented products to further enhance energy savings. PSI s financial results are reported within the Other category for reporting purposes. The equity owned by the PSI Partners is shown as non-controlling interest on our consolidated balance sheets and the PSI Partners portion of net earnings is included as net earnings attributable to non-controlling interest in our consolidated statements of earnings.

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 non-controlling interest on our consolidated balance sheets and Severstal s portion of net earnings is included as net earnings attributable to non-controlling 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 non-controlling interest on our consolidated balance sheets and Nitin s portion of net earnings is included as net earnings attributable to non-controlling interest in our consolidated statements of earnings.

Unconsolidated

ArtiFlex, a 50%-owned joint venture with International Tooling Solutions, LLC, provides an integrated solution for engineering, tooling, stamping, assembly and other services to customers primarily in the automotive industry. ArtiFlex operates five owned and two leased manufacturing facilities. These facilities are located in Kentucky, Michigan (3) and Ohio (3).