WORTHINGTON INDUSTRIES INC
Form 10-K
July 30, 2008
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10 K**

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2008

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________ to ______________

Commission File Number 1-8399

# WORTHINGTON INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Ohio | 31-1189815 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 200 Old Wilson Bridge Road, Columbus, Ohio | 43085 |
| (Address of principal executive offices) | (Zip Code) |

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Shares, Without Par Value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
x YES ¨ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
¨ YES x NO

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. x YES ¨ NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

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

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) ¨ YES x NO

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter. The aggregate market value of the Common Shares (the only common equity) held by non-affiliates based on the closing price on the New York Stock Exchange on November 30, 2007, was approximately $1,385,500,000.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date. On July 24, 2008, the Registrant had 78,769,498 Common Shares issued and outstanding.

**DOCUMENT INCORPORATED BY REFERENCE**

Selected portions of the Registrant s definitive Proxy Statement to be furnished to shareholders of the Registrant in connection with the Annual Meeting of Shareholders to be held on September 24, 2008, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent provided herein.

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**SAFE HARBOR STATEMENT**

*Selected statements contained in this Annual Report on Form 10-K, including, without limitation, in PART I Item 1. Business and PART II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995 (the Act ). These forward-looking statements include, without limitation, statements relating to:*

*future or expected growth, growth opportunities, performance, sales, operating results and earnings per share;*
*projected capacity and working capital needs;*
*pricing trends for raw materials and finished goods and the impact of pricing changes;*
*anticipated capital expenditures and asset sales;*
*projected timing, results, costs, charges and expenditures related to acquisitions or to facility startups, dispositions, shutdowns and consolidations;*
*new products, services and markets;*
*expectations for Company and customer inventories, jobs and orders;*
*expectations for the economy and markets;*
*expected benefits from turnaround plans, plant closings, cost reduction efforts and other initiatives;*
*expectations for improvements in efficiencies or the supply chain;*
*expectations for improving margins and increasing shareholder value; and*
*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:*

*product demand and pricing;*
*changes in product mix, product substitution and market acceptance of the Company s products;*
*fluctuations in pricing, quality or availability of raw materials (particularly steel), supplies, transportation, utilities and other items required by operations;*
*effects of facility closures and the consolidation of operations;*
*the effect of consolidation and other changes within the steel, automotive, construction and related industries;*
*failure to maintain appropriate levels of inventories;*
*the ability to realize targeted expense reductions such as head count reductions, facility closures and other expense reductions;*
*the ability to realize other cost savings and operational efficiencies and improvements on a timely basis;*
*the overall success of, and ability to integrate, newly-acquired businesses and achieve synergies therefrom;*
*capacity levels and efficiencies within facilities and within the industry as a whole;*
*financial difficulties (including bankruptcy filings) of customers, suppliers, joint venture partners and others with whom the Company does business;*
*the effect of national, regional and worldwide economic conditions generally and within major product markets, including a prolonged or substantial economic downturn;*
*the effect of disruptions 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 inventories, spending patterns, product choices, and supplier choices;*
*risks associated with doing business internationally, including economic, political and social instability, and foreign currency exposures;*
*the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;*
*adverse claims experience with respect to workers compensation, product recalls or liability, casualty events or other matters;*
*deviation of actual results from estimates and/or assumptions used by the Company in the application of significant accounting policies;*
*levels of imports and import prices in the Company s markets;*
*the impact of judicial rulings and governmental regulations, both in the United States and abroad; and*
*other risks described from time to time in filings with the United States Securities and Exchange Commission, including those described in PART I Item 1A. Risk Factors of this Annual Report on Form 10-K.*

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

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## PART I

### Item 1. Business

*General Overview*

Worthington Industries, Inc. is a corporation formed under the laws of the State of Ohio (individually, the Registrant or Worthington Industries or, collectively, we, our, Worthington, or Company ). Founded in 1955, Worthington is primarily a diversified metal processing compan focused on value-added steel processing and manufactured metal products, such as metal framing, pressure cylinders, automotive past-model service stampings and, through joint ventures, metal ceiling grid systems and laser-welded blanks.

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

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

*Business Segments*

At the end of the fiscal year ended May 31, 2008 ( fiscal 2008 ), the Company had 44 manufacturing facilities worldwide and held equity positions in ten joint ventures, which operated an additional 22 manufacturing facilities worldwide.

The Company has three principal reportable operating segments: Steel Processing, Metal Framing and Pressure Cylinders. The Steel Processing segment consists of the Worthington Steel business unit ( Worthington Steel ). The Metal Framing segment consists of the Dietrich Metal Framing business unit ( Dietrich ). The Pressure Cylinders segment consists of the Worthington Cylinder business unit ( Worthington Cylinders ). All other business units not included in these three reportable operating segments are combined and disclosed in the Other category, which also includes income and expense items not allocated to the operating segments. The Other category includes the Automotive Body Panels, Construction Services and Steel Packaging segments.

Worthington holds equity positions in ten joint ventures, which are further discussed below under the subheading Joint Ventures. Only one of the ten joint ventures is consolidated and its operating results are reported in the Steel Processing segment.

During fiscal 2008, the Steel Processing, Metal Framing and Pressure Cylinders segments served approximately 1,200, 3,800 and 2,400 customers, respectively, located primarily in the United States. Foreign sales accounted for approximately 9% of consolidated net sales and were comprised primarily of sales to customers in Canada and Europe. No single customer accounted for over 5% of consolidated net sales. Further reportable operating segment data is provided in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note H Segment Data of this Annual Report on Form 10-K.

*Recent Developments*

On September 14, 2007, the Company segment acquired certain cylinder production assets of Wolfedale Engineering, the largest Canadian manufacturer of portable propane gas steel cylinders for use with

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barbeque gas grills, recreational vehicles, campers and trailers. These assets and production were integrated into existing facilities.

On September 17, 2007, the Company acquired a 50% interest in Serviacero Planos which operates two steel processing facilities in central Mexico. This joint venture is known as Serviacero Planos, S.A. de C.V. ( Serviacero Worthington ). On March 5, 2008, Serviacero Worthington announced plans to add a greenfield site in the Monterrey, Mexico region. This will be the third facility in Mexico for the Serviacero Worthington joint venture.

On September 25, 2007, a steel processing joint venture was formed with The Magnetto Group to construct and operate a Class One steel processing facility in Slovakia. This 49%-owned joint venture started operations in February 2008 as Canessa Worthington Slovakia s.r.o. ( Canessa Worthington ) and services customers throughout central Europe.

On September 25, 2007, Worthington announced the closure or downsizing of five production facilities in the Metal Framing segment. The affected facilities were: East Chicago, Indiana; Rock Hill, South Carolina; Goodyear, Arizona; Wildwood, Florida; and Montreal, Canada which is being downsized. The Rock Hill facility continues to operate as a steel processing operation and will also produce product for the Aegis joint venture. In addition to the plant closures, the Metal Framing executive and administrative offices will be relocated from Pittsburg, Pennsylvania, to our corporate offices in Columbus, OH. Annual net sales generated by the closed facilities totaled approximately $125.0 million, the majority of which are expected to be transferred to other nearby Metal Framing locations. As of May 31, 2008, all five of the Metal Framing operating facilities have been closed or downsized. Of the $9.0 million in annual savings expected from these actions, $2.1 million was realized in fiscal 2008. The balance will be realized in fiscal 2009. Restructuring charges related to these closures totaled $8.1 million in fiscal 2008 with an additional $4.6 million expected in fiscal 2009.

On September 26, 2007, Worthington Industries announced that the Board of Directors had approved the repurchase of ten million of its outstanding common shares. A prior authorization to repurchase up to ten million common shares, originally approved by the Board of Directors on June 13, 2005, had 1,370,800 common shares remaining under it, making a total of 11,370,800 common shares available for repurchase at the time of the announcement. During fiscal 2008, the Company repurchased 6,451,500 common shares, and at year-end, there were 9,099,500 common shares authorized for repurchase.

On October 25, 2007, Worthington acquired a 49% interest in crate and pallet maker LEFCO Industries, LLC, a minority business enterprise. The resulting joint venture, called LEFCO Worthington, LLC, will manufacture steel rack systems for the automotive and trucking industries, in addition to continuing LEFCO s existing products.

On March 1, 2008 TWB Company, L.L.C. ( TWB ), our joint venture with ThyssenKrupp Steel North America, Inc. ( ThyssenKrupp ), acquired ThyssenKrupp Tailored Blanks, S.A. de C.V., the Mexican subsidiary of ThyssenKrupp, to expand TWB s presence in Mexico. As a result, ThyssenKrupp now owns 55% of TWB and Worthington now owns 45%.

On June 2, 2008, Worthington made an additional capital contribution of $392,000 to Viking & Worthington Steel Enterprise, LLC. The other member in the joint venture did not make its contribution as required by the operating agreement. As a result, Worthington became the majority owner of the joint venture, and the joint venture will be consolidated in Worthington s financial statements starting in fiscal 2009.

On June 2, 2008, the Company acquired substantially all of the assets of The Sharon Companies Ltd. ( Sharon Stairs ). The Sharon Stairs business designs and manufactures steel egress stair systems for the commercial construction market and operates one manufacturing facility in Akron, Ohio. It will operate as part of Worthington Integrated Building Systems, LLC ( Worthington-IBS ).

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*Steel Processing*

The Steel Processing segment consists of the Worthington Steel business unit, and includes Precision Specialty Metals, Inc., a specialty stainless processor located in Los Angeles, California ( PSM ), and Spartan Steel Coating, LLC ( Spartan ), a consolidated joint venture. For fiscal 2008, the fiscal year ended May 31, 2007 ( fiscal 2007 ), and the fiscal year ended May 31, 2006 ( fiscal 2006 ), the percentage of consolidated net sales generated by the Steel Processing segment was 48%, 49%, and 51%, respectively.

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

The Steel Processing segment, including Spartan, owns and operates ten manufacturing facilities one each in California, Indiana, Kentucky and Maryland, two in Michigan, and three in Ohio and leases one manufacturing facility in Alabama.

Worthington Steel serves approximately 1,200 customers from these facilities, principally in the automotive, construction, lawn and garden, hardware, furniture, office equipment, electrical control, tubing, leisure and recreation, appliance, agricultural, HVAC, container, and aerospace markets. Automotive-related customers have historically represented approximately half of its net sales. No single customer represented greater than 7% of net sales for the Steel Processing segment during fiscal 2008.

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

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

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

The steel processing industry is fragmented and highly competitive. There are many competitors, including other independent intermediate processors. Competition is primarily on the basis of price, product quality, and the ability to meet delivery requirements. Technical service and support for material testing and customer-specific applications enhance the quality of products (See Item 1. Business Technical Services ). However, the extent to which technical service capability has improved Worthington Steel s competitive

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position has not been quantified. Worthington Steel s ability to meet tight delivery schedules is, in part, based on the proximity of facilities to customers, suppliers and one another. The extent to which plant location has impacted Worthington Steel s competitive position has not been quantified. Processed steel products are priced competitively, primarily based on market factors, including, among other things, competitive pricing, the cost and availability of raw materials, transportation and shipping costs, and overall economic conditions in the United States and abroad.

***Metal Framing***

The Metal Framing segment, consisting of the Dietrich Metal Framing business unit, designs and produces metal framing components, systems and related accessories for the commercial and residential construction markets within the United States and Canada. For fiscal 2008, fiscal 2007, and fiscal 2006, the percentage of consolidated net sales generated by the Metal Framing segment was 26%, 26%, and 28%, respectively.

Metal Framing products include steel studs and track, floor and wall system components, roof trusses and other building product accessories, such as metal corner bead, lath, lath accessories, clips, fasteners and vinyl bead and trim.

The Metal Framing segment has 20 operating facilities located throughout the United States: one each in Arizona, Colorado, Georgia, Hawaii, Illinois, Indiana, Kansas, Maryland, Massachusetts, New Jersey, South Carolina and Washington; two each in California, Florida, Ohio and Texas. This segment also has 2 operating facilities in Canada: one each in British Columbia and Ontario.

Dietrich is the largest metal framing manufacturer in the United States, supplying approximately 35% of the metal framing products sold in the United States. Dietrich is the second largest metal framing manufacturer in Canada with a market share of between 20% and 25%. Dietrich serves approximately 3,800 customers, primarily consisting of wholesale distributors, commercial and residential building contractors, and mass merchandisers. During fiscal 2008, Dietrich s three largest customers represented approximately 16%, 10% and 10%, respectively, of the net sales for the segment, while no other customer represented more than 2% of net sales for the segment.

The light-gauge metal framing industry is very competitive. Dietrich competes with seven large regional or national competitors and numerous small, more localized competitors, primarily on the basis of price, service and quality. As is the case in the Steel Processing segment, the proximity of facilities to customers and their project sites provides a service advantage and impacts freight and shipping costs. Dietrich s products are transported by both common and dedicated carriers. The extent to which facility location has impacted Dietrich s competitive position has not been quantified.

Dietrich uses numerous trademarks and patents in its business. Dietrich licenses from Hadley Industries the UltraSTEEL® registered trademark and the United States and Canadian patents to manufacture UltraSTEEL® metal framing and accessory products. The Spazzer® trademark is used in connection with wall component products that are the subject of four United States patents, two foreign patents, one pending United States patent application, and several pending foreign patent applications. The trademark TradeReady® is used in connection with floor-system products that are the subject of four United States patents, numerous foreign patents, one pending United States patent application, and several pending foreign patent applications. The Clinch-On® trademark is used east of the Rockies in connection with corner bead and metal trim products for gypsum wallboard. Dietrich licenses the SLP-TRK® trademark as well as the patent to manufacture SLP-TRK® slotted track in the United States from Brady Construction Innovations, Inc. Aegis Metal Framing, LLC, an unconsolidated joint venture, uses the Ultra-Span® registered trademark in connection with certain patents for proprietary roof trusses. Dietrich intends to continue to use and renew its registered trademarks. Dietrich also has a number of other patents, trademarks and trade names relating to specialized products.

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***Pressure Cylinders***

The Pressure Cylinders segment consists of the Worthington Cylinders business unit. For fiscal 2008, fiscal 2007, and fiscal 2006, the percentage of consolidated net sales generated by Worthington Cylinders was 20%, 18%, and 16%, respectively.

Worthington Cylinders operates eight manufacturing facilities with three in Ohio, one each in Wisconsin, Austria, Canada, the Czech Republic, and Portugal.

The Pressure Cylinders segment produces a diversified line of pressure cylinders, including low-pressure liquefied petroleum gas ( LPG ) and refrigerant gas cylinders; high-pressure and industrial/specialty gas cylinders; airbrake tanks; and certain consumer products. LPG cylinders are sold to manufacturers, distributors and mass merchandisers and are used to hold fuel for gas barbecue grills, recreational vehicle equipment, residential and light commercial heating systems, industrial forklifts, propane-fueled camping equipment, hand held torches, and commercial/residential cooking (the latter, generally outside North America). Refrigerant gas cylinders are sold primarily to major refrigerant gas producers and distributors and are used to hold refrigerant gases for commercial, residential, and automotive air conditioning and refrigeration systems. High-pressure and industrial/specialty gas cylinders are sold primarily to gas producers and distributors as containers for gases used in: cutting and welding metals; breathing (medical, diving and firefighting); semiconductor production; beverage delivery; and compressed natural gas systems. Worthington Cylinders also produces recovery tanks for refrigerant gases, air reservoirs for truck and trailer original equipment manufacturers, and Balloon Time® helium kits which include non-refillable cylinders. While a large percentage of cylinder sales are made to major accounts, Worthington Cylinders has approximately 2,400 customers. During fiscal 2008, no single customer represented more than 6% of net sales for the segment.

Worthington Cylinders produces low-pressure steel cylinders with refrigerant capacities of 15 to 1,000 pounds and steel and aluminum cylinders with LPG capacities of 14.1 ounces to 420 pounds. Low-pressure cylinders are produced by precision stamping, drawing, welding and/or brazing component parts to customer specifications. They are then tested, painted and packaged, as required. High-pressure steel cylinders are manufactured by several processes, including deep drawing, tube spinning and billet piercing. In the United States and Canada, high-pressure and low-pressure cylinders are primarily manufactured in accordance with U.S. Department of Transportation and Transport Canada specifications. Outside the United States and Canada, cylinders are manufactured according to European norm specifications, as well as various other international standards.

In the United States and Canada, Worthington Cylinders has one principal domestic competitor in the low-pressure non-refillable refrigerant market, one principal domestic competitor in the low-pressure LPG cylinder market, and two principal domestic competitors in the high-pressure cylinder market. There are also several foreign competitors in these markets. Worthington Cylinders believes that it has the largest domestic market share in both low-pressure cylinder markets. In the European high-pressure cylinder market, there are several competitors. Worthington Cylinders believes that it is a leading producer in both the high-pressure cylinder and low-pressure non-refillable cylinder markets in Europe. As with Worthington s other segments, competition is based upon price, service and quality.

The Pressure Cylinders segment uses the trade name Worthington Cylinders to conduct business and the registered trademark Balloon Time® to market low-pressure helium balloon kits; the trademark FLAMESAVER to market certain LP gas cylinders; the trademark WORTHINGTON PRO GRADE to market certain LPG cylinders, hand torch cylinders and camping fuel cylinders; and the trademark MAP-PRO . The Pressure Cylinders segment intends to continue to use these trademarks and renew its registered trademarks. This intellectual property is important to the Pressure Cylinders segment but is not considered material.

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*Other*

The Other category consists of segments that do not meet the materiality tests for purposes of separate disclosure and other corporate related entities. These segments are Automotive Body Panels, Construction Services and Steel Packaging.

The Automotive Body Panels segment consists of The Gerstenslager Company ( Gerstenslager ), which is ISO/TS 16949:2002 and ISO14001 certified. Gerstenslager provides stamping, blanking, assembly, painting, packaging, die management, warehousing, distribution management and other services to customers, primarily in the automotive industry. Gerstenslager is a major supplier to the automotive past-model market and manages more than 3,300 finished good part numbers and more than 12,600 stamping dies/fixture sets for the past- and current-model year automotive and truck manufacturers, both domestic and transplant.

The Construction Services segment consists of the Worthington-IBS business unit which includes Worthington Mid-Rise Construction, Inc., which designs and builds mid-rise light-gauge steel framed commercial structures and multi-family housing units; Worthington Military Construction, Inc., which is involved in the supply and construction of metal framing products for, and in the framing of, single family housing, with a focus on military; a 36 unit mid-rise light-gauge steel framed apartment project in China entered into primarily for research and development purposes; and recently acquired Sharon Stairs, a manufacturer of pre-engineered egress stair solutions.

The Steel Packaging segment consists of Worthington Steelpac Systems, LLC ( Steelpac ), which is an ISO-9001: 2000 certified manufacturer of engineered, recyclable steel shipping solutions. Steelpac designs and manufactures reusable custom platforms, racks, and pallets made of steel for supporting, protecting and handling products throughout the shipping process for industries such as automotive, lawn and garden and recreational vehicles.

*Segment Financial Data*

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

*Financial Information About Geographic Areas*

Foreign operations represented 9%, 8%, and 6% of consolidated net sales for fiscal 2008, fiscal 2007, and fiscal 2006, respectively. Summary information about Worthington s foreign operations is set forth in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies *Risks and Uncertainties* of this Annual Report on Form 10-K. That summary information is incorporated herein by reference. For fiscal 2008, fiscal 2007, and fiscal 2006, Worthington had operations in North America and Europe. Net sales by geographic region are provided in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note H Segment Data of this Annual Report on Form 10-K. That information is incorporated herein by reference.

*Suppliers*

In fiscal 2008, Worthington purchased approximately three million tons of steel (58% hot-rolled, 29% galvanized, and 13% cold-rolled) on a consolidated basis. Steel is purchased in large quantities at regular intervals from major primary producers, both domestic and foreign. In the Steel Processing segment, steel is primarily purchased and processed based on specific customer orders. The Metal Framing and Pressure Cylinders segments purchase steel to meet production schedules. Raw materials are generally purchased in the open market on a negotiated spot-market basis at prevailing market prices. Supply contracts are also entered into, some of which have fixed pricing. During fiscal 2008, major suppliers of steel were, in alphabetical order: AK Steel Corporation; ArcelorMittal; California Steel Industries, Inc.; Gallatin Steel Company; North Star BlueScope Steel LLC; Nucor Corporation; SeverCorr, LLC; Severstal North America, Inc.; Steel Dynamics, Inc.; Stemcor Holdings Limited; United States Steel Corporation; USS-POSCO Industries; and WCI Steel, Inc. Alcoa, Inc. was the primary aluminum supplier for the Pressure Cylinders segment in fiscal 2008. Major suppliers of zinc to the Steel Processing segment were, in alphabetical order: Considar Metal Marketing (a/k/a HudBay), Industrias Peñoles, Teck Cominco Limited and Xstrata Zinc Canada. Approximately 35 million pounds of zinc were purchased in fiscal 2008. Worthington believes its supplier relationships are good.

***Technical Services***

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

***Seasonality***

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

***Employees***

As of May 31, 2008, Worthington employed approximately 6,900 employees in its operations, excluding the unconsolidated joint ventures. Approximately 14% of these employees were represented by collective bargaining units. Worthington believes it has good relationships with its employees in general, including those covered by collective bargaining units.

***Joint Ventures***

As part of a strategy to selectively develop new products, markets, and technological capabilities and to expand an international presence, while mitigating the risks and costs associated with those activities, Worthington participates in one consolidated and nine unconsolidated joint ventures.

**Consolidated**

Spartan Steel Coating, LLC ( Spartan ) is a 52%-owned consolidated joint venture with Severstal North America, Inc., located in Monroe, Michigan. It operates a cold-rolled, hot-dipped galvanizing line for toll processing steel coils into galvanized and galvannealed products intended primarily for the automotive industry. Spartan s financial results are fully consolidated into the Steel Processing segment. The equity ownership of Severstal is shown as minority interest on the consolidated balance sheets and its portion of operating income is eliminated in miscellaneous expense on the consolidated statements of earnings.

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**Unconsolidated**

Accelerated Building Technologies, LLC ( ABT ), a 50%-owned joint venture with NOVA Chemicals Corporation, evaluates, develops, tests, manufactures, sells and otherwise commercializes construction products which are used in combination with light-gauge steel framing. ABT has developed the accel-E wall panel system which combines high strength, technically enhanced UltraSTEEL® framing with a fire, termite and mold- resistant modified EPS insulation to provide a cost-effective, energy-efficient and structurally superior panelized building alternative to conventional stick and batt framing.

Aegis Metal Framing, LLC ( Aegis ), is a 60%-owned joint venture with MiTek Industries Inc., headquartered in Chesterfield, Missouri. Aegis supplies an integrated package of sophisticated design software, professional engineering services, and cold-formed metal framing products to the pre-fabricated building components industry. Aegis comprehensive range of metal framing elements, including the Ultra-Span® truss system, TradeReady® joist system, and structural wall framing is sold to companies that design and assemble pre-fabricated trusses, wall panels and floor systems. These pre-assembled elements are used to speed construction cycle times and reduce overall costs in the commercial, institutional, and multi-family construction markets.

Canessa Worthington Slovakia s.r.o. ( Canessa Worthington ), a 49%-owned joint venture with The Magnetto Group, operates one manufacturing facility in Kosice, Slovakia. Canessa Worthington offers Class One steel processing services such as slitting, blanking and cutting-to-length for customers throughout central Europe.

LEFCO Worthington, LLC ( LEFCO Worthington ), a 49%-owned joint venture with LEFCO Industries, LLC, is a minority business enterprise which offers engineered wooden crates, specialty pallets, and steel rack systems for a variety of industries, including defense and automotive. LEFCO Worthington also mass produces the first light-weight, flame-resistant steel pallet designed to meet the Grocery Manufacturers Association s capacity and compatibility standards. LEFCO Worthington operates one manufacturing facility in Cleveland, Ohio.

Serviacero Planos, S.A. de C.V. ( Serviacero Worthington ), a 50%-owned joint venture with Inverzer, S.A. de C.V., operates two facilities in Mexico, one in Leon and one in Queretaro. Serviacero Worthington provides steel processing services such as slitting, multi-blanking and cutting-to-length for automotive, appliance and electronics related customers.

TWB Company, L.L.C. ( TWB ), a 45%-owned joint venture with ThyssenKrupp Steel North America, Inc., is a leading North American supplier of tailor welded blanks, manufacturing 13 million per year. TWB produces laser-welded blanks for use in the automotive industry for products such as inner-door panels, bodysides, rails and pillars. TWB operates facilities in Prattville, Alabama; Monroe, Michigan; Columbus, Indiana; and Puebla, Ramos Arizpe (Saltillo) and Hermosillo, Mexico.

Viking & Worthington Steel Enterprise, LLC ( VWSE ), a joint venture with Bainbridge Steel, LLC, an affiliate of Viking Industries, LLC, operates a steel processing facility in Valley City, Ohio. VWSE closed its manufacturing operations in June 2008 and its business will be reorganized or wound down.

Worthington Armstrong Venture ( WAVE ), a 50%-owned joint venture with Armstrong Ventures, Inc., a subsidiary of Armstrong World Industries, Inc., is one of four global manufacturers and multiple smaller international manufacturers of suspension grid systems for concealed and lay-in panel ceilings used in commercial and residential ceiling markets. WAVE operates seven facilities in five countries: Aberdeen, Maryland; Benton Harbor, Michigan; and North Las Vegas, Nevada, within the United States; Shanghai, the Peoples Republic of China; Team Valley, United Kingdom; Valenciennes, France; and Madrid, Spain.

Worthington Specialty Processing ( WSP ), a 50%-owned joint venture with United States Steel Corporation ( U.S. Steel ), operates a steel processing facility in Jackson, Michigan. The facility is managed by Worthington Steel and serves primarily as a toll processor for U.S. Steel. WSP processes master steel coils into both slit coils and sheared first operation blanks, including rectangles, trapezoids, parallelograms and chevrons, designed to meet specifications for the automotive, appliance, furniture and metal door industries.

See Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note J Investments in Unconsolidated Affiliates for further information about Worthington s participation in unconsolidated joint ventures.

***Environmental Regulation***

Worthington s manufacturing facilities, generally in common with those of similar industries making similar products, are subject to many federal, state and local requirements relating to the protection of the environment. Worthington continually examines ways to reduce emissions and waste and to decrease costs related to environmental compliance. The cost of compliance or capital expenditures for environmental control facilities required to meet environmental requirements are not anticipated to be material when compared with overall costs and capital expenditures and, accordingly, are not anticipated to have a material effect on the financial position, results of operations or cash flows, or the competitive position of the Company.

**Item 1A. Risk Factors**

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

***Raw Material Prices***

*Our future operating results may be affected by fluctuations in raw material prices.* Our principal raw material is flat-rolled steel, which we purchase from multiple primary steel producers. The steel industry as a whole has been cyclical, and at times availability and pricing can be volatile due to a number of factors beyond our control. These factors include general economic conditions, domestic and worldwide demand, curtailed production at major mills due to factors such as equipment breakdowns, repairs or catastrophic events, labor costs or problems, competition, import duties, tariffs, energy costs, availability and cost of steel inputs (e.g. ore, scrap, coke, energy, etc.), currency exchange rates, and other factors described below under Raw Material Availability. This volatility can significantly affect our steel costs. In an environment of increasing prices for steel and other raw materials, competitive conditions may impact how much of the price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, our financial results could be adversely affected. Also, if steel prices decrease, in general, competitive conditions may impact how quickly we must reduce our prices to our customers and we could be forced to use higher-priced raw materials to complete orders for which the selling prices have decreased.

***Raw Material Availability***

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

***Inventories***

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

***Economic or Industry Downturns***

*Downturns or weakness in the economy in general or in key industries, such as construction or automotive, may adversely affect our customers, which may cause the demand for our products and services to decline and adversely affect our financial results.* Many of our customers are in industries and businesses that are cyclical in nature and affected by changes in general economic conditions or conditions specific to their respective markets, such as the construction and automotive industries. Product demand in our customer s end markets is based on numerous factors such as interest rates, general economic conditions, consumer confidence, and other factors beyond our control. Downturns in demand from the construction industry, the automotive industry or any of the other industries we serve, or a decrease in the margins that we can realize from sales of our products to customers in any of these industries, could adversely affect our financial results.

*Reduced construction activity, especially in office buildings, could negatively impact our financial results*. The construction market is a key end market with approximately 40% of our net sales going to that market in fiscal 2008. If construction activity in the United States, in general, or by one or more of our major customers, in particular, were to be reduced significantly, it could negatively affect our sales and financial results.

*Reduced automotive/truck production and the financial difficulties of customers in this market could negatively impact our financial results.* The automotive and truck market remains a key customer group with approximately 26% of the Company s net sales derived from that market in fiscal 2008. If domestic automotive production, in general, or by one or more of our major domestic customers, in particular, were to be reduced significantly, it could negatively affect our sales and financial results.

*The financial difficulties and internal strategies of customers could adversely affect us.* A portion of our business is highly dependent on automotive manufacturers, many of which have publicly announced plans to reduce production levels and eliminate excess manufacturing capacity including plans to eliminate jobs and reduce costs. These actions are impacting automotive suppliers who are also taking similar actions. Some customers in the construction and other industries are also experiencing cutbacks. The financial difficulties of certain customers and the efforts under way by our customers to improve their overall financial condition could result in numerous changes that are beyond our control, including additional unannounced customer plant closings, decreased production, changes in product mix or distribution patterns, volume reductions, labor disruptions, collectibility of our accounts receivable, mandatory reductions or other unfavorable changes in our pricing, terms or service conditions or market share losses, as well as other changes we may not accurately anticipate. These events could adversely impact our financial results.

*The loss of significant volume from key customers could adversely affect us.* In fiscal 2008, our largest customer accounted for approximately 4% of our gross sales, and our ten largest customers accounted for approximately 24% of our gross sales. A significant loss of, or decrease in, business from any of these customers could have an adverse effect on our sales and financial results if we cannot obtain replacement business. Also, due to consolidation in the industries we serve, including the construction, automotive and retail industries, our gross sales may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments with respect to, one or more of our top customers.

***Competition***

*Our business is highly competitive, and increased competition could negatively impact our financial results.* Generally, the markets in which we conduct business are highly competitive. Competition for most of our products is primarily on the basis of price, product quality, and our ability to meet delivery requirements. Increased competition could cause us to lose market share, increase expenditures, lower our margins or offer additional services at a higher cost to us, which could adversely impact our financial results.

***Material Substitution***

*In certain applications, steel competes with other materials, such as aluminum (particularly in the automobile industry), cement and wood (particularly in the construction industry), composites, glass and plastic.* Prices of all of these materials fluctuate widely and differences between them and steel prices may adversely affect demand for our products and/or encourage substitution, which could adversely affect prices and demand for steel products. The sharp increase in the cost of steel during fiscal 2008 could make material substitution more attractive for certain uses.

***Freight and Energy***

*The availability and cost of freight and energy, such as electricity, natural gas and diesel fuel, is important in the manufacture and transport of our products.* Our operating costs increase when energy costs rise. During periods of increasing freight and energy costs, we might not be able to fully recover our operating cost increases through price increases without reducing demand for our products. Our financial results could be adversely affected if we are unable to pass all of the increases on to our customers or if we are unable to obtain the necessary freight and energy. Also, increasing energy costs could put a strain on the transportation of materials and products if it forces certain transporters to close.

***Information Systems***

*We are subject to information system security risks and systems integration issues that could disrupt our internal operations.* We are dependent upon information technology for the distribution of information internally and also to our customers and suppliers. This information technology is subject to damage or interruption from a variety of sources, including but not limited to computer viruses, security breaches and defects in design. There also could be system or network disruptions if new or upgraded business management systems are defective or are not installed properly, or are not properly integrated into operations. We are currently in the process of implementing a new software-based enterprise resource planning system ( ERP ). Various measures have been implemented to manage our risks related to information system and network disruptions, but a system failure or failure to implement new systems properly could negatively impact our operations and financial results.

***Business Disruptions***

*Disruptions to our business or the business of our customers or suppliers, could adversely impact our operations and financial results.* Business disruptions, including increased costs for or interruptions in the supply of energy or raw materials, resulting from shortages of supply or transportation, from severe weather events (such as hurricanes, floods and blizzards), from casualty events (such as fires or material equipment breakdown), from acts of terrorism, from pandemic disease, from labor disruptions, or from other events (such as required maintenance shutdowns), could cause interruptions to our businesses as well as the operations of our customers and suppliers. Such interruptions could have an adverse effect on our operations and financial results.

***Foreign***

*Economic, political and other risks associated with foreign operations could adversely affect our international financial results.* Although the substantial majority of our business activity takes place in the United States, we derive a portion of our revenues and earnings from operations in foreign countries, and are subject to risks associated with doing business internationally. We have wholly-owned facilities in Austria, Canada, the Czech Republic and Portugal and joint venture facilities in China, France, Mexico, Slovakia, Spain and the United Kingdom. The risks of doing business in foreign countries include the potential for adverse changes in the local political climate, in diplomatic relations between foreign countries and the United States or in government policies, laws or regulations; terrorist activity that may cause social disruption; logistical and communications challenges; costs of complying with a variety of laws and regulations; difficulty in staffing and managing geographically diverse operations; deterioration of foreign economic conditions; currency rate fluctuations; foreign exchange restrictions; differing local business practices and cultural considerations; restrictions on imports and exports or sources of supply; and changes in duties or taxes. We believe that our business activities outside of the United States involve a higher degree of risk than our domestic activities.

***Joint Ventures***

*A change in the relationship between the members of our joint ventures may have an adverse effect on that joint venture.* Worthington has been successful in the development and operation of various joint ventures, and equity in net income from our joint ventures, particularly WAVE, has been important to our financial results. We believe an important element in the success of any joint venture is a solid relationship between the members of that joint venture. If there is a change in ownership, a change of control, a change in management or other event with respect to a member that adversely impacts the relationship between the members, it may adversely impact the joint venture.

***Acquisitions***

*We may not be able to consummate, manage and integrate future acquisitions successfully.* Some of our growth has been through acquisitions. We continue to seek additional businesses to acquire in the future. There are no assurances, however, that any acquisition opportunities will arise or, if they do, that they will be consummated, or that any needed additional financing will be available on satisfactory terms when required. In addition, acquisitions involve risks that the businesses acquired will not perform in accordance with expectations, that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect, that the acquired businesses may not be integrated successfully and that the acquisitions may strain our management resources.

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***Accounting & Tax Estimates***

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

***Claims and Insurance***

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

***Principal Shareholder***

*Our principal shareholder may have the ability to exert significant influence in matters requiring a shareholder vote and could delay, deter or prevent a change in control of Worthington Industries.* Pursuant to our charter documents, certain matters such as those in which a person would attempt to acquire or take control of the Company, must be approved by the vote of the holders of common shares representing at least 75% of Worthington Industries outstanding voting power. Approximately 23% of our outstanding common shares may be voted by John P. McConnell, our Chairman of the Board and Chief Executive Officer. As a result of his voting power, John P. McConnell may have the ability to exert significant influence in these matters and other proposals upon which our shareholders vote.

**Item 1B. Unresolved Staff Comments**

No response required.

**Item 2. Properties**

***General***

The principal corporate offices of Worthington Industries, as well as the corporate offices for Worthington Cylinders and Worthington Steel, are located in a leased office building in Columbus, Ohio, containing approximately 117,700 square feet. Worthington also owns three facilities for administrative and medical facilities in Columbus, Ohio containing an aggregate of approximately 166,000 square feet. The corporate and administrative offices of Dietrich Metal Framing are being relocated from Pennsylvania to Columbus, OH in calendar 2008. As of May 31, 2008, Worthington owned or leased a total of approximately 9,500,000 square feet of space for operations, of which approximately 8,000,000 square feet (9,100,000 square

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feet with warehouses) was devoted to manufacturing, product distribution and sales offices. Major leases contain renewal options for periods of up to ten years. For information concerning rental obligations, see the discussion of contractual obligations under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations *Contractual Cash Obligations and Other Commercial Commitments* as well as Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note L Operating Leases of this Annual Report on Form 10-K. Distribution and office facilities provide adequate space for operations and are well maintained and suitable.

Excluding joint ventures, Worthington operates 44 manufacturing facilities and twelve warehouses. The facilities are generally well maintained and in good operating condition, and are believed to be sufficient to meet current needs.

***Steel Processing***

The Steel Processing segment, which includes the consolidated joint venture Spartan, operates ten manufacturing facilities, nine of which are wholly-owned, containing approximately 2,990,000 square feet, and one of which is leased, containing approximately 228,500 square feet. These facilities are located in Alabama, California, Indiana, Kentucky, Maryland, Michigan (2) and Ohio (3). This segment also owns one warehouse in Ohio containing approximately 110,000 square feet. As noted above, its corporate offices are located in Columbus, Ohio.

***Metal Framing***

The Metal Framing segment operates 22 manufacturing facilities: 20 in the United States and two in Canada. In the United States, these facilities are located in Arizona, California (2), Colorado, Florida (2), Georgia, Hawaii, Illinois, Indiana, Kansas, Maryland, Massachusetts, New Jersey, Ohio (2), South Carolina, Texas (2), and Washington. The facilities in Canada are located in British Columbia and Ontario. Of these manufacturing facilities, 12 are leased containing approximately 880,000 square feet and 10 are owned containing approximately 1,500,000 square feet. This segment operates three warehouses one warehouse in Ohio which is owned and contains approximately 314,000 square feet and two in Canada which are leased and contain approximately 36,000 square feet. This segment also owns and operates an administrative facility containing approximately 37,000 square feet in Indiana; and leases administrative space in three locations containing approximately 40,000 square feet in California and Pennsylvania (2). The Pennsylvania corporate and administrative offices are being closed and will move to Columbus, Ohio by the end of calendar 2008. As part of the Restructuring Plan announced by the Company in September 2007, this segment has ceased manufacturing operations at two leased facilities of which one lease expires in August 2008 and the other in 2011, which is being offered for sublet and at one owned manufacturing facilities, both of which are currently up for sale.

***Pressure Cylinders***

The Pressure Cylinders segment operates eight owned manufacturing facilities located in Ohio (3), Wisconsin, Austria, Canada, the Czech Republic and Portugal containing approximately 1,200,000 square feet and two owned warehouses in Canada and Czech Republic containing approximately 121,000 square feet.

***Other***

Steelpac operates one leased manufacturing facility located in Pennsylvania. Gerstenslager owns and operates two manufacturing facilities, both located in Ohio, containing approximately 1,200,000 square feet; and leases approximately 616,000 square feet in six warehouses throughout Ohio. Construction Services operates manufacturing facilities in Ohio and Washington and leases approximately 4,800 square feet for three administrative offices in Hawaii, Tennessee and China. The newly acquired Sharon Stairs operation leases one manufacturing facility in Akron, Ohio, which has not been included in this count.

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***Joint Ventures***

The Spartan consolidated joint venture owns and operates one manufacturing facility in Michigan, which is included in the Steel Processing segment. The unconsolidated joint ventures operate a total of 21 manufacturing facilities, located in Alabama, Indiana, Kentucky, Maryland, Michigan (3), Missouri, Nevada and Ohio (2), domestically, and in China, France, Mexico (5), Slovakia, Spain and the United Kingdom, internationally.

**Item 3. Legal Proceedings**

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

**Item 4. Submission of Matters to a Vote of Security Holders**

No response required.

**Supplemental Item Executive Officers of the Registrant**

The following table lists the names, positions held and ages of the Registrant s executive officers as of July 30, 2008:

| Name | Age | Position(s) with the Registrant | Present Office Held Since |
|---|---|---|---|
| John P. McConnell | 54 | Chairman of the Board and Chief Executive Officer; a Director | 1996 |
| John S. Christie | 58 | President and Chief Financial Officer; a Director | 2004 |
| George P. Stoe | 62 | Executive Vice President and Chief Operating Officer | 2007 |
| Dale T. Brinkman | 55 | Vice President-Administration, General Counsel and Secretary | 2000 |
| Harry A. Goussetis | 54 | President, Worthington Cylinder Corporation | 2005 |
| Lester V. Hess | 53 | Treasurer | 2006 |
| John E. Roberts | 53 | President, Dietrich Industries, Inc. | 2007 |
| Ralph V. Roberts | 61 | Senior Vice President-Marketing; President, Worthington Integrated Building Systems, LLC | 2006 |
| Mark A. Russell | 45 | President, The Worthington Steel Company | 2007 |
| Richard G. Welch | 50 | Controller | 2000 |
| Virgil L. Winland | 60 | Senior Vice President-Manufacturing | 2001 |

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

John S. Christie has served as President and as a director of Worthington Industries continuously since June 1999. He became interim Chief Financial Officer of Worthington Industries in September 2003 and Chief Financial Officer in January 2004. He also served as Chief Operating Officer of Worthington Industries from June 1999 until September 2003. Mr. Christie will retire from his positions as President and Chief Financial Officer and a director of Worthington Industries on July 31, 2008.

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

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

Harry A. Goussetis has served as President of Worthington Cylinder Corporation since December 2005. From January 2001 to December 2005, Mr. Goussetis served as Vice President-Human Resources for Worthington Industries, and held various other positions with Worthington Industries from November 1983 to January 2001.

Lester V. Hess has served Worthington Industries as Treasurer since February 2006. Prior thereto, he served Worthington Industries as Assistant Treasurer from November 2003 to February 2006; and as Director of Treasury from August 2002 to November 2003.

John E. Roberts has served as President, Dietrich Industries, Inc. since October 2007, and prior thereto, as its Vice President of Sales and Marketing from June 2007 to October 2007. He was Regional General Manager, Director of Sales and Marketing for Owens Corning, a producer of residential and commercial building materials, glass fiber reinforcements and engineered materials for composite systems, from 1996 through June 2007.

Ralph V. Roberts has served as President of Worthington Integrated Building Systems, LLC since November 2006; and has been Senior Vice President-Marketing of Worthington Industries since January 2001. From June 1998 through January 2001, he served as President of The Worthington Steel Company, and he has held various other positions with Worthington Industries since 1973, including Vice President-Corporate Development and Chief Executive Officer of the WAVE joint venture.

Mark A. Russell has served as President of The Worthington Steel Company since February 2007. From August 2004 through February 2007, Mr. Russell was a Partner in Russell & Associates, an acquisition group formed to acquire aluminum products companies. Mr. Russell served as Chief Executive Officer of Indalex Inc., a producer of extruded aluminum products, from January 2002 to March 2004.

Richard G. Welch has served as Controller of Worthington Industries since March 2000. He served as Assistant Controller of Worthington Industries from September 1999 to March 2000.

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

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

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## PART II

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

**Common Shares Information**

The common shares of Worthington Industries, Inc. ( Worthington Industries ) trade on the New York Stock Exchange ( NYSE ) under the symbol "WOR" and are listed in most newspapers as "WorthgtnInd." As of July 24, 2008, Worthington Industries had 8,437 registered shareholders. The following table sets forth (i) the low and high closing prices and the closing price for Worthington Industries common shares for each quarter of fiscal 2008 and fiscal 2007, and (ii) the cash dividends per share declared on Worthington Industries common shares during each quarter of fiscal 2008 and fiscal 2007.

| | Market Price | | | Cash Dividends Declared |
|---|---|---|---|---|
| | Low | High | Closing | |
| **Fiscal 2008** | | | | |
| **Quarter Ended** | | | | |
| August 31, 2007 | $ 19.60 | $ 23.00 | $ 21.16 | $ 0.17 |
| November 30, 2007 | $ 20.38 | $ 25.86 | $ 21.19 | $ 0.17 |
| February 29, 2008 | $ 14.58 | $ 22.87 | $ 17.59 | $ 0.17 |
| May 31, 2008 | $ 16.00 | $ 19.94 | $ 19.94 | $ 0.17 |
| **Fiscal 2007** | | | | |
| **Quarter Ended** | | | | |
| August 31, 2006 | $ 16.36 | $ 21.74 | $ 19.11 | $ 0.17 |
| November 30, 2006 | $ 16.64 | $ 19.58 | $ 18.50 | $ 0.17 |
| February 28, 2007 | $ 16.84 | $ 20.42 | $ 19.91 | $ 0.17 |
| May 31, 2007 | $ 18.28 | $ 23.25 | $ 21.11 | $ 0.17 |

Dividends are declared at the discretion of the Worthington Industries Board of Directors. Worthington Industries declared quarterly dividends of $0.17 per common share in fiscal 2008 and fiscal 2007. The Board of Directors reviews the dividend quarterly and establishes the dividend rate based upon Worthington Industries financial condition, results of operations, capital requirements, current and projected cash flows, business prospects, and other factors which the directors may deem relevant. While Worthington Industries has paid a dividend every quarter since becoming a public company in 1968, there is no guarantee that this will continue in the future.

***Shareholder Return Performance***

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

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The following graph compares the five-year cumulative return on Worthington Industries common shares, the S&P Midcap 400 Index and the S&P 1500 Steel Composite Index. The graph assumes that $100.00 was invested at May 31, 2003, in Worthington Industries common shares and each index.

* $100 invested on 5/31/03 in stock or index. Assumes reinvestment of dividends when received. Fiscal year ending May 31.

| | 5/03 | 5/04 | 5/05 | 5/06 | 5/07 | 5/08 |
|---|---|---|---|---|---|---|
| Worthington Industries, Inc. | 100.00 | 133.44 | 120.74 | 127.25 | 163.83 | 160.29 |
| S&P Midcap 400 | 100.00 | 125.32 | 141.20 | 161.33 | 193.09 | 185.86 |
| S&P 1500 Steel Composite | 100.00 | 160.85 | 239.46 | 462.03 | 715.17 | 884.73 |

Worthington Industries became a part of the S&P Midcap 400 Index on December 17, 2004. The S&P 1500 Steel Composite Index, of which Worthington Industries is a component, is the most specific index relative to the largest line of business of Worthington Industries and its subsidiaries. At May 31, 2008, the index included 11 steel related companies from the S&P 500, S&P Midcap 400 and S&P 600 indices: Allegheny Technologies Incorporated; Carpenter Technology Corporation; A.M. Castle & Co.; Cleveland-Cliffs Inc.; Commercial Metals Company; Nucor Corporation; Olympic Steel, Inc.; Reliance Steel & Aluminum Co.; Steel Dynamics Inc.; United States Steel Corporation; and Worthington Industries.

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**Issuer Purchases of Equity Securities**

No common shares of Worthington Industries were purchased by, or on behalf of, Worthington Industries or any affiliated purchaser (as defined in Rule 10b 18(a) (3) under the Exchange Act) during the fiscal quarter ended May 31, 2008. The following table provides information about the number of common shares of Worthington Industries that may yet be purchased under the publicly announced repurchase authorization:

| Period | Total Number of Common Shares Purchased | Average Price Paid per Common Share | Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Common Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| March 1-31, 2008 | - | - | - | 9,099,500 |
| April 1-30, 2008 | - | - | - | 9,099,500 |
| May 1-31, 2008 | - | - | - | 9,099,500 |
| Total | - | - | - | 9,099,500 |

(1) The number shown represents, as of the end of each period, the maximum number of common shares that could be purchased under the publicly announced repurchase authorization then in effect. On September 26, 2007, Worthington Industries announced that the Board of Directors had authorized the repurchase of up to 10,000,000 of Worthington Industries outstanding common shares. A total of 9,099,500 common shares were available under this repurchase authorization as of May 31, 2008. The common shares available for purchase under this 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 and general economic conditions. Repurchases may be made on the open market or through privately negotiated transactions.

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**Item 6. Selected Financial Data**

| | Fiscal Years Ended May 31, | | | | |
|---|---|---|---|---|---|
| **In thousands, except per share** | **2008** | **2007** | **2006** | **2005** | **2004** |
| **FINANCIAL RESULTS** | | | | | |
| Net sales | $ 3,067,161 | $ 2,971,808 | $ 2,897,179 | $ 3,078,884 | $ 2,379,104 |
| Cost of goods sold | 2,711,414 | 2,610,176 | 2,525,545 | 2,580,011 | 2,003,734 |
| Gross margin | 355,747 | 361,632 | 371,634 | 498,873 | 375,370 |
| Selling, general and administrative expense | 231,602 | 232,487 | 214,030 | 225,915 | 195,785 |
| Restructuring charges and other | 18,111 | - | - | 5,608 | 69,398 |
| Operating income | 106,034 | 129,145 | 157,604 | 267,350 | 110,187 |
| Miscellaneous income (expense) | (6,348) | (4,446) | (1,524) | (7,991) | (1,589) |
| Nonrecurring losses | - | - | - | - | - |
| Gain on sale of Acerex | - | - | 26,609 | - | - |
| Interest expense | (21,452) | (21,895) | (26,279) | (24,761) | (22,198) |
| Equity in net income of unconsolidated affiliates | 67,459 | 63,213 | 56,339 | 53,871 | 41,064 |
| Earnings from continuing operations before income taxes | 145,693 | 166,017 | 212,749 | 288,469 | 127,464 |
| Income tax expense | 38,616 | 52,112 | 66,759 | 109,057 | 40,712 |
| Earnings from continuing operations | 107,077 | 113,905 | 145,990 | 179,412 | 86,752 |
| Discontinued operations, net of taxes | - | - | - | - | - |
| Extraordinary item, net of taxes | - | - | - | - | - |
| Cumulative effect of accounting change, net of taxes | - | - | - | - | - |
| Net earnings | $ 107,077 | $ 113,905 | $ 145,990 | $ 179,412 | $ 86,752 |
| Earnings per share-diluted: | | | | | |
| Continuing operations | $ 1.31 | $ 1.31 | $ 1.64 | $ 2.03 | $ 1.00 |
| Discontinued operations, net of taxes | - | - | - | - | - |
| Extraordinary item, net of taxes | - | - | - | - | - |
| Cumulative effect of accounting change, net of taxes | - | - | - | - | - |
| Net earnings per share | $ 1.31 | $ 1.31 | $ 1.64 | $ 2.03 | $ 1.00 |
| Continuing operations: | | | | | |
| Depreciation and amortization | $ 63,413 | $ 61,469 | $ 59,116 | $ 57,874 | $ 67,302 |
| Capital expenditures (including acquisitions and investments) | 97,343 | 90,418 | 66,904 | 112,937 | 30,089 |
| Cash dividends declared | 54,640 | 58,380 | 60,110 | 57,942 | 55,312 |
| Per share | $ 0.68 | $ 0.68 | $ 0.68 | $ 0.66 | $ 0.64 |
| Average shares outstanding-diluted | 81,898 | 87,002 | 88,976 | 88,503 | 86,950 |
| **FINANCIAL POSITION** | | | | | |
| Current assets | $ 1,104,970 | $ 969,383 | $ 996,241 | $ 938,333 | $ 833,110 |
| Current liabilities | 664,895 | 420,494 | 490,786 | 545,443 | 475,060 |
| Working capital | $ 440,075 | $ 548,889 | $ 505,455 | $ 392,890 | $ 358,050 |
| Net fixed assets | $ 549,944 | $ 564,265 | $ 546,904 | $ 552,956 | $ 555,394 |

| | | | | | |
|---|---|---|---|---|---|
| Total assets | 1,988,031 | 1,814,182 | 1,900,397 | 1,830,005 | 1,643,139 |
| Total debt* | 380,450 | 276,650 | 252,684 | 388,432 | 289,768 |
| Shareholders' equity | 885,377 | 936,001 | 945,306 | 820,836 | 680,374 |
| Per share | $ 11.16 | $ 11.02 | $ 10.66 | $ 9.33 | $ 7.83 |
| Shares outstanding | 79,308 | 84,908 | 88,691 | 87,933 | 86,856 |

The acquisition of PSM capital stock has been included since August 2006. The acquisition of the Western Cylinder Assets has been included since September 2004. The disposition of certain Decatur assets has been reflected since August 2004. The acquisition of Unimast Incorporated has been included since July 2002.

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| | | Fiscal Years Ended May 31, | | | |
|---|---|---|---|---|---|
| 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
| $ 2,219,891 | $ 1,744,961 | $ 1,826,100 | $ 1,962,606 | $ 1,763,072 | $ 1,624,449 |
| 1,916,990 | 1,480,184 | 1,581,178 | 1,629,455 | 1,468,886 | 1,371,841 |
| 302,901 | 264,777 | 244,922 | 333,151 | 294,186 | 252,608 |
| 182,692 | 165,885 | 173,264 | 163,662 | 147,990 | 117,101 |
| (5,622) | 64,575 | 6,474 | - | - | - |
| 125,831 | 34,317 | 65,184 | 169,489 | 146,196 | 135,507 |
| (7,240) | (3,224) | (928) | 2,653 | 5,210 | 1,396 |
| (5,400) | (21,223) | - | (8,553) | - | - |
| - | - | - | - | - | - |
| (24,766) | (22,740) | (33,449) | (39,779) | (43,126) | (25,577) |
| 29,973 | 23,110 | 25,201 | 26,832 | 24,471 | 19,316 |
| 118,398 | 10,240 | 56,008 | 150,642 | 132,751 | 130,642 |
| 43,215 | 3,738 | 20,443 | 56,491 | 49,118 | 48,338 |
| 75,183 | 6,502 | 35,565 | 94,151 | 83,633 | 82,304 |
| - | - | - | - | (20,885) | 17,337 |
| - | - | - | - | - | 18,771 |
| - | - | - | - | (7,836) | - |
| $ 75,183 | $ 6,502 | $ 35,565 | $ 94,151 | $ 54,912 | $ 118,412 |
| $ 0.87 | $ 0.08 | $ 0.42 | $ 1.06 | $ 0.90 | $ 0.85 |
| - | - | - | - | (0.23) | 0.18 |
| - | - | - | - | - | 0.19 |
| - | - | - | - | (0.08) | - |
| $ 0.87 | $ 0.08 | $ 0.42 | $ 1.06 | $ 0.59 | $ 1.22 |
| $ 69,419 | $ 68,887 | $ 70,582 | $ 70,997 | $ 64,087 | $ 41,602 |
| 139,673 | 60,100 | 64,943 | 72,649 | 132,458 | 297,516 |
| 54,938 | 54,667 | 54,762 | 53,391 | 52,343 | 51,271 |
| $ 0.64 | $ 0.64 | $ 0.64 | $ 0.61 | $ 0.57 | $ 0.53 |
| 86,537 | 85,929 | 85,623 | 88,598 | 93,106 | 96,949 |
| $ 506,246 | $ 490,340 | $ 449,719 | $ 624,229 | $ 624,255 | $ 642,995 |
| 318,171 | 339,351 | 306,619 | 433,270 | 427,725 | 410,031 |
| $ 188,075 | $ 150,989 | $ 143,100 | $ 190,959 | $ 196,530 | $ 232,964 |
| $ 743,044 | $ 766,596 | $ 836,749 | $ 862,512 | $ 871,347 | $ 933,158 |
| 1,478,069 | 1,457,314 | 1,475,862 | 1,673,873 | 1,686,951 | 1,842,342 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 292,028 | | 295,613 | | 324,750 | | 525,072 | | 493,313 | | 501,950 |
| | 636,294 | | 606,256 | | 649,665 | | 673,354 | | 689,649 | | 780,273 |
| $ | 7.40 | $ | 7.09 | $ | 7.61 | $ | 7.85 | $ | 7.67 | $ | 8.07 |
| | 85,949 | | 85,512 | | 85,375 | | 85,755 | | 89,949 | | 96,657 |

* Excludes Debt Exchangeable for Common Stock of Rouge Industries, Inc. of $52,497 and $75,745 at May 31, 1999 and 1998, respectively.

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

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

***Overview***

Worthington Industries, Inc., together with its subsidiaries (collectively, we, our, Worthington, or the Company ), is primarily a diversified met processing company, focused on value-added steel processing and manufactured metal products, such as metal framing, pressure cylinders, automotive past-model service stampings and, through joint ventures, metal ceiling grid systems and laser-welded blanks. Our number one goal is to increase shareholder value, which we seek to accomplish by optimizing existing operations, developing and commercializing new products and applications, and pursuing strategic acquisitions and joint ventures.

As of May 31, 2008, excluding our joint ventures, we operated 44 manufacturing facilities worldwide, principally in three reportable segments: Steel Processing, Metal Framing and Pressure Cylinders. We also held equity positions in ten joint ventures, which operated 22 manufacturing facilities worldwide as of May 31, 2008. Each of these segments and key joint ventures hold a leadership position in its respective market. We have capacity in each of our segments to handle additional sales growth without significantly increasing our capital investment. For more information on our segments, please refer to Item 1. Business of Part I of this Annual Report on Form 10-K.

The two largest markets we serve are construction and automotive, representing 40% and 26%, respectively, of our consolidated net sales in fiscal 2008. Our results are primarily driven by two factors, product demand and the spread between the average selling price of our products and the cost of raw materials, mainly steel. The spread can be significantly affected by our first-in, first-out ( FIFO ) inventory costing method. In a rising steel-price environment, our reported income is often favorably impacted as lower-priced inventory acquired during the previous months flows through cost of goods sold while our selling prices increase to meet the rising replacement cost of steel. In a decreasing steel-price environment, the inverse often occurs as higher-priced inventory on hand flows through cost of goods sold as our selling prices decrease. The results from these market dynamics are referred to as inventory holding gains or losses. We strive to limit the inventory holding impact by controlling inventory levels.

A majority of our full-time employees participate in profit sharing and bonus programs which are tied to performance. Generally, when earnings are up, profit sharing and bonus expenses increase; when earnings are down, profit sharing and bonus expenses decrease. Because of this relationship, profit sharing and bonus expenses may somewhat lessen the volatility of our earnings.

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*Market & Industry Overview*

For our fiscal year ended May 31, 2008 ( fiscal 2008 ), our sales breakdown by end user market is illustrated by the chart to the left. Substantially all of the sales of our Metal Framing segment and the Construction Services segment, as well as approximately 25% of the sales for the Steel Processing segment, are to the construction market, both residential and non-residential. We estimate that approximately 10% of our consolidated sales, or one-fourth of our construction market sales, are to the residential market. While the market price of steel significantly impacts this business, 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. Construction is also the predominant end market for three of our joint ventures, including our largest, Worthington Armstrong Venture ( WAVE ). The sales of these joint ventures are not consolidated in our results; however, adding our ownership percentage of joint venture construction market sales to our reported sales would not materially change the sales breakdown in the chart.

The automotive industry is the largest consumer of flat-rolled steel and thus the largest end market for our Steel Processing segment. Approximately half of the sales of our Steel Processing segment, and substantially all of the sales of the Automotive Body Panels segment, are to the automotive market. North American vehicle production, primarily by Chrysler, Ford and General Motors (the Big Three automakers ), has a considerable impact on the customers within these two segments. These segments are also impacted by the market price of steel and, to a lesser extent, the market price of commodities used in their operations, such as zinc, natural gas and diesel fuel. The majority of the sales of three of our unconsolidated joint ventures also go to the automotive end market. These sales are not consolidated in our results; however, adding our ownership percentage of joint venture automotive market sales to our reported sales does not materially change the sales breakdown in the previous chart.

The sales of our Pressure Cylinders and Steel Packaging segments, and approximately 30% of the sales of our Steel Processing segment, are to other markets such as appliance, leisure and recreation, distribution and transportation, HVAC, lawn and garden, and consumer specialty products. Given the many different product lines that make up these sales and the wide variety of end markets, it is very difficult to list 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 segments.

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We use the following information to monitor our cost and major end markets:

| | Fiscal Year Ended May 31, | | | Inc / (Dec) | |
|---|---|---|---|---|---|
| | 2008 | 2007 | 2006 | 2008 vs. 2007 | 2007 vs. 2006 |
| U.S. GDP (% growth year-over-year) | 2.4% | 2.2% | 3.1% | 0.2% | -0.9% |
| Hot Rolled Steel ($ per ton) [1] | $ 636 | $ 571 | $ 528 | $ 65 | $ 43 |
| Big Three Auto Build (,000s vehicles) [2] | 8,691 | 9,331 | 10,348 | (640) | (1,017) |
| No. America Auto Build (,000s vehicles) [2] | 14,662 | 15,068 | 15,998 | (406) | (930) |
| Dodge Index | 121 | 137 | 150 | (16) | (13) |
| Framing Lumber ($ per 1,000 board ft) [3] | $ 265 | $ 286 | $ 392 | $ (21) | $ (106) |
| Zinc ($ per pound) [4] | $ 1.24 | $ 1.65 | $ 0.89 | $ (0.41) | $ 0.77 |
| Natural Gas ($ per mcf) [5] | $ 7.66 | $ 6.73 | $ 9.32 | $ 0.94 | $ (2.60) |
| Retail Diesel Prices, All types ($ per gallon) [6] | $ 3.36 | $ 2.72 | $ 2.61 | $ 0.64 | $ 0.11 |

[1] CRU Index; annual average [2] CSM Autobase [3] Random Lengths; annual average [4] LME Zinc; annual average [5] NYMEX Henry Hub Natural Gas; annual average [6] Energy Information Administration; annual average

U.S. GDP growth rate trends are generally indicative of the strength in demand and, in many cases, pricing for our products. Historically, we have seen that increasing U.S. GDP growth rates year-over-year can have a positive effect on our results, as a stronger economy generally improves demand and pricing for our products. Conversely, the opposite is also generally true. Changes in U.S. GDP growth rates can also signal changes in conversion costs related to production and selling, general and administrative ( SG&A ) expenses. However, these are all general assumptions, which do not hold true in all cases.

The market price of hot-rolled steel is a significant factor impacting selling prices and can also impact earnings. In a rising price environment, such as we experienced during the third and fourth quarters of fiscal 2008, our results are generally favorably impacted as lower-priced material, purchased in previous periods, flows through cost of goods sold, while our selling prices increase at a faster pace to cover current replacement costs. On the other hand, when steel prices fall, as they did during the first part of fiscal 2008, 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. These are all general assumptions, however, which do not hold true in all cases. Our FIFO inventory costing method results in inventory holding gains and losses, which we attempt to limit through inventory management.

No single customer makes up more than 5% of our consolidated net sales. While our automotive business is largely driven by Big Three production schedules, our customer base is much broader than the Big Three automakers and includes many of their suppliers as well. Seasonal automotive shutdowns in July and December can cause weaker demand in our first and third quarters. Domestic automotive sales have been hurt in recent quarters as the rising cost of gasoline has shifted consumer demand to smaller, more fuel efficient vehicles a market historically dominated by foreign manufacturers. We continue to pursue customer diversification beyond the Big Three automakers and their suppliers.

The Dodge Index represents the value of total construction contracts, including residential and non-residential building construction. This overall index serves as a broad indicator of the construction markets in which we participate, as it consists of actual construction starts. The relative pricing of framing lumber, an alternative construction material with which we compete, can also affect our Metal Framing segment, as certain applications may permit the use of alternative building materials.

The market trends of certain other commodities such as zinc, natural gas and diesel fuel are important to us as they represent a significant portion of our cost of goods sold, both directly through our plant operations and indirectly through transportation and freight. A rise in the price of any of these commodities could

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increase our cost of goods sold. We attempt to limit the impact of pricing fluctuations through contracts, hedging activities and, specifically for transportation, leveraging opportunities across multiple business units, where available.

As previously stated, residential construction does not make up a large portion of our overall business, about 10%. However, the slowdown in this industry and the related struggles in the credit markets have negatively affected most of our segments, each to a varying degree. Although much of the impact falls on those segments which directly serve the construction markets, other segments are indirectly impacted by the ripple effect felt in other parts of the economy, for example, in consumer spending and the labor market.

***Business Strategy***

Our first goal is to increase shareholder value. To accomplish this goal, we focus on driving top line growth; increasing operating margins; and improving asset utilization. During fiscal 2008, we completed a number of value-added growth initiatives which further extend our product lines and penetrate new markets. These included the following actions:

- On September 14, 2007, our Pressure Cylinders segment acquired certain cylinder production assets of Wolfedale Engineering, the largest Canadian manufacturer of portable propane gas steel cylinders for use with barbeque gas grills, recreational vehicles, campers and trailers. These assets and related production were integrated into our existing facilities.

- On September 17, 2007, we acquired a 50% interest in Serviacero Planos, S.A. de C.V. ( Serviacero Worthington ) which operates two steel processing facilities in central Mexico. On March 5, 2008, Serviacero Worthington announced plans to add a greenfield site in the Monterrey, Mexico, region.

- On September 25, 2007, we formed a steel processing joint venture, in which we have an equity interest of 49%, with The Magnetto Group to construct and operate a Class One steel processing facility in Slovakia. This joint venture started operations in February 2008 as Canessa Worthington Slovakia s.r.o. ( Canessa Worthington ) and services customers throughout central Europe.

- On October 25, 2007, we acquired a 49% interest in crate and pallet maker LEFCO Industries, LLC ( LEFCO ), a minority business enterprise. The joint venture, called LEFCO Worthington, LLC, ( LEFCO Worthington ) will manufacture steel rack systems for the automotive and trucking industries, in addition to LEFCO s existing product offerings.

- On March 1, 2008, TWB Company, L.L.C. ( TWB ), our joint venture with ThyssenKrupp Steel North America, Inc. ( ThyssenKrupp ), acquired ThyssenKrupp Tailored Blanks, S.A. de C.V., the Mexican subsidiary of ThyssenKrupp, to expand TWB s presence in Mexico. As a result, ThyssenKrupp now owns 55% of TWB and Worthington now owns 45%.

To increase our operating margins and asset utilization we began two initiatives, one focused on reducing costs and the other on reviewing the utilization of our facilities in Metal Framing. These two initiatives have grown into a much larger transformational effort (the Transformation Plan ) which now includes the additional initiatives of increasing efficiency throughout the Company, and improving our supply chain. The intent behind these initiatives is to significantly transform the Company s earnings potential over the next three years. At this point, we have identified opportunities to generate an estimated $38.5 million in annual savings, excluding the expenses related to achieving these savings. Of the savings, $30.4 million will come from overhead expense reductions with the remaining $8.1 million coming from announced plant closures in our Metal Framing segment. Updates on these initiatives are as follows:

- Expense reduction: We realized $18.5 million in savings during fiscal 2008. However, these savings were almost entirely offset by increases in other expenses, primarily in employee compensation, which increased due to favorable earnings, depreciation expense related to our new enterprise resource planning system, and bad debt expense. The balance of the savings will come in fiscal 2009 with a portion to be realized in fiscal 2010.

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Asset utilization: On September 25, 2007, we announced the closure or downsizing of five production facilities in our Metal Framing segment. The affected facilities were: East Chicago, Indiana; Rock Hill, South Carolina; Goodyear, Arizona; Wildwood, Florida; and Montreal, Canada which is being downsized. The Rock Hill facility continues to operate only as a steel processing operation and will also produce product for the Aegis joint venture. In addition to the plant closures, the Metal Framing corporate offices will be relocated from Pittsburgh, Pennsylvania, to our corporate offices in Columbus, Ohio. Annual net sales generated by the closed facilities totaled approximately $125.0 million, the majority of which are expected to be transferred to other nearby Metal Framing locations. As of May 31, 2008, all five of the Metal Framing operating facilities have been closed or downsized. Of the $9.0 million in annual savings expected from these actions, $2.1 million was realized in fiscal 2008. The balance will be realized in fiscal 2009. Restructuring charges related to these closures and the relocation of the executive and administrative offices totaled $8.1 million in fiscal 2008 with an additional $4.6 million expected in fiscal 2009.

Rapid improvement team: We have created a rapid improvement team focused on improving the efficiency at each of our facilities. They have completed a review of one facility, but it is too early to provide the beneficial impact of their findings.

High performance organization: Under this initiative we have identified a number of efforts to enhance our talent management and business performance management processes. Those efforts are aimed at driving sustainable performance improvement.

***Results of Operations***

***Fiscal 2008 Compared to Fiscal 2007***

***Consolidated Operations***

The following table presents consolidated operating results:

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| **Dollars in millions** | **2008** | **% of Net sales** | **2007** | **% of Net sales** | **Increase/ (Decrease)** |
| Net sales | $ 3,067.2 | 100.0% | $ 2,971.8 | 100.0% | $ 95.4 |
| Cost of goods sold | 2,711.5 | 88.4% | 2,610.2 | 87.8% | 101.3 |
| **Gross margin** | 355.7 | 11.6% | 361.6 | 12.2% | (5.9) |
| Selling, general and administrative expense | 231.6 | 7.6% | 232.5 | 7.8% | (0.9) |
| Restructuring charges | 18.1 | 0.6% | - | 0.0% | 18.1 |
| **Operating income** | 106.0 | 3.5% | 129.1 | 4.3% | (23.1) |
| Other expense, net | (6.3) | -0.2% | (4.4) | -0.1% | 1.9 |
| Interest expense | (21.5) | -0.7% | (21.9) | -0.7% | (0.4) |
| Equity in net income of unconsolidated affiliates | 67.5 | 2.2% | 63.2 | 2.1% | 4.3 |
| Income tax expense | (38.6) | -1.3% | (52.1) | -1.8% | (13.5) |
| **Net earnings** | $ 107.1 | 3.5% | $ 113.9 | 3.8% | $ (6.8) |

Net earnings for fiscal 2008 decreased $6.8 million from the prior year to $107.1 million.

Net sales increased $95.4 million to $3,067.2 million from the prior year. Most of the increase in net sales was due to higher volumes ($63.4 million), stronger foreign currencies relative to the U.S. dollar ($31.3 million) and a marginal increase in average selling prices. Volume increases boosted sales in nearly all of our segments, especially Construction Services, where sales increased $36.5 million.

Gross margin decreased $5.9 million from the prior year primarily due to declines in our Pressure Cylinders segment as a result of lower average selling prices in local currencies in Europe and increased material costs. All of our other segments reported increased gross margin due to stronger volumes.

SG&A expense decreased $0.9 million from the prior year. The Transformation Plan provided $15.2 million in SG&A savings, which was partially offset by increased compensation, depreciation and bad debt expense.

Restructuring charges of $18.1 million related to the Transformation Plan. The Transformation Plan is being led by Company management with the assistance of outside consultants, who specialize in these types of plans. Restructuring charges included asset accelerated depreciation, employee early retirements and severance, facility restoration, equipment relocations, and professional fees.

Equity in net income of unconsolidated affiliates of $67.5 million was largely made up of earnings from our WAVE joint venture, which increased $5.8 million over the last year. Increased earnings from WAVE and the addition of earnings from Serviacero Worthington ($3.1 million) were offset by decreased earnings at WSP, TWB, and certain other joint ventures. See Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note J Investments in Unconsolidated Affiliates for further information about our participation in unconsolidated joint ventures.

Income tax expense for the year decreased $13.5 million and the effective income tax rate was 26.5% compared to 31.4% in the prior year. The decrease in income tax is primarily because of lower earnings and a lower effective tax rate. The decrease in the effective income tax rate is primarily because of adjustments to our current and deferred estimated tax liabilities and a change in the mix of our foreign earnings.

***Segment Operations***

***Steel Processing***

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

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| **Dollars in millions** | **2008** | **% of Net Sales** | **2007** | **% of Net Sales** | **Increase/ (Decrease)** |
| Net sales | $ 1,463.2 | 100.0% | $ 1,460.7 | 100.0% | $ 2.5 |
| Cost of goods sold | 1,313.5 | 89.8% | 1,313.2 | 89.9% | 0.3 |
| **Gross margin** | 149.7 | 10.2% | 147.5 | 10.1% | 2.2 |
| Selling, general and administrative expense | 92.8 | 6.3% | 92.1 | 6.3% | 0.7 |
| Restructuring charges | 1.1 | 0.1% | - | 0.0% | 1.1 |
| **Operating income** | $ 55.8 | 3.8% | $ 55.4 | 3.8% | $ 0.4 |
| Material cost | $ 1,105.7 | | $ 1,106.5 | | $ (0.8) |
| Tons shipped (in thousands) | 3,286 | | 3,282 | | 4 |

Net sales and operating income highlights were as follows:

Net sales increased $2.5 million from the prior year to $1,463.2 million. The increase was attributable to a full year of operations at our stainless steel processing facility, Precision Specialty Metals, Inc. ( PSM ), compared to nine and one-half months of operations in the prior year. Increased sales at PSM were partially offset by decreases in net sales at our carbon steel processing facilities, due to decreased average selling prices early in the year and lower volumes.

Operating income increased $0.4 million compared to last year. Gross margin improved $2.2 million as a result of increased volumes at PSM due to a full year of operations, offset by higher freight expense, wages and utilities. SG&A expense was up slightly, primarily due to a higher allocation of corporate expenses. Restructuring charges of $1.1 million related to employee early retirements and severance.

*Metal Framing*

The following table presents a summary of operating results for the Metal Framing segment for the periods indicated:

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| **Dollars in millions** | **2008** | **% of Net Sales** | **2007** | **% of Net Sales** | **Increase/ (Decrease)** |
| Net sales | $ 788.8 | 100.0% | $ 771.4 | 100.0% | $ 17.4 |
| Cost of goods sold | 729.0 | 92.4% | 711.7 | 92.3% | 17.3 |
| **Gross margin** | 59.8 | 7.6% | 59.7 | 7.7% | 0.1 |
| Selling, general and administrative expense | 67.0 | 8.5% | 68.9 | 8.9% | (1.9) |
| Restructuring charges | 9.0 | 1.1% | - | 0.0% | 9.0 |
| **Operating loss** | $ (16.2) | -2.1% | $ (9.2) | -1.2% | $ (7.0) |
| Material cost | $ 557.3 | | $ 547.6 | | $ 9.7 |
| Tons shipped (in thousands) | 666 | | 644 | | 22 |

Net sales and operating loss highlights were as follows:

Net sales increased $17.4 million from the prior year to $788.8 million. The increase in net sales was due to higher volumes ($28.3 million) offset by lower average selling prices ($10.9 million).

The operating loss of $16.2 million was $7.0 million worse than last year due to $9.0 million in restructuring charges recorded in the current year. Metal Framing was able to return to operating profitability in the fourth quarter, but that was not enough to make up for the losses recorded earlier in the fiscal year. Overall volumes were up over last year contributing $8.9 million to gross margin; however, improved volumes were nearly offset by lower spreads between average selling prices and material cost and increased conversion costs. SG&A decreased $1.9 million as we have begun to recognized benefits from our Transformation Plan. Restructuring charges of $9.0 million were associated with the Transformation Plan that is expected to reduce expenses by $16.5 million annually. The Transformation Plan has already provided $9.6 million in savings in fiscal 2008, with an additional $6.9 million in annual savings expected to be recognized in fiscal 2009.

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*Pressure Cylinders*

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

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| **Dollars in millions** | **2008** | **% of Net Sales** | **2007** | **% of Net Sales** | **Increase/ (Decrease)** |
| Net sales | $ 578.8 | 100.0% | $ 544.8 | 100.0% | $ 34.0 |
| Cost of goods sold | 457.2 | 79.0% | 411.1 | 75.5% | 46.1 |
| **Gross margin** | 121.6 | 21.0% | 133.7 | 24.5% | (12.1) |
| Selling, general and administrative expense | 51.5 | 8.9% | 49.1 | 9.0% | 2.4 |
| Restructuring charges | 0.1 | 0.0% | - | 0.0% | 0.1 |
| **Operating income** | $ 70.0 | 12.1% | $ 84.6 | 15.5% | $ (14.6) |
| Material cost | $ 273.1 | | $ 251.1 | | $ 22.0 |
| Units shipped (in thousands) | 48,058 | | 44,891 | | 3,167 |

Net sales and operating income highlights were as follows:

Net sales of $578.8 million increased by $34.0 million over fiscal 2007. Stronger foreign currencies relative to the U.S. dollar positively impacted reported U.S. dollar sales of the non-U.S. operations by $26.9 million compared to last year. This was offset by a $9.8 million decline in sales from our European operations in local currencies, primarily as a result of lower average selling prices. The remaining increase in net sales was due to improved volumes in our 14.1 ounce cylinders and higher selling prices across most North American product lines.

Operating income decreased $14.6 million from last year. Gross margin declined to 21.0% of sales from 24.5% as the lower average selling prices in European local currencies and increased material costs resulted in a $12.1 million decline in gross margin for the year.

*Other*

The Other category includes the Automotive Body Panels, Construction Services and Steel Packaging segments, which are immaterial for purposes of separate disclosure, along with income and expense items not allocated to the segments.

The following table presents a summary of operating results for the periods indicated:

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| **Dollars in millions** | **2008** | **% of Net Sales** | **2007** | **% of Net Sales** | **Increase/ (Decrease)** |
| Net sales | $ 236.4 | 100.0% | $ 194.9 | 100.0% | $ 41.5 |
| Cost of goods sold | 211.9 | 89.6% | 174.2 | 89.4% | 37.7 |
| **Gross margin** | 24.5 | 10.4% | 20.7 | 10.6% | 3.8 |
| Selling, general and administrative expense | 20.2 | 8.5% | 22.4 | 11.5% | (2.2) |
| Restructuring charges | 7.9 | 3.3% | - | 0.0% | 7.9 |

| | | | | | |
|---|---|---|---|---|---|
| **Operating loss** | $ (3.6) | -1.5% | $ (1.7) | -0.9% | $ (1.9) |

Net sales and operating loss highlights were as follows:

The $41.5 million net sales increase in 2008 was almost entirely attributable to the Construction Services segment driven by higher volumes in the military construction group.

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The operating loss widened by $1.9 million versus last year due to $7.9 million in restructuring charges. These charges include professional fees and early retirement and severance costs largely related to corporate employees. Gross margin improved $3.8 million due to the operating performance of the Construction Services segment, which improved significantly over the prior year due to a combination of higher volumes in the military construction group and stronger margins for the mid-rise construction projects.

***Fiscal 2007 Compared to Fiscal 2006***

***Consolidated Operations***

The following table presents consolidated operating results:

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| **Dollars in millions** | **2007** | **% of Net Sales** | **2006** | **% of Net Sales** | **Increase/ (Decrease)** |
| Net sales | $ 2,971.8 | 100.0% | $ 2,897.2 | 100.0% | $ 74.6 |
| Cost of goods sold | 2,610.2 | 87.8% | 2,525.6 | 87.2% | 84.6 |
| **Gross margin** | 361.6 | 12.2% | 371.6 | 12.8% | (10.0) |
| Selling, general and administrative expense | 232.5 | 7.8% | 214.0 | 7.4% | 18.5 |
| **Operating income** | 129.1 | 4.3% | 157.6 | 5.4% | (28.5) |
| Other expense, net | (4.4) | -0.1% | (1.5) | -0.1% | 2.9 |
| Interest expense | (21.9) | -0.7% | (26.3) | -0.9% | (4.4) |
| Gain on sale of Acerex | - | 0.0% | 26.6 | 0.9% | (26.6) |
| Equity in net income of unconsolidated affiliates | 63.2 | 2.1% | 56.3 | 1.9% | 6.9 |
| Income tax expense | (52.1) | | | | |