NUCOR CORP
Form 10-K
February 28, 2013
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2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4119

NUCOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-1860817**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1915 Rexford Road, Charlotte, North Carolina	**28211**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (704) 366-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.40 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

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

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

Aggregate market value of common stock held by non-affiliates was approximately $11.96 billion based upon the closing sales price of the registrant s common stock on the last business day of our most recently completed second fiscal quarter, June 29, 2012.

317,678,664 shares of common stock were outstanding at February 22, 2013.

Documents incorporated by reference include: Portions of the registrant s 2012 Annual Report (Parts I, II and IV), and portions of the registrant s Proxy Statement for its 2013 Annual Meeting of Stockholders (Part III) to be filed within 120 days after the registrant s fiscal year end.

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Nucor Corporation

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PART I

Item 1. Business

Overview

Nucor Corporation and its affiliates (Nucor or the Company) manufacture steel and steel products. The Company also produces direct reduced iron (DRI) for use in the Company s steel mills. Through The David J. Joseph Company and its affiliates (DJJ), which the Company acquired in 2008, the Company also processes ferrous and nonferrous metals and brokers ferrous and nonferrous metals, pig iron, hot briquetted iron (HBI) and DRI. Most of the Company s operating facilities and customers are located in North America, but increasingly, Nucor is doing business outside of North America as well. The Company s operations include several international trading companies that buy and sell steel and steel products manufactured by the Company and others.

Nucor is North America s largest recycler, using scrap steel as the primary raw material in producing steel and steel products. In 2012, we recycled approximately 19.2 million tons of scrap steel.

General Development of our Business in Recent Years

Nucor has employed a multi-pronged growth strategy in recent years that allows for the ability to capitalize on a variety of growth opportunities as they arise. The five prongs of that growth strategy are: (1) optimizing and continually improving our existing operations, (2) executing on our raw materials strategy, (3) growing through developing greenfield projects that capitalize on new technologies and unique marketplace opportunities, (4) acquiring other companies that will strengthen Nucor s position as North America s most diversified producer of steel and steel products and (5) growing internationally with an emphasis on leveraging strategic partnerships and new technologies.

Optimizing our existing operations primarily has involved spending a significant portion of our capital expenditures each year on projects that enhance productivity and improve costs as well as allow us to produce more value-added and typically higher margin products at our existing facilities. The heat treat line at our Hertford County, North Carolina mill became operational in 2010, which has allowed Nucor to grow its presence in higher margin products where greater strength and abrasion resistance is required. The heat treat line allows us to improve the product mix allocation between our two plate mills and four sheet mills to improve margins at those facilities. Also at the Hertford County mill, we commissioned a vacuum tank degasser in 2012, and we expect to begin operating a new normalizing line in 2013. Early in 2012, Nucor announced plans to spend approximately $290 million for projects at our Tennessee, Nebraska and South Carolina bar mills that should expand Nucor s special bar quality (SBQ) and wire rod capacity by one million tons. The projects, which we expect to be completed between the end of 2013 and the first half of 2014, will allow us to produce engineered bar for the most demanding applications while maintaining our market share in commodity bar products by shifting production to our other bar mills. Other planned value-added projects at existing operations include the vacuum tank degasser that began operating at our Hickman, Arkansas mill in late 2012 and the modernization of casting, hot rolling and downstream operations that will allow us to produce wider and lighter gauge hot-rolled and cold-rolled steel products at our Berkeley, South Carolina mill beginning in early 2014.

Executing on our raw materials strategy involves putting the pieces into place to meet our goal of controlling between six and seven million tons of annual capacity in high quality scrap substitutes. Our 2,500,000 metric tons-per-year DRI facility in St. James Parish, Louisiana is scheduled to start-up in mid-2013. Between our existing DRI plant in Trinidad, which we expanded in 2011 to increase the annual capacity from 1,800,000 to 2,000,000 metric tons, and our new facility in Louisiana, we will be approximately two-thirds of the way towards that goal.

The DRI-making process requires significant volumes of natural gas. To provide the new DRI plant in Louisiana with a sustainable advantage from lower natural gas costs, Nucor entered into a long-term, onshore natural gas working interest drilling program in U.S.-based proven reserves with Encana Oil & Gas (USA) Inc.

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(Encana) in 2010. Nucor entered into a second and more significant drilling program with Encana in late 2012. The natural gas produced by these two programs will be sold to offset our exposure to the volatility of the price of natural gas consumed by the Louisiana DRI facility and our other operations. We believe these drilling programs will allow us to better manage our exposure to natural gas pricing volatility and our overall energy demand for our operations.

Growth through greenfield projects has included the construction of our SBQ steel mill in Memphis, Tennessee, which we completed in 2009. We also began commercial production in 2009 at a new facility in Blytheville, Arkansas, which uses breakthrough Castrip® technology to strip cast molten steel into near final shape and thickness with minimal hot or cold rolling. This allows for lower investment and operating costs and reduces the environmental impact of producing steel.

Although the pace at which we have been acquiring other companies has slowed in the past few years, the acquisition of Skyline Steel LLC (Skyline) in 2012 was a notable exception. The Skyline acquisition is an important strategic investment as it pairs Skyline s leadership position in the steel piling distribution market with our Nucor-Yamato Steel Company (Nucor-Yamato) joint venture s position as the market leader in steel piling manufacturing. To build upon the synergies in the piling market serviced by Skyline, Nucor announced that Nucor-Yamato will be expanding to broaden its range of hot-rolled piling products. Upon completion in 2014, this project will add several new sheet piling sections, increasing the single sheet widths by 22% and providing a lighter, stronger sheet covering more area at a lower installed cost.

In 2010, we entered into an agreement with Mitsui & Co. (U.S.A.) to form NuMit LLC (NuMit), in which we own a 50% economic and voting interest. NuMit owns 100% of the equity interest in Steel Technologies LLC (Steel Technologies), which operates 25 sheet processing facilities located throughout the United States, Canada and Mexico. Steel Technologies recently finished construction on a flat-rolled steel processing operation in Celaya, Mexico, that became operational in late 2012. The new 125,000-square-foot facility is equipped with two slitting lines. Additionally, construction is well underway on a new flat-rolled steel processing facility that is expected to open in mid-2013 in the Bajio region of Mexico. These new investments should allow us to capitalize on the rapid growth in the Mexican automotive industry.

Segments

Nucor reports its results in three segments: steel mills, steel products and raw materials. Net sales to external customers, intercompany sales, depreciation expense, amortization expense, earnings before income taxes and noncontrolling interests, assets and capital expenditures by segment for each of the three fiscal years in the three-year period ended December 31, 2012 are set forth in Note 22 of the Notes to Consolidated Financial Statements included in Nucor s 2012 Annual Report, which is hereby incorporated by reference. The steel mills are Nucor s dominant segment representing approximately 69% of the Company s sales to external customers in the fiscal year ended December 31, 2012.

Principal Products Produced

In the steel mills segment, Nucor produces and distributes sheet steel (hot-rolled, cold-rolled and galvanized), plate steel, structural steel (wide-flange beams, beam blanks, H-piling and sheet piling) and bar steel (blooms, billets, concrete reinforcing bar, merchant bar and SBQ). Nucor manufactures steel principally from scrap steel and scrap steel substitutes using electric arc furnaces, continuous casting and automated rolling mills. The steel mills segment also includes Nucor s equity method investments in Duferdofin Nucor S.r.l. and NuMit. In the steel products segment, Nucor produces steel joists and joist girders, steel deck, fabricated concrete reinforcing steel, cold finished steel, steel fasteners, metal building systems, steel grating and expanded metal, and wire and wire mesh. In the raw materials segment, the Company produces DRI; brokers ferrous and nonferrous metals, pig iron, HBI and DRI; supplies ferro-alloys; and processes ferrous and nonferrous scrap metal. The raw materials segment also includes our natural gas working interest drilling programs with Encana and certain equity method investments.

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Markets and Marketing

The steel mills segment sells its products primarily to steel service centers, fabricators and manufacturers located throughout the United States, Canada, Mexico and, increasingly, elsewhere in the world. Nucor produces hot-rolled and cold-rolled sheet steel in standard grades and to customers specifications while maintaining inventories to fulfill anticipated orders. We estimate that slightly more than 55% of our sheet steel sales in 2012 were to contract customers. The balance of our sheet steel sales was made in the spot market at prevailing prices at the time of sale. The proportion of tons sold to contract customers at any given time depends on a variety of factors, including our consideration of current and future market conditions, our strategy to appropriately balance spot and contract tons to maximize profitability, our desire to sustain a diversified customer base, and our end-use customers perceptions about future market conditions. These sheet sales contracts permit price adjustments to reflect changes in prevailing raw material costs and typically have terms ranging from six to twelve months. Steel contract sales outside of our sheet operations are not significant.

Our plate, structural, reinforcing and merchant bar steel come in standard sizes and grades, which allows us to maintain inventory levels of these products to meet our customers expected orders. In addition, our bar mill group manufactures hot-rolled SBQ products to exacting specifications primarily servicing the automotive, energy, agricultural, heavy equipment and transportation sectors. Almost all of our plate, structural, and bar steel sales occur in the spot market at prevailing market prices.

In 2012, we sold approximately 85% of the production by our steel mills segment to external customers. The balance of the steel mill segment s production went to our piling distributor and our downstream joist, deck, rebar fabrication, fastener, metal buildings and cold finish operations.

In the steel products segment, we sell steel joists and joist girders, and steel deck to general contractors and fabricators located throughout the United States and Canada. We make these products to the customers specifications and do not maintain inventories of these finished steel products. The majority of these contracts are firm, fixed-price contracts that are in most cases competitively bid against other suppliers. Longer-term supply contracts may permit us to adjust our prices to reflect changes in prevailing raw materials costs. We sell fabricated reinforcing products only on a construction contract bid basis. These products are used by contractors in constructing highways, bridges, reservoirs, utilities, hospitals, schools, airports, stadiums and high-rise buildings. We manufacture cold finished steel, steel fasteners, steel grating, wire and wire mesh in standard sizes and maintain inventories of these products to fulfill anticipated orders. We sell cold finished steel and steel fasteners primarily to distributors and manufacturers located throughout the United States and Canada.

We market products from the steel mills and steel products segments mainly through in-house sales forces. The markets for these products are largely tied to capital and durable goods spending and are affected by changes in general economic conditions.

In the raw materials segment, we process ferrous and nonferrous scrap metal for use in our steel mills and for sale to various domestic and international external customers. We also broker ferrous and nonferrous metals and scrap substitutes, supply ferro-alloys, and provide transportation, material handling and other services to users of scrap metals. Our primary external customers for ferrous scrap are electric arc furnace steel mills and foundries that use ferrous scrap as a raw material in their manufacturing process. External customers purchasing nonferrous scrap metal include aluminum can producers, secondary aluminum smelters, steel mills and other processors and consumers of various nonferrous metals. We market scrap metal products and related services to our external customers through in-house sales forces. In 2012, approximately 11% of the ferrous and nonferrous metals and scrap substitutes tons we processed were sold to external customers. We used the balance in our steel mills.

Also within the raw materials segment is our existing DRI plant in Trinidad that produces iron inputs exclusively for use in the Nucor mills, our DRI facility that we are constructing in Louisiana, and our working interest drilling programs. All natural gas produced by the working interest drilling programs is and will be sold to outside parties, and as a result the revenues from these sales are a small but increasing amount of our revenues.

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The Company s other operations include international trading companies that buy and sell steel and steel products that Nucor and other steel producers have manufactured.

Backlog

In the steel mills segment, Nucor s backlog of orders was approximately $1.64 billion and $1.80 billion at December 31, 2012 and 2011, respectively. Nucor s backlog of orders in the steel products segment was approximately $1.18 billion and $1.11 billion at December 31, 2012 and 2011, respectively. Order backlogs for the steel mills segment include orders attributable to Nucor s downstream businesses in addition to orders from outside customers. The majority of these orders will be filled within one year. Order backlog within our raw materials segment is not significant because the majority of the raw materials that segment produces are used internally.

Sources and Availability of Raw Materials

The primary raw materials for our steel mills segment are ferrous scrap and scrap substitutes such as pig iron, DRI and HBI. On average, it takes approximately 1.1 tons of scrap and scrap substitutes to produce a ton of steel. As of December 31, 2012, DJJ operated nearly 70 scrap recycling facilities, and our annual scrap processing capability exceeded five million tons. DJJ acquires ferrous scrap from numerous sources including manufacturers of products made from steel, industrial plants, scrap dealers, peddlers, auto wreckers and demolition firms. We purchase pig iron as needed from a variety of sources and operate a DRI plant in Trinidad with a capacity of 2,000,000 metric tons annually. The primary raw material for our DRI facility in Trinidad is iron ore, which we purchase from various international suppliers. We are constructing a second DRI facility in Louisiana with an annual capacity of 2,500,000 metric tons. This Louisiana DRI facility is the first phase of a multi-phase plan that is expected to include additional operations in Louisiana.

In 2010, Nucor entered into an agreement with Encana that involves drilling and completing onshore natural gas wells in U.S.-based proven reserves over an approximate seven-year period that began in June 2010. Nucor entered into a second and more extensive drilling agreement with Encana in late 2012 that is projected to span more than 20 years. Natural gas produced by these working interest drilling programs is being sold to offset our exposure to the volatility of the price of gas consumed by our Louisiana DRI facility. In addition to our natural gas needs at the new DRI facility, Nucor is also a substantial consumer of natural gas at our steel mill operations. The drilling of natural gas wells under the two agreements is expected to provide enough natural gas to equal Nucor s demand at all of its steel mills in the United States plus the demand of two DRI plants or, alternatively, at three DRI plants.

The primary raw material for our steel products segment is steel produced by Nucor s steel mills.

DJJ generally purchases ferrous and nonferrous scrap for sale to external customers from the same variety of sources it purchases ferrous scrap for use as a raw material in Nucor s steel mills. DJJ does not purchase a significant amount of scrap metal from a single source or from a limited number of major sources. The availability and price of ferrous scrap are affected by changes in the global supply and demand for steel and steel products. Ferrous scrap and scrap substitutes are our single largest cost of products sold. A key part of our business strategy is to control a significant portion of the supply of high quality metallics needed to operate our steel mills.

Energy Consumption and Costs

Our steel mills are large consumers of electricity and natural gas. Our DRI facility in Trinidad is, and our Louisiana DRI facility will be, large consumers of natural gas. Consequently, we use a variety of strategies to manage our exposure to price risk of natural gas, including cash flow hedges and our natural gas working interest drilling programs.

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Historically, manufacturers in the United States have benefitted from relatively stable and competitive energy costs that have allowed them to compete on an equal footing in the increasingly global marketplace. The availability and prices of electricity and natural gas are influenced today, however, by many factors including changes in supply and demand, advances in drilling technology and, increasingly, changes in public policy relating to energy production and use. Because energy is such a significant cost of products sold for Nucor, we strive continually to make our operations in all three of our business segments more energy efficient. We also closely monitor developments in public policy relating to energy production and consumption. When appropriate, we work to shape those developments in ways that we believe will allow us to continue to be a competitive producer of steel and steel products in an increasingly competitive global market place.

Competition

We compete in a variety of steel and metal markets, including markets for finished steel products, unfinished steel products, and raw materials. These markets are highly competitive with many domestic and foreign firms participating, and, as a result of this highly competitive environment, we find that we primarily compete on price and service.

Our electric-arc furnace steel mills face many different forms of competition, including integrated steel producers (who use iron ore converted into liquid form in a blast furnace as their basic raw material instead of scrap steel), other electric-arc furnace mills, foreign imports and alternative materials. Large integrated steel producers have the ability to manufacture a wide variety of products but face significantly higher energy costs and are often burdened with higher capital and fixed operating costs. Electric-arc furnace mill producers such as Nucor are sensitive to increases in scrap prices but tend to have lower capital and fixed operating costs compared with integrated steel producers.

Recently we have experienced increased competition in the U.S. sheet steel market stemming from significant domestic capacity increases. Despite the closure of some sheet mill assets in 2012, oversupply is still a significant issue. Also contributing to the excess capacity is the high level of imports that came into our country in 2012. These artificially-priced imports make it very difficult for us to maintain sales prices and profit levels. Our average sales price per ton for sheet products dropped by 12% from the first quarter of 2012 to the fourth quarter of 2012 in response to the increased competition.

Competition from foreign steel and steel product producers presents unique challenges for us. Imported steel and steel products often benefit from government subsidies, either directly or indirectly through government-owned enterprises or government-owned or controlled financial institutions. Foreign imports accounted for approximately 24% of the U.S. steel market in 2012. In particular, competition from steel imported from China, which accounts for more than 45% of the steel produced annually in the world, is a major challenge. Chinese producers, many of whom are government-owned in whole or in part, continue to benefit from their government s manipulation of foreign currency exchange rates and from the receipt of government subsidies, which allow them to sell their products below cost. These distorting trade practices are widely recognized as being unfair and have been challenged successfully as violating world trade rules. Examples of successful challenges include the imposition of antidumping duty orders on imports of line pipe, oil country tubular goods, rebar, cut-to-length plate and hot-rolled sheet from China.

China s aggresive trade practices seriously undermine the ability of the Company and other domestic producers to compete on price when left unchallenged. That country s artificially lowered production costs have significantly contributed to the exodus of manufacturing jobs from the United States. When such a flight occurs, the U.S. economy is weakened and Nucor s customer base is diminished, thereby providing us with fewer opportunities to supply steel to those shuttered businesses. Rigorous trade law enforcement is critical to our ability to maintain our competitive position against foreign producers that engage in unlawful trade practices. Nucor has been active in calling on policymakers to enforce global trade agreements and address the jobs crisis in the United States.

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We also experience competition from other materials. Depending on our customers end use of our products, there are sometimes other materials, such as concrete, aluminum, plastics, composites and wood that compete with our steel products. When the price of steel relative to other raw materials rises, these alternatives become more attractive to our customers.

Competition in our scrap and raw materials business is also vigorous. The scrap metals market consists of many firms and is highly fragmented. Firms typically compete on price and geographic proximity to the sources of scrap metal.

Environmental Laws and Regulations

Our business operations are subject to numerous federal, state and local laws and regulations intended to protect the environment. The principal federal environmental laws include the Clean Air Act (CAA) that regulates air emissions; the Clean Water Act (CWA) that regulates water discharges; the Resource Conservation and Recovery Act (RCRA) that addresses solid and hazardous waste treatment, storage and disposal; and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) that governs releases of, and remediation of sites contaminated by, hazardous substances. Our operations are also subject to state laws and regulations that are patterned on these and other federal laws.

We believe that we are in substantial compliance with the provisions of all federal and state environmental laws and regulations applicable to our business operations. However, both federal and state laws and regulations are becoming increasingly stringent, making compliance with them increasingly expensive and burdensome. In many instances the total costs of compliance are not readily quantifiable because compliance is so engrained in our operating philosophy that these costs are simply considered part of our standard operating procedures.

The United States Environmental Protection Agency (USEPA) has proposed or promulgated many new national ambient air quality standards and toxic air emissions rules for which it has recently or not yet issued guidance or compliance deadlines. While we begin immediately to plan for compliance with such standards and rules, we cannot fully assess their impact on our operations until the guidance has been fully developed or issued and compliance deadlines have been established. In other cases where environmental regulations are proposed or promulgated that may regulate previously unregulated aspects of our operations, it is impossible for us to fully determine the impact of these regulations until protracted legal challenges have been concluded and USEPA or other regulatory agencies have developed and issued technical guidance. Despite this atmosphere of regulatory uncertainty, at this time we do not believe that compliance with these new environmental regulations will have a material adverse effect on our results of operations, cash flows or financial condition.

The CAA imposes stringent limits on air emissions with a federally mandated operating permit program administered by the states with civil and criminal enforcement sanctions. Each of our steel mills is required to operate in compliance with its permit or potentially incur sanctions for failing to do so. Our Louisiana DRI facility under construction was permitted under the CAA in January 2011. This permit included an evaluation and determination of Best Available Control Technology (BACT) for USEPA s new Greenhouse Gasses (GHGs) rule. Because of the size of our steelmaking operations, they are also subject to these new GHG regulations and will be required to do GHG BACT evaluations if their permits are modified in the future. There is still uncertainty and very little guidance from USEPA as to what is or may be considered GHG BACT for steelmaking operations. Our operations are currently properly permitted, and we will not need to make these determinations unless and until these permits are modified. Based on current guidance, we do not expect these requirements to have a material adverse effect on our results of operations, cash flows or financial condition.

Nucor uses electric arc furnaces (EAF) to recycle scrap metal into new steel products. These EAFs use electricity as their primary source of energy. As the new GHG regulations, air toxics rules and other new environmental regulations are imposed on electric utilities, it is reasonable to expect that the cost of electricity produced by these utilities will increase. See Item 1A Risk Factors for more information about the potential impact of GHG regulations on Nucor s business.

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The CWA regulates water discharges and withdrawals. Nucor maintains discharge and withdrawal permits as appropriate at its facilities under the national pollutant discharge elimination system program of the CWA and conducts its operations in compliance with those permits. Nucor also maintains permits from local governments for the discharge of water into publicly owned treatment works where available.

RCRA establishes standards for the management of solid and hazardous wastes. RCRA also addresses the environmental impact of contamination from waste disposal activities and from recycling of and storage of most wastes. While Nucor believes it is in substantial compliance with these regulations, past waste disposal activities that were legal when conducted but now may pose a contamination threat are periodically discovered. These and off-site properties that USEPA has determined are contaminated, for which Nucor may be potentially responsible at some level, are quickly evaluated and corrected. While Nucor has conducted and is in the final stages of completing some cleanups under RCRA, these liabilities either are identified already and being resolved or have been fully resolved.

Because Nucor long ago implemented environmental practices that have resulted in the responsible disposal of waste materials, Nucor is also not presently considered a major contributor to any major cleanups under CERCLA for which Nucor has been named a potentially responsible party. Nucor continually evaluates these types of potential liabilities and, if appropriate, maintains reserves sufficient to remediate the identified liabilities. Under RCRA, private citizens may also bring an action against the operator of a regulated facility for potential damages and payment of cleanup costs. Nucor is confident that its system of internal evaluation and due diligence has sufficiently identified these types of potential liabilities so that compliance with these regulations will not have a material adverse effect on our results of operations, cash flows or financial condition beyond that already reflected in the reserves established for them.

The primary raw material of Nucor s steelmaking operations is scrap metal. The process of recycling scrap metal brings with it many contaminants such as paint, zinc, chrome and other metals that produce air emissions which are captured in specialized emission control equipment. This filtrant (EAF dust) is classified as a listed hazardous waste under the RCRA. Because these contaminants contain valuable metals, this filtrant is recycled to recover those metals. Nucor sends all but a small fraction of the EAF dust it produces to recycling facilities that recover the zinc, lead, chrome and other valuable metals from this dust. By recycling this material, Nucor is not only acting in a sustainable, responsible manner but is also substantially limiting its potential for future liability under both CERCLA and RCRA.

Nucor operates an aggressive and sustainable environmental program that incorporates the concept of individual employee as well as management responsibility for environmental performance. All of Nucor s steelmaking operations are ISO 14001 certified. Achieving ISO 14001 certification means that each of Nucor s steel mills has put an environmental management system in place with measurable targets and objectives, such as reducing the use of oil and grease and minimizing electricity use, and has implemented site-wide recycling programs. These environmental management systems make environmental commitment each Nucor teammate s responsibility. Nucor s environmental program maintains a high level of training, commitment, outreach and visibility.

Capital expenditures at our facilities that are associated with environmental regulation compliance for 2013 and 2014 are estimated to be less than $100 million per year.

Employees

Nucor has a simple, streamlined organizational structure to allow our employees to make quick decisions and be innovative. Our organization is highly decentralized, with most day-to-day operating decisions made by our division general managers and their staff. We have fewer than 100 employees in our executive office. The majority of Nucor s 22,200 employees are not represented by labor unions.

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Available Information

Nucor s annual report on Form 10-K, quarterly reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports, are available on our website at www.nucor.com, as soon as reasonably practicable after Nucor files these reports electronically with, or furnishes them to, the Securities and Exchange Commission (SEC). Except as otherwise stated in these reports, the information contained on our website or available by hyperlink from our website is not incorporated into this Annual Report on Form 10-K or other documents we file with, or furnish to, the SEC.

Item 1A. Risk Factors

Many of the factors that affect our business and operations involve risk and uncertainty. The factors described below are some of the risks that could materially negatively affect our business, financial condition and results of operations.

Recovery from the global recession and credit crisis has and likely will continue to adversely affect our business.

The sluggish pace of the recovery from the deep global recession that began in the United States in December 2007 and officially ended in June 2009 is continuing to have an adverse effect on demand for our products and consequently the results of our operations, financial condition and cash flows. In addition, uncertainties in Europe regarding the financial sector and sovereign debt and the potential impact on banks in other regions of the world will continue to weigh on global and domestic growth.

Although domestic credit markets have largely stabilized from the height of the financial crisis in the fourth quarter of 2008 and the first half of 2009, the effects of the financial crisis continue to present additional risks to us, our customers and suppliers. In particular, there is no guarantee that the credit markets or liquidity will not once again be restricted. Additionally, stricter lending standards have made it more difficult and costly for some firms to access the credit markets. Although we believe we have adequate access to several sources of contractually committed borrowings and other available credit facilities, these risks could temporarily restrict our ability to borrow money on acceptable terms in the credit markets and potentially could affect our ability to draw on our credit facility. In addition, restricted access to the credit markets is also continuing to make it difficult or, in some cases, impossible for our customers to borrow money to fund their operations. Lack of, or limited access to, capital would adversely affect our customers ability to purchase our products or, in some cases, to pay for our products on a timely basis.

Long-term unemployment for those unemployed for more than six months remains at historically high levels and the housing market and nonresidential construction market remain depressed. High unemployment and a weak housing market have an impact on downstream demand for many of our products. Additionally, nonresidential construction, including publicly financed state and municipal projects, has slowed significantly due to overcapacity of commercial properties and the reluctance of state and local governments to borrow to spend on capital projects when their operating expenses are in many cases growing faster than their revenues from taxes and other sources.

Our industry is cyclical and both recessions and prolonged periods of slow economic growth could have a material adverse effect on our business.

Demand for most of our products is cyclical in nature and sensitive to general economic conditions. Our business supports cyclical industries such as the commercial construction, energy, appliance and automotive industries. As a result, downturns in the United States economy or any of these industries could materially adversely affect our results of operations, financial condition and cash flows. The global economic recession of 2008-2009 and subsequent anemic economic recovery period, coupled with the lingering effects of the global financial and credit market disruptions, have had a historic negative impact on the steel industry and Nucor. These events contributed to an unprecedented decline in pricing for steel and steel products, weak end-markets

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and continued depressed demand, resulting in extraordinary volatility in our financial results since the last up-cycle. In 2009, we reported a net loss of $293.6 million, the first in the Company s history. Although we have since returned to profitability, the economic outlook remains uncertain both in the United States and globally. While we believe that the long-term prospects for the steel industry remain bright, we are unable to predict the duration of the depressed economic conditions that are contributing to reduced demand for our products. Future economic downturns or a prolonged slow-growth or stagnant economy could materially adversely affect our business, results of operations, financial condition and cash flows.

Overcapacity in the global steel industry could increase the level of steel imports, which may negatively affect our business, results of operations and cash flows.

Global steelmaking capacity exceeds global consumption of steel products. During periods of global economic weakness this overcapacity is amplified because of weaker global demand. This excess capacity often results in manufacturers in certain countries exporting significant amounts of steel and steel products at prices that are at or below their costs of production. In some countries the steel industry is subsidized or owned in whole or in part by the government, giving imported steel from those countries certain cost advantages. These imports, which are also affected by demand in the domestic market, international currency conversion rates and domestic and international government actions, can result in downward pressure on steel prices, which could materially adversely affect our business, results of operations, financial condition and cash flows. Over capacity has also led to greater protectionism as is evident in raw material and finished product border tariffs put in place by China, Brazil and other countries.

In particular, steel production in China, the world s largest producer and consumer of steel, continues to exceed Chinese demand. This rising overcapacity in China has the potential to result in a further increase in imports of artificially low-priced steel and steel products to the United States that could put our steel products at a competitive disadvantage. A continuation of this unbalanced growth trend or a significant decrease in China s rate of economic expansion could result in increasing steel exports from China.

The recent addition of new capacity and expansion or restarting of existing sheet steel production in the United States has exacerbated this issue domestically as well as globally.

Competition from other producers, imports or alternative materials may have a material adverse effect on our business.

We face strong competition from other steel producers and imports that compete with our products on price and service. The steel markets are highly competitive and a number of firms, domestic and foreign, participate in the steel and raw materials markets. Depending on a variety of factors, including raw materials, energy, labor and capital costs, government control of currency exchange rates and government subsidies of foreign steel producers, our business may be materially adversely affected by competitive forces.

In many applications, steel competes with other materials, such as concrete, aluminum, composites, plastic and wood. Increased use of these materials in substitution for steel products could have a material adverse effect on prices and demand for our steel products.

In 2011, automobile producers began taking steps towards complying with new Corporate Average Fuel Economy (CAFE) mileage requirements for new cars and light trucks that they produce. As automobile producers work to produce vehicles in compliance with these new standards, they may reduce the amount of steel in cars and trucks to improve fuel economy, thereby reducing demand for steel and resulting in further over-supply of steel in North America.

The results of our operations are sensitive to volatility in steel prices and the cost of raw materials, particularly scrap steel.

We rely to an extent on outside vendors to supply us with raw materials, including both scrap and scrap substitutes, that are critical to the manufacture of our products. Although we have vertically integrated our business

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by constructing our DRI facilities in Trinidad and Louisiana and also acquiring DJJ, we still must purchase most of our primary raw material, steel scrap, from numerous other sources located throughout the United States. Although we believe that the supply of scrap and scrap substitutes is adequate to operate our facilities, prices of these critical raw materials are volatile and are influenced by changes in scrap exports in response to changes in the scrap demands of our global competitors. At any given time, we may be unable to obtain an adequate supply of these critical raw materials with price and other terms acceptable to us. The availability and prices of raw materials may also be negatively affected by new laws and regulations, allocation by suppliers, interruptions in production, accidents or natural disasters, changes in exchange rates, worldwide price fluctuations, and the availability and cost of transportation. Many countries that export steel into our markets restrict the export of scrap, protecting the supply chain of some foreign competitors. This trade practice creates artificial competitive advantage for foreign producers that could limit our ability to compete in the U.S. market.

If our suppliers increase the prices of our critical raw materials, we may not have alternative sources of supply. In addition, to the extent that we have quoted prices to our customers and accepted customer orders for our products prior to purchasing necessary raw materials, we may be unable to raise the price of our products to cover all or part of the increased cost of the raw materials, although we have successfully used a raw material surcharge in the steel mills segment since 2004. Also, if we are unable to obtain adequate and timely deliveries of our required raw materials, we may be unable to timely manufacture sufficient quantities of our products. This could cause us to lose sales, incur additional costs and suffer harm to our reputation.

Changes in the availability and cost of electricity and natural gas are subject to volatile market conditions that could adversely affect our business.

Our steel mills are large consumers of electricity and natural gas. In addition, our DRI facilities are also large consumers of natural gas. We rely upon third parties for our supply of energy resources consumed in the manufacture of our products. The prices for and availability of electricity, natural gas, oil and other energy resources are subject to volatile market conditions. These market conditions often are affected by weather, political and economic factors beyond our control, and we may be unable to raise the price of our products to cover increased energy costs. Disruptions in the supply of our energy resources could temporarily impair our ability to manufacture our products for our customers. Increases in our energy costs resulting from regulations that are not equally applicable across the entire global steel market could materially adversely affect our business, results of operations, financial condition and cash flows.

A substantial or extended decline in natural gas prices could have a material adverse effect on our natural gas working interest drilling programs.

The financial performance and condition of our natural gas drilling programs are substantially dependent on the prevailing prices of natural gas and liquids. Fluctuations in natural gas or liquids prices could have an adverse effect on the Company s natural gas operations and financial condition and the value and recovery of its reserves in the working interest drilling programs. Prices for natural gas and liquids fluctuate in response to changes in the supply and demand for natural gas and oil, market uncertainty and a variety of additional factors beyond the Company s control. A substantial or extended decline in the price of natural gas could result in a delay or cancellation of existing or future drilling programs or curtailment in production at some properties, all of which could have an adverse effect on the Company s revenues, profitability and cash flows.

Our steelmaking and DRI processes, and the manufacturing processes of many of our suppliers and customers, are energy intensive and generate carbon dioxide and other GHGs, and regulation of GHGs, through new regulations or legislation in an onerous form, could have a material adverse impact on our results of operations, financial condition and cash flows.

Carbon is an essential raw material in Nucor s production processes. As a carbon steel producer, Nucor will be increasingly affected both directly and indirectly as GHG regulations are further implemented. Because these operations are subject to most of these new GHG regulations, we have already begun to feel the impact in the

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permit modification and reporting processes. Both GHG regulations and recently promulgated National Ambient Air Quality Standards (NAAQS), which are more restrictive than previous standards, make it significantly more difficult to obtain new permits and to modify existing permits. If one of our permits is revoked or if we experience significant delays in obtaining a permit modification, we could experience operational delays at one or more of our facilities, causing a negative impact on our results of operations and cash flows.

These same regulations have indirectly increased the costs to manufacture our products as they have increased the cost of energy, primarily electricity, which we use extensively in the steelmaking process. The discovery of new natural gas reserves utilizing the practice of horizontal drilling and hydraulic fracturing is dampening some of this indirect impact, as some utilities switch fuels to natural gas from coal thereby reducing their emissions significantly. To the extent that these regulations cause an increase in the cost of energy, they will have an impact on Nucor s ability to compete.

The USEPA continues to press forward with new regulations that control GHG and other NAAQS pollutants. Most of these and other related regulations are already, or we expect will shortly be, challenged in court. Until all proposed GHG emission regulations are adopted in final form and all legal challenges are resolved, we cannot reliably estimate their full impact on our financial condition, operating performance or ability to compete. Because some foreign steel producers are not subject to these same indirect cost increases, our products could be at a further competitive disadvantage. In addition to increased costs of production, we could also incur costs to defend and resolve legal claims and other litigation related to new air and water quality regulations and the alleged impact of our operations on climate change.

Environmental compliance and remediation could result in substantially increased costs and materially adversely impact our competitive position.

Our operations are subject to numerous federal, state and local laws and regulations relating to protection of the environment, and we, accordingly, make provision in our financial statements for the estimated costs of compliance. These laws are becoming increasingly stringent, resulting in inherent uncertainties in these estimates. To the extent that competitors, particularly foreign steel producers and manufacturers of competitive products, are not required to incur equivalent costs, our competitive position could be materially adversely impacted.

Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.

Congress has considered legislation to amend the federal Safe Drinking Water Act to require the disclosure of chemicals used by the oil and natural gas industry in the hydraulic fracturing process, and other legislation regulating hydraulic fracturing has been considered, and in some cases adopted, at various levels of government. Hydraulic fracturing is an important and commonly used process in the completion of unconventional natural gas wells in shale and tight sand formations, including all of those in our drilling program. This process involves the injection of water, chemicals and, at times, sand under pressure into rock formations to stimulate the production of natural gas, oil and natural gas liquids. Sponsors of these bills have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies and/or that hydraulic fracturing could pose a variety of other risks. Any onerous governmental regulations could lead to operational delays, increased operating costs that could make it more difficult to perform hydraulic fracturing and possibly even the cessation of drilling.

We plan to continue to implement our acquisition strategy and may encounter difficulties in integrating businesses we acquire.

We plan to continue to seek attractive opportunities to acquire businesses, enter into joint ventures and make other investments that are complementary to our existing strengths. Realizing the anticipated benefits of acquisitions or other transactions will depend on our ability to operate these businesses and integrate them with our operations and to cooperate with our strategic partners. Our business, results of operations, financial condition and cash flows could be materially adversely affected if we are unable to successfully integrate these businesses.

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In addition, we may enter into joint ventures or acquisitions located outside the U.S., which may be adversely affected by foreign currency fluctuations, changes in economic conditions and changes in local government regulations and policies.

Our operations are subject to business interruptions and casualty losses.

The steelmaking business is subject to numerous inherent risks, particularly unplanned events such as explosions, fires, other accidents, natural or man-made disasters, acts of terrorism, inclement weather and transportation interruptions. While our insurance coverage could offset losses relating to some of those types of events, our results of operations and cash flows could be adversely impacted to the extent any such losses are not covered by our insurance.

Our business requires substantial capital investment and maintenance expenditures, and our capital resources may not be adequate to provide for all of our cash requirements.

Our operations are capital intensive. For the five-year period ended December 31, 2012, our total capital expenditures, excluding acquisitions, were approximately $3.23 billion. Our business also requires substantial expenditures for routine maintenance. Although we expect requirements for our business needs, including the funding of capital expenditures, debt service for financings and any contingencies, will be financed by internally generated funds or from borrowings under our $1.5 billion unsecured revolving credit facility, we cannot assure you that this will be the case. Additional acquisitions could require financing from external sources.

Changes in foreign currency may adversely affect our financial results.

Because of our international expansion efforts, we are increasingly exposed to changes in foreign exchange rates. Generally, each of our foreign operations both produces and sells in its local currency, limiting our exposure to foreign currency transactions. We monitor our exposures and, from time to time, may use forward currency contracts to hedge certain forecasted currency transactions. In addition to potential transaction losses, our reported results of operations and financial position could be negatively affected by exchange rates when the activities and balances of our foreign operations are translated into U.S. dollars for financial reporting purposes.

The accounting treatment of equity method investments, goodwill and other long-lived assets could result in future asset impairments, which would reduce our earnings.

We periodically test our equity method investments, goodwill and other long-lived assets to determine whether their estimated fair value is less than their value recorded on our balance sheet. The results of this testing for potential impairment may be adversely affected by the continuing uncertain market conditions for the steel industry, as well as changes in interest rates and general economic conditions. If we determine that the fair value of any of these long-lived assets is less than the value recorded on our balance sheet, and in the case of equity method investments the decline is other than temporary, we would likely incur a non-cash impairment loss that would negatively impact our results of operations.

Tax increases and changes in tax rules could adversely affect our financial results.

The steel industry and our business are sensitive to changes in taxes. As a company based in the U.S., Nucor is more exposed to the effects of changes in U.S. tax laws than some of our major competitors. Our provision for income taxes and cash tax liability in the future could be adversely affected by changes in U.S. tax laws. Potential changes that would adversely affect us include, but are not limited to, current proposals for corporate tax reform which would lower tax rates and eliminate most tax expenditures (repealing LIFO (last-in, first-out treatment of inventory), accelerated depreciation, and the domestic production activity deduction) and decreasing the ability of U.S. companies to receive a tax credit for foreign taxes paid or to defer the U.S. deduction of expenses in connection with investments made in other countries.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

We own all of our principal operating facilities. These facilities, by segment, are as follows:

Location	Approximate square footage of facilities	Principal products
Steel mills:		
Blytheville, Arkansas	2,560,000	Steel shapes, flat-rolled steel
Berkeley County, South Carolina	2,170,000	Flat-rolled steel, steel shapes
Decatur, Alabama	2,000,000	Flat-rolled steel
Crawfordsville, Indiana	1,880,000	Flat-rolled steel
Hickman, Arkansas	1,450,000	Flat-rolled steel
Norfolk, Nebraska	1,440,000	Steel shapes
Plymouth, Utah	1,190,000	Steel shapes
Hertford County, North Carolina	1,110,000	Steel plate
Jewett, Texas	1,080,000	Steel shapes
Darlington, South Carolina	940,000	Steel shapes
Seattle, Washington	640,000	Steel shapes
Memphis, Tennessee	570,000	Steel shapes
Auburn, New York	450,000	Steel shapes
Marion, Ohio	440,000	Steel shapes
Kankakee, Illinois	430,000	Steel shapes
Jackson, Mississippi	410,000	Steel shapes
Kingman, Arizona	380,000	Steel shapes
Tuscaloosa, Alabama	370,000	Steel plate
Birmingham, Alabama	280,000	Steel shapes
Wallingford, Connecticut	240,000	Steel shapes
Steel products:		
Norfolk, Nebraska	1,080,000	Joists, deck, cold finished bar
Brigham City, Utah	730,000	Joists, cold finished bar
Grapeland, Texas	680,000	Joists, deck
St. Joe, Indiana	550,000	Joists, deck
Chemung, New York	550,000	Joists, deck
Florence, South Carolina	540,000	Joists, deck
Fort Payne, Alabama	470,000	Joists, deck

Our steel mills segment also includes Skyline, our steel foundation distributor with U.S. manufacturing facilities in seven states and one facility in Canada. Additionally, we have a distribution center in Pompano Beach, Florida.

In the steel products segment, we have 77 additional operating facilities in 37 states and 28 operating facilities in Canada. Our affiliate, Harris Steel, also operates multiple sales offices in Canada and certain other foreign locations.

In the raw materials segment, DJJ has 76 operating facilities in 16 states along with multiple brokerage offices in the U.S. and certain other foreign locations. Nucor s raw materials segment also includes our DRI facilities. Nucor has a DRI facility in operation in Point Lisas, Trinidad, and a DRI facility under construction in St. James Parish, Louisiana. A significant portion of the DRI production process occurs outdoors. The Trinidad site including leased land is approximately 1.84 million square feet. The Louisiana site, which is expected to begin operations in mid-2013, has approximately 169.8 million square feet of owned land with buildings under construction that will total approximately 72,000 square feet when completed.

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During 2012, the average utilization rates of all operating facilities in the steel mills, steel products and raw materials segments were approximately 74%, 60% and 63% of production capacity, respectively.

We also own our principal executive office in Charlotte, North Carolina.

Item 3. Legal Proceedings

Nucor has been named, along with other major steel producers, as a co-defendant in several related antitrust class-action complaints filed by Standard Iron Works and other steel purchasers in the United States District Court for the Northern District of Illinois. The majority of these complaints were filed in September and October of 2008, with two additional complaints being filed in July and December of 2010. Two of these complaints have been voluntarily dismissed and are no longer pending. The plaintiffs allege that from April 1, 2005 through December 31, 2007, eight steel manufacturers, including Nucor, engaged in anticompetitive activities with respect to the production and sale of steel. The plaintiffs seek monetary and other relief. Although we believe the plaintiffs claims are without merit and will vigorously defend against them, we cannot at this time predict the outcome of this litigation or estimate the range of Nucor s potential exposure.

Nucor is involved in various other judicial and administrative proceedings as