WORTHINGTON INDUSTRIES INC
Form 10-Q
April 08, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended February 28, 2013

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 001-08399

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)

(614) 438-3210
(Registrant s telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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 x 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 x NO ¨

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	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ¨ NO x

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the Issuer s classes of common stock, as of the latest practicable date. On March 28, 2013, the number of Common Shares, without par value, issued and outstanding was 71,101,578.

Table of Contents

TABLE OF CONTENTS

Safe Harbor Statement		ii
Part I. Financial Information		
Item 1.	Financial Statements	
	Consolidated Balance Sheets February 28, 2013 (Unaudited) and May 31, 2012	1
	Consolidated Statements of Earnings (Unaudited) Three and Nine Months Ended February 28, 2013 and February 29, 2012	2
	Consolidated Statements of Comprehensive Income (Unaudited) Three and Nine Months Ended February 28, 2013 and February 29, 2012	3
	Consolidated Statements of Cash Flows (Unaudited) Three and Nine Months Ended February 28, 2013 and February 29, 2012	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	36
Item 4.	Controls and Procedures	36
Part II. Other Information		
Item 1.	Legal Proceedings	36
Item 1A.	Risk Factors	36
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3.	Defaults Upon Senior Securities (Not applicable)	37
Item 4.	Mine Safety Disclosures (Not applicable)	37
Item 5.	Other Information (Not applicable)	37
Item 6.	Exhibits	38
Signatures		39
Index to Exhibits		40

Table of Contents

SAFE HARBOR STATEMENT

Selected statements contained in this Quarterly Report on Form 10-Q, including, without limitation, in PART I Item 2. 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;*
- *additions to product lines and opportunities to participate in new 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 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 outcome of negotiations surrounding the United States debt and budget, which may be adverse due to its impact on tax increases, governmental spending, and customer confidence and spending;*
- *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 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;*
- *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 joint ventures, maintain and develop their customers, and achieve synergies and other expected benefits and cost savings therefrom;*

Table of Contents

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;
the outcome of 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, both in the United States and abroad, 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;
the effect of changes to healthcare laws in the United States, which may increase our healthcare and other costs and negatively impact our financial results and operations; and
other risks described from time to time in our filings with the United States Securities and Exchange Commission, including those described in PART I Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended May 31, 2012 and in Part II Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

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 Quarterly Report on Form 10-Q are based on current information as of the date of this Quarterly Report on Form 10-Q, and we assume no obligation to correct or update any such statements in the future, except as required by applicable law.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	February 28, 2013 (Unaudited)	May 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 37,359	$ 41,028
Receivables, less allowances of $3,978 and $3,329 at February 28, 2013 and May 31, 2012	376,534	400,869
Inventories:		
Raw materials	184,033	211,543
Work in process	102,782	115,510
Finished products	86,567	74,887
Total inventories	373,382	401,940
Income taxes receivable	15,127	892
Assets held for sale	3,040	7,202
Deferred income taxes	20,176	20,906
Prepaid expenses and other current assets	37,962	41,402
Total current assets	863,580	914,239
Investments in unconsolidated affiliates	256,262	240,882
Goodwill	179,662	156,681
Other intangible assets, net of accumulated amortization of $23,141 and $16,103 at February 28, 2013 and May 31, 2012	112,183	100,333
Other assets	18,855	22,585
Property, plant and equipment, net	454,640	443,077
Total assets	$ 1,885,182	$ 1,877,797
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 245,862	$ 252,334
Short-term borrowings	30,588	274,923
Accrued compensation, contributions to employee benefit plans and related taxes	62,986	71,271
Dividends payable	674	8,478
Other accrued items	36,763	38,231
Income taxes payable	2,725	11,697
Current maturities of long-term debt	1,111	1,329
Total current liabilities	380,709	658,263
Other liabilities	72,562	72,371
Distributions in excess of investment in unconsolidated affiliate	64,128	69,165
Long-term debt	406,523	257,462
Deferred income taxes	100,465	73,099

Total liabilities	1,024,387	1,130,360
Shareholders equity controlling interest	816,875	697,174
Noncontrolling interest	43,920	50,263
Total equity	860,795	747,437
Total liabilities and equity	$ 1,885,182	$ 1,877,797

See notes to consolidated financial statements.

Table of Contents

WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands, except per share)

	Three Months Ended		Nine Months Ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Net sales	$ 619,527	$ 611,255	$ 1,908,184	$ 1,779,294
Cost of goods sold	522,501	527,923	1,622,651	1,567,894
Gross margin	97,026	83,332	285,533	211,400
Selling, general and administrative expense	63,221	62,489	187,744	160,751
Impairment of long-lived assets	-	-	1,520	-
Restructuring and other expense	146	956	1,811	4,707
Joint venture transactions	253	1,812	(1,188)	3,835
Operating income	33,406	18,075	95,646	42,107
Other income (expense):				
Miscellaneous income	596	728	1,064	1,408
Interest expense	(6,158)	(5,073)	(17,751)	(14,517)
Equity in net income of unconsolidated affiliates	25,716	24,005	73,580	70,614
Earnings before income taxes	53,560	37,735	152,539	99,612
Income tax expense	16,229	9,337	47,721	28,673
Net earnings	37,331	28,398	104,818	70,939
Net earnings attributable to noncontrolling interest	200	2,518	1,899	7,422
Net earnings attributable to controlling interest	$ 37,131	$ 25,880	$ 102,919	$ 63,517
Basic				
Average common shares outstanding	69,791	68,972	68,998	69,952
Earnings per share attributable to controlling interest	$ 0.53	$ 0.38	$ 1.49	$ 0.91
Diluted				
Average common shares outstanding	71,914	69,509	70,501	70,481
Earnings per share attributable to controlling interest	$ 0.52	$ 0.37	$ 1.46	$ 0.90
Common shares outstanding at end of period	70,168	69,014	70,168	69,014
Cash dividends declared per share	$ 0.26	$ 0.12	$ 0.52	$ 0.36

See notes to consolidated financial statements.

Table of Contents

WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	February 28, 2013	**February 29, 2012**	**February 28, 2013**	**February 29, 2012**
Net earnings	$ 37,331	$ 28,398	$ 104,818	$ 70,939
Other comprehensive income (loss), net of tax:				
Foreign currency translation	(1,675)	6,933	6,400	(4,439)
Pension liability adjustment	(28)	(431)	(201)	(382)
Cash flow hedges	837	167	1,493	(713)
Other comprehensive income (loss)	(866)	6,669	7,692	(5,534)
Comprehensive income	36,465	35,067	112,510	65,405
Comprehensive income attributable to noncontrolling interest	182	3,242	2,239	5,805
Comprehensive income attributable to controlling interest	$ 36,283	$ 31,825	$ 110,271	$ 59,600

See notes to consolidated financial statements.

Table of Contents

WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Three Months Ended		Nine Months Ended	
	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Operating activities				
Net earnings	$ 37,331	$ 28,398	$ 104,818	$ 70,939
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	17,048	14,653	48,136	40,626
Impairment of long-lived assets	-	-	1,520	-
Provision for deferred income taxes	6,491	(667)	9,850	7,511
Bad debt expense	76	316	575	205
Equity in net income of unconsolidated affiliates, net of distributions	(4,841)	3,998	(19,256)	1,711
Net loss (gain) on sale of assets	(153)	143	(222)	(1,925)
Stock-based compensation	3,653	2,797	10,586	8,576
Excess tax benefits - stock-based compensation	(3,455)	-	(3,455)	-
Changes in assets and liabilities, net of impact of acquisitions:				
Receivables	(41,672)	(28,643)	27,078	27,449
Inventories	(15,158)	(31,049)	42,743	23,726
Prepaid expenses and other current assets	32	9,576	1,634	13,126
Other assets	198	(1,046)	3,135	1,794
Accounts payable and accrued expenses	35,320	90,258	(34,871)	(56,871)
Other liabilities	1,434	(1,296)	3,412	86
Net cash provided by operating activities	36,304	87,438	195,683	136,953
Investing activities				
Investment in property, plant and equipment, net	(9,786)	(5,769)	(34,402)	(15,800)
Acquisitions, net of cash acquired	-	(152,389)	(62,110)	(232,171)
Investments in unconsolidated affiliates	-	44,023	-	43,238
Proceeds from sale of assets	552	3,178	16,227	14,525
Net cash used by investing activities	(9,234)	(110,957)	(80,285)	(190,208)
Financing activities				
Net proceeds from (repayments of) short-term borrowings	(13,390)	15,329	(251,586)	108,460
Proceeds from long-term debt	-	-	150,000	-
Principal payments on long-term debt	(365)	(95)	(1,170)	(95)
Proceeds from issuance of common shares	17,332	1,186	32,960	9,709
Excess tax benefits - stock-based compensation	3,455	-	3,455	-
Dividends paid to noncontrolling interest, net of contributions	(2,592)	(3,168)	(8,582)	(9,744)
Repurchase of common shares	-	-	-	(52,120)
Dividends paid	(27,040)	(8,273)	(44,144)	(23,856)
Net cash provided (used) by financing activities	(22,600)	4,979	(119,067)	32,354

Increase (decrease) in cash and cash equivalents	4,470	(18,540)	(3,669)	(20,901)
Cash and cash equivalents at beginning of period	32,889	53,806	41,028	56,167
Cash and cash equivalents at end of period	$ 37,359	$ 35,266	$ 37,359	$ 35,266

See notes to consolidated financial statements.

Table of Contents

WORTHINGTON INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended February 28, 2013 and February 29, 2012

(Unaudited)

NOTE A Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Worthington Industries, Inc. and consolidated subsidiaries (collectively, we , our , Worthington or the Company). Investments in unconsolidated affiliates are accounted for using the equi method. Significant intercompany accounts and transactions are eliminated.

Spartan Steel Coating, LLC (Spartan), in which we own a 52% controlling interest, Worthington Nitin Cylinders Limited (WNCL), in which we own a 60% controlling interest, and Worthington Energy Innovations, LLC (WEI , formally PSI Energy Solutions, LLC), in which we own a 75% controlling interest, are fully consolidated with the equity owned by the other joint venture members shown as noncontrolling interest in our consolidated balance sheets, and the other joint venture members portion of net earnings shown as net earnings attributable to noncontrolling interest in our consolidated statements of earnings.

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, which are of a normal and recurring nature, except those which have been disclosed elsewhere in this Quarterly Report on Form 10-Q, necessary for a fair presentation of the results of operations of these interim periods, have been included. Operating results for the three and nine months ended February 28, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2013 (fiscal 2013). For further information, refer to the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended May 31, 2012 (fiscal 2012) of Worthington Industries, Inc. (the 2012 Form 10-K).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Joint Venture Transactions

On March 1, 2011, we joined with ClarkWestern Building Systems Inc. to form Clarkwestern Dietrich Building Systems LLC (ClarkDietrich), a joint venture that 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. We contributed our metal framing business and related working capital in exchange for a 25% ownership interest in ClarkDietrich. As we do not have a controlling financial interest in ClarkDietrich, our investment in this joint venture is accounted for under the equity method, and the contributed net assets were deconsolidated effective March 1, 2011.

We retained and continued to operate the remaining metal framing facilities (the retained facilities), on a short-term basis, to support the transition of the business into ClarkDietrich. All of these facilities were closed as of August 31, 2011 and the associated buildings and equipment of the majority of these facilities were sold during fiscal 2012. The remaining assets, which have a carrying value of $3,040,000 and consist of property, plant and equipment, are expected to be sold before the end of the first quarter of the fiscal year ending May 31, 2014 and actions to locate buyers are ongoing.

Table of Contents

Recently Issued Accounting Standards

In December 2011, new accounting guidance was issued that establishes certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. The new disclosures are required for annual reporting periods beginning on or after January 1, 2013, and interim periods within those periods. We do not expect the adoption of this amended accounting guidance to have a material impact on our financial position or results of operations.

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. We adopted the effective provisions of this new accounting guidance on June 1, 2012 and have provided the required statements of comprehensive income for the three and nine months ended February 28, 2013 and February 29, 2012. In December 2011, certain provisions of this new guidance related to the presentation of reclassification adjustments out of accumulated other comprehensive income were temporarily deferred. In February 2013, an effective date was established for the provisions that had been deferred. These provisions are effective prospectively for interim and annual reporting periods beginning after December 15, 2012. We do not expect the adoption of these provisions, which relates to presentation only, to have a material impact on our financial position or results of operations.

In September 2011, amended accounting guidance was issued that simplifies how an entity tests goodwill for impairment. The amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The two-step quantitative impairment test is required only if, based on its qualitative assessment, an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amended guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Our adoption of this amended accounting guidance did not impact our financial position or results of operations.

In July 2012, amended accounting guidance was issued that simplifies how an entity tests indefinite-lived intangible assets for impairment. The amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. An entity will no longer be required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative test unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amended guidance is effective for interim and annual indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We do not expect the adoption of this amended accounting guidance to have a material impact on our financial position or results of operations.

NOTE B Investments in Unconsolidated Affiliates

Our investments in affiliated companies that we do not control, either through majority ownership or otherwise, are accounted for using the equity method. At February 28, 2013, these equity investments and the percentage interests owned consisted of: ArtiFlex Manufacturing, LLC (ArtiFlex) (50%), ClarkDietrich (25%), Gestamp Worthington Wind Steel, LLC (the Gestamp JV) (50%), Samuel Steel Pickling Company (31%), Serviacero Planos, S. de R. L. de C.V. (50%), TWB Company, L.L.C. (TWB) (45%), Worthington Armstrong Venture (WAVE) (50%), Worthington Modern Steel Framing Manufacturing Co., Ltd. (WMSFMCo.) (40%), and Worthington Specialty Processing (WSP) (51%). WSP is considered to be jointly controlled and not consolidated due to substantive participating rights of the minority partner.

Our more recent, less significant, WMSFMCo. joint venture in China has experienced slower sales growth than originally anticipated due to construction delays and higher costs associated with the construction of the initial buildings. While we believe that the investment in this entity, $6,600,000 at February 28, 2013, is not currently impaired, changes to the management of the joint venture have been made and we will continue to evaluate the investment going forward.

Table of Contents

In September 2012, the parent company of ThyssenKrupp Steel North America, Inc., the other member of our tailored steel blanks joint venture, TWB, announced that it had reached an agreement to sell its interest in the joint venture to Wuhan Iron and Steel Corporation. The sale is subject to approval by the supervisory bodies and responsible regulatory authorities.

We received distributions from unconsolidated affiliates totaling $54,324,000 during the nine months ended February 28, 2013. We have received cumulative distributions from WAVE in excess of our investment balance totaling $64,128,000 and $69,165,000 at February 28, 2013 and May 31, 2012, respectively. In accordance with the applicable accounting guidance, these excess distributions are reclassified to the liabilities section of our consolidated balance sheet. We will continue to record our equity in the net income of WAVE as a debit to the investment account, and if it becomes positive, it will again be shown as an asset on our consolidated balance sheet. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), we will recognize any balance classified as a liability as income immediately.

We use the cumulative earnings approach for determining cash flow presentation of distributions from our unconsolidated joint ventures. Distributions received are included in our consolidated statements of cash flows as operating activities, unless the cumulative distributions exceed our portion of the cumulative equity in the net earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in our consolidated statements of cash flows.

Combined financial information for our unconsolidated affiliates is summarized as follows:

(in thousands)	February 28, 2013	May 31, 2012
Current assets	$ 662,079	$ 626,975
Noncurrent assets	355,607	345,500
Total assets	$ 1,017,686	$ 972,475
Current liabilities	$ 183,464	$ 174,016
Current maturities of long-term debt	5,394	5,305
Long-term debt	273,870	289,308
Other noncurrent liabilities	23,461	21,934
Equity	531,497	481,912
Total liabilities and equity	$ 1,017,686	$ 972,475

	Three Months Ended		Nine Months Ended	
(in thousands)	February 28, 2013	February 29, 2012	February 28, 2013	February 29, 2012
Net sales	$ 421,645	$ 409,981	$ 1,306,758	$ 1,258,185
Gross margin	90,570	82,904	254,796	246,714
Operating income	61,387	56,219	169,997	166,257
Depreciation and amortization	9,979	8,431	29,089	25,164
Interest expense	2,212	1,925	6,681	3,751
Income tax expense	1,842	1,908	5,488	12,032
Net earnings	57,421	51,955	158,570	151,779

NOTE C Impairment of 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. During the third quarter of fiscal 2013, we determined that certain indicators of impairment were present with regard to our consolidated joint venture in India, WNCL. 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 exceeded the $7,488,000 net book value of the asset group and therefore no impairment charges were recognized. Nonetheless, it is reasonably possible that the estimate of undiscounted future cash flows may change in

the near term resulting in the need to write down this asset group to fair value.

Table of Contents

During the first quarter of fiscal 2013, our Pressure Cylinders operations in Czech Republic met the applicable criteria for classification as assets held for sale. The net book value of this asset group was determined to be in excess of fair value, and, as a result, this asset group was written down to its fair value less cost to sell, or $6,934,000, resulting in an impairment charge of $1,570,000. On October 31, 2012, we completed the sale of this asset group to an unrelated third party resulting in a gain of approximately $50,000. The combined impact of these items of $1,520,000 is presented within the impairment of long-lived assets financial statement caption in our consolidated statement of earnings for the nine months ended February 28, 2013.

NOTE D Restructuring and Other Expense

In fiscal 2008, we initiated a Transformation Plan (the Transformation Plan) with the overall goal to improve our sustainable earnings potential, asset utilization and operational performance. 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. We also substantially completed the transformation phases at our metal framing facilities prior to their contribution to ClarkDietrich. Transformation efforts within our Pressure Cylinders operating segment, which began during the first quarter of fiscal 2012, are ongoing. In addition, during the first quarter of fiscal 2013, we initiated the diagnostics phase of the Transformation Plan in our Engineered Cabs operating segment.

During the nine months ended February 28, 2013, the following actions were taken in connection with the Transformation Plan:

In connection with the wind-down of our former Metal Framing operating segment:

- Approximately $962,000 of facility exit and other costs were incurred in connection with the closure of the retained facilities.

- The severance accrual was adjusted downward, resulting in a $264,000 credit to earnings.

- Certain assets of the retained facilities classified as held for sale were disposed of for cash proceeds of $5,637,000 resulting in a net gain of $1,886,000.

These items were recognized within the joint venture transactions financial statement caption in our consolidated statement of earnings to correspond with amounts previously recognized in connection with the formation of ClarkDietrich and the subsequent wind-down of our former Metal Framing operating segment.

In connection with the closure of our commercial stairs business, we incurred net charges of approximately $1,530,000, consisting of $1,624,000 of facility exit and other costs and a $94,000 credit to severance expense.

In connection with certain organizational changes impacting our former Global Group operating segment, we accrued approximately $104,000 of employee severance. For further information regarding these organizational changes, refer to NOTE L Segment Operations.

In connection with the sale of our Pressure Cylinders operations in Czech Republic, we recognized approximately $177,000 of facility exit and other costs.

8

Table of Contents

A progression of the liabilities created as part of the Transformation Plan during the nine months ended February 28, 2013, combined with a reconciliation to the restructuring and other expense financial statement caption in our consolidated statement of earnings is summarized as follows:

(in thousands)	Beginning Balance	Expense/ (Income)	Payments	Adjustments	Ending Balance
Early retirement and severance	$ 4,892	$ (254)	$ (1,756)	$ 297	$ 3,179
Facility exit and other costs	691	2,763	(1,589)	(460)	1,405
	$ 5,583	2,509	$ (3,345)	$ (163)	$ 4,584
Net gain on asset disposals		(1,886)			
Less: joint venture transactions		1,188			
Restructuring and other expense		$ 1,811			

Approximately $1,790,000 of the total liability is expected to be paid in the fourth quarter of fiscal 2013. The remaining liability, which consists of lease termination costs and certain severance benefits, will be paid through September 2016.

NOTE E Contingent Liabilities

We are defendants in certain legal actions. In the opinion of management, the outcome of these actions, which is not clearly determinable at the present time, would not significantly affect our consolidated financial position or future results of operations. We believe that environmental issues will not have a material effect on our capital expenditures, consolidated financial position or future results of operations.

Pressure Cylinders Voluntary Product Recall

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 precautionary in nature and involved a valve supplied by a third party that may leak when a torch or hose is disconnected from the cylinder.

Due to higher product returns than initially anticipated, we incurred additional expenses of $2,571,000 related to the recall during the nine months ended February 28, 2013, bringing the total pre-tax charges incurred to $12,242,000, which represents our best estimate of the total liability. Recoveries, if any, will not be recorded until an agreement is reached with the supplier.

NOTE F Guarantees

We do not have guarantees that we believe are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of February 28, 2013, 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 $14,216,000 at February 28, 2013. We have also guaranteed the repayment of a $5,000,000 term loan entered into by one of our unconsolidated affiliates, ArtiFlex. 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 and therefore no amounts have been recognized in our consolidated financial statements.

We also had in place $11,982,000 of outstanding stand-by letters of credit for third-party beneficiaries as of February 28, 2013. These letters of credit were issued to third-party service providers and had no amounts drawn against them at February 28, 2013. The fair value of these guarantee instruments, based on premiums paid, was not material, and therefore no amounts have been recognized in our consolidated financial statements.

NOTE G Debt and Receivables Securitization

On August 10, 2012, we issued $150,000,000 aggregate principal amount of unsecured senior notes due August 10, 2024 (the 2024 Notes). The 2024 Notes bear interest at a rate of 4.60%. The net proceeds from this issuance were used to repay a portion of the outstanding borrowings under our multi-year revolving credit facility and amounts outstanding under our revolving trade accounts receivable securitization facility, both of which are described in more detail below.

Table of Contents

We have a $425,000,000 multi-year revolving credit facility (the Credit Facility) with a group of lenders that matures in May 2017. Borrowings outstanding under the Credit Facility were $24,280,000 at February 28, 2013. Additionally, as discussed in NOTE F Guarantees, we provided $11,982,000 in stand-by letters of credit for third-party beneficiaries as of February 28, 2013. While not drawn against, these letters of credit are issued against availability under the Credit Facility, leaving $388,738,000 available at February 28, 2013.

Current borrowings under this revolving Credit Facility have maturities of less than one year, and given that we intend to repay them within the next year, they have been classified as short-term borrowings in our consolidated balance sheet. However, we can 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 February 28, 2013, the applicable variable rate, based on LIBOR, was 1.25%.

We also maintain a revolving trade accounts receivable securitization facility (the AR Facility). The AR Facility has been available throughout fiscal 2013 to date, and was available throughout fiscal 2012. During the third quarter of fiscal 2013, we decreased our borrowing capacity under the AR Facility from $150,000,000 to $100,000,000 and extended its maturity to January 2015. 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 $100,000,000 of undivided ownership interests in this pool of accounts receivable to a multi-seller, 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. The book value of the retained portion of the pool of accounts receivable approximates fair value. As of February 28, 2013, the pool of eligible accounts receivable exceeded the $100,000,000 limit, and no undivided ownership interests in this pool of accounts receivable had been sold.

The remaining balance of short-term borrowings at February 28, 2013 consisted of $6,308,000 outstanding under a $9,500,000 credit facility maintained by our consolidated affiliate, WNCL. This credit facility matures in November 2013 and bears interest at a variable rate. The applicable variable rate was 2.25% at February 28, 2013.

NOTE H Comprehensive Income

The following table summarizes the tax effects of each component of other comprehensive income for the three months ended February 28, 2013:

(in thousands)	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
Foreign currency translation	$ (1,675)	-	$ (1,675)
Pension liability adjustment	(43)	15	(28)
Cash flow hedges	724	113	837
Other comprehensive income	$ (994)	$ 128	$ (866)

The following table summarizes the tax effects of each component of other comprehensive income for the nine months ended February 28, 2013:

(in thousands)	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
Foreign currency translation	$ 6,400	-	$ 6,400
Pension liability adjustment	(298)	97	(201)
Cash flow hedges	2,501	(1,008)	1,493
Other comprehensive income	$ 8,603	$ (911)	$ 7,692

10

Table of Contents

NOTE I Changes in Equity

The following table provides a summary of the changes in total equity, shareholders equity attributable to controlling interest, and equity attributable to noncontrolling interest for the nine months ended February 28, 2013:

	Controlling Interest					
(in thousands)	Additional Paid-in Capital	Cumulative Other Comprehensive Income (Loss), Net of Tax	Retained Earnings	Total	Non-controlling Interest	Total
Balance at May 31, 2012	$ 192,338	$ (20,387)	$ 525,223	$ 697,174	$ 50,263	$ 747,437
Comprehensive income	-	7,352	102,919	110,271	2,239	112,510
Common shares issued	32,960	-	-	32,960	-	32,960
Stock-based compensation	12,941	-	-	12,941	-	12,941
Dividends paid to noncontrolling interest, net of contributions	-	-	-	-	(8,582)	(8,582)
Cash dividends declared	-	-	(36,471)	(36,471)	-	(36,471)
Balance at February 28, 2013	$ 238,239	$ (13,035)	$ 591,671	$ 816,875	$ 43,920	$ 860,795

NOTE J Stock-Based Compensation

Non-Qualified Stock Options

During the nine months ended February 28, 2013, we granted non-qualified stock options covering a total of 1,012,250 common shares under our stock-based compensation plans. The weighted average option price of $20.63 per share was equal to the market price of the underlying common shares at the grant date. The fair value of these stock options, based on the Black-Scholes option-pricing model, calculated at the grant date, was $7.71 per share. The calculated pre-tax stock-based compensation expense for these stock options, after an estimate for forfeitures, is $7,014,000, of which $6,450,000 relates to stock options granted to employees and will be recognized on a straight-line basis over the three-year vesting period and $564,000 relates to stock options granted to non-employee directors and will be recognized on a straight-line basis over the one-year vesting period. The following assumptions were used to value these stock options:

Dividend yield	2.95%
Expected volatility	52.88%
Risk-free interest rate	0.91%
Expected term (years)	6.0

Expected volatility is based on the historical volatility of our common shares and the risk-free interest rate is based on the United States Treasury strip rate for the expected term of the stock options. The expected term was developed using historical exercise experience.

Restricted Common Shares

During the nine months ended February 28, 2013, we granted 121,400 restricted common shares under our stock-based compensation plans. The fair values of these restricted common shares were equal to the weighted average closing market prices of the underlying common shares on the date of grant, or $20.77 per share. The calculated pre-tax stock-based compensation expense for these restricted common shares is $2,299,000, of which $1,796,000 relates to restricted common shares granted to employees and will be recognized on a straight-line basis over the three-year vesting period and $503,000 relates to restricted common shares granted to non-employee directors and will be recognized on a straight-line basis over the one-year vesting period.

NOTE K Income Taxes

Income tax expense for the nine months ended February 28, 2013 and February 29, 2012 reflected estimated annual effective income tax rates of 31.8% and 31.9%, respectively. These rates are applicable only to net earnings attributable to controlling interest, as reflected in our consolidated statements of earnings. Net earnings attributable to noncontrolling interest is primarily a result of our

Table of Contents

Spartan consolidated joint venture. The earnings attributable to the noncontrolling interest in Spartan do not generate tax expense to Worthington since the investors in Spartan are taxed directly based on the earnings attributable to them. Management is required to estimate the annual effective income tax rate based upon its forecast of annual pre-tax income for domestic and foreign operations. Our actual effective income tax rate for fiscal 2013 could be materially different from the forecasted rate as of February 28, 2013.

NOTE L Segment Operations

During the first quarter of fiscal 2013, we made certain organizational changes impacting the internal reporting and management structure of our former Global Group operating segment. As a result of these organizational changes, management responsibilities and internal reporting were re-aligned into two new operating segments: Construction Services and Worthington Energy Innovations. These operating segments are reported in the Other category for segment reporting purposes, as they do not meet the applicable aggregation criteria or quantitative thresholds for separate disclosure. Accordingly, these organizational changes did not impact the composition of our reportable business segments.

Additionally, we no longer manage our residual metal framing assets in a manner that constitutes an operating segment. Accordingly, the activity related to the wind-down of our former Metal Framing operating segment has been reported in the Other category. Segment information reported in previous periods has been restated to conform to this new presentation.

Table of Contents

Summarized financial information for our reportable segments is shown in the following table:

(in thousands)	Three Months Ended February 28, 2013	Three Months Ended February 29, 2012	Nine Months Ended February 28, 2013	Nine Months Ended February 29, 2012
Net sales				
Steel Processing	$ 349,569	$ 367,259	$ 1,068,854	$ 1,148,894
Pressure Cylinders	205,206	187,737	606,936	533,283
Engineered Cabs	48,628	40,173	170,927	40,173
Other	16,124	16,086	61,467	56,944
Consolidated net sales	$ 619,527	$ 611,255	$ 1,908,184	$ 1,779,294
Operating income (loss)				
Steel Processing	$ 17,504	$ 15,405	$ 46,837	$ 39,069
Pressure Cylinders	17,860	10,887	49,965	23,333
Engineered Cabs	108	(1,447)	5,367	(1,447)
Other	(2,066)	(6,770)	(6,523)	(18,848)
Consolidated operating income	$ 33,406	$ 18,075	$ 95,646	$ 42,107
Restructuring and other expense (income)				
Steel Processing	$ -	$ -	$ -	$ -
Pressure Cylinders	177	-	183	-
Engineered Cabs	-	-	-	-
Other	(31)	956	1,628	4,707
Consolidated restructuring and other expense	$ 146	$ 956	$ 1,811	$ 4,707
Impairment of long-lived assets				
Steel Processing	$ -	$ -	$ -	$ -
Pressure Cylinders	-	-	1,520	-
Engineered Cabs	-	-	-	-
Other	-	-	-	-
Consolidated impairment of long-lived assets	$ -	$ -	$ 1,520	$ -
Joint venture transactions				
Steel Processing	$ -	$ -	$ -	$ -
Pressure Cylinders	-	-	-	-
Engineered Cabs	-	-	-	-
Other	253	1,812	(1,188)	3,835
Consolidated joint venture transactions	$ 253	$ 1,812	$ (1,188)	$ 3,835

(in thousands)	February 28, 2013	May 31, 2012
Total assets		
Steel Processing	$ 624,494	$ 703,336

Pressure Cylinders	639,286	575,250
Engineered Cabs	202,489	199,594
Other	418,913	399,617
Consolidated total assets	$ 1,885,182	$ 1,877,797

Table of Contents

NOTE M Acquisitions

Westerman, Inc.

On September 17, 2012, we acquired 100% of the outstanding common shares of Westerman, Inc. (Westerman) for cash consideration of approximately $62,749,000 and the assumption of approximately $7,251,000 of debt, which was repaid at closing. Westerman is a leading manufacturer of tanks and pressure vessels for the oil and gas and nuclear markets as well as hoists for marine applications. The acquired net assets became part of our Pressure Cylinders operating segment upon closing.

The assets acquired and liabilities assumed were recognized at their acquisition-date fair values, with goodwill representing the excess of the purchase price over the fair value of the net identifiable assets acquired. In connection with the acquisition of Westerman, we identified and valued the following identifiable intangible assets:

(in thousands)		Useful Life
Category	**Amount**	**(Years)**
Customer relationships	$ 12,796	10
Trade name	2,986	3-4
Non-compete agreement	1,050	5
Other	1,486	1-3
Total acquired identifiable intangible assets	$ 18,318	

The purchase price includes the fair values of other assets that were not identifiable, not separately recognizable under accounting rules (e.g., assembled workforce) or of immaterial value. The purchase price also includes a going-concern element that represents our ability to earn a higher rate of return on this group of assets than would be expected on the separate assets as determined during the valuation process. This additional investment value resulted in goodwill, which is not expected to be deductible for income tax purposes.

The following table summarizes the consideration transferred for Westerman and the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

(in thousands)	
Cash and cash equivalents	$ 639
Accounts receivable	6,355
Inventories	15,377
Prepaid expenses and other current assets	836
Intangible assets	18,318
Property, plant and equipment	23,503
Total identifiable assets	65,028
Accounts payable	(2,952)
Accrued liabilities	(2,479)
Other current liabilities	(765)
Short-term borrowings	(7,251)
Deferred income taxes	(11,054)
Net identifiable assets	40,527
Goodwill	22,222
Total cash consideration	$ 62,749

Operating results of Westerman have been included in our consolidated statements of earnings from the acquisition date, forward. Pro forma results, including the acquired business since the beginning of fiscal 2012, would not be materially different than reported results.

Table of Contents

NOTE N Derivative Instruments and Hedging Activities

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk and commodity price risk. While certain of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments and therefore do not qualify for hedge accounting. These derivative instruments are adjusted to current fair value through earnings at the end of each period.

Interest Rate Risk Management We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on cash flows and the market value of our borrowings. We utilize a mix of debt maturities along with both fixed-rate and variable-rate debt to manage changes in interest rates. In addition, we enter into interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

Currency Exchange Risk Management We conduct business in several major international currencies and are therefore subject to risks associated with changing foreign exchange rates. We enter into various contracts that change in value as foreign exchange rates change to manage this exposure. Such contracts limit exposure to both favorable and unfavorable currency fluctuations. The translation of foreign currencies into United States dollars also subjects us to exposure related to fluctuating exchange rates; however, derivative instruments are not used to manage this risk.

Commodity Price Risk Management We are exposed to changes in the price of certain commodities, including steel, natural gas, zinc and other raw materials, and our utility requirements. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases and sales of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative instruments to manage the associated price risk.

We are exposed to counterparty credit risk on all of our derivative instruments. Accordingly, we have established and maintain strict counterparty credit guidelines and enter into derivative instruments only with major financial institutions. We do not have significant exposure to any one counterparty and management believes the risk of loss is remote and, in any event, would not be material.

Refer to Note O Fair Value for additional information regarding the accounting treatment for our derivative instruments, as well as how fair value is determined.

Table of Contents

The following table summarizes the fair value of our derivative instruments and the respective financial statement captions in which they were recorded in our consolidated balance sheet at February 28, 2013:

(in thousands)	Asset Derivatives Balance Sheet Location	Asset Derivatives Fair Value	Liability Derivatives Balance Sheet Location	Liability Derivatives Fair Value
Derivatives designated as hedging instruments:				
Interest rate contracts	Receivables	$ -	Accounts payable	$ 1,995
	Other assets	-	Other liabilities	5,840
		-		7,835
Commodity contracts	Receivables	571	Accounts payable	479
		571		479
Totals		$ 571		$ 8,314
Derivatives not designated as hedging instruments:				
Commodity contracts	Receivables	$ 316	Accounts payable	$ 202
		316		202
Foreign exchange contracts	Receivables	179	Accounts payable	-
		179		-
Totals		$ 495		$ 202
Total Derivative Instruments		$ 1,066		$ 8,516

Table of Contents

The following table summarizes the fair value of our derivative instruments and the respective financial statement captions in which they were recorded in the consolidated balance sheet at May 31, 2012:

(in thousands)	Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate contracts	Receivables	$ -	Accounts payable	$ 1,859
	Other assets	-	Other liabilities	8,825
		-		10,684
Commodity contracts	Receivables	-	Accounts payable	249
		-		249
Totals		$ -		$ 10,933
Derivatives not designated as hedging instruments:				
Commodity contracts	Receivables	$ 245	Accounts payable	$ 4,060
		245		4,060
Foreign exchange contracts	Receivables	912	Accounts payable	-
		912		-
Totals		$ 1,157		$ 4,060
Total Derivative Instruments		$ 1,157		$ 14,993

Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in earnings immediately.

The following table summarizes our cash flow hedges outstanding at February 28, 2013:

(in thousands)	Notional Amount	Maturity Date
Commodity contracts	$ 35,700	March 2013 - December 2013
Interest rate contracts	$ 100,000	December 2014

Table of Contents

The following table summarizes the gain (loss) recognized in OCI and the gain (loss) reclassified from accumulated OCI into earnings for derivative instruments designated as cash flow hedges during the three months ended February 28, 2013 and February 29, 2012:

(in thousands)	Income (Loss) Recognized in OCI (Effective Portion)	Location of Income (Loss) Reclassified from Accumulated OCI (Effective Portion)	Income (Loss) Reclassified from Accumulated OCI (Effective Portion)	Location of Income (Loss) (Ineffective Portion) and Excluded from Effectiveness Testing	Income (Loss) (Ineffective Portion) and Excluded from Effectiveness Testing
For the three months ended February 28, 2013:					
Interest rate contracts	$ (389)	Interest expense	$ (1,320)	Interest expense	$ -
Commodity contracts	313	Cost of goods sold	520	Cost of goods sold	-
Totals	$ (76)		$ (800)		$ -
For the three months ended February 29, 2012:					
Interest rate contracts	$ (571)	Interest expense	$ (1,042)	Interest expense	$ -
Commodity contracts	459	Cost of goods sold	258	Cost of goods sold	-
Totals	$ (112)		$ (784)		$ -

The following table summarizes the gain (loss) recognized in OCI and the gain (loss) reclassified from accumulated OCI into earnings for derivative instruments designated as cash flow hedges during the nine months ended February 28, 2013 and February 29, 2012:

(in thousands)	Income (Loss) Recognized in OCI (Effective Portion)	Location of Income (Loss) Reclassified from Accumulated OCI (Effective Portion)	Income (Loss) Reclassified from Accumulated OCI (Effective Portion)	Location of Income (Loss) (Ineffective Portion) and Excluded from Effectiveness Testing	Income (Loss) (Ineffective Portion) and Excluded from Effectiveness Testing
For the nine months ended February 28, 2013:					
Interest rate contracts	$ (878)	Interest expense	$ (2,968)	Interest expense	$ -
Commodity contracts	771	Cost of goods sold	360	Cost of goods sold	-
Totals	$ (107)		$ (2,608)		$ -
For the nine months ended February 29, 2012:					
Interest rate contracts	$ (2,444)	Interest expense	$ (3,040)	Interest expense	$ -
Commodity contracts	36	Cost of goods sold	1,993	Cost of goods sold	-
Totals	$ (2,408)		$ (1,047)		$ -

The estimated net amount of the losses recognized in accumulated OCI at February 28, 2013 expected to be reclassified into net earnings within the succeeding twelve months is $1,203,000 (net of tax of $700,000). This amount was computed using the fair value of the cash flow hedges at February 28, 2013, and will change before actual reclassification from OCI to net earnings during the fiscal years ending May 31, 2013 and 2014.

Table of Contents

Economic (Non-designated) Hedges

We enter into foreign currency contracts to manage our foreign exchange exposure related to inter-company and financing transactions that do not meet the requirements for hedge accounting treatment. We also enter into certain commodity contracts that do not qualify for hedge accounting treatment. Accordingly, these derivative instruments are adjusted to current market value at the end of each period through earnings.

The following table summarizes our economic (non-designated) derivative instruments outstanding at February 28, 2013:

(in thousands)	Notional Amount	Maturity Date(s)
Commodity contracts	$ 13,490	March 2013 - November 2014
Foreign currency contracts	$ 50,810	May 2013

The following table summarizes the gain (loss) recognized in earnings for economic (non-designated) derivative financial instruments during the three months ended February 28, 2013 and February 29, 2012:

(in thousands)	Location of Income (Loss) Recognized in Earnings	Income (Loss) Recognized in Earnings for the Three Months Ended February 28, 2013	February 29, 2012
Commodity contracts	Cost of goods sold	$ 3,611	$ (2,552)
Foreign exchange contracts	Miscellaneous expense	1,142	653
Total		$ 4,753	$ (1,899)

The following table summarizes the gain (loss) recognized in earnings for economic (non-designated) derivative financial instruments during the nine months ended February 28, 2013 and February 29, 2012:

(in thousands)	Location of Income (Loss) Recognized in Earnings	Income (Loss) Recognized in Earnings for the Nine Months Ended February 28, 2013	February 29, 2012
Commodity contracts	Cost of goods sold	$ 7,844	$ (3,655)
Foreign exchange contracts	Miscellaneous expense	1,363	4,421
Total		$ 9,207	$ 766

The gain (loss) on the foreign currency derivatives significantly offsets the gain (loss) on the hedged item.

NOTE O Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price concept that assumes an orderly transaction between willing market participants and is required to be based on assumptions that market participants would use in pricing an asset or a liability. Current accounting guidance establishes a three-tier fair value hierarchy as a basis for considering such assumptions and for classifying the inputs used in the valuation methodologies. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are as follows:

Level 1	Observable prices in active markets for identical assets and liabilities.
Level 2	Observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Table of Contents

At February 28, 2013, our financial assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Assets				
Derivative contracts	$ -	$ 1,066	$ -	$ 1,066
Total assets	$ -	$ 1,066	$ -	$ 1,066
Liabilities				
Derivative contracts	$ -	$ 8,516	$ -	$ 8,516
Total liabilities	$ -	$ 8,516	$ -	$ 8,516

At May 31, 2012, our financial assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Assets				
Derivative contracts	$ -	$ 1,157	$ -	$ 1,157
Total assets	$ -	$ 1,157	$ -	$ 1,157
Liabilities				
Derivative contracts	$ -	$ 14,993	$ -	$ 14,993
Total liabilities	$ -	$ 14,993	$ -	$ 14,993

The fair value of our derivative contracts is based on the present value of the expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Market observable, Level 2 inputs are used to determine the present value of the expected future cash flows. Refer to NOTE N Derivative Instruments and Hedging Activities for additional information regarding our use of derivative instruments.

The fair value of non-derivative financial instruments included in the carrying amounts of cash and cash equivalents, receivables, income taxes receivable, other assets, deferred income taxes, accounts payable, short-term borrowings, accrued compensation, contributions to employee benefit plans and related taxes, other accrued expenses, income taxes payable and other liabilities approximate carrying value due to their short-term nature. The fair value of long-term debt, including current maturities, based upon models utilizing market observable inputs and credit risk, was $429,528,000 and $274,754,000 at February 28, 2013 and May 31, 2012, respectively. The carrying amount of long-term debt, including current maturities, was $407,634,000 and $258,791,000 at February 28, 2013 and May 31, 2012, respectively.

Table of Contents

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

Selected statements contained in this Item 2. 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 Quarterly Report on Form 10-Q, Part I Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended May 31, 2012 and Part II Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

Introduction

The following discussion and analysis of market and industry trends, business developments, and the results of operations and financial position of Worthington Industries, Inc., together with its subsidiaries (collectively, we, our, Worthington, or our Company), should be read conjunction with our consolidated financial statements and notes thereto included in Item 1. Financial Statements of this Quarterly Report on Form 10-Q. Our Annual Report on Form 10-K for the fiscal year ended May 31, 2012 includes additional information about us, our operations and our financial position and should be read in conjunction with this Quarterly Report on Form 10-Q.

We are primarily a diversified metals manufacturing company, focused on value-added steel processing and the manufacture of pressure cylinders and custom-engineered cabs. As of February 28, 2013, excluding our joint ventures, we operated 35 manufacturing facilities worldwide, principally in three reportable business segments: Steel Processing, Pressure Cylinders and Engineered Cabs. Our remaining operating segments, which do not meet the applicable aggregation criteria or quantitative thresholds for separate disclosure, are combined and reported in the Other category. These include the Steel Packaging, Construction Services and Worthington Energy Innovations operating segments.

During the first quarter of fiscal 2013, we made certain organizational changes impacting the internal reporting and management structure of our former Global Group operating segment. As a result of these organizational changes, management responsibilities and internal reporting were re-aligned into two new operating segments: Construction Services and Worthington Energy Innovations. These organizational changes did not impact the composition of our reportable business segments.

Additionally, we no longer manage our residual metal framing assets in a manner that constitutes an operating segment. Accordingly, the activity related to the wind down of our former Metal Framing operating segment, consisting primarily of the sale of assets, has been reported in the Other category. Segment information reported in previous periods has been restated to conform to the new presentation.

We also held equity positions in 12 joint ventures, which operated 47 manufacturing facilities worldwide, as of February 28, 2013.

Overview

The Company s performance during the third quarter of fiscal 2013 was strong, aided by strong earnings growth in Pressure Cylinders, improved margins in Steel Processing and higher earnings from our joint ventures.

Volume trends were mixed in the third quarter. Pressure Cylinders volumes were essentially flat; however, a more favorable product mix due to a shift to higher price but lower volume tanks led to a 9% increase in net sales. Steel Processing volumes were down 11%, but direct volumes, which carry a higher margin, were up approximately 6%, after excluding volumes from the MISA Metals facilities which were wound down or sold during the past year.

Engineered Cabs continues to experience soft demand due to production declines at its top customer. We are responding to the current environment and are implementing a plan to adjust costs accordingly without sacrificing production capacity.

Equity in net income of unconsolidated affiliates (equity income) during the third quarter was up 7% over prior year. With the exception of our joint venture in China, WMSFMCo, all of our joint ventures operated at a profit during the quarter, led by WAVE, ClarkDietrich, and TWB, which contributed $17.1 million, $3.1 million and $2.6 million of equity income, respectively. Additionally, we received $20.9 million in dividends from our unconsolidated affiliates during the quarter.

21

Table of Contents

The Company continues its strategy of optimizing existing operations and pursuing growth opportunities that add to our current businesses. We initiated the diagnostics phase of the Transformation Plan within our Pressure Cylinders operating segment in the first quarter of fiscal 2012, and these efforts are progressing through each facility. Additionally, during the first quarter of fiscal 2013, we initiated the diagnostics phase in our Engineered Cabs operating segment. This segment contributed $48.6 million and $170.9 million, respectively, in net sales during the three and nine months ended February 28, 2013. For additional information regarding the Transformation Plan, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE D Restructuring and Other Expense of this Quarterly Report on Form 10-Q.

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 the third quarter of fiscal 2013 and of fiscal 2012 is illustrated in the following chart:

The automotive industry is one of the largest consumers of flat-rolled steel, and thus the largest end market for our Steel Processing operating segment. Approximately 54% of the net sales of our Steel Processing operating segment is 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 of five of our unconsolidated joint ventures are also to the automotive end market.

Approximately 10% of the net sales of our Steel Processing operating segment, 43% of the net sales of our Engineered Cabs operating segment and substantially all of the net sales of our Construction Services operating segment are to the construction market. 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 for three of our unconsolidated joint ventures, WAVE, ClarkDietrich and WMSFMCo.

Substantially all of the net sales of our Pressure Cylinders operating segment, and approximately 36% and 57% of the net sales of our Steel Processing and Engineered Cabs operating segments, respectively, are to other markets such as leisure and recreation, industrial gas, HVAC, lawn and garden, agriculture, mining and appliance. Given the many different products that make up these net sales and the wide variety of end markets, it is very difficult to detail the key market indicators that drive this portion of our business. However, we believe that the trend in U.S. GDP growth is a good economic indicator for analyzing these operating segments.

Table of Contents

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

	Three Months Ended			Nine Months Ended		
	Feb. 28, 2013	Feb. 29, 2012	Inc / (Dec)	Feb. 28, 2013	Feb. 29, 2012	Inc / (Dec)
U.S. GDP (% growth year-over-year) [1]	1.6%	0.1%	1.5%	1.5%	0.3%	1.2%
Hot-Rolled Steel ($ per ton) [2]	$ 629	$ 718	$ (89)	$ 623	$ 696	$ (73)
Detroit Three Auto Build (000 s vehicles) [3]	1,971	1,944	27	6,228	5,883	345
No. America Auto Build (000 s vehicles) [3]	3,587	3,528	59	11,425	10,255	1,170
Zinc ($ per pound) [4]	$ 1.00	$ 0.90	$ 0.10	$ 0.91	$ 0.94	$ (0.03)
Natural Gas ($ per mcf) [5]	$ 3.99	$ 2.84	$ 1.15	$ 3.33	$ 3.60	$ (0.27)
On-Highway Diesel Fuel Prices ($ per gallon) [6]	$ 3.97	$ 3.92	$ 0.05	$ 3.95	$ 3.90	$ 0.05

[1] 2012 figures based on revised actuals [2] CRU Index; period average [3] IHS Autobase [4] LME Zinc; period average [5] NYMEX Henry Hub Natural Gas; period average [6] Energy Information Administration; period average

U.S. GDP growth rate trends are generally indicative of the strength in demand for our products. A year-over-year increase in U.S. GDP growth rates is indicative of an improving economy, which generally increases demand for our products. Conversely, decreasing U.S. GDP growth rates generally have the opposite effect. 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) expense.

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 to cover current replacement costs.

The following table presents the average quarterly market price per ton of hot-rolled steel during fiscal 2013, fiscal 2012, and fiscal 2011:

	Fiscal Year			Increase / (Decrease)			
(Dollars per ton [1])	2013	2012	2011	2013 vs. 2012		2012 vs. 2011	
1st Quarter	$ 616	$ 709	$ 611	$ (93)	-13.1%	$ 98	16.0%
2nd Quarter	$ 622	$ 660	$ 557	$ (38)	-5.8%	$ 103	18.5%
3rd Quarter	$ 629	$ 718	$ 699	$ (89)	-12.4%	$ 19	2.7%
4th Quarter	N/A	$ 684	$ 851	N/A	N/A	$ (167)	-19.6%
Annual Avg.	N/A	$ 693	$ 680	N/A	N/A	$ 13	1.9%

[1] CRU Hot-Rolled Index Average

No single customer contributed more than 10% of our consolidated net sales during the three and nine months ended February 28, 2013. 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 the third quarter of fiscal 2013, vehicle production for the Detroit Three automakers was up slightly over the comparable period in the prior year. North American vehicle production during the third quarter of fiscal 2013 also increased slightly over the comparable period in the prior year.

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.

Table of Contents

Results of Operations

Third Quarter Fiscal 2013 Compared to Fiscal 2012

Consolidated Operations

The following table presents consolidated operating results for the periods indicated:

	Three Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 619.5	100.0%	$ 611.2	100.0%	$ 8.3
Cost of goods sold	522.5	84.3%	527.9	86.4%	(5.4)
Gross margin	97.0	15.7%	83.3	13.6%	13.7
Selling, general and administrative expense	63.2	10.2%	62.4	10.2%	0.8
Restructuring and other expense	0.1	0.0%	1.0	0.2%	(0.9)
Joint venture transactions	0.3	0.0%	1.8	0.3%	(1.5)
Operating income	33.4	5.4%	18.1	3.0%	15.3
Miscellaneous income	0.6	0.1%	0.7	0.1%	(0.1)
Interest expense	(6.2)	-1.0%	(5.1)	-0.8%	1.1
Equity in net income of unconsolidated affiliates	25.7	4.1%	24.0	3.9%	1.7
Income tax expense	(16.2)	-2.6%	(9.3)	-1.5%	6.9
Net earnings	37.3	6.0%	28.4	4.6%	8.9
Net earnings attributable to noncontrolling interest	(0.2)	0.0%	(2.5)	-0.4%	(2.3)
Net earnings attributable to controlling interest	$ 37.1	6.0%	$ 25.9	4.2%	$ 11.2

Net earnings attributable to controlling interest for the three months ended February 28, 2013 increased $11.2 million over the comparable period in the prior year. Net sales and operating highlights were as follows:

Net sales increased $8.3 million from the comparable period in the prior year. A more favorable product mix combined with the acquisition of Westerman led to a $45.2 million increase in net sales. This increase was partially offset by lower average selling prices, primarily in Steel Processing, which were affected by the declining market price of steel.

Gross margin increased $13.7 million from the comparable period in the prior year due to the aforementioned increase in volumes and a more favorable product mix in Pressure Cylinders.

SG&A expense increased $0.8 million from the comparable period in the prior year, as the impact of acquisitions was partially offset by a decrease in legal expenses due to a one-time accrual of $2.4 million recorded in the prior year quarter.

In connection with the wind down of our former Metal Framing operating segment, we recognized $0.3 million of expense within the joint venture transactions financial statement caption in our consolidated statement of earnings, consisting primarily of facility exit and other costs, which were partially offset by $0.2 million of net gains on asset disposals. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE A Basis of Presentation and NOTE D Restructuring

and Other Expense of this Quarterly Report on Form 10-Q.

Interest expense of $6.2 million was $1.1 million higher than the comparable period in the prior year, as the impact of higher average interest rates due to a higher mix of long-term versus short-term debt was partially offset by the impact of lower average debt levels. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE G Debt and Receivables Securitization of this Quarterly Report on Form 10-Q.

Equity income increased $1.7 million from the comparable period in the prior year. The majority of our equity income is generated by WAVE, where our portion of net earnings increased $1.0 million, or 7%, to $17.1 million. Additionally, our portion of net earnings of Serviacero increased $1.1 million in the current quarter. For additional financial information regarding our unconsolidated affiliates, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE B Investments in Unconsolidated Affiliates of this Quarterly Report on Form 10-Q.

Table of Contents

Income tax expense increased $6.9 million from the comparable period in the prior year, primarily due to higher earnings and the impact of discrete tax adjustments. Discrete tax adjustments associated with differences between final tax return amounts and original tax provision estimates, the extension of certain federal tax laws, changes in state tax laws, and the resolution of state tax audits reduced tax expense by approximately $0.7 million in the current quarter versus a reduction in tax expense of $2.7 million in the prior year quarter. The current quarter expense of $16.2 million was calculated using an estimated annual effective rate of 31.8% versus 31.9% in the prior year quarter. See Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE K Income Taxes of this Quarterly Report on Form 10-Q for more information on our tax rates.

Segment Operations

Steel Processing

The following table presents a summary of operating results for our Steel Processing operating segment for the periods indicated:

	Three Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 349.6	100.0%	$ 367.3	100.0%	$ (17.7)
Cost of goods sold	306.1	87.6%	323.5	88.1%	(17.4)
Gross margin	43.5	12.4%	43.8	11.9%	(0.3)
Selling, general and administrative expense	26.0	7.4%	28.4	7.7%	(2.4)
Operating income	$ 17.5	5.0%	$ 15.4	4.2%	$ 2.1
Material cost	$ 249.7		$ 265.2		$ (15.5)
Tons shipped (in thousands)	636		716		(80)

Net sales and operating highlights were as follows:

Net sales decreased $17.7 million from the comparable period in the prior year. Lower base material prices in the current quarter led to decreased pricing for our products, negatively impacting net sales by $21.4 million. Overall volumes were down 11% over the comparable period of fiscal 2012; however, the impact of lower volumes was more than offset by a higher mix of direct versus toll tons, the combined impact of which was a $3.7 million increase in net sales. The mix of direct versus toll tons was 58% to 42%, compared to an even split in the comparable quarter of prior year. The sales price per ton for direct processing is significantly higher than for toll processing as the direct processing sales price reflects processing fees plus the price of base material. Toll processing represents processing fees of customer-owned material. Excluding volumes from the MISA Metals facilities, which were wound down or sold during the past year, direct volumes were up approximately 6%. The change in mix of direct versus toll tons was driven primarily by our Spartan joint venture. As expected, volumes at Spartan were down as a result of our partner moving business to their in-house galvanizing facility. However, volumes have stabilized at the lower level and the business remains solidly profitable.

Operating income increased $2.1 million from the comparable period in the prior year primarily due to lower SG&A expense as a result of lower corporate allocated expenses and lower bonus accruals.

Table of Contents

Pressure Cylinders

The following table presents a summary of operating results for our Pressure Cylinders operating segment for the periods indicated:

	Three Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 205.2	100.0%	$ 187.7	100.0%	$ 17.5
Cost of goods sold	159.8	77.9%	153.2	81.6%	6.6
Gross margin	45.4	22.1%	34.5	18.4%	10.9
Selling, general and administrative expense	27.4	13.4%	23.6	12.6%	3.8
Restructuring and other expense	0.1	0.0%	-	0.0%	0.1
Operating income	$ 17.9	8.7%	$ 10.9	5.8%	$ 7.0
Material cost	$ 95.6		$ 92.6		$ 3.0
Units shipped (in thousands)	17,861		17,927		(66)

Net sales and operating highlights were as follows:

Net sales increased $17.5 million from the comparable period in the prior year, driven almost entirely by the acquisition of Westerman in the second quarter of fiscal 2013.

Operating income was up $7.0 million over the prior year quarter. The increase was driven by an improvement in existing operations, particularly retail and industrial gas, and the impact of the Westerman acquisition.

Engineered Cabs

The following table presents a summary of operating results for our Engineered Cabs operating segment for the periods indicated:

	Three Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 48.6	100.0%	$ 40.2	100.0%	$ 8.4
Cost of goods sold	42.5	87.4%	37.3	92.8%	5.2
Gross margin	6.1	12.6%	2.9	7.2%	3.2
Selling, general and administrative expense	6.0	12.3%	4.3	10.7%	1.7
Operating income (loss)	$ 0.1	0.2%	$ (1.4)	-3.5%	$ 1.5
Material cost	$ 23.8		$ 22.1		$ 1.7

Net sales and operating highlights were as follows:

Net sales increased $8.4 million from the prior year. This business was acquired on December 29, 2011 and therefore only two months of results were included in the comparable period in the prior year.

Operating income was $0.1 million. As expected, lower volumes resulting from production delays and lower demand from the business s top customer had a negative impact in the current quarter. In response to the current environment we are implementing a plan to reduce costs accordingly without sacrificing production capacity. Operating income in the prior year quarter was negatively impacted by $4.2 million of one-time expenses associated with the write-up of inventory to fair value in connection with the application of purchase accounting and various acquisition-related costs.

Table of Contents

Other

The Other category includes our Steel Packaging, Construction Services and Worthington Energy Innovations operating segments, as they do not meet the quantitative thresholds for separate disclosure. Certain income and expense items not allocated to our operating segments are also included in the Other category as is the activity related to the wind down of our former Metal Framing operating segment. The following table presents a summary of operating results for the Other category for the periods indicated:

	Three Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 16.1	100.0%	$ 16.1	100.0%	$ -
Cost of goods sold	14.2	88.2%	13.9	86.3%	0.3
Gross margin	1.9	11.8%	2.2	13.7%	(0.3)
Selling, general and administrative expense	3.8	23.6%	6.2	38.5%	(2.4)
Restructuring and other expense	-	0.0%	1.0	6.2%	(1.0)
Joint venture transactions	0.2	1.2%	1.8	11.2%	(1.6)
Operating loss	$ (2.1)	-13.0%	$ (6.8)	-42.2%	$ 4.7

Net sales and operating highlights were as follows:

Net sales of $16.1 million were flat from the comparable period in the prior year, as a slight improvement in volumes was offset by lower base material prices.

Operating loss decreased $4.7 million from the comparable period in the prior year, driven primarily by lower SG&A expense and the combined impact of restructuring charges and joint venture transactions. The prior year quarter included a legal accrual of $2.4 million, restructuring charges of $1.0 million related to the diagnostics phase of the Transformation Plan and $1.8 million of charges related to the wind down of the Metal Framing operations. Current quarter joint venture transactions related to the wind down of our former Metal Framing business and consisted primarily of facility exit costs, which were partially offset by $0.2 million of net gains on asset disposals.

Table of Contents

Nine Months Year-to-Date Fiscal 2013 Compared to Fiscal 2012

Consolidated Operations

The following table presents consolidated operating results for the periods indicated:

	Nine Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 1,908.2	100.0%	$ 1,779.3	100.0%	$ 128.9
Cost of goods sold	1,622.7	85.0%	1,567.9	88.1%	54.8
Gross margin	285.5	15.0%	211.4	11.9%	74.1
Selling, general and administrative expense	187.7	9.8%	160.8	9.0%	26.9
Impairment of long-lived assets	1.5	0.1%	-	-	1.5
Restructuring and other expense	1.8	0.1%	4.7	0.3%	(2.9)
Joint venture transactions	(1.2)	-0.1%	3.8	0.2%	(5.0)
Operating income	95.7	5.0%	42.1	2.4%	53.6
Miscellaneous income	1.0	0.1%	1.4	0.1%	(0.4)
Interest expense	(17.8)	-0.9%	(14.5)	-0.8%	3.3
Equity in net income of unconsolidated affiliates	73.6	3.9%	70.6	4.0%	3.0
Income tax expense	(47.7)	-2.5%	(28.7)	-1.6%	19.0
Net earnings	104.8	5.5%	70.9	4.0%	33.9
Net earnings attributable to noncontrolling interest	(1.9)	-0.1%	(7.4)	-0.4%	(5.5)
Net earnings attributable to controlling interest	$ 102.9	5.4%	$ 63.5	3.6%	$ 39.4

Net earnings attributable to controlling interest for the nine months ended February 28, 2013 increased $39.4 million over the comparable period in the prior year. Net sales and operating highlights were as follows:

Net sales increased $128.9 million from the comparable period in the prior year. Higher overall volumes, aided by the impact of acquisitions, favorably impacted net sales by $235.2 million. The impact of higher overall volumes was partially offset by lower average selling prices, primarily in Steel Processing, which negatively impacted net sales by $106.3 million. Selling prices are affected by the market price of steel, which averaged $623 per ton during the first nine months of fiscal 2013 versus an average of $696 per ton during the comparable period of fiscal 2012.

Gross margin increased $74.1 million from the comparable period in the prior year due to the aforementioned increase in volumes, a more favorable product mix, lower inventory holding losses for Steel Processing, and a decrease in charges related to the voluntary product recall in Pressure Cylinders. Gross margin for the nine months ended February 28, 2013 included $2.6 million of product recall charges compared to $9.7 million in the comparable period in the prior year. See Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE E Contingent Liabilities of this Quarterly Report on Form 10-Q for more information on the voluntary product recall.

SG&A expense increased $26.9 million from the comparable period in the prior year, primarily due to the impact of acquisitions and higher profit sharing and bonus expense resulting from higher net earnings. SG&A expense was lowered by a $2.0 million net credit in the prior year period, which consisted of a $4.4 million gain related to the favorable settlement of a legal dispute partially offset by a $2.4 million accrual for certain legal fees.

Impairment of long-lived assets of $1.5 million related to the sale of our Pressure Cylinders business in Czech Republic. Refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q for more information.

Restructuring charges of $1.8 million were driven primarily by facility exit and other costs associated with the closure of our commercial stairs business. For additional information regarding these restructuring charges, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE D Restructuring and Other Expense of this Quarterly Report on Form 10-Q.

Table of Contents

In connection with the wind down of our former Metal Framing operating segment, we recognized a net benefit of $1.2 million within the joint venture transactions financial statement caption in our consolidated statement of earnings. This amount consisted primarily of $1.9 million of net gains on asset disposals partially offset by facility exit and other costs. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE A Basis of Presentation and NOTE D Restructuring and Other Expense of this Quarterly Report on Form 10-Q.

Interest expense of $17.8 million was $3.3 million higher than the comparable period in the prior year, as the impact of higher average interest rates due to a higher mix of long-term versus short-term debt was partially offset by the impact of lower average debt levels. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE G Debt and Receivables Securitization of this Quarterly Report on Form 10-Q.

Equity income increased $3.0 million from the comparable period in the prior year. The majority of our equity income is generated by WAVE, where our portion of net earnings increased $2.4 million, or 5% to $50.3 million. Additionally, our portion of net earnings of TWB and Serviacero increased $1.8 million and $1.2 million, respectively, in the current quarter. For additional information regarding our unconsolidated affiliates, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE B Investments in Unconsolidated Affiliates of this Quarterly Report on Form 10-Q.

Income tax expense increased $19.0 million from the comparable period in the prior year, primarily due to higher earnings and the impact of discrete tax adjustments. Discrete tax adjustments associated with differences between final tax return amounts and original tax provision estimates, changes in state tax laws, and the resolution of state tax audits reduced tax expense by approximately $0.6 million in the current nine months versus a reduction of tax expense of $1.7 million in the prior year. The current year-to-date expense of $47.7 million was calculated using an estimated annual effective rate of 31.8% versus 31.9% in the prior year. See Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE K Income Taxes of this Quarterly Report on Form 10-Q for more information on our tax rates.

Segment Operations

Steel Processing

The following table presents a summary of operating results for our Steel Processing operating segment for the periods indicated:

	Nine Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 1,068.9	100.0%	$ 1,148.9	100.0%	$ (80.0)
Cost of goods sold	943.2	88.2%	1,030.0	89.7%	(86.8)
Gross margin	125.7	11.8%	118.9	10.3%	6.8
Selling, general and administrative expense	78.9	7.4%	79.8	6.9%	(0.9)
Operating income	$ 46.8	4.4%	$ 39.1	3.4%	$ 7.7
Material cost	$ 770.6		$ 853.6		$ (83.0)
Tons shipped (in thousands)	1,956		2,101		(145)

Net sales and operating highlights were as follows:

Net sales decreased $80.0 million from the comparable period in the prior year. Lower base material prices in the first nine months of fiscal 2013 led to decreased pricing for our products, negatively impacting net sales by $90.8 million. Overall volumes were also

down during the first nine months of fiscal 2013; however, the impact of lower volumes was more than offset by a higher mix of direct versus toll tons, the combined impact of which was a $10.8 million increase in net sales. The mix of direct versus toll tons was 56% to 44% during the first nine months of fiscal 2013 versus 51% to 49% in the comparable period in the prior year. After excluding volumes from the MISA Metals facilities, direct volumes increased

Table of Contents

approximately 6% over prior year. The change in mix of direct versus toll tons was driven primarily by our Spartan joint venture. As expected, volumes at Spartan were down as a result of our partner moving business to their in-house galvanizing facility. However, volumes have stabilized at the lower level and the business remains solidly profitable.

Operating income increased $7.7 million from the comparable period in the prior year primarily due to lower inventory holding losses in the current year.

Pressure Cylinders

The following table presents a summary of operating results for our Pressure Cylinders operating segment for the periods indicated:

	Nine Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 606.9	100.0%	$ 533.3	100.0%	$ 73.6
Cost of goods sold	479.7	79.0%	450.6	84.5%	29.1
Gross margin	127.2	21.0%	82.7	15.5%	44.5
Selling, general and administrative expense	75.6	12.5%	59.4	11.1%	16.2
Impairment of long-lived assets	1.5	0.2%	-	-	1.5
Restructuring and other expense	0.1	0.0%	-	0.0%	0.1
Operating income	$ 50.0	8.2%	$ 23.3	4.4%	$ 26.7
Material cost	$ 285.2		$ 269.6		$ 15.6
Units shipped (in thousands)	58,826		47,767		11,059

Net sales and operating highlights were as follows:

Net sales increased $73.6 million from the comparable period in the prior year driven by the impact of acquisitions and improved volumes across many product lines.

Operating income was up $26.7 million over the prior year period due primarily to improved margins, as costs associated with the voluntary product recall decreased by $7.1 million. Gross margin also improved due to contributions from acquisitions, cost containment efforts, and a more favorable product mix. The increase in gross margin was partially offset by higher SG&A expense due to the impact of acquisitions, increase in corporate allocated expenses, and increased spending for new product development. See Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE E Contingent Liabilities of this Quarterly Report on Form 10-Q for more information regarding the voluntary product recall.

Table of Contents

Engineered Cabs

The following table presents a summary of operating results for our Engineered Cabs operating segment for the periods indicated:

	Nine Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 170.9	100.0%	$ 40.2	100.0%	$ 130.7
Cost of goods sold	145.0	84.8%	37.3	92.8%	107.7
Gross margin	25.9	15.2%	2.9	7.2%	23.0
Selling, general and administrative expense	20.5	12.0%	4.3	10.7%	16.2
Operating income	$ 5.4	3.2%	$ (1.4)	-3.5%	$ 6.8
Material cost	$ 85.9		$ 22.1		$ 63.8

Net sales and operating highlights were as follows:

Net sales for the first nine months of fiscal 2013 were $170.9 million, an increase of $130.7 million over prior year. This business was acquired on December 29, 2011 and therefore only two months of results were included in the comparable period in the prior year.

Operating income was $5.4 million. As expected, lower volumes resulting from production delays and lower demand from the business s top customer had a negative impact in the current period. In response to the current environment we are implementing a plan to reduce costs accordingly without sacrificing production capacity. A one-time charge of $0.7 million related to the accelerated vesting of certain restricted stock awards also negatively impacted operating income in the current period. Operating income in the prior year period included $4.2 million of one-time expenses associated with the write-up of inventory to fair value in connection with the application of purchase accounting and various acquisition-related costs.

Other

The Other category includes our Steel Packaging, Construction Services and Worthington Energy Innovations operating segments, as they do not meet the quantitative thresholds for separate disclosure. Certain income and expense items not allocated to our operating segments are also included in the Other category as is the activity related to the wind down of our former Metal Framing operating segment. The following table presents a summary of operating results for the Other category for the periods indicated:

	Nine Months Ended,				
(Dollars in millions)	**Feb. 28, 2013**	**% of Net sales**	**Feb. 29, 2012**	**% of Net sales**	**Increase/ (Decrease)**
Net sales	$ 61.5	100.0%	$ 56.9	100.0%	$ 4.6
Cost of goods sold	54.9	89.5%	49.9	87.7%	5.0
Gross margin	6.6	10.7%	7.0	12.3%	(0.4)
Selling, general and administrative expense	12.7	20.8%	17.3	30.4%	(4.6)
Restructuring and other expense	1.6	2.5%	4.7	8.3%	(3.1)
Joint venture transactions	(1.2)	-2.1%	3.8	6.7%	(5.0)
Operating loss	$ (6.5)	-10.6%	$ (18.8)	-33.0%	$ 12.3

Net sales and operating highlights were as follows:

Net sales increased $4.6 million from the comparable period in the prior year, primarily due to higher volumes in the Construction Services operating segment.

Operating loss decreased $12.3 million from the comparable period in the prior year driven by the impact of the joint venture transactions and reductions in both SG&A and restructuring and other expense. Refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE D Restructuring and Other Expense of this Quarterly Report on Form 10-Q for additional information.

Table of Contents

Liquidity and Capital Resources

During the nine months ended February 28, 2013, we generated $195.7 million of cash from operating activities, invested $34.4 million in property, plant and equipment and received proceeds of $16.2 million from the sale of assets. Additionally, we spent $62.1 million to acquire the outstanding common shares of Westerman and paid $44.1 million of dividends. We also repaid $251.6 million of short-term borrowings, which was partially funded by $150.0 million of proceeds from the issuance of long-term debt. The following table summarizes our consolidated cash flows for the nine months ended February 28, 2013 and February 29, 2012:

	Nine Months Ended	
(in millions)	**February 28, 2013**	**February 29, 2012**
Net cash provided by operating activities	$ 195.7	$ 137.0
Net cash used by investing activities	(80.3)	(190.2)
Net cash provided (used) by financing activities	(119.0)	32.3
Decrease in cash and cash equivalents	(3.6)	(20.9)
Cash and cash equivalents at beginning of period	41.0	56.2
Cash and cash equivalents at end of period	$ 37.4	$ 35.3

We believe we have access to adequate resources to meet our needs for normal operating costs, mandatory capital expenditures and 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 that 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.

The cash and equivalents balance at February 28, 2013 included $33.9 million of cash held by subsidiaries outside of the United States. Although the majority of this cash is available for repatriation, bringing the money into the United States could trigger federal, state and local income tax obligations. We do not have any intention to repatriate cash held by subsidiaries outside of the United States.

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 borrowings to meet cyclical increases in working capital needs. These needs 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, working capital needs generally decrease as a result of the reduction of inventories and accounts receivable.

Net cash provided by operating activities was $195.7 million during the nine months ended February 28, 2013 compared to $137.0 million in the comparable period of fiscal 2012. The difference was driven largely by changes in working capital needs and the improvement in net earnings over the comparable period in the prior year.

Table of Contents

Investing Activities

Net cash used by investing activities decreased $109.9 million to $80.3 million during the nine months ended February 28, 2013, as the cash consideration paid for Westerman was $170.1 million less than consideration transferred for the acquisitions of Angus Industries, Inc., the propane fuel cylinders business of The Coleman Company, Inc., the BernzOmatic business of Irwin Industrial Tool Company and STAKO sp.z o.o. during the first nine months of fiscal 2012. The overall decrease was partially offset by a $43.2 million decrease in distributions from unconsolidated affiliates due to a $50.0 million one-time dividend from WAVE during the third quarter of fiscal 2012 and higher capital expenditures, which increased $18.6 million over the comparable period in the prior year.

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 $119.0 million during the nine months ended February 28, 2013. During the first nine months of fiscal 2013, we repaid $251.6 million of short-term borrowings, which was partially funded by $150.0 million of proceeds from the issuance of long-term debt, as described in more detail below. Additionally, we received $33.0 million of proceeds from the issuance of common shares from the exercise of stock options and paid $44.1 million of dividends during the first nine months of fiscal 2013, which represents a $20.3 million increase over the comparable period of prior year due to the accelerated payment of the fiscal 2013 third and fourth quarter dividends, as described in more detail below.

During the three months ended February 28, 2013, we extended our AR Facility for two years to January 2015, and decreased the borrowing capacity under the facility to $100.0 million from $150.0 million. As of February 28, 2013, we were in compliance with our short-term and long-term debt covenants. Our debt agreements do not include credit rating triggers or material adverse change provisions. Our credit ratings at February 28, 2013 were unchanged from those reported as of May 31, 2012. On August 10, 2012, we issued $150.0 million aggregate principal amount of unsecured senior notes due August 10, 2024. Refer to Part I Item 1. Financial Statements NOTE G Debt and Receivables Securitization for additional information regarding our short-term and long-term debt agreements.

Common shares The Board of Directors (the Board) of Worthington Industries, Inc. (Worthington Industries) declared quarterly dividends of $0.13 per common share for each quarter of fiscal 2013 compared to $0.12 per common share for each quarter of fiscal 2012. Dividends paid on our common shares totaled $44.1 million and $23.9 million, respectively, during the nine months ended February 28, 2013 and February 29, 2012.

On December 10, 2012, the Board declared an accelerated cash dividend for the third and fourth quarters of fiscal 2013 totaling $0.26 per common share. The dividend was paid on December 28, 2012 to shareholders of record as of December 21, 2012. The next opportunity for the Board to consider and approve a dividend will be at the June 2013 board meeting for payment in September 2013.

On June 29, 2011, the Board authorized the repurchase of up to 10,000,000 of our outstanding common shares of which 6,027,832 remained available for repurchase at February 28, 2013. No common shares were repurchased under this authorization during the nine months ended February 28, 2013.

The common shares available for repurchase under the June 29, 2011 authorization 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.

Table of Contents

Dividend Policy

We currently have no material contractual or regulatory restrictions on the payment of dividends. Dividends are declared at the discretion of the Board of Worthington Industries. 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. As mentioned above, the third and fourth quarter dividends of fiscal 2013 were paid on December 28, 2012. While we have paid a dividend every quarter since becoming a public company in 1968, there is no guarantee that payments will continue in the future.

Contractual Cash Obligations and Other Commercial Commitments

Our contractual cash obligations and other commercial commitments have not changed significantly from those disclosed in Part II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Cash Obligations and Other Commercial Commitments of our 2012 Form 10-K, other than the changes in borrowings, as described in Part I Item 1. Financial Statements NOTE G Debt and Receivables Securitization of this Quarterly Report on Form 10-Q.

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, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of February 28, 2013, 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 $14.2 million at February 28, 2013. We have also guaranteed the repayment of a $5.0 million term loan entered into by ArtiFlex, one of our unconsolidated joint ventures. In addition, we had in place $12.0 million of outstanding stand-by letters of credit for third-party beneficiaries as of February 28, 2013. These letters of credit were issued to third-party service providers and had no amounts drawn against them at February 28, 2013. 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 December 2011, new accounting guidance was issued that establishes certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. The new disclosures are required for annual reporting periods beginning on or after January 1, 2013, and interim periods within those periods. We do not expect the adoption of this amended accounting guidance to have a material impact on our financial position or results of operations.

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. We adopted the effective provisions of this new accounting guidance on June 1, 2012 and have provided the required statements of comprehensive income for the three and nine months ended February 28, 2013 and February 29, 2012. In December 2011, certain provisions of this new guidance related to the presentation of reclassification adjustments out of accumulated other comprehensive income were temporarily deferred. In February 2013, an effective date was established for the provisions that had been deferred. These provisions are effective prospectively for interim and annual reporting periods beginning after December 15, 2012. We do not expect the adoption of these provisions, which relates to presentation only, to have a material impact on our financial position or results of operations.

In September 2011, amended accounting guidance was issued that simplifies how an entity tests goodwill for impairment. The amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The two-step quantitative impairment test is required only if, based on its qualitative assessment, an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amended guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Our adoption of this amended accounting guidance did not impact our financial position or results of operations.

34

Table of Contents

In July 2012, amended accounting guidance was issued that simplifies how an entity tests indefinite-lived intangible assets for impairment. The amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. An entity will no longer be required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative test unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amended guidance is effective for interim and annual indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We do not expect the adoption of this amended accounting guidance to have a material impact on our financial position or results of operations.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is 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, 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 obtained from other sources. Critical accounting policies are defined as those that require our significant judgments and involve 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, 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. Our critical accounting policies have not significantly changed from those discussed in Part II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies of our 2012 Form 10-K.

We review our receivables on an ongoing basis to ensure they are properly valued. Based on this review, we believe our reserve for doubtful accounts is adequate. However, if the economic environment and market conditions deteriorate, particularly in the automotive market where our exposure is greatest, additional reserves may be required. 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 not probable at the time of shipment, we defer recognition of revenue until payment is collected.

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, which would be recorded as an impairment charge in our consolidated statements of earnings.

During the third quarter of fiscal 2013, we determined that certain indicators of impairment were present with regard to our consolidated joint venture in India, WNCL. 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 exceeded the $7.5 million net book value of the asset group and therefore no impairment charges were recognized. Nonetheless, it is reasonably possible that the estimate of undiscounted future cash flows may change in the near term resulting in the need to write down this asset group to fair value.

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.

Table of Contents

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 amount of the operating segment exceeds its estimated fair value, a goodwill impairment is indicated. The amount of the impairment is determined by comparing the fair value of the net assets of the operating segment, excluding goodwill, to its estimated fair value, with the difference representing the implied fair value of the goodwill. If the implied fair value of the goodwill is lower than its carrying value, the difference is recorded as an impairment charge in the consolidated statements of earnings. No impairment indicators were present with regard to our goodwill or intangible assets with indefinite useful lives during the nine months ended February 28, 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risks have not changed significantly from those disclosed in Part II Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our 2012 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures [as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)] that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management, with the participation of our principal executive officer and our principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q (the fiscal quarter ended February 28, 2013). Based on that evaluation, our principal executive officer and our principal financial officer have concluded that such disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control Over Financial Reporting

There were no changes that occurred during the period covered by this Quarterly Report on Form 10-Q (the fiscal quarter ended February 28, 2013) in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There are certain risks and uncertainties in our business that could cause our actual results to differ materially from those anticipated. In PART I Item 1A. Risk Factors of the Annual Report on Form 10-K of Worthington Industries, Inc. for the fiscal year ended May 31, 2012, as filed with the Securities and Exchange Commission on July 30, 2012, and available at www.sec.gov or at www.worthingtonindustries.com, we included a detailed discussion of our risk factors. Other than as noted below, our risk factors have not changed significantly from those disclosed in our 2012 Form 10-K. These risk factors should be read carefully in connection with evaluating our business and in connection with the forward-looking statements and other information contained in this Quarterly

Table of Contents

Report on Form 10-Q. Any of the risks described in our 2012 Form 10-K could materially affect our business, financial condition or future results and the actual outcome of matters as to which forward-looking statements are made. The risk factors described in our 2012 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may materially adversely affect our business, financial condition and/or future results.

The effect of changes to healthcare laws in the United States, which may increase our healthcare and other costs and negatively impact our financial results and operations. Changes to healthcare laws and provisions related thereto may materially impact the way healthcare is provided and funded in the United States, the manner in which employers provide and fund coverage for their employees, the cost of providing this coverage, and other costs to employers and employees related to funding healthcare coverage for more individuals. These changes and additional costs may significantly increase our costs and adversely impact our operations and financial results.

The effect of national, regional and worldwide economic conditions generally and within major product markets, including a prolonged or substantial economic downturn. Global economic conditions, particularly in Europe, remain fragile. In addition, the recently enacted mandatory reductions in federal spending in the United States have the potential to adversely affect both domestic and global economic conditions. As a result, the possibility remains that the domestic or global economies, or certain industry sectors of those economies that are key to our sales, may continue to be slow 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about purchases made by, or on behalf of, Worthington Industries, Inc. or any affiliated purchaser (as defined in Rule 10b-18(a) (3) under the Securities Exchange Act of 1934, as amended) of common shares of Worthington Industries, Inc. during each month of the fiscal quarter ended February 28, 2013:

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)
December 1-31, 2012	-	-	-	6,027,832
January 1-31, 2013	-	-	-	6,027,832
February 1-28, 2013	-	-	-	6,027,832
Total	-	-	-	

(1) On June 29, 2011, Worthington Industries, Inc. announced that the Board of Directors authorized the repurchase of up to 10,000,000 of our outstanding common shares. At February 28, 2013, 6,027,832 common shares remained available for repurchase under this authorization. The common shares available for repurchase 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 and general economic conditions. Repurchases may be made on the open market or through privately negotiated transactions.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

Table of Contents

Item 6. Exhibits

10.1	Amendment No. 13 to Receivables Purchase Agreement, dated as of January 18, 2013, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator*
31.1	Rule 13a 14(a) / 15d 14(a) Certifications (Principal Executive Officer) *
31.2	Rule 13a 14(a) / 15d 14(a) Certifications (Principal Financial Officer) *
32.1	Certifications of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certifications of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document #
101.SCH	XBRL Taxonomy Extension Schema Document #
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document #
101.LAB	XBRL Taxonomy Extension Label Linkbase Document #
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document #
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document #

* Filed herewith.

** Furnished herewith.

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q of Worthington Industries, Inc. are the following documents formatted in XBRL (Extensible Business Reporting Language):

(i) Consolidated Balance Sheets at February 28, 2013 and May 31, 2012;
(ii) Consolidated Statements of Earnings for the three and nine months ended February 28, 2013 and February 29, 2012;
(iii) Consolidated Statements of Comprehensive Income for the three and nine months ended February 28, 2013 and February 29, 2012;
(iv) Consolidated Statements of Cash Flows for the three and nine months ended February 28, 2013 and February 29, 2012; and
(v) Notes to Consolidated Financial Statements for the three and nine months ended February 28, 2013 and February 29, 2012.

Table of Contents

SIGNATURES

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

WORTHINGTON INDUSTRIES, INC.

Date: April 8, 2013

By: /s/ B. Andrew Rose
B. Andrew Rose,
Vice President and Chief Financial Officer

(On behalf of the Registrant and as Principal

Financial Officer)

Table of Contents

INDEX TO EXHIBITS

Exhibit No.	Description	Location
10.1	Amendment No. 13 to Receivables Purchase Agreement, dated as of January 18, 2013, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator	Filed herewith
31.1	Rule 13a - 14(a) / 15d - 14(a) Certifications (Principal Executive Officer)	Filed herewith
31.2	Rule 13a - 14(a) / 15d - 14(a) Certifications (Principal Financial Officer)	Filed herewith
32.1	Certifications of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certifications of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101.INS	XBRL Instance Document	Submitted electronically herewith #
101.SCH	XBRL Taxonomy Extension Schema Document	Submitted electronically herewith #
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Submitted electronically herewith #
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Submitted electronically herewith #
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Submitted electronically herewith #
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Submitted electronically herewith #

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q of Worthington Industries, Inc. are the following documents formatted in XBRL (Extensible Business Reporting Language):

(i) Consolidated Balance Sheets at February 28, 2013 and May 31, 2012;

(ii) Consolidated Statements of Earnings for the three and nine months ended February 28, 2013 and February 29, 2012;

(iii) Consolidated Statements of Comprehensive Income for the three and nine months ended February 28, 2013 and February 29, 2012;

(iv) Consolidated Statements of Cash Flows for the three and nine months ended February 28, 2013 and February 29, 2012; and

(v) Notes to Consolidated Financial Statements for the three and nine months ended February 28, 2013 and February 29, 2012.

40