

COMMERCIAL METALS CO

Form 10-Q

July 08, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 2009
Commission File Number 1-4304
COMMERCIAL METALS COMPANY
(Exact name of registrant as specified in its charter)

Delaware

75-0725338

(State or other jurisdiction of incorporation of
organization)

(I.R.S. Employer Identification Number)

6565 N. MacArthur Blvd.
Irving, Texas 75039
(Address of principal executive offices)
(Zip Code)
(214) 689-4300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

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

Large accelerated filer ☒ 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 by Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 6, 2009, there were 112,530,648 shares of the Company's common stock issued and outstanding excluding 16,530,016 shares held in the Company's treasury.

**COMMERCIAL METALS COMPANY AND SUBSIDIARIES
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Table of Contents**PART 1. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****COMMERCIAL METALS COMPANY AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(in thousands, except share data)	May 31, 2009	August 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 441,389	\$ 219,026
Accounts receivable (less allowance for collection losses of \$43,189 and \$17,652)	710,330	1,369,453
Inventories	745,949	1,400,332
Other	181,329	228,632
Total current assets	2,078,997	3,217,443
Property, plant and equipment:		
Land	84,059	84,539
Buildings and improvements	483,788	462,186
Equipment	1,356,851	1,292,832
Construction in process	329,078	256,156
	2,253,776	2,095,713
Less accumulated depreciation and amortization	(984,615)	(941,391)
	1,269,161	1,154,322
Goodwill	73,700	84,837
Other assets	260,103	289,769
	\$3,681,961	\$4,746,371
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable-trade	\$ 301,459	\$ 838,777
Accounts payable-documentary letters of credit	190,001	192,492
Accrued expenses and other payables	321,648	563,424
Income taxes payable and deferred income taxes		156
Notes payable	2,105	31,305
Current maturities of long-term debt	23,647	106,327
Total current liabilities	838,860	1,732,481
Deferred income taxes	50,473	50,160
Other long-term liabilities	111,407	124,171
Long-term debt	1,184,599	1,197,533
Total liabilities	2,185,339	3,104,345
Minority interests	2,434	3,643

Commitments and contingencies

Stockholders' equity

Capital stock:

Preferred stock

Common stock, par value \$0.01 per share; authorized 200,000,000 shares;

issued 129,060,664 shares; outstanding 112,513,917 and 113,777,152 shares

Additional paid-in capital

Accumulated other comprehensive income (loss)

Retained earnings

	1,290	1,290
	375,345	371,913
	(822)	112,781
	1,444,528	1,471,542
	1,820,341	1,957,526
Less treasury stock 16,546,747 and 15,283,512 shares at cost	(326,153)	(319,143)
Total stockholders' equity	1,494,188	1,638,383
	\$3,681,961	\$4,746,371

See notes to unaudited consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except share data)	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net sales	\$ 1,340,580	\$ 2,910,730	\$ 5,331,580	\$ 7,280,902
Costs and expenses:				
Cost of goods sold	1,147,844	2,617,232	4,709,215	6,489,009
Selling, general and administrative expenses	169,974	190,882	496,368	498,292
Interest expense	18,464	15,827	62,310	42,285
	1,336,282	2,823,941	5,267,893	7,029,586
Earnings from continuing operations before income taxes and minority interests	4,298	86,789	63,687	251,316
Income taxes	15,341	27,980	53,115	84,260
Earnings (loss) from continuing operations before minority interests	(11,043)	58,809	10,572	167,056
Minority interests (benefit)	(370)	277	(487)	540
Earnings (loss) from continuing operations	(10,673)	58,532	11,059	166,516
Earnings (loss) from discontinued operations before taxes	(4,165)	1,501	4,024	3,722
Income taxes (benefit)	(1,761)	549	1,461	1,815
Earnings (loss) from discontinued operations	(2,404)	952	2,563	1,907
Net earnings (loss)	\$ (13,077)	\$ 59,484	\$ 13,622	\$ 168,423
Basic earnings (loss) per share:				
Earnings (loss) from continuing operations	\$ (0.10)	\$ 0.51	\$ 0.10	\$ 1.44
Earnings (loss) from discontinued operations	(0.02)	0.01	0.02	0.02
Net earnings (loss)	\$ (0.12)	\$ 0.52	\$ 0.12	\$ 1.46
Diluted earnings (loss) per share:				
Earnings (loss) from continuing operations	\$ (0.10)	\$ 0.50	\$ 0.10	\$ 1.41
Earnings (loss) from discontinued operations	(0.02)	0.01	0.02	0.02
Net earnings (loss)	\$ (0.12)	\$ 0.51	\$ 0.12	\$ 1.43
Cash dividends per share	\$ 0.12	\$ 0.12	\$ 0.36	\$ 0.33
Average basic shares outstanding	112,191,349	113,607,049	112,398,000	115,438,369

Average diluted shares outstanding	112,191,349	116,090,369	113,855,406	118,163,737
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See notes to unaudited consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)	Nine Months Ended May 31, 2009	May 31, 2008
Cash flows from (used by) operating activities:		
Net earnings	\$ 13,622	\$ 168,423
Adjustments to reconcile net earnings to cash from (used by) operating activities:		
Depreciation and amortization	116,045	96,594
Minority interests (benefit)	(487)	540
Provision for losses on receivables	33,615	4,246
Share-based compensation	12,369	14,802
Net loss on sale of assets and other	388	372
Writedown of inventory	110,411	
Asset impairment	5,051	530
Changes in operating assets and liabilities, net of acquisitions:		
(Increase) decrease in accounts receivable	677,602	(308,168)
Accounts receivable sold, net	(107,978)	47,746
(Increase) decrease in inventories	473,423	(238,663)
(Increase) decrease in other assets	64,683	(109,523)
Increase (decrease) in accounts payable, accrued expenses, other payables and income taxes	(716,579)	272,022
Decrease in deferred income taxes	(4,099)	(13,161)
Increase (decrease) in other long-term liabilities	(9,242)	10,671
Net cash flows from (used by) operating activities	668,824	(53,569)
Cash flows from (used by) investing activities:		
Capital expenditures	(290,318)	(227,241)
Purchase of minority interests in CMC Zawiercie	(6)	(169)
Proceeds from the sale of property, plant and equipment and other	2,292	1,460
Acquisitions, net of cash acquired	(900)	(30,646)
Net cash used by investing activities	(288,932)	(256,596)
Cash flows from (used by) financing activities:		
Increase (decrease) in documentary letters of credit	(2,491)	58,625
Short-term borrowings, net change	(25,611)	34,563
Repayments on long-term debt	(102,804)	(1,704)
Proceeds from issuance of long term debt	36,365	35,138
Stock issued under incentive and purchase plans	1,095	12,569
Treasury stock acquired	(18,514)	(151,530)
Cash dividends	(40,636)	(38,322)
Tax benefits from stock plans	1,472	6,674
Net cash flows used by financing activities	(151,124)	(43,987)
Effect of exchange rate changes on cash	(6,405)	3,455

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Increase (decrease) in cash and cash equivalents	222,363	(350,697)
Cash and cash equivalents at beginning of year	219,026	419,275
Cash and cash equivalents at end of period	\$ 441,389	\$ 68,578

See notes to unaudited consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF
STOCKHOLDERS' EQUITY (UNAUDITED)

	Common Stock		Accumulated			Treasury Stock		
	Number of		Paid-In	Other	Retained	Number of		
(in thousands, except share data)	Shares	Amount	Capital	Income	Earnings	Shares	Amount	Total
				(Loss)				
Balance, September 1, 2008	129,060,664	\$1,290	\$371,913	\$ 112,781	\$1,471,542	(15,283,512)	\$(319,143)	\$1,638,38
Comprehensive income (loss):								
Net earnings for nine months ended								
May 31, 2009					13,622			13,62
Other comprehensive income								
(loss):								
Foreign currency translation								
Adjustment, net of taxes (\$6,025)				(125,253)				(125,25
Unrealized gain on derivatives, net								
of taxes (\$2,541)				11,650				11,65
Comprehensive loss								(99,98
Cash dividends					(40,636)			(40,63
Treasury stock acquired						(1,752,900)	(18,514)	(18,51
Issuance of stock under incentive								
and purchase plans			(10,560)			499,575	11,655	1,09
Share-based compensation			12,520			(9,910)	(151)	12,36
Tax benefits from stock plans			1,472					1,47
Balance, May 31, 2009	129,060,664	\$1,290	\$375,345	\$ (822)	\$1,444,528	(16,546,747)	\$(326,153)	\$1,494,18

See notes to unaudited consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 QUARTERLY FINANCIAL DATA

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) on a basis consistent with that used in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) for the year ended August 31, 2008, and include all normal recurring adjustments necessary to present fairly the consolidated balance sheets and statements of operations, cash flows and stockholders' equity for the periods indicated. These notes should be read in conjunction with such Form 10-K. The results of operations for the three and nine month periods are not necessarily indicative of the results to be expected for a full year.

NOTE 2 ACCOUNTING POLICIES**Share-Based Compensation**

See Note 9, Capital Stock, to the Company's consolidated financial statements for the year ended August 31, 2008 for a description of the Company's stock incentive plans.

The Company recognizes share-based compensation in accordance with SFAS No. 123 (R), *Share-Based Payments* (SFAS 123 (R)), which requires compensation cost relating to share-based transactions be recognized at fair value in the financial statements. The Black-Scholes pricing model was used to calculate total compensation cost which is amortized on a straight-line basis over the vesting period of issued awards. The Company recognized share-based compensation expense of \$3.6 million and \$5.7 million (\$0.02 and \$0.03 per diluted share, respectively) for the three months ended May 31, 2009 and May 31, 2008, respectively, and \$12.4 million and \$14.8 million (\$0.07 and \$0.08 per diluted share, respectively) for the nine months ended May 31, 2009 and May 31, 2008, respectively, as a component of selling, general and administrative expenses. At May 31, 2009, the Company had \$9.2 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This cost is expected to be recognized over the next 35 months. See Note 1, Summary of Significant Accounting Policies, to the Company's consolidated financial statements for the year ended August 31, 2008 for a description of the Company's assumptions used to calculate share-based compensation.

Combined information for shares subject to options and stock appreciation rights (SARs) for the nine months ended May 31, 2009 were as follows:

	Number	Weighted Average Exercise Price	Price Range Per Share
September 1, 2008			
Outstanding	6,221,406	\$ 19.60	\$ 3.64 35.38
Exercisable	4,057,115	11.96	3.64 34.28
Granted	126,000	11.00	11.00
Exercised	(692,103)	4.72	3.64 12.31
Forfeited	(51,849)	29.20	7.78 35.38
May 31, 2009			
Outstanding	5,603,454	\$ 21.15	\$ 3.64 35.38
Exercisable	3,890,947	15.95	3.64 35.38

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Share information for options and SARs at May 31, 2009:

Outstanding			Exercisable			
			Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Weighted Average Exercise Price	
Range of Exercise Price		Number Outstanding	(Yrs.)	Price	Number Outstanding	Price
\$3.64	3.78	508,392	0.7	\$ 3.65	508,392	\$ 3.65
7.53	7.78	1,331,892	1.7	7.76	1,331,892	7.76
11.00	13.58	829,929	3.6	12.14	703,929	12.34
21.81	24.71	556,444	3.9	24.52	552,977	24.54
31.75	35.38	2,376,797	5.4	34.76	793,757	34.76
\$3.64	35.38	5,603,454	3.7	\$21.15	3,890,947	\$15.95

Of the Company's previously granted restricted stock awards, 147,050 and 113,479 shares vested during the nine months ended May 31, 2009 and May 31, 2008, respectively.

Intangible Assets

The total gross carrying amounts of the Company's intangible assets that were subject to amortization were \$94.2 million and \$83.8 million at May 31, 2009 and August 31, 2008, respectively, and are included in other non-current assets. During the nine months ended May 31, 2009, the gross carrying value of intangible assets increased due to final purchase price allocations for certain acquisitions acquired in the fourth quarter of fiscal 2008. There were no other significant changes in either the components or the lives of intangible assets during the nine months ended May 31, 2009. Aggregate amortization expense for the three months ended May 31, 2009 and May 31, 2008 was \$2.8 million and \$1.6 million, respectively. Aggregate amortization expense for each of the nine months ended May 31, 2009 and May 31, 2008 was \$12.0 million and \$5.2 million, respectively.

Severance Charges

During the three and nine months ended May 31, 2009, the Company incurred severance costs of \$2.8 million and \$9.3 million, respectively, related to involuntary employee terminations initiated as part of the Company's focus on operating expense management and reductions in headcount to meet current production levels. These termination benefits have been included in selling, general and administrative expenses in the Company's consolidated financial statements. Additionally, during 2008, the Company accrued severance costs related to the division classified as a discontinued operation of \$4.1 million. As of May 31, 2009 and August 31, 2008, the remaining liability to be paid in the future related to termination benefits was \$1.4 million and \$4.1 million, respectively.

Impairment of Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), the Company assesses long-lived assets for impairment whenever there is an indication that the carrying amount of the assets may not be recoverable. During the second quarter of 2009, the Company recorded an impairment charge of \$5.1 million to write down the value of plant, property and equipment at two divisions. This charge is included in selling, general and administrative expense in the Company's consolidated financial statements.

Recent Accounting Pronouncements

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1). FSP 107-1 requires disclosures regarding fair value of financial instruments for interim and annual reporting periods of publicly traded companies to provide financial statement users with more timely and transparent information. The Company is required to adopt the provisions of this statement in the first quarter of 2010. The adoption is not expected to have any impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* (FSP 141(R)-1). FSP 141(R)-1 amends and clarifies SFAS 141 (revised 2007), *Business Combinations*, to address application issues raised on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The Company is required to

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adopt the provisions of this statement in the first quarter of 2010. This standard will impact our accounting treatment for future business combinations.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events after the balance sheet date but before financial statements are issued or are available to be issued. The provisions of this statement are effective for the Company's fourth quarter of 2009. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3 SALES OF ACCOUNTS RECEIVABLE

The Company has an accounts receivable securitization program which it utilizes as a cost-effective, short-term financing alternative. Under this program, the Company and several of its subsidiaries periodically sell certain eligible trade accounts receivable to the Company's wholly-owned consolidated special purpose subsidiary (CMCRV). CMCRV is structured to be a bankruptcy-remote entity and was formed for the sole purpose of buying and selling receivables generated by the Company. The Company, irrevocably and without recourse, transfers all applicable trade accounts receivable to CMCRV. CMCRV, in turn, sells an undivided percentage ownership interest in the pool of receivables to affiliates of two third party financial institutions. On June 12, 2009, the agreement with the financial institution affiliates was amended and extended to December 18, 2009. The amended agreement reduced the total facility from \$200 million to \$100 million.

The Company accounts for its transfers of receivables to CMCRV together with CMCRV's sales of undivided interests in these receivables to the financial institutions as sales in accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Additionally, during the second quarter of 2009, the Company adopted FSP No. 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*, to provide additional disclosures about transfers of financial assets and involvement with variable interest entities. At the time an undivided interest in the pool of receivables is sold, the amount is removed from the consolidated balance sheet and the proceeds from the sale are reflected as cash provided by operating activities.

At May 31, 2009 and August 31, 2008, accounts receivable of \$217 million and \$420 million, respectively, had been sold to CMCRV. The Company's undivided interest in these receivables (representing the Company's retained interest) was 100% at May 31, 2009 and August 31, 2008, respectively.

In addition to the securitization program described above, the Company's international subsidiaries in Europe and Australia periodically sell accounts receivable without recourse. These arrangements constitute true sales, and once the accounts are sold, they are no longer available to satisfy the Company's creditors in the event of bankruptcy. Uncollected accounts receivable sold under these arrangements and removed from the consolidated balance sheets were \$122.0 million and \$222.9 million at May 31, 2009 and August 31, 2008, respectively. The average monthly amounts of international accounts receivable sold were \$122.5 million and \$197.1 million for the nine months ended May 31, 2009 and May 31, 2008, respectively.

During the nine months ended May 31, 2009, proceeds from the sale of receivables were \$819.9 million and cash payments to the owners of receivables were \$920.8 million. The Company is responsible for servicing the entire pool of receivables; however, no servicing asset or liability is recorded as these receivables are collected in the normal course of business and the collection of receivables are normally short term in nature. Discounts on domestic and international sales of accounts receivable were \$3.9 million and \$8.3 million for the nine months ended May 31, 2009 and May 31, 2008, respectively. These losses primarily represented the costs of funds and were included in selling, general and administrative expenses.

NOTE 4 INVENTORIES

Inventories are stated at the lower of cost or market. Inventory cost for most domestic inventories is determined by the last-in, first-out method (LIFO). LIFO inventory reserves were \$279.2 million and \$562.3 million at May 31, 2009 and August 31, 2008. Inventory cost for international inventories and the remaining inventories are determined by the first-in, first-out method (FIFO). Lower of cost or market adjustments reduced inventories by \$62.3 million and \$13.7 million at May 31, 2009 and August 31, 2008, respectively. The majority of the Company's inventories are in the form of finished goods, with minimal work in process. At May 31, 2009 and August 31, 2008, \$45.6 million and

\$104.5 million, respectively, were in raw materials.

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On August 30, 2007, the Company's board of directors approved a plan to sell a division (the Division) which is involved with the buying, selling and distribution of nonferrous metals, namely copper, aluminum and stainless steel semi-finished products. The Company expected the sale to be completed in fiscal 2008, however, circumstances changed and the Division was not sold in fiscal 2008 though it did begin the process of curtailing its operations. The Company expects the majority of product lines of this Division to be sold, absorbed by other divisions of the Company or liquidated during fiscal 2009. In connection with the closure, the Division established a \$2.4 million reserve for the termination of the office lease during the third quarter of 2009. During the three and nine months ended May 31, 2009, the Division recorded LIFO income of \$5.5 million and \$24.9 million, respectively, as compared to LIFO income of \$0.4 million and \$6.3 million for the three and nine months ended May 31, 2008, respectively. The Division is in the International Fabrication and Distribution segment. Financial information for the Division is as follows:

(in thousands)	May 31, 2009	August 31, 2008
Current assets	\$ 9,275	\$83,048
Noncurrent assets	2,643	2,650
Current liabilities	11,209	31,258
Noncurrent liabilities	438	580

(in thousands)	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Revenue	\$ 9,085	\$85,716	\$90,447	\$255,863
Earnings (loss) before taxes	(4,165)	1,501	4,024	3,722

NOTE 6 CREDIT ARRANGEMENTS

At May 31, 2009, and August 31, 2008, no borrowings were outstanding under the commercial paper program or related revolving credit agreements. The Company was in compliance with the covenants related to the revolving credit facility at May 31, 2009.

The Company has numerous informal credit facilities available from domestic and international banks. No commitment fees or compensating balances are required under these credit facilities. These credit facilities are used in general to support import Letters of Credit (including accounts payable settled under bankers' acceptances as described in Note 1. Summary of Significant Accounting Policies in the Company's consolidated financial statements for the year ended August 31, 2008), foreign exchange and short term advances which are priced on a cost of funds basis.

Long-term debt was as follows:

(in thousands)	May 31, 2009	August 31, 2008
6.75% notes due February 2009	\$	\$ 100,000
5.625% notes due November 2013	200,000	200,000
6.50% notes due July 2017	400,000	400,000
7.35% notes due August 2018	500,000	500,000
CMCZ term note due May 2013	78,444	77,037
CMCP term note due August 2013	18,827	17,608
Other, including equipment notes	10,975	9,215

	1,208,246	1,303,860
Less current maturities	23,647	106,327
	\$1,184,599	\$1,197,533

The 5.625% notes due November 2013, 6.50% notes due July 2017 and the 7.35% notes due August 2018 require compliance with debt covenants on a quarterly basis. As of May 31, 2009, the Company was in compliance with all debt requirements for these notes. The CMC Zawiercie (CMCZ) and CMC Poland (CMCP) notes require compliance with debt covenants on a semiannual basis, every February and August. Interest on the notes is payable quarterly, except for the CMCZ and CMCP notes, which is payable semiannually.

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In February 2009, the Company repaid the \$100 million of 6.75% coupon rate notes.

CMCZ had a revolving credit facility with maximum borrowings of PLN 100 million. As of May 31, 2009, no amounts were outstanding under this facility. This facility expired on June 3, 2009. CMCZ intends to enter into a new revolving credit facility in fiscal 2010.

CMCZ has a five year term note of PLN 400 million (\$125.5 million) with a group of four banks. At May 31, 2009, the notes had an outstanding balance of PLN 250 million (\$78.4 million). The note has scheduled principal and interest payments in 15 equal quarterly installments beginning in November 2009. Interest is accrued at the Warsaw Interbank Offered Rate (WIBOR) plus 0.79%. The weighted average rate at May 31, 2009 was 6.1%. There are no guarantees by the Company or any of its subsidiaries for any of CMCZ's debt.

CMCP has a five year term note of PLN 80 million (\$25.1 million) with two banks. At May 31, 2009, the notes had an outstanding balance of PLN 60 million (\$18.8 million). The note has scheduled principal and interest payments in 17 equal quarterly installments beginning in August 2009. The interest rate is variable based on the WIBOR, plus an applicable margin. The weighted average rate at May 31, 2009 was 6.3%. The term note is guaranteed by Commercial Metals International.

CMCP owns and operates equipment at the CMCZ mill site. In connection with the equipment purchase, CMCP issued equipment notes under a term agreement dated September 2005 with PLN 8.9 million (\$2.8 million) outstanding at May 31, 2009. Installment payments under these notes are due through 2010. Interest rates are variable based on the Poland Monetary Policy Council's rediscount rate, plus an applicable margin. The weighted average rate at May 31, 2009 was 5.2%. The notes are secured by shredder equipment.

CMC Sisak had current notes to banks with maximum borrowings of HRK 140 million. The outstanding balance in the amount of \$24.8 million was repaid in December 2008.

Interest of \$8.2 million and \$4.4 million was capitalized in the cost of property, plant and equipment constructed in the nine months ended May 31, 2009 and May 31, 2008, respectively. Interest of \$59.0 million and \$40.6 million was paid in the nine months ended May 31, 2009 and May 31, 2008, respectively.

NOTE 7 INCOME TAXES

The Company paid \$25.5 million and \$104.0 million in income taxes during the nine months ended May 31, 2009 and May 31, 2008, respectively.

Reconciliations of the United States statutory rates to the Company's effective tax rates from continuing operations were as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Statutory rate	35.0%	35.0%	35.0%	35.0%
State and local taxes	138.2	1.2	23.7	1.9
Foreign rate differential	197.0	(3.1)	30.8	(2.4)
Domestic production activity deduction	(77.5)	(0.7)	(8.4)	(0.9)
Other	64.2	(0.2)	2.3	(0.1)
Effective rate	356.9%	32.2%	83.4%	33.5%

The tax rate for the three and nine months ended May 31, 2009 varies significantly from the Company's statutory rate due to the global downturn where our lower tax rate jurisdictions (predominately international) are incurring losses and our higher tax rate jurisdictions are generating income. Other items impacting the rate include permanent differences of nondeductible items and discrete items that have a greater impact at lower levels of pre-tax income. The Company accounts for uncertainty in income taxes in accordance with FIN 48, *Accounting for Uncertainty in Income Taxes*—an interpretation of FASB Statement 109 (FIN 48). As of May 31, 2009, the reserve for unrecognized tax benefits was \$4.1 million exclusive of interest and penalties. If recognized, \$1.9 million would impact the

Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes. During the third quarter of 2009, the Company recorded a decrease in FIN 48 liabilities of \$0.8 million, which related to state income tax filings. In addition, the corresponding deferred tax asset associated with the benefit relating to state income tax expense was also reduced by \$0.3 million in the consolidated balance sheet.

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The Company classifies any interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as selling, general and administrative expense. At May 31, 2009, before any tax benefits, the Company had \$1.9 million of accrued interest and penalties on unrecognized tax benefits. During the nine months ended May 31, 2009, the Company recognized an increase to interest expense of \$0.8 million and statutory penalties of \$0.4 million.

During the next twelve months, it is reasonably possible that the statute of limitations may lapse pertaining to positions taken by the Company in prior year tax returns or that income tax audits in various taxing jurisdictions could be finalized. As a result, the total amount of unrecognized tax benefits may decrease, which would reduce the provision for taxes on earnings up to \$2.0 million.

Open tax years subject to examination are as follows:

U.S Federal 2006 and forward

U.S. States 2005 and forward

Foreign 2001 and forward

During the nine months ended May 31, 2009, the Company received a refund from the Internal Revenue Service (IRS) relating to the fiscal year ended August 31, 2002 in the amount of \$2.1 million which included interest of \$0.4 million. In addition, the Company filed an amended return for the fiscal year ended August 31, 2005 reflecting a \$0.8 million refund due to the Company. The IRS is currently examining the Company's federal tax return for fiscal year 2006. The Company believes the recorded tax liabilities as of May 31, 2009 are sufficient, and the Company does not anticipate material adjustments to be made by the IRS upon the completion of their examination.

NOTE 8 STOCKHOLDERS EQUITY AND EARNINGS PER SHARE

In calculating earnings per share, there were no adjustments to net earnings (loss) to arrive at earnings for any years presented. The reconciliation of the denominators of the earnings (loss) per share calculations is as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Shares outstanding for basic earnings per share	112,191,349	113,607,049	112,398,000	115,438,369
Effect of dilutive securities:				
Stock based incentive/purchase plans		2,483,320	1,457,406	2,725,368
Shares outstanding for diluted earnings per share	112,191,349	116,090,369	113,855,406	118,163,737

For the three months ended May 31, 2009, no stock options, restricted stock, or SARs were included in the calculation of dilutive shares because the Company reported a loss from continuing operations. For the nine months ended May 31, 2009 and May 31, 2008, stock options and SARs of 2.9 million and 2.4 million, respectively, were antidilutive and therefore excluded from the calculation of diluted earnings per share. All stock options and SARs expire by 2016.

The Company's restricted stock is included in the number of shares of common stock issued and outstanding, but omitted from the basic earnings per share calculation until the shares vest.

For the nine months ended May 31, 2009, the Company purchased 1,752,900 common shares for treasury. The Company's board of directors authorized the purchase of an additional 10,000,000 shares on October 21, 2008 and the Company had remaining authorization to purchase 8,259,647 of its common stock at May 31, 2009.

NOTE 9 DERIVATIVES AND RISK MANAGEMENT

On December 1, 2008, the Company adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS 161), which requires enhanced disclosures about a company's derivative instruments and hedging activities. The adoption of SFAS 161 did not have any financial impact

on the Company's consolidated financial statements.

The Company's worldwide operations and product lines expose it to risks from fluctuations in metals commodity prices, foreign currency exchange rates and natural gas prices. The objective of the Company's risk management program is to mitigate these risks using futures or forward contracts (derivative instruments). The Company enters into metal commodity futures contracts to mitigate the risk

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of unanticipated declines in gross margin due to the volatility of the commodities prices, enters into foreign currency forward contracts which match the expected settlements for purchases and sales denominated in foreign currencies and enters into natural gas forward contracts to mitigate the risk of unanticipated increase of operating cost due to the volatility of natural gas prices. Also, when sales commitments to customers include a fixed price freight component, the Company occasionally enters into freight forward contracts to minimize the effect of the volatility of ocean freight rates.

The following tables provide certain information regarding the foreign exchange and commodity financial instruments discussed above.

Gross foreign currency exchange contract commitments as of May 31, 2009 (in thousands):

Functional Currency		Contract Currency	
Type	Amount	Type	Amount
AUD	34	EUR	19
AUD	110,363	USD	82,444
EUR	13	USD	18
GBP	1,091	EUR	1,237
GBP	46	USD	74
HRK*	69,152	USD	11,950
PLN	386,165	EUR	93,639
PLN	143,058	USD	43,321
SGD**	5,961	USD	4,100
USD	19,368	EUR	13,799
USD	33,087	GBP	20,500
USD	1,183	JPY	113,456
USD	998	PLN	3,318
USD	827	SGD**	1,200

* Croatian kuna

** Singapore dollar

Commodity contract commitments as of May 31, 2009:

Commodity	Long/Short	Total
Aluminum	Long	8,225 MT
Aluminum	Short	650 MT
Copper	Long	1,225 MT
Copper	Short	6,602 MT
Natural Gas	Long	130,000 MMBtu

MT = Metric
Ton

MMBtu = One
million British
thermal units

The Company designates only those contracts which closely match the terms of the underlying transaction as hedges for accounting purposes. These hedges resulted in substantially no ineffectiveness in the statements of operations, and there were no components excluded from the assessment of hedge effectiveness for the three and nine months ended

May 31, 2009. Certain of the foreign currency and commodity contracts were not designated as hedges for accounting purposes, although management believes they are essential economic hedges.

The following tables summarize activities related to the Company's derivative instruments and hedged (underlying) items recognized within the statements of operations (in thousands):

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Derivatives Not Designated as Hedging Instruments	Location	Three Months Ended May 31, 2009	Nine Months Ended May 31, 2009
Commodity	Cost of goods sold	\$ 6,164	\$ 16,551
Foreign exchange	Net sales	(12,794)	86
Foreign exchange	Cost of goods sold	(66)	(66)
Foreign exchange	SG&A expenses	1,475	(6,770)
Other	Cost of goods sold	(366)	(702)
Other	SG&A expenses	287	(220)
Gain (loss) recognized into operations before taxes		\$ (5,300)	\$ 8,879

The Company's fair value hedges are designated for accounting purposes with gains and losses on the hedged item (underlying) items offsetting the gain or loss on the related derivative transaction. Hedged (underlying) items mainly relate to firm commitments on commercial sales and purchases and capital expenditures.

Derivatives Designated as Fair Value Hedging Instruments	Location	Three Months Ended May 31, 2009	Nine Months Ended May 31, 2009
Foreign exchange	Cost of goods sold	\$ (857)	\$ 3,954
Foreign exchange	SG&A expenses	4,672	54,355
Gain recognized into operations before taxes		\$ 3,815	\$ 58,309

Hedged (Underlying) Items Designated as Fair Value Hedging Instruments	Location	Three Months Ended May 31, 2009	Nine Months Ended May 31, 2009
Foreign exchange	Net sales	\$ 233	\$ (3,947)
Foreign exchange	SG&A expenses	(3,895)	(54,288)
Loss recognized into operations before taxes		\$ (3,662)	\$ (58,235)

Effective Portion of Derivatives Designated as Cash Flow Hedging Instruments	Three Months Ended May 31, 2009	Nine Months Ended May 31, 2009
Commodity	\$ 403	\$ (291)
Foreign exchange	(3,502)	10,160
Gain (loss) recognized in accumulated other comprehensive income (loss), net of taxes	\$ (3,099)	\$ 9,869

Effective Portion of Derivatives Designated as Cash Flow Hedging Instruments	Location	Three Months Ended May 31, 2009	Nine Months Ended May 31, 2009
Commodity	Cost of goods sold	\$ (482)	\$ (369)
Foreign exchange	Net sales	(12)	(92)
Foreign exchange	SG&A expenses	(689)	(689)
Interest rate	Interest expense	115	344
Loss reclassified from accumulated other comprehensive income (loss) into operations, net of taxes		\$ (1,068)	\$ (806)

The Company's derivative instruments were recorded at their respective fair values as follows on the consolidated balance sheets (in thousands):

	May 31, 2009
Commodity not designated	\$ 733
Foreign exchange designated	7,567
Foreign exchange not designated	3,513
Derivative assets (other current assets)*	\$ 11,813
	May 31, 2009
Commodity designated	\$ 7
Commodity not designated	11,360
Foreign exchange designated	7,688
Foreign exchange not designated	2,513
Derivative liabilities (accrued expenses and other payables)*	\$ 21,568

* Derivative assets and liabilities disclosed under SFAS 161 do not include the hedged (underlying) items designated as fair value hedges.

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During the twelve months following May 31, 2009, \$0.3 million in gains related to commodity hedges and capital expenditures are anticipated to be reclassified into net earnings (loss) as the related transactions mature and the assets are placed into service. Also, an additional \$0.5 million in gains will be reclassified as interest income related to an interest rate lock.

As of May 31, 2009, all of the Company's derivative instruments designated to hedge exposure to the variability in future cash flows of the forecasted transactions will mature within five months.

All of the instruments are highly liquid, and none are entered into for trading purposes.

NOTE 10 FAIR VALUE

On September 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities* (SFAS 159), which permits entities to choose to measure certain financial assets and liabilities at fair value. The adoption of SFAS 159 had no impact on the consolidated financial statements because the Company did not elect the fair value option for any financial assets or financial liabilities that were not already recorded at fair value.

On September 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosure about fair value measurements. The adoption of SFAS 157 did not have any impact on the Company's consolidated financial statements. In February 2008, the Financial Accounting Standards Board (FASB) issued Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities. The Company is currently evaluating the potential impact of SFAS 157 as it relates to nonfinancial assets and nonfinancial liabilities on the consolidated financial statements which is effective for the first quarter of fiscal 2010.

SFAS 157 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels. These levels are determined based on the lowest level input that is significant to the fair value measurement.

The following table summarizes information regarding the Company's financial assets and financial liabilities that are measured at fair value:

		Fair Value Measurements at Reporting Date		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)	May 31, 2009			
Cash equivalents	\$401,445	\$ 401,445	\$	\$
Derivative assets	11,813		11,813	
Nonqualified benefit plan assets *	52,958		52,958	
Derivative liabilities	21,568		21,568	
Nonqualified benefit plan liabilities *	90,353		90,353	

* The Company provides a nonqualified benefit restoration plan to certain eligible

executives equal to amounts that would have been available under tax qualified ERISA plans but for limitations of ERISA, tax laws and regulations. Though under no obligation to fund this plan, the Company has segregated assets in a trust. The plan assets and liabilities consist of securities included in various mutual funds.

NOTE 11 COMMITMENTS AND CONTINGENCIES

See Note 11, Commitments and Contingencies, to the consolidated financial statements for the year ended August 31, 2008 relating to environmental and other matters. There have been no significant changes to the matters noted therein. In the ordinary course of conducting its business, the Company becomes involved in litigation, administrative proceedings and governmental investigations, including environmental matters. Management believes that adequate provision has been made in the consolidated financial statements for the potential impact of these issues, and that the outcomes will not significantly impact the results of operations or the financial position of the Company, although they may have a material impact on earnings for a particular quarter.

Guarantees In February 2007, the Company entered into a guarantee agreement with a bank in connection with a credit facility granted by the bank to a supplier of the Company. The fair value of the guarantee is negligible. As of May 31, 2009, the maximum credit facility with the bank was \$80 million and the maximum Company exposure was \$2.7 million.

Table of Contents**NOTE 12 BUSINESS SEGMENTS**

The Company's reportable segments are based on strategic business areas, which offer different products and services. These segments have different lines of management responsibility as each business requires different marketing strategies and management expertise.

The Company structures the business into the following five segments: Americas Recycling, Americas Mills, Americas Fabrication and Distribution, International Mills and International Fabrication and Distribution.

The Americas Recycling segment consists of the scrap metal processing and sales operations primarily in Texas, Florida and the southern United States including the scrap processing facilities which directly support the Company's domestic steel mills. The Americas Mills segment includes the Company's domestic steel minimills and the copper tube minimill. The copper tube minimill is aggregated with the Company's steel minimills because it has similar economic characteristics. The Americas Fabrication and Distribution segment includes the Company's rebar and joist and deck fabrication operations, fence post manufacturing plants, construction-related and other products facilities. Additionally, the Americas Fabrication and Distribution includes the CMC Dallas Trading division which markets and distributes steel semi-finished long and flat products into the Americas from a diverse base of international and domestic sources. The International Mills segment includes the minimills in Poland and Croatia and subsidiaries in Poland which have been presented as a separate segment because the economic characteristics of their markets and the regulatory environment in which they operate are different from that of the Company's domestic minimills.

International Fabrication and Distribution includes international operations for the sales, distribution and processing of both ferrous and nonferrous metals and other industrial products in addition to rebar fabrication operations in Europe. The domestic and international distribution operations consist only of physical transactions and not positions taken for speculation. Corporate contains expenses of the Company's corporate headquarters, expenses related to its deployment of SAP, and interest expense relating to its long-term public debt and commercial paper program.

The financial information presented for the International Fabrication and Distribution segment includes its copper, aluminum, and stainless steel import operating division. This division has been classified as a discontinued operation in the consolidated financial statements. Net sales of this division have been removed in the eliminations/discontinued operations column in the table below to reconcile net sales by segment to net sales in the consolidated financial statements. See Note 5 for more detailed information.

The Company uses adjusted operating profit to measure segment performance. Intersegment sales are generally priced at prevailing market prices. Certain corporate administrative expenses are allocated to segments based upon the nature of the expense. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the Company's 10-K for the year ended August 31, 2008.

The following is a summary of certain financial information by reportable segment:

	Three Months Ended May 31, 2009							
	Americas Recycling	Americas Mills	Americas Fabrication and Distribution	International Mills	International Fabrication and Distribution	Corporate	Eliminations/Discontinued Operations	
(in thousands)								Consolidated
Net sales-unaffiliated customers	\$ 116,818	\$ 162,806	\$ 482,976	\$ 103,258	\$ 470,533	\$ 13,274	\$ (9,085)	\$ 1,340,580
Intersegment sales	35,621	114,021	1,438	44,524	4,290		(199,894)	
Net sales	152,439	276,827	484,414	147,782	474,823	13,274	(208,979)	1,340,580
Adjusted operating profit (loss)	(6,712)	42,066	17,714	(17,687)	(10,126)	(17,824)	12,177	19,608

Three Months Ended May 31, 2008								
(in thousands)	Americas			International		Corporate	Eliminations/ Discontinued Operations	Consolidated
	Recycling	Mills	Fabrication and Distribution	Mills	Fabrication and Distribution			
Net sales-unaffiliated customers	\$507,881	\$387,197	\$749,007	\$269,664	\$1,078,072	\$ 4,625	\$ (85,716)	\$2,910,730
Intersegment sales	120,736	132,355	2,862	71,810	12,325		(340,088)	
Net sales	628,617	519,552	751,869	341,474	1,090,397	4,625	(425,804)	2,910,730
Adjusted operating profit (loss)	50,371	34,044	(22,291)	30,656	40,342	(30,792)	4,684	107,014

Table of Contents**Nine Months Ended May 31, 2009**

(in thousands)	Americas			International		Corporate	Eliminations/ Discontinued Operations	Consolidated
	Recycling	Mills	Fabrication and Distribution	Mills	Fabrication and Distribution			
Net sales-unaffiliated customers	\$439,868	\$575,637	\$2,077,431	\$381,689	\$1,962,886	\$ (15,484)	\$ (90,447)	\$5,331,580
Intersegment sales	111,812	369,964	9,258	126,830	30,279		(648,143)	
Net sales	551,680	945,601	2,086,689	508,519	1,993,165	(15,484)	(738,590)	5,331,580
Adjusted operating profit (loss)	(70,843)	233,851	101,314	(58,746)	(7,079)	(60,417)	(3,583)	134,497
Goodwill	7,467		58,878	857	6,498			73,700
Total assets (1)	228,175	569,335	1,105,982	492,237	633,105	653,127		3,681,961

Nine Months Ended May 31, 2008

(in thousands)	Americas			International		Corporate	Eliminations/ Discontinued Operations	Consolidated
	Recycling	Mills	Fabrication and Distribution	Mills	Fabrication and Distribution			
Net sales-unaffiliated customers	\$1,277,251	\$ 994,772	\$2,021,253	\$669,921	\$2,569,027	\$ 4,541	\$ (255,863)	\$7,280,902
Intersegment sales	254,761	395,380	8,806	85,617	31,295		(775,859)	
Net sales	1,532,012	1,390,152	2,030,059	755,538	2,600,322	4,541	(1,031,722)	7,280,902
Adjusted operating profit (loss)	92,882	158,520	507	39,730	88,609	(76,433)	1,821	305,636
Goodwill	7,467		29,830		4,421			41,718
Total assets	416,995	605,456	1,188,925	617,775	1,040,205	249,320		4,118,676

(1) Total assets decreased from May 31, 2008 due to a reduction in accounts receivable and inventories in all of our segments.

Corporate total
assets increased
due to higher
cash equivalent
balances of
\$395 million
from May 31,
2008.

The following table provides a reconciliation of consolidated adjusted operating profit to net earnings (loss):

(in thousands)	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net earnings (loss)	\$(13,077)	\$ 59,484	\$ 13,622	\$ 168,423
Minority interests (benefit)	(370)	277	(487)	540
Income taxes	13,580	28,529	54,576	86,075
Interest expense	18,482	15,909	62,874	42,278
Discounts on sales of accounts receivable	993	2,815	3,912	8,320
Adjusted operating profit	\$ 19,608	\$ 107,014	\$ 134,497	\$ 305,636
Adjusted operating profit (loss) from discontinued operations	(4,148)	1,786	4,587	4,615
Adjusted operating profit from continuing operations	\$ 23,756	\$ 105,228	\$ 129,910	\$ 301,021

The following presents external net sales by major product and geographic area for the Company:

(in thousands)	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Major product information:				
Steel products	\$ 944,470	\$ 1,780,301	\$ 3,727,089	\$ 4,542,625
Industrial materials	125,805	409,239	738,443	904,186
Nonferrous scrap	99,228	286,856	288,173	728,637
Construction materials	70,130	85,758	225,549	232,930
Ferrous scrap	36,008	239,140	181,685	573,643
Non-ferrous products	35,157	71,190	112,264	218,678
Other	29,782	38,246	58,377	80,203
Net sales*	\$ 1,340,580	\$ 2,910,730	\$ 5,331,580	\$ 7,280,902

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(in thousands)	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Geographic area:				
United States	\$ 770,123	\$1,594,965	\$3,269,635	\$4,144,725
Europe	242,485	682,390	999,966	1,658,419
Asia	169,955	297,199	488,532	686,772
Australia/New Zealand	104,790	161,175	411,956	434,074
Other	53,227	175,001	161,491	356,912
Net sales*	\$1,340,580	\$2,910,730	\$5,331,580	\$7,280,902

* Excludes a division classified as discontinued operations. See Note 5.

NOTE 13 RELATED PARTY TRANSACTIONS

One of the Company's international subsidiaries has a marketing and distribution agreement with a key supplier of which the Company owns an 11% interest. The following presents related party transactions:

(in thousands)	Nine Months Ended	
	May 31, 2009	May 31, 2008
Sales	\$229,565	\$278,695
Purchases	266,741	300,230
(in thousands)	May 31, 2009	August 31, 2008
Accounts Receivable	\$30,412	\$46,594
Accounts Payable	19,451	35,314

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management's Discussion and Analysis should be read in conjunction with our Form 10-K filed with the Securities and Exchange Commission (SEC) for the year ended August 31, 2008.

CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are not different from the information set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Form 10-K filed with the SEC for the year ended August 31, 2008 and are, therefore, not presented herein.

CONSOLIDATED RESULTS OF OPERATIONS

(in millions)	Three Months Ended		Decrease %	Nine Months Ended		Decrease %
	May 31, 2009	May 31, 2008		May 31, 2009	May 31, 2008	
Net sales*	\$1,340.6	\$2,910.7	(54%)	\$5,331.6	\$7,280.9	(27%)
Net earnings (loss)	(13.1)	59.5	(122%)	13.6	168.4	(92%)
EBITDA	56.4	136.6	(59%)	247.1	393.4	(37%)

* Excludes the net sales of a division classified as discontinued operations.

In the table above, we have included a financial statement measure that was not derived in accordance with accounting principles generally accepted in the United States (GAAP). We use EBITDA (earnings (loss) before interest expense, income taxes, depreciation and amortization) as a non-GAAP performance measure. In calculating EBITDA, we exclude our largest recurring non-cash charge, depreciation and amortization. EBITDA provides a core operational performance measurement that compares results without the need to adjust for federal, state and local taxes which have considerable variation between domestic jurisdictions. Tax regulations in international operations add additional complexity. Also, we exclude interest cost in our calculation of EBITDA. The results are, therefore, without consideration of financing alternatives of capital employed. We use EBITDA as one guideline to assess our unleveraged performance return on our investments. EBITDA is also the target benchmark for our long-term cash incentive performance plan for management. Reconciliations to net earnings (loss) are provided below:

(in millions)	Three Months Ended		Increase (Decrease) %	Nine Months Ended		Increase (Decrease) %
	May 31, 2009	May 31, 2008		May 31, 2009	May 31, 2008	
Net earnings (loss)	\$ (13.1)	\$ 59.5	(122%)	\$ 13.6	\$ 168.4	(92%)
Interest expense	18.5	15.9	16%	62.9	42.3	49%
Income taxes	13.6	28.5	(52%)	54.6	86.1	(37%)
Depreciation and amortization	37.4	32.7	14%	116.0	96.6	20%
EBITDA	\$ 56.4	\$ 136.6	(59%)	\$ 247.1	\$ 393.4	(37%)
EBITDA from discontinued operations	(4.1)	1.9	(316%)	4.8	4.8	0%

EBITDA from continuing

operations	\$ 60.5	\$ 134.7	(55%)	\$ 242.3	\$ 388.6	(38%)
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Our EBITDA does not include interest expense, income taxes and depreciation and amortization. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and our ability to generate revenues. Because we use capital assets, depreciation and amortization are also necessary elements of our costs. Also, the payment of income taxes is a necessary element of our operations. Therefore, any measures that exclude these elements have material limitations. To compensate for these limitations, we believe that it is appropriate to consider both net earnings (loss) determined under GAAP, as well as EBITDA, to evaluate our performance. Also, we separately analyze any significant fluctuations in interest expense, depreciation and amortization and income taxes. The following events and performances had a significant impact during our third quarter ended May 31, 2009:

In response to price declines, demand destruction, and a global liquidity and credit crisis, we recorded the following consolidated expenses during the third quarter: lower of cost or market inventory adjustments of \$27.0 million, other charges relating to contractual noncompliance of \$8.9 million, bad debt expense of \$10.2 million and severance costs of \$2.8 million.

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We experienced volatile foreign exchange rates during the third quarter of 2009 which resulted in a decrease in operating loss of approximately \$9 million.

We continued to focus on liquidity and working capital which resulted in cash flows provided by operating activities of \$380 million during the third quarter of 2009 and an increase in our cash and cash equivalents to \$441 million.

We recorded pre-tax LIFO income of \$45.3 million (after tax of \$0.26 per share) for the third quarter of 2009 compared to pre-tax LIFO expense \$127.2 million (after tax of \$0.71 per diluted share) for the third quarter of 2008.

Net sales of the Americas Recycling segment decreased 76% and adjusted operating profit (loss) decreased by \$57.1 million compared to the prior year's third quarter primarily due to weak demand resulting in a decline in both prices and shipments during the quarter.

Net sales of the Americas Mills segment decreased 47% from the prior year's third quarter due to the decrease in the average selling price and a decline in shipments, while adjusted operating profit increased 24% from the prior year's third quarter primarily due to pre-tax LIFO income.

Our Americas Fabrication and Distribution segment showed a 36% decrease in sales primarily from a decline in shipments but a \$40.0 million increase in adjusted operating profit (loss) over the prior year's third quarter attributable to pre-tax LIFO income and margin expansion from the deflation in material costs.

Our International Mills segment showed a 57% decline in net sales and a \$48.3 million decrease in adjusted operating profit (loss) compared to the prior year's third quarter due primarily from rapidly falling sales prices within weak international steel markets, metal margin compression, mill start-up costs and lower of cost or market inventory adjustments.

Our International Fabrication and Distribution segment showed a 56% decline in net sales and a \$50.5 million decrease in adjusted operating profit (loss) compared to the prior year's third quarter due primarily from reductions in market demand and inventory valuation adjustments due to declining prices.

Expense of \$10.8 million and capital expenditures of \$5.6 million were recorded as compared to expense of \$18.2 million and capital expenditures of \$8.7 million during the third quarter of 2008 related to the global implementation of SAP.

SEGMENT OPERATING DATA

Unless otherwise indicated, all dollar amounts below are calculated before minority interests and income taxes. Financial results for our reportable segments are consistent with the basis and manner in which we internally disaggregate financial information for making operating decisions. See Note 12, Business Segments, to the consolidated financial statements.

We use adjusted operating profit (loss) to compare and evaluate the financial performance of our segments. Adjusted operating profit (loss) is the sum of our earnings (loss) before income taxes and financing costs. Adjusted operating profit (loss) is equal to earnings (loss) before income taxes for Americas Mills and Americas Fabrication and Distribution segments because these segments require minimal outside financing.

The following table shows net sales and adjusted operating profit (loss) by business segment:

(in thousands)	Three Months Ended		Increase %	Nine Months Ended		Increase (Decrease) %
	May 31, 2009	May 31, 2008		May 31, 2009	May 31, 2008	

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Net sales:

Americas Recycling	\$ 152,439	\$ 628,617	(76%)	\$ 551,680	\$ 1,532,012	(64%)
Americas Mills	276,827	519,552	(47%)	945,601	1,390,152	(32%)
Americas Fabrication and Distribution	484,414	751,869	(36%)	2,086,689	2,030,059	3%
International Mills	147,782	341,474	(57%)	508,519	755,538	(33%)
International Fabrication and Distribution	474,823	1,090,397	(56%)	1,993,165	2,600,322	(23%)
Corporate	13,274	4,625	187%	(15,484)	4,541	(441%)
Eliminations/Discontinued Operations	(208,979)	(425,804)	51%	(738,590)	(1,031,722)	28%
	\$ 1,340,580	\$ 2,910,730	(54%)	\$ 5,331,580	\$ 7,280,902	(27%)

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(in thousands)	Three Months			Nine Months Ended		
	Ended		Increase	May 31,		Increase
	May 31, 2009	May 31, 2008	(Decrease) %	May 31, 2009	May 31, 2008	(Decrease) %
Adjusted operating profit (loss):						
Americas Recycling	\$ (6,712)	\$ 50,371	(113%)	\$ (70,843)	\$ 92,882	(176%)
Americas Mills	42,066	34,044	24%	233,851	158,520	48%
Americas Fabrication and Distribution	17,714	(22,291)	179%	101,314	507	19,883%
International Mills	(17,687)	30,656	(158%)	(58,746)	39,730	(248%)
International Fabrication and Distribution	(10,126)	40,342	(125%)	(7,079)	88,609	(108%)
Corporate	(17,824)	(30,792)	42%	(60,417)	(76,433)	21%
Eliminations	12,177	4,684	160%	(3,583)	1,821	(297%)

LIFO Impact on Adjusted Operating Profit (Loss) LIFO is an inventory costing method that assumes the most recent inventory purchases or goods manufactured are sold first. This results in current sales prices offset against current inventory costs. In periods of rising prices it has the effect of eliminating inflationary profits from net income. In periods of declining prices it has the effect of eliminating deflationary losses from net income. In either case the goal is to reflect economic profit. The table below reflects LIFO income or (expense) representing decreases or (increases) in the LIFO inventory reserve. International Mills is not included in this table as it uses FIFO valuation exclusively for its inventory:

(in thousands)	Three Months Ended		Nine Months Ended	
	May		May 31,	
	31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Americas Recycling	\$ 2,004	\$ (15,187)	\$ 35,302	\$ (21,988)
Americas Mills	16,442	(55,327)	144,254	(69,657)
Americas Fabrication and Distribution	19,000	(57,023)	73,145	(96,490)
International Fabrication and Distribution*	7,832	385	30,375	6,291
Consolidated increase (decrease) to adjusted profit before tax	\$ 45,278	\$ (127,152)	\$ 283,076	\$ (181,844)

* LIFO income includes a division classified as discontinued operations.

Americas Recycling During the third quarter of 2009, this segment continued to experience a decline in scrap prices and market demand resulting in a decline in net sales and adjusted operating profit (loss). The decline in metal margins for both ferrous and nonferrous was two-thirds attributable to volume and one-third to price as compared to the third quarter of 2008. Ferrous scrap prices began showing signs of stability as the third quarter did not exhibit tremendous volatility as seen in previous quarters. Nonferrous prices declined as compared to the third quarter of 2008 but based on a recovery in copper pricing increased 20% as compared to the second quarter of 2009.

The following table reflects our Americas Recycling segment's average selling prices per ton and tons shipped (in thousands):

	Three Months Ended				Nine Months Ended			
	May 31, 2009	May 31, 2008	Decrease Amount	%	May 31, 2009	May 31, 2008	Decrease Amount	%
Average ferrous sales price	\$ 146	\$ 398	\$ (252)	(63%)	\$ 177	\$ 310	\$ (133)	(43%)
Average nonferrous sales price	1,556	3,270	(1,714)	(52%)	1,767	2,989	(1,222)	(41%)
Ferrous tons shipped	371	811	(440)	(54%)	1,304	2,271	(967)	(43%)
Nonferrous tons shipped	50	78	(28)	(36%)	147	226	(79)	(35%)
Total volume processed and shipped	424	900	(476)	(53%)	1,463	2,520	(1,057)	(42%)

Americas Mills We include our four domestic steel minimills and our copper tube minimill in our Americas Mills segment. While this segment had a decrease in net sales for the three and nine months of 2009 as compared to the same periods last year, adjusted operating profit increased due to pre-tax LIFO income recorded for the three and nine months of 2009 as compared to pre-tax LIFO expense during the three and nine months of 2008.

Within the segment, the steel mills adjusted operating profit was \$39.2 million for the third quarter of 2009 as compared to \$33.3 million from the prior year's third quarter. Metal margins, though still at historically strong levels, eroded from the second quarter of 2009. Tons shipped declined as compared to the third quarter of 2008 but increased 9% as compared to the second quarter of 2009, which is more likely seasonal rather than sustainable demand. Our mills ran at 58% of utilization this quarter which was higher than utilization in the second quarter of 2009. We rolled approximately 15% less than we shipped in every quarter this year as we reduced inventories to meet lagging demand. Rebar accounted for 58% of tonnage shipped, a consistent percentage throughout the year. The price premium of merchant bar over reinforcing bar averaged \$154 per ton, down \$103 per ton from the second quarter of 2009. Lower production rates as well as price decreases in some alloys and natural gas rates resulted in an overall decrease of \$22.7 million in electrode, alloys, and energy costs. We have invested \$133.5 million of the expected \$175 million total cost for our micro mill project in Arizona.

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The table below reflects steel and ferrous scrap prices per ton:

	Three Months Ended				Nine Months Ended			
	May 31, 2009	May 31, 2008	Increase (Decrease) Amount	%	May 31, 2009	May 31, 2008	Increase (Decrease) Amount	%
Average mill selling price (finished goods)	\$583	\$749	\$(166)	(22%)	\$694	\$677	\$ 17	3%
Average mill selling price (total sales)	564	718	(154)	(21%)	673	643	30	5%
Average cost of ferrous scrap consumed	199	399	(200)	(50%)	251	316	(65)	(21%)
Average FIFO metal margin	365	319	46	14%	422	327	95	29%
Average ferrous scrap purchase price	152	382	(230)	(60%)	193	301	(108)	(36%)
The table below reflects our domestic steel minimills operating statistics (short tons in thousands):								

	Three Months Ended				Nine Months Ended			
	May 31, 2009	May 31, 2008	Decrease Amount	%	May 31, 2009	May 31, 2008	Decrease Amount	%
Tons melted	396	634	(238)	(38%)	1,130	1,778	(648)	(36%)
Tons rolled	365	564	(199)	(35%)	1,049	1,555	(506)	(33%)
Tons shipped	427	673	(246)	(37%)	1,250	1,897	(647)	(34%)

Our copper tube minimill's adjusted operating profit for the third quarter of 2009 increased \$2.2 million to \$2.9 million, compared to the third quarter of 2008, due to a decrease in pre-tax LIFO expense of \$9.9 million over the prior year's third quarter offset against declining prices. The remaining strength in construction is found in education and healthcare.

The table below reflects our copper tube minimill's prices per pound and operating statistics:

	Three Months Ended				Nine Months Ended			
	May 31, 2009	May 31, 2008	Increase (Decrease) Amount	%	May 31, 2009	May 31, 2008	Decrease Amount	%
(pounds in millions)								
Pounds shipped	14.2	13.3	0.9	7%	35.4	39.5	(4.1)	(10%)
Pounds produced	13.7	12.7	1.0	8%	33.2	37.1	(3.9)	(11%)
Average copper selling price	\$2.48	\$4.71	\$(2.23)	(47%)	\$2.85	\$4.28	\$(1.43)	(33%)
Average copper scrap production cost	\$1.46	\$2.97	\$(1.51)	(51%)	\$1.87	\$3.08	\$(1.21)	(39%)
Average copper metal margin	\$1.02	\$1.74	\$(0.72)	(41%)	\$0.98	\$1.20	\$(0.22)	(18%)
Average copper scrap purchase price	\$1.80	\$3.59	\$(1.79)	(50%)	\$2.03	\$3.33	\$(1.30)	(39%)

Americas Fabrication and Distribution Consistent with the trend during 2009, fabrication, rebar, structural, decking, and construction services were profitable, but post and joist incurred losses. Profits were attributable to margin improvements on lower material costs supplying relatively high-priced backlog shipments. Losses in post operations were caused by high-priced raw material in inventory running through production and fierce competition

for dwindling tons in joist operations. The composite average fabrication selling price was \$1,071 per ton, flat with last year's third quarter, but down \$172 per ton from the second quarter of 2009. Our domestic steel import and distribution business incurred substantial losses. The decline in spot pricing coupled with customer liquidity issues has led to unprecedented and unwarranted contract cancellations, market claims, price negotiations and unanticipated inventory positions resulting in charges of approximately \$16.1 million during the third quarter. Rebar shipments have been positively impacted by recent acquisitions of CMC Coating and CMC Regional Steel.

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The tables below show our average fabrication selling prices per short ton and total fabrication plant shipments:

	Three Months Ended		Increase		Nine Months Ended		Increase	
	May 31, 2009	May 31, 2008	Amount	%	May 31, 2009	May 31, 2008	Amount	%
Average selling price*								
Rebar	\$ 924	\$ 919	\$ 5	1%	\$1,036	\$ 881	\$155	18%
Joist	1,457	1,307	150	11%	1,509	1,304	205	16%
Structural	2,811	2,843	(32)	(1%)	3,198	2,589	609	24%
Post	941	807	134	17%	1,000	766	234	31%
Deck	1,521	1,295	226	17%	1,569	1,274	295	23%

* Excludes stock and buyout sales.

	Three Months Ended		Decrease		Nine Months Ended		Decrease	
	May 31, 2009	May 31, 2008	Amount	%	May 31, 2009	May 31, 2008	Amount	%
Tons shipped (in thousands)								
Rebar	236	278	(42)	(15%)	766	766		0%
Joist	30	59	(29)	(49%)	131	187	(56)	(30%)
Structural	12	23	(11)	(48%)	57	60	(3)	(5%)
Post	22	32	(10)	(31%)	48	77	(29)	(38%)
Deck	27	60	(33)	(55%)	98	166	(68)	(41%)

International Mills Weak international steel markets, metal margin compression, mill start-up costs and lower of cost or market inventory adjustments caused by rapidly falling sales prices resulted in an adjusted operating loss for this segment for the three and nine months ended May 31, 2009. The Polish zloty and Croatian kuna strengthened against both the U.S. dollar and euro during the third quarter. The effect of volatile foreign exchange rates during the third quarter of 2009 as compared to 2008 decreased operating loss by approximately \$6 million. CMC Zawiercie (CMCZ) had an adjusted operating loss of \$9.2 million during the third quarter 2009 compared to an adjusted operating profit of \$36.3 million during the third quarter 2008 primarily due to compressed metal margins as the volumes were constant with last year. Shipments included 69 thousand tons of billets compared to 82 thousand tons of billets in the prior year's third quarter. We successfully rolled 14 thousand tons of material on our newly commissioned wire rod block and we will continue to trial different sizes and grades incurring additional start-up costs during the fourth quarter.

The table below reflects CMCZ's operating statistics (in thousands) and average prices per short ton:

	Three Months Ended		Decrease		Nine Months Ended		Decrease	
	May 31, 2009	May 31, 2008	Amount	%	May 31, 2009	May 31, 2008	Amount	%
Tons melted	324	428	(104)	(24%)	857	1,107	(250)	(23%)
Tons rolled	253	284	(31)	(11%)	716	834	(118)	(14%)
Tons shipped	328	339	(11)	(3%)	860	1,010	(150)	(15%)
Average mill selling price (total sales)	1,172 PLN	1,708 PLN	(536) PLN	(31%)	1,440 PLN	1,533 PLN	(93) PLN	(6%)
Average ferrous scrap production cost	695 PLN	1,039 PLN	(344) PLN	(33%)	822 PLN	908 PLN	(86) PLN	(9%)

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Average metal margin	477 PLN	669 PLN	(192) PLN	(29%)	618 PLN	625 PLN	(7) PLN	(1%)
Average ferrous scrap purchase price	553 PLN	878 PLN	(325) PLN	(37%)	626 PLN	812 PLN	(186) PLN	(23%)
Average mill selling price (total sales)	\$ 351	\$ 771	\$(420)	(54%)	\$ 494	\$ 644	\$(150)	(23%)
Average ferrous scrap production cost	\$ 206	\$ 467	\$(261)	(56%)	\$ 266	\$ 374	\$(108)	(29%)
Average metal margin	\$ 145	\$ 304	\$(159)	(52%)	\$ 228	\$ 270	\$ (42)	(16%)
Average ferrous scrap purchase price	\$ 165	\$ 395	\$(230)	(58%)	\$ 210	\$ 334	\$(124)	(37%)

PLN Polish zlotys

CMC Sisak (CMCS) reported an adjusting operating loss of \$8.5 million for the third quarter of 2009 as compared to an adjusted operating loss of \$5.6 million in the third quarter of 2008 primarily due to a decreased demand and inventory valuation adjustments. CMCS produced 21 thousand tons and sold a quarterly record 22 thousand tons during the third quarter as compared to 22 thousand tons produced and 19 thousand tons sold during the prior year s third quarter. Our yields have steadily improved during the year and we have successfully completed castings of all major sizes of billets from phase one of our updated melt shop. The installation of the

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renovated furnace is underway and should be completed late in calendar 2009. The turnaround at CMCS is contingent upon the successful completion of our capital expenditure programs for a replacement furnace and improvements to the continuous caster.

International Fabrication and Distribution This segment's net sales and adjusted operating profit (loss) decreased for the third quarter of 2009 driven by reduced market demand and inventory valuation adjustments as pricing fell during 2009 offset by pre-tax LIFO income primarily related to a division classified as a discontinued operation. The downturn in steel markets is most pronounced in Western Europe and is now impacting Australia. Parts of Asia, primarily China, appear to be showing signs of recovery. The effect of volatile foreign exchange rates decreased operating loss by approximately \$3 million during the third quarter of 2009. The global financial crisis contributed to customer noncompliance with contracts, market claims and price renegotiation. Additionally, demand was negatively impacted as customers were not willing to be exposed to lead times for imported material in the volatile pricing environment. This segment recorded over \$20 million in charges for inventory adjustments and customer non-compliance during this quarter. During the third quarter, our raw materials import business remained profitable and we opened a fabrication facility in Zyrardow, Poland, located west of Warsaw.

Corporate Our corporate expenses for the three and nine months ended May 31, 2009 decreased \$13.0 million and \$16.0 million, respectively, compared to the same period in the previous year, primarily due to reductions in bonus and profit sharing expenses offset by an increase in salary expense.

Discontinued Operations Adjusted operating loss for our division classified as a discontinued operation was \$4.1 million for the third quarter of 2009 as compared to profit of \$1.8 million for the third quarter of 2008. The change was primarily due to lower activity and ongoing closing costs, including lease termination costs of \$2.4 million, offset by an increase in pre-tax LIFO income of \$5.1 million over the previous year's third quarter. This division is included in our International Fabrication and Distribution segment.

Consolidated Data On a consolidated basis, the LIFO method of inventory valuation decreased our net loss on a pre-tax basis by \$45.3 million (after tax of \$0.26 per share) for the third quarter of 2009 as compared to decreasing net earnings on a pre-tax basis by \$127.2 million (after tax of \$0.71 per diluted share) for last year's third quarter. The LIFO method of inventory valuation increased our net earnings on a pre-tax basis by \$283.1 million (after tax of \$1.62 per diluted share) and decreased our net earnings on a pre-tax basis by \$181.8 million (after tax of \$1.00 per diluted share) for the nine months ending May 31, 2009 and May 31, 2008, respectively. Our overall selling, general and administrative expenses decreased by \$20.9 million and \$1.9 million, for the three and nine months ended May 31, 2009 compared to the same periods last year, primarily from a decrease in bonus and profit sharing expenses, offset by increased salary expense because of company growth, including acquisitions, increased bad debt expense and severance expense.

During the three and nine months ended May 31, 2009, our interest expense increased by \$2.6 million and \$20.6 million, respectively, as compared to the same periods in 2008 primarily due to the issuance of \$500 million in senior unsecured notes in the fourth quarter of 2008 and increased debt outstanding internationally during the current fiscal year.

For the three and nine months ended May 31, 2009, our effective tax rate for continuing operations was 356.9% and 83.4%, respectively, compared to 32.2% and 33.5% for the same periods last year. Our effective tax rate for the third quarter and nine months ending May 31, 2009 varies significantly from our statutory rate due to lower tax rate jurisdictions (predominantly international) incurring losses, higher rate jurisdictions generating income and the effect of permanent differences having a greater impact at lower levels of pre-tax income.

OUTLOOK

We expect that market conditions in the U.S. will remain difficult for our fourth quarter and the remainder of calendar 2009. We believe we are positioned to weather the crisis due to our strong balance sheet, vertical integration and geographic dispersion. We anticipate prices will stabilize at or near current levels negating the need for further significant inventory valuation adjustments. We estimate that our domestic mills may operate around 65% of capacity in the fourth quarter. Ferrous scrap prices and volumes should increase based on improving export markets and small improvements in domestic demand. In the short term, our fabrication backlogs are likely to reduce further with additional margin pressure due to fewer jobs being awarded. Our industrial products business should remain

profitable. Internationally, we are likely to see modest improvements in Poland, as well as in our operations in Asia and Australia. Overall, we anticipate our fourth quarter results to be similar to the third quarter.

Table of Contents**LIQUIDITY AND CAPITAL RESOURCES**

See Note 6 Credit Arrangements, to the consolidated financial statements.

We believe we have adequate access to several sources of contractually committed borrowings and other available credit facilities. However, we could be adversely affected if our banks, the buyers of our commercial paper or other of the traditional sources supplying our short term borrowing requirements refuse to honor their contract commitments, cease lending or declare bankruptcy. While we believe the lending institutions participating in our credit arrangements are financially capable, recent events in the global credit markets, including the failure, takeover or rescue by various government entities of major financial institutions, have created uncertainty of credit availability to an extent not experienced in recent decades.

Our sources, facilities and availability of liquidity and capital resources as of May 31, 2009 (dollars in thousands):

Source	Total Facility	Availability
Cash and cash equivalents	\$ 441,389	\$ N/A
Net cash flows from operating activities	668,824	N/A
Commercial paper program*	400,000	372,100
Domestic accounts receivable securitization	100,000	100,000
International accounts receivable sales facilities	270,955	148,971
Bank credit facilities uncommitted	1,040,888	649,527
Notes due from 2013 to 2018	1,197,271	**
		As
Trade financing arrangements	**	required
Equipment notes	10,975	

* The commercial paper program is supported by our \$400 million unsecured revolving credit agreement. The availability under the revolving credit agreement is reduced by \$27.9 million of stand-by letters of credit issued as of May 31, 2009.

** With our investment grade credit ratings, we believe we have access to

additional
financing and
refinancing, if
needed.

Certain of our financing agreements include various covenants. Our domestic notes require compliance with covenants on a quarterly basis, which we were in compliance with as of May 31, 2009. The CMCZ and CMC Poland (CMCP) notes require compliance with covenants on a semiannual basis, every February and August. There are no guarantees by the Company or any of its subsidiaries for any of CMCZ s debt. The CMCP notes are guaranteed by Commercial Metals International.

Off-Balance Sheet Arrangements For added flexibility, we may secure financing through securitization and sales of certain accounts receivable both in the U.S. and internationally. See Note 3, Sales of Accounts Receivable, to the consolidated financial statements. We may sell accounts receivable on an ongoing basis to replace those receivables that have been collected from our customers. Our domestic securitization program contains certain cross-default provisions whereby a termination event could occur should we default under another credit arrangement, and contains covenants that conform to the same requirements contained in our revolving credit agreement.

Cash Flows Our cash flows from operating activities primarily result from sales of steel and related products, and to a lesser extent, sales of nonferrous metal products. We also sell and rent construction-related products and accessories. We have a diverse and generally stable customer base. We use futures or forward contracts as needed to mitigate the risks from fluctuations in foreign currency exchange rates and nonferrous metals commodity prices.

During the nine months ended May 31, 2009, we generated \$668.8 million of cash flows from operating activities as compared to using \$53.6 million in the first nine months of 2008.

Significant fluctuations in working capital were as follows:

Decreased accounts receivable decreased sales and prices during the first nine months of 2009;

Decreased inventories decreased inventory on hand and lower inventory costs; and

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Decreased accounts payable more cash was used in the first nine months of 2009 as current liabilities increased at the end of 2008 due to higher volume. Additionally, lower volume led to less purchasing of material and reduced accounts payable.

During the first nine months ended May 31, 2009, we used \$288.9 million of cash flows from investing activities as compared to \$256.6 million in the first nine months of 2008. We invested \$290.3 million in property, plant and equipment during 2009, an increase of \$63.1 million over 2008. This was offset by a \$29.9 million reduction in cash used for acquisitions as we had no significant acquisitions in 2009.

We expect our total capital spending for 2009 to be approximately \$395 million, including \$113 million for the continued construction of the micro mill in Mesa, Arizona, \$97 million to complete installation of a new flexible section mill in CMCZ and \$42 million for melt shop and caster upgrades at CMCS. We continually assess our capital spending and reevaluate our requirements based upon current and expected results.

During the first nine months ended May 31, 2009, we used \$151.1 million of cash flows from financing activities as compared to \$44.0 million in the first nine months of 2008. The increase in cash used was primarily due to net repayments of short term borrowings and long-term debt in the first nine months of 2009 of \$92.1 million as compared to net proceeds in the first nine months of 2008 of \$68.0 million. During 2009, we used \$18.5 million to purchase 1.8 million shares of our common stock as part of our stock repurchase program, a decrease of \$133.0 million as compared to 2008. Additionally, we decreased documentary letters of credit which resulted in a use of cash of \$61.1 million as compared to the same period in the prior year.

Our contractual obligations for the next twelve months of \$1.0 billion are typically expenditures with normal revenue producing activities. We believe our cash flows from operating activities and debt facilities are adequate to fund our ongoing operations and planned capital expenditures.

CONTRACTUAL OBLIGATIONS

The following table represents our contractual obligations as of May 31, 2009 (in thousands):

	Total	Payments Due By Period*			
		Less than 1 Year	1 3 Years	3 5 Years	More than 5 Years
Contractual Obligations:					
Long-term debt(1)	\$ 1,208,246	\$ 23,647	\$ 56,280	\$ 228,258	\$ 900,061
Notes payable(1)	2,105	2,105			
Interest(2)	614,034	80,025	155,072	143,027	235,910
Operating leases(3)	183,713	43,004	69,232	44,809	26,668
Purchase obligations(4)	990,007	844,977	82,835	33,731	28,464
Total contractual cash obligations	\$ 2,998,105	\$ 993,758	\$ 363,419	\$ 449,825	\$ 1,191,103

* We have not discounted the cash obligations in this table.

(1) Total amounts are included in the May 31, 2009 consolidated balance sheet. See Note 6,

Credit
Arrangements,
to the
consolidated
financial
statements.

(2) Interest
payments
related to our
short-term debt
are not included
in the table as
they do not
represent a
significant
obligation as of
May 31, 2009.

(3) Includes
minimum lease
payment
obligations for
non-cancelable
equipment and
real estate leases
in effect as of
May 31, 2009.

(4) Approximately
45% of these
purchase
obligations are
for inventory
items to be sold
in the ordinary
course of
business.
Purchase
obligations
include all
enforceable,
legally binding
agreements to
purchase goods
or services that
specify all
significant
terms,
regardless of the
duration of the

agreement.
Agreements
with variable
terms are
excluded
because we are
unable to
estimate the
minimum
amounts.
Another
significant
obligation
relates to capital
expenditures.

Other Commercial Commitments We maintain stand-by letters of credit to provide support for certain transactions that our insurance providers and suppliers request. At May 31, 2009, we had committed \$32.0 million under these arrangements. All of the commitments expire within one year.

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See Note 11 Commitments and Contingencies, to the consolidated financial statements regarding our guarantees.

CONTINGENCIES

See Note 11 Commitments and Contingencies, to the consolidated financial statements.

In the ordinary course of conducting our business, we become involved in litigation, administrative proceedings and government investigations, including environmental matters. We may incur settlements, fines, penalties or judgments because of some of these matters. While we are unable to estimate precisely the ultimate dollar amount of exposure or loss in connection with these matters, we make accruals as warranted. The amounts we accrue could vary substantially from amounts we pay due to several factors including the following: evolving remediation technology, changing regulations, possible third-party contributions, the inherent shortcomings of the estimation process, and the uncertainties involved in litigation. Accordingly, we cannot always estimate a meaningful range of possible exposure. We believe that we have adequately provided in our consolidated financial statements for the estimable probable impact of these contingencies. We also believe that the outcomes will not significantly affect the long-term results of operations or our financial position. However, they may have a material impact on earnings for a particular quarter. We are subject to federal, state and local pollution control laws and regulations in all locations where we have operating facilities. We anticipate that compliance with these laws and regulations will involve continuing capital expenditures and operating costs.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995, with respect to our financial condition, results of operations, cash flows and business, and our expectations or beliefs concerning future events, including net earnings (loss), economic conditions, credit availability, product pricing and demand, currency valuation, production rates, energy expense, interest rates, inventory levels, acquisitions, construction and operation of new facilities and general market conditions. These forward-looking statements can generally be identified by phrases such as we or our management expects, anticipates, believes, plans to, ought, could, will, should, like, projects, forecasts, outlook or other similar words or phrases. There are inherent risks and uncertainties in any forward-looking statements. Variances will occur and some could be materially different from our current opinion. Developments that could impact our expectations include the following:

solvency of financial institutions and their ability or willingness to lend;

success or failure of governmental efforts to stimulate the economy including restoring credit availability and confidence in a recovery;

customer non-compliance with contracts;

construction activity;

decisions by governments affecting the level of steel imports, including tariffs and duties;

ability to integrate acquisitions into operations;

litigation claims and settlements;

difficulties or delays in the execution of construction contracts resulting in cost overruns or contract disputes;

unsuccessful implementation of new technology;

metals pricing over which we exert little influence;

increased capacity and product availability from competing steel minimills and other steel suppliers including import quantities and pricing;

court decisions;

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industry consolidation or changes in production capacity or utilization;

global factors including political and military uncertainties;

currency fluctuations;

interest rate changes;

scrap metal, energy, insurance and supply prices; and

the pace of overall economic activity, particularly China.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required hereunder for the Company is not materially different from the information set forth in Item 7a. Quantitative and Qualitative Disclosures about Market Risk included in the Company's Annual Report on Form 10-K for the year ended August 31, 2008, filed with the Securities Exchange Commission and is, therefore, not presented herein.

Additionally, see Note 9 Derivatives and Risk Management, to the consolidated financial statements.

ITEM 4. CONTROLS AND PROCEDURES

The term disclosure controls and procedures is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods, including controls and disclosures designed to ensure that this information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report, and they have concluded that as of that date, our disclosure controls and procedures were effective.

During the third quarter of 2009, the Company implemented SAP at certain domestic fabrication divisions in connection with the Company-wide rollout of SAP. The implementation resulted in modifications to internal controls over the related accounting and operating processes at these locations. We evaluated the control environment as affected by the implementation and believe our controls remained effective. We intend to implement SAP globally to most business segments within the next several years. Other than the changes mentioned above, no other changes to our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the information incorporated by reference from Item 3. Legal Proceedings in the Company's Annual Report on Form 10-K for the year ended August 31, 2008, filed October 30, 2008, with the Securities and Exchange Commission.

Table of Contents**ITEM 1A. RISK FACTORS**

Our Annual Report on Form 10-K for the fiscal year ended August 31, 2008 included a detailed discussion of our risk factors. The information presented below updates those risk factors and should be read in conjunction with the risk factors disclosed in the Form 10-K.

POTENTIAL IMPACT OF OUR CUSTOMERS' NON-COMPLIANCE WITH EXISTING COMMERCIAL CONTRACTS AND COMMITMENTS

Most consumers of the metals products we sell have been negatively impacted by the recession. Many of our customers have experienced reductions, some substantial, in their operations. Prices for many of the metals products we sell have declined, some substantially. These factors have contributed to attempts by some customers to seek renegotiation or cancellation of their existing purchase commitments. Some of our customers have breached previously agreed upon contracts to buy our products by refusing delivery of the products. Where appropriate we have and will in the future pursue litigation to recover our damages resulting from customer contract defaults. If a large number of our customers default on existing contractual obligations to purchase our products this could have a material impact on our results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

	Total Number of Shares Purchased As Part of Publicly	Average Price Paid Per Share	Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
As of March 1, 2009				8,259,647(1)
March 1 – March 31, 2009				
April – April 30, 2009				
May 1 – May 31, 2009				
As of May 31, 2009				8,259,647(1)

(1) Shares available to be purchased under the Company's Share Repurchase Program publicly announced October 21, 2008.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not. Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

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ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K.

- 31.1 Certification of Murray R. McClean, Chairman of the Board, President and Chief Executive Officer of Commercial Metals Company, pursuant to Section 302 to the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of William B. Larson, Senior Vice President and Chief Financial Officer of Commercial Metals Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification of Murray R. McClean, Chairman of the Board, President and Chief Executive Officer of Commercial Metals Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.2 Certification of William B. Larson, Senior Vice President and Chief Financial Officer of Commercial Metals Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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SIGNATURES

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

COMMERCIAL METALS COMPANY

July 8, 2009 /s/ William B. Larson
William B. Larson
Senior Vice President
& Chief Financial Officer

July 8, 2009 /s/ Leon K. Rusch
Leon K. Rusch
Controller

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INDEX TO EXHIBITS

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