

COMMERCIAL METALS CO
Form 10-Q
June 29, 2015

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, 2015

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 1-4304

COMMERCIAL METALS COMPANY
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
6565 N. MacArthur Blvd.
Irving, Texas 75039
(Address of Principal Executive Offices) (Zip Code)
(214) 689-4300
(Registrant's Telephone Number, Including Area Code)

75-0725338
(I.R.S. Employer
Identification Number)

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 in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of common stock as of June 25, 2015 was 115,602,102.

COMMERCIAL METALS COMPANY AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMMERCIAL METALS COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

(in thousands, except share data)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales	\$1,506,002	\$1,738,593	\$4,577,109	\$4,953,129
Costs and expenses:				
Cost of goods sold	1,270,044	1,560,174	3,933,516	4,455,481
Selling, general and administrative expenses	110,347	121,402	333,332	336,334
Interest expense	20,519	18,849	58,828	57,234
	1,400,910	1,700,425	4,325,676	4,849,049
Earnings from continuing operations before income taxes	105,092	38,168	251,433	104,080
Income taxes	37,964	13,700	84,252	32,657
Earnings from continuing operations	67,128	24,468	167,181	71,423
Earnings (loss) from discontinued operations before income taxes (benefit)	(10,871	) (1,042	) (20,241	) 17,969
Income taxes (benefit)	(424	) (137	) (445	) 8,766
Earnings (loss) from discontinued operations	(10,447	) (905	) (19,796	) 9,203
Net earnings	56,681	23,563	147,385	80,626
Less net earnings attributable to noncontrolling interests	—	—	—	1
Net earnings attributable to CMC	\$56,681	\$23,563	\$147,385	\$80,625
Basic earnings (loss) per share attributable to CMC:				
Earnings from continuing operations	\$0.58	\$0.21	\$1.43	\$0.61
Earnings (loss) from discontinued operations	(0.09	) (0.01	) (0.17	) 0.08
Net earnings	\$0.49	\$0.20	\$1.26	\$0.69
Diluted earnings (loss) per share attributable to CMC:				
Earnings from continuing operations	\$0.58	\$0.21	\$1.42	\$0.60
Earnings (loss) from discontinued operations	(0.09	) (0.01	) (0.17	) 0.08
Net earnings	\$0.49	\$0.20	\$1.25	\$0.68
Cash dividends per share	\$0.12	\$0.12	\$0.36	\$0.36
Average basic shares outstanding	115,742,534	117,705,133	116,807,469	117,400,198
Average diluted shares outstanding	116,759,215	118,769,675	117,871,228	118,521,816
See notes to unaudited consolidated financial statements.				

COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net earnings	\$56,681	\$23,563	\$147,385	\$80,626
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustment and other	(4,588	) 655	(75,851	) 28,840
Net unrealized gain (loss) on derivatives:				
Unrealized holding gain (loss), net of income taxes of \$(55), \$110, \$(1,178) and \$(434)	54	390	(2,371	) (1,653
Reclassification for loss (gain) included in net earnings, net of income taxes of \$469, \$(50), \$886 and \$258	804	(103	) 1,570	1,259
Net unrealized gain (loss) on derivatives, net of income taxes of \$414, \$60, \$(292) and \$(176)	858	287	(801	) (394
Defined benefit obligation:				
Net gain, net of income taxes of \$0, \$0, \$4 and \$296	—	—	8	550
Amortization of prior services, net of income taxes of \$(1), \$(1), \$(2) and \$(2)	(3	) (2	) (9	) (6
Defined benefit obligation, net of income taxes of \$(1), \$(1), \$2 and \$294	(3	) (2	) (1	) 544
Other comprehensive income (loss)	(3,733	) 940	(76,653	) 28,990
Comprehensive income	\$52,948	\$24,503	\$70,732	\$109,616

See notes to unaudited consolidated financial statements.

COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share data)	May 31, 2015	August 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$381,006	\$434,925
Accounts receivable (less allowance for doubtful accounts of \$7,498 and \$5,908)	987,146	1,028,425
Inventories, net	944,611	935,411
Current deferred tax assets	32,656	49,455
Other current assets	98,525	105,575
Assets of businesses held for sale	69,682	—
Total current assets	2,513,626	2,553,791
Property, plant and equipment:		
Land	75,106	79,295
Buildings and improvements	488,551	494,842
Equipment	1,678,828	1,728,425
Construction in process	34,612	30,591
	2,277,097	2,333,153
Less accumulated depreciation and amortization	(1,405,070)	(1,408,055)
	872,027	925,098
Goodwill	73,762	74,319
Other noncurrent assets	120,311	135,312
Total assets	\$3,579,726	\$3,688,520
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable-trade	\$294,226	\$423,807
Accounts payable-documentary letters of credit	166,717	125,053
Accrued expenses and other payables	277,071	322,000
Notes payable	4,796	12,288
Current maturities of long-term debt	9,753	8,005
Liabilities of businesses held for sale	28,863	—
Total current liabilities	781,426	891,153
Deferred income taxes	60,338	55,600
Other long-term liabilities	105,303	112,134
Long-term debt	1,279,369	1,281,042
Total liabilities	2,226,436	2,339,929
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.01 per share; authorized 200,000,000 shares; issued 129,060,664 shares; outstanding 115,601,037 and 117,829,262 shares	1,290	1,290
Additional paid-in capital	363,458	359,338
Accumulated other comprehensive loss	(96,162)	(19,509)
Retained earnings	1,331,167	1,225,855
Less treasury stock, 13,459,627 and 11,231,402 shares at cost	(246,612)	(218,494)
Stockholders' equity attributable to CMC	1,353,141	1,348,480
Stockholders' equity attributable to noncontrolling interests	149	111
Total stockholders' equity	1,353,290	1,348,591
Total liabilities and stockholders' equity	\$3,579,726	\$3,688,520
See notes to unaudited consolidated financial statements.		

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

(in thousands)	Nine Months Ended May 31,	
	2015	2014
Cash flows from (used by) operating activities:		
Net earnings	\$ 147,385	\$ 80,626
Adjustments to reconcile net earnings to cash flows from (used by) operating activities:		
Depreciation and amortization	99,829	101,130
Provision for losses on receivables, net	2,525	(1,705)
Stock-based compensation	18,288	16,054
Amortization of interest rate swaps termination gain	(5,698)	(5,698)
Deferred income taxes	26,396	28,560
Tax benefits from stock plans	(122)	(625)
Net gain on sale of a subsidiary and other	(1,737)	(28,032)
Write-down of inventory	11,697	—
Asset impairment	3,390	1,227
Changes in operating assets and liabilities:		
Accounts receivable	90,412	(59,479)
Accounts receivable sold, net	(98,033)	124,415
Inventories	(111,675)	(176,766)
Other assets	11,055	(18,486)
Accounts payable, accrued expenses and other payables	(129,322)	38,328
Other long-term liabilities	(5,601)	(5,244)
Net cash flows from (used by) operating activities	58,789	94,305
Cash flows from (used by) investing activities:		
Capital expenditures	(75,976)	(67,718)
Proceeds from the sale of property, plant and equipment and other	10,143	6,773
Proceeds from the sale of a subsidiary	2,354	52,276
Net cash flows from (used by) investing activities	(63,479)	(8,669)
Cash flows from (used by) financing activities:		
Documentary letters of credit, net change	51,722	2,985
Short-term borrowings, net change	(7,492)	(1,333)
Repayments on long-term debt	(8,038)	(4,826)
Stock issued under incentive and purchase plans, net of forfeitures	(1,389)	(860)
Treasury stock acquired	(41,806)	—
Cash dividends	(42,073)	(42,290)
Tax benefits from stock plans	122	625
Decrease in restricted cash	3,630	18,037
Contribution from (purchase of) noncontrolling interests	38	(37)
Payments for debt issuance costs	—	(430)
Net cash flows from (used by) financing activities	(45,286)	(28,129)
Effect of exchange rate changes on cash	(3,943)	933
Increase (decrease) in cash and cash equivalents	(53,919)	58,440
Cash and cash equivalents at beginning of year	434,925	378,770
Cash and cash equivalents at end of period	\$381,006	\$437,210

Supplemental information:

Noncash activities:

Capital lease additions and changes in accounts payable related to purchases of property, plant and equipment	\$ 11,882	\$ 9,143
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See notes to unaudited consolidated financial statements.

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

(in thousands, except share data)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income Retained Earnings (Loss)		Treasury Stock		Non- controlling Interests	Total
	Number of Shares	Amount		Number of Shares	Amount				
Balance, September 1, 2013	129,060,664	\$1,290	\$363,772	\$(27,176)	\$1,166,732	(12,049,674)	\$(234,619)	\$156	\$1,270,155
Net earnings					80,625			1	80,626
Other comprehensive income				28,990					28,990
Cash dividends (\$0.36 per share)					(42,290)				(42,290)
Issuance of stock under incentive and purchase plans, net of forfeitures			(15,505)			745,917	14,645	(860)	
Stock-based compensation			13,437						13,437
Tax benefits from stock plans			625						625
Contribution of noncontrolling interest			31					(68)	(37)
Balance, May 31, 2014	129,060,664	\$1,290	\$362,360	\$1,814	\$1,205,067	(11,303,757)	\$(219,974)	\$89	\$1,350,646

(in thousands, except share data)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income Retained Earnings (Loss)		Treasury Stock		Non- controlling Interests	Total
	Number of Shares	Amount		Number of Shares	Amount				
Balance, September 1, 2014	129,060,664	\$1,290	\$359,338	\$(19,509)	\$1,225,855	(11,231,402)	\$(218,494)	\$111	\$1,348,591
Net earnings					147,385				147,385
Other comprehensive loss				(76,653)					(76,653)
Cash dividends (\$0.36 per share)					(42,073)				(42,073)
Treasury stock acquired						(2,902,218)	(41,806)		(41,806)
Issuance of stock under incentive and purchase plans, net of forfeitures			(15,077)			673,993	13,688	(1,389)	

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Stock-based compensation	15,127								15,127
Tax benefits from stock plans	122								122
Contribution of noncontrolling interest							38		38
Reclassification of share-based liability awards	3,948								3,948
Balance, May 31, 2015	129,060,664	\$1,290	\$363,458	\$(96,162)	\$1,331,167	(13,459,627)	\$(246,612)	\$149	\$1,353,290

See notes to unaudited consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
NOTE 1. ACCOUNTING POLICIES

Accounting Principles

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 Annual Report on Form 10-K for the fiscal year ended August 31, 2014 filed by Commercial Metals Company ("CMC", and together with its consolidated subsidiaries, the "Company") with the Securities and Exchange Commission ("SEC") and include all normal recurring adjustments necessary to present fairly the consolidated balance sheets and the consolidated statements of earnings, comprehensive income, cash flows and stockholders' equity for the periods indicated. These notes should be read in conjunction with the audited consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended August 31, 2014. The results of operations for the three and nine month periods are not necessarily indicative of the results to be expected for the full year.

Recent Accounting Pronouncements

In the first quarter of fiscal 2015, the Company adopted guidance issued by the Financial Accounting Standards Board ("FASB") requiring an entity to net an unrecognized tax benefit with a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

In the first quarter of fiscal 2015, the Company adopted guidance issued by the FASB requiring an entity to release any related cumulative translation adjustment into net income when it either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, the guidance resolves the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

In the first quarter of fiscal 2015, the Company adopted guidance issued by the FASB requiring an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The guidance also requires entities to disclose the nature and amount of the obligation as well as other information about the obligation. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued guidance clarifying the circumstances under which an entity would account for fees paid in a cloud computing arrangement as a license of internal-use software. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued guidance requiring an entity to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued guidance modifying the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities. This guidance also eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships. This guidance is effective for fiscal years, and interim reporting periods therein, beginning after December 15, 2015 with early adoption permitted. Entities may elect to apply this guidance either on a retrospective or a modified retrospective basis. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In January 2015, the FASB issued guidance eliminating the concept of extraordinary items. Under this guidance an entity will no longer be allowed to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is unusual in nature and occurs infrequently. This guidance is effective for fiscal years, and interim reporting periods therein, beginning after December 15, 2015 with early adoption permitted. Upon adoption, an entity may elect prospective or retrospective application. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2014, the FASB issued guidance requiring management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern and to provide disclosures in certain circumstances. The new guidance was issued to reduce diversity in the timing and content of footnote disclosures. This guidance is effective for fiscal years, and interim reporting periods therein, beginning after December 15, 2016. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2014, the FASB issued guidance providing a measurement alternative to the existing fair value measurement guidance for reporting entities that consolidate a collateralized financing entity in which (1) the financial assets and financial liabilities are measured at fair value except for those incidental financial assets and financial liabilities with their carrying values that approximate fair values and (2) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. When the measurement alternative is elected, the financial assets and liabilities of a collateralized financing entity will be measured using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. This guidance is effective for public business entities for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted as of the beginning of an annual period. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In June 2014, the FASB issued guidance requiring entities to account for a performance target as a performance condition if the target affects vesting and could be achieved after the requisite service period. The new guidance did not introduce additional disclosure requirements and was issued to resolve diversity in practice. This guidance is effective for fiscal years, and interim reporting periods therein, beginning after December 15, 2015. The Company currently accounts for such performance targets in a manner consistent with the new guidance and does not expect this guidance to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued guidance requiring entities to recognize revenue from contracts with customers by applying a five-step model in accordance with the core principle to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, this guidance specifies the accounting for some costs to obtain or fulfill a contract with a customer and expands disclosure requirements for revenue recognition. This guidance is currently effective for fiscal years, and interim reporting periods therein, beginning after December 15, 2016. Entities have the option to adopt this guidance either retrospectively or through a modified retrospective transition method. This new standard will supersede existing revenue guidance and affect the Company's revenue recognition process and the presentations or disclosures of the Company's consolidated financial statements and footnotes. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In April 2014, the FASB issued guidance changing the requirements for reporting discontinued operations if the disposal of a component of an entity, or a group of components of an entity, represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. The guidance requires expanded disclosures for discontinued operations and also requires entities to disclose the pre-tax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. The new guidance is effective prospectively for fiscal years, and interim periods within those years, beginning on or after December 15, 2014. The guidance will affect the Company's current practice of assessing discontinued operations and the presentation and

disclosure in the Company's consolidated financial statements.

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NOTE 2. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables reflect the changes in accumulated other comprehensive income (loss), net of income taxes:
Three Months Ended May 31, 2015

(in thousands)	Foreign Currency Translation	Unrealized Gain (Loss) on Derivatives	Defined Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balance, February 28, 2015	\$ (91,154)	\$ 1,355	\$ (2,630)	\$ (92,429)
Other comprehensive income (loss) before reclassifications	(4,588)	54	—	(4,534)
Amounts reclassified from AOCI	—	804	(3)	801
Net other comprehensive income (loss)	(4,588)	858	(3)	(3,733)
Balance, May 31, 2015	\$ (95,742)	\$ 2,213	\$ (2,633)	\$ (96,162)

Nine Months Ended May 31, 2015

(in thousands)	Foreign Currency Translation	Unrealized Gain (Loss) on Derivatives	Defined Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balance at August 31, 2014	\$ (19,891)	\$ 3,014	\$ (2,632)	\$ (19,509)
Other comprehensive income (loss) before reclassifications	(75,851)	(2,371)	8	(78,214)
Amounts reclassified from AOCI	—	1,570	(9)	1,561
Net other comprehensive loss	(75,851)	(801)	(1)	(76,653)
Balance, May 31, 2015	\$ (95,742)	\$ 2,213	\$ (2,633)	\$ (96,162)

Three Months Ended May 31, 2014

(in thousands)	Foreign Currency Translation	Unrealized Gain (Loss) on Derivatives	Defined Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balance, February 28, 2014	\$ 708	\$ 2,913	\$ (2,747)	\$ 874
Other comprehensive income before reclassifications	655	390	—	1,045
Amounts reclassified from AOCI	—	(103)	(2)	(105)
Net other comprehensive income (loss)	655	287	(2)	940
Balance, May 31, 2014	\$ 1,363	\$ 3,200	\$ (2,749)	\$ 1,814

Nine Months Ended May 31, 2014

(in thousands)	Foreign Currency Translation	Unrealized Gain (Loss) on Derivatives	Defined Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balance at August 31, 2013	\$ (27,477)	\$ 3,594	\$ (3,293)	\$ (27,176)
Other comprehensive income (loss) before reclassifications	28,840	(1,653)	550	27,737

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Amounts reclassified from AOCI	—	1,259	(6) 1,253
Net other comprehensive income (loss)	28,840	(394) 544	28,990
Balance, May 31, 2014	\$1,363	\$3,200	\$(2,749) \$ 1,814

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The significant items reclassified out of accumulated other comprehensive income (loss) and the corresponding line items in the consolidated statements of earnings to which the items were reclassified were as follows:

Components of AOCI (in thousands)	Location	Three Months Ended May 31,		Nine Months Ended May 31,	
		2015	2014	2015	2014
Unrealized gain (loss) on derivatives:					
Commodity	Cost of goods sold	\$(269	) \$67	\$(429	) \$(169
Foreign exchange	Net sales	(111	) 20	(37	) (213
Foreign exchange	Cost of goods sold	(1,044	) (60	) (2,447	) (1,574
Foreign exchange	SG&A expenses	17	(8	) 57	39
Interest rate	Interest expense	134	134	400	400
		(1,273	) 153	(2,456	) (1,517
Income tax effect	Income taxes benefit (expense)	469	(50	) 886	258
Net of income taxes		\$(804	) \$103	\$(1,570	) \$(1,259
Defined benefit obligation:					
Amortization of prior services	SG&A expenses	\$4	\$3	\$11	\$8
Income tax effect	Income taxes expense	(1	) (1	) (2	) (2
Net of income taxes		\$3	\$2	\$9	\$6

Amounts in parentheses reduce earnings.

NOTE 3. SALES OF ACCOUNTS RECEIVABLE

The Company has a \$200.0 million U.S. sale of accounts receivable program which expires on August 15, 2017. Under the program, CMC contributes, and several of its subsidiaries sell without recourse, certain eligible trade accounts receivable to CMC Receivables, Inc. ("CMCRV"), a wholly owned subsidiary of CMC. CMCRV is structured to be a bankruptcy-remote entity and was formed for the sole purpose of buying and selling trade accounts receivable generated by the Company. CMCRV sells the trade accounts receivable in their entirety to three financial institutions. With the consent of both CMCRV and the program's administrative agent, the amount advanced by the financial institutions can be increased to a maximum of \$300.0 million for all trade accounts receivable sold. The remaining portion of the purchase price of the trade accounts receivable takes the form of subordinated notes from the respective financial institutions. These notes will be satisfied from the ultimate collection of the trade accounts receivable after payment of certain fees and other costs. The Company accounts for sales of the trade accounts receivable as true sales, and the trade accounts receivable balances that are sold are removed from the consolidated balance sheets. The cash advances received are reflected as cash provided by operating activities on the Company's consolidated statements of cash flows. Additionally, the U.S. sale of accounts receivable program contains certain cross-default provisions whereby a termination event could occur if the Company defaulted under certain of its credit arrangements. The covenants contained in the receivables purchase agreement are consistent with the credit facility described in Note 7, Credit Arrangements.

At May 31, 2015 and August 31, 2014, under its U.S. sale of accounts receivable program, the Company had sold \$343.8 million and \$389.6 million of trade accounts receivable, respectively, to the financial institutions. At May 31, 2015 and August 31, 2014, the Company had \$15.0 million and \$55.0 million in advance payments outstanding on the sale of its trade accounts receivable, respectively.

In addition to the U.S. sale of accounts receivable program described above, the Company's international subsidiaries in Europe and Australia sell trade accounts receivable to financial institutions without recourse. These arrangements constitute true sales, and once the trade accounts receivable are sold, they are no longer available to the Company's creditors in the event of bankruptcy. The European program allows the Company's European subsidiaries to obtain an

advance of up to 90% of eligible trade accounts receivable sold under the terms of the arrangement. In October 2014, the Company entered into a first amendment to its Australian program which extended the maturity date to October 2016. Under the Australian program, trade accounts receivable balances are sold to a special purpose vehicle, which in turn sells 100% of the eligible trade accounts receivable of Commercial Metals Pty. Ltd., CMC Steel Distribution Pty. Ltd. and G.A.M. Steel Pty. Ltd. to the financial institution. The financial institution will fund up to A\$75.0 million for all trade accounts receivable sold, and the remaining portion of the purchase price of the trade accounts receivable is in the form of a subordinated note from the financial institution. This note will be satisfied from the ultimate collection of the trade accounts receivable after payment of certain fees and other costs. The Company accounts for sales of the trade accounts

receivable as true sales, and the trade accounts receivable balances that are sold are removed from the consolidated balance sheets. The cash advances received are reflected as cash provided by operating activities on the Company's consolidated statements of cash flows.

At May 31, 2015 and August 31, 2014, under its European and Australian programs, the Company had sold \$116.8 million and \$147.3 million of trade accounts receivable, respectively, to third-party financial institutions and received advance payments of \$35.2 million and \$90.5 million, respectively.

During the nine months ended May 31, 2015 and 2014, cash proceeds from the U.S. and international sale of accounts receivable programs were \$441.6 million and \$494.1 million, respectively, and cash payments to the owners of accounts receivable were \$539.6 million and \$369.7 million, respectively. For a nominal servicing fee, the Company is responsible for servicing the trade accounts receivable for the U.S. and Australian programs. Discounts on U.S. and international sales of trade accounts receivable were \$0.4 million and \$1.2 million for the three and nine months ended May 31, 2015, respectively, and \$1.1 million and \$2.6 million for the three and nine months ended May 31, 2014, respectively, and are included in selling, general and administrative expenses in the Company's consolidated statements of earnings.

The deferred purchase price on the Company's U.S. and European and the Commercial Metals Pty. Ltd. sale of accounts receivable programs are included in accounts receivable on the Company's consolidated balance sheets. The deferred purchase price on the CMC Steel Distribution Pty. Ltd. and the G.A.M. Steel Pty. Ltd. sale of accounts receivable programs are included in assets of businesses held for sale on the Company's consolidated balance sheets.

The following tables summarize the activity of the deferred purchase price receivables for the U.S. and international sale of accounts receivable programs:

(in thousands)	Three Months Ended May 31, 2015			
	Total	U.S.	Australia*	Europe
Beginning balance	\$386,447	\$327,009	\$21,680	\$37,758
Transfers of accounts receivable	892,387	724,309	79,173	88,905
Collections	(871,953)	(727,077)	(75,210)	(69,666)
Ending balance	\$406,881	\$324,241	\$25,643	\$56,997
(in thousands)	Nine Months Ended May 31, 2015			
	Total	U.S.	Australia*	Europe
Beginning balance	\$385,169	\$329,797	\$34,071	\$21,301
Transfers of accounts receivable	2,908,695	2,426,691	233,237	248,767
Collections	(2,886,983)	(2,432,247)	(241,665)	(213,071)
Ending balance	\$406,881	\$324,241	\$25,643	\$56,997

* Includes the sales of accounts receivable activities related to businesses held for sale (transfers of accounts receivable of \$46.2 million and \$148.3 million, and collections of \$47.5 million and \$164.0 million for the three and nine months ended May 31, 2015, respectively).

(in thousands)	Three Months Ended May 31, 2014			
	Total	U.S.	Australia	Europe
Beginning balance	\$313,117	\$273,714	\$29,635	\$9,768
Transfers of accounts receivable	1,039,136	808,886	120,350	109,900
Collections	(989,887)	(803,592)	(111,791)	(74,504)
Ending balance	\$362,366	\$279,008	\$38,194	\$45,164

(in thousands)	Nine Months Ended May 31, 2014			
	Total	U.S.	Australia	Europe
Beginning balance	\$453,252	\$358,822	\$64,996	\$29,434
Transfers of accounts receivable	3,115,437	2,423,990	374,170	317,277
Collections	(3,134,011)	(2,503,804)	(328,660)	(301,547)
Program termination	(72,312)	—	(72,312)	—
Ending balance	\$362,366	\$279,008	\$38,194	\$45,164

NOTE 4. INVENTORIES, NET

Inventories are stated at the lower of cost or market. Inventory cost for most U.S. inventories is determined by the last-in, first-out ("LIFO") method. At May 31, 2015 and August 31, 2014, 57% and 44%, respectively, of the Company's total net inventories were valued at LIFO. LIFO inventory reserves were \$83.0 million and \$198.8 million at May 31, 2015 and August 31, 2014, respectively.

Effective September 1, 2014, the Company changed its method of determining its interim LIFO inventory reserve from the complete quarterly LIFO valuation method to the expected annual LIFO valuation method. Under the expected annual LIFO valuation method, interim LIFO expense or income is based on management's current estimates of inventory costs and quantities at year end, and that annual estimate is incurred ratably over the remainder of the fiscal year. Key assumptions related to estimates of inventory costs used in management's estimate changed in the three months ended May 31, 2015 resulting in a change in the annual LIFO estimate for the fiscal year ended August 31, 2015. Accordingly, the Company recorded pre-tax LIFO income of \$37.1 million and \$115.8 million for the three and nine months ended May 31, 2015, respectively.

Inventory cost for the International Mill segment is determined by the weighted average cost method. Inventory cost for the remaining international and U.S. inventories is determined by the first-in, first-out ("FIFO") method.

For the three and nine months ended May 31, 2015, the Company recorded inventory write-downs related to its continuing operations of \$9.5 million and \$9.8 million, respectively, which are included in cost of goods sold on the Company's consolidated statements of earnings. The Company had no material write-downs of inventory for the three and nine months ended May 31, 2014.

The majority of the Company's inventories are in the form of finished goods with minimal work in process. At May 31, 2015 and August 31, 2014, \$63.6 million and \$84.3 million, before LIFO reserves, respectively, of the Company's inventories were in the form of raw materials.

NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table details the changes in the carrying amount of goodwill by reportable segment:

(in thousands)	Americas		International			Consolidated
	Recycling	Mills	Fabrication	Mill	Marketing and Distribution	
Balance at August 31, 2014	\$7,267	\$4,970	\$57,144	\$2,776	\$2,162	\$ 74,319
Foreign currency translation	—	—	—	(398	) (159	) (557
Balance at May 31, 2015	\$7,267	\$4,970	\$57,144	\$2,378	\$2,003	\$ 73,762

The total gross carrying amounts of the Company's intangible assets that are subject to amortization were \$48.1 million and \$53.8 million at May 31, 2015 and August 31, 2014, respectively, and are included in other noncurrent assets on the Company's consolidated balance sheets. Excluding goodwill, there are no other significant intangible assets with indefinite lives. Intangible amortization expense from continuing operations was \$1.6 million and \$5.2 million for the three and nine months ended May 31, 2015 and 2014, respectively.

NOTE 6. BUSINESSES HELD FOR SALE, DISCONTINUED OPERATIONS AND DISPOSITIONS

Businesses Held for Sale

The Company did not have any assets and liabilities of businesses held for sale at August 31, 2014. The components of assets and liabilities of businesses held for sale on the Company's consolidated balance sheet were as follows:

(in thousands)	May 31, 2015
Assets:	
Accounts receivable	\$15,075
Inventories, net	46,199
Other current assets	442
Property, plant and equipment, net of accumulated depreciation and amortization	6,313
Other noncurrent assets	1,653
Assets of businesses held for sale	\$69,682
Liabilities:	
Accounts payable-trade	\$15,918
Accounts payable-documentary letters of credit	6,622
Accrued expenses and other payables	6,323
Liabilities of businesses held for sale	\$28,863

Discontinued Operations

In September 2014, the Company made the decision to exit and sell its steel distribution business in Australia. Despite focused efforts and substantial progress to stabilize and improve the results of the Australian distribution business, the Company determined that achieving acceptable financial returns would take additional time and investment. The Company determined that the decision to exit this business met the definition of a discontinued operation. As a result, this business has been presented as a discontinued operation for all periods presented. The expenses associated with exiting this business were not material for the three and nine months ended May 31, 2015. The Australian steel distribution business was previously an operating segment included in the International Marketing and Distribution reporting segment.

During the fourth quarter of fiscal 2013, the Company decided to sell all of the capital stock of its wholly owned copper tube manufacturing operation, Howell Metal Company ("Howell"). The Company determined that the decision to sell this business met the definition of a discontinued operation. As a result, the Company included Howell in discontinued operations for all periods presented. Howell was previously an operating segment included in the Americas Mills reporting segment.

Financial information for discontinued operations was as follows:

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales	\$43,307	\$66,068	\$143,644	\$200,932
Earnings (loss) from discontinued operations before income taxes	(10,871)	(1,042)	(20,241)	17,969

Dispositions

During the first quarter of fiscal 2014, the Company sold all of the outstanding capital stock of Howell for \$58.5 million, \$3.2 million of which was held in escrow as of both May 31, 2015 and August 31, 2014. During the second quarter of fiscal 2014, the Company made a \$3.0 million working capital adjustment, which was included in the Company's estimated pre-tax gain of \$23.8 million.

NOTE 7. CREDIT ARRANGEMENTS

On June 26, 2014, the Company entered into a fourth amended and restated credit agreement (the "Credit Agreement") with a revolving credit facility of \$350.0 million and a maturity date of June 26, 2019 (the "credit facility"). The maximum availability under the credit facility can be increased to \$500.0 million. The Company's obligation under its credit facility is secured by its U.S. inventory. The credit facility's capacity includes \$50.0 million for the issuance of stand-by letters of credit and was reduced by outstanding stand-by letters of credit which totaled \$23.4 million and \$28.1 million at May 31, 2015 and August 31, 2014, respectively.

Under the credit facility, the Company is required to comply with certain financial and non-financial covenants, including covenants to maintain: (i) an interest coverage ratio (consolidated EBITDA to consolidated interest expense, as each is defined in the Credit Agreement) of not less than 2.50 to 1.00 and (ii) a debt to capitalization ratio (consolidated funded debt to total capitalization, as each is defined in the Credit Agreement) that does not exceed 0.60 to 1.00. In addition, beginning on the date three months prior to each maturity date of the Company's 2017 Notes and 2018 Notes, as defined below, and each day thereafter that the 2017 Notes and the 2018 Notes are outstanding, the Company will be required to maintain liquidity of at least \$150.0 million in excess of each of the outstanding aggregate principal amounts of the 2017 Notes and 2018 Notes. Loans under the credit facility bear interest based on the Eurocurrency rate, a base rate, or the LIBOR rate.

At May 31, 2015, the Company's interest coverage ratio was 6.26 to 1.00, and the Company's debt to capitalization ratio was 0.48 to 1.00. The Company had no amount drawn under the credit facility at May 31, 2015 and August 31, 2014.

In May 2013, the Company issued \$330.0 million of 4.875% Senior Notes due May 15, 2023 (the "2023 Notes"). Interest on the 2023 Notes is payable semi-annually on May 15 and November 15 of each year, beginning on November 15, 2013. The Company may, at any time, redeem the 2023 Notes at a redemption price equal to 100 percent of the principal amount, plus a "make-whole" premium described in the indenture pursuant to which the 2023 Notes were issued. Additionally, if a change of control triggering event occurs, as defined by the terms of the indenture governing the 2023 Notes, holders of the 2023 Notes may require the Company to repurchase the 2023 Notes at a purchase price equal to 101 percent of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. The Company is generally not limited under the indenture governing the 2023 Notes in its ability to incur additional indebtedness provided the Company is in compliance with certain restrictive covenants, including restrictions on liens, sale and leaseback transactions, mergers, consolidations and transfers of substantially all of the Company's assets.

In August 2008, the Company issued \$500.0 million of 7.35% senior unsecured notes due in August 2018 (the "2018 Notes"). In anticipation of the offering, the Company entered into hedge transactions which reduced the Company's

effective interest rate on these notes to 6.40% per annum. Interest on these notes is payable semiannually.

In July 2007, the Company issued \$400.0 million of 6.50% senior unsecured notes due in July 2017 (the "2017 Notes"). In anticipation of the offering, the Company entered into hedge transactions which reduced the Company's effective interest rate on these notes to 5.74% per annum. Interest on these notes is payable semiannually.

At May 31, 2015, the Company was in compliance with all covenants contained in its debt agreements.

During fiscal 2012, the Company terminated its existing interest rate swap transactions and received cash proceeds of approximately \$52.7 million, net of customary finance charges. The resulting gain was deferred and is being amortized as a reduction to interest expense over the remaining term of the respective debt tranches. At May 31, 2015 and August 31, 2014, the unamortized amounts were \$21.1 million and \$26.8 million, respectively. Amortization of the deferred gain for each of the three and nine months ended May 31, 2015 and 2014 was \$1.9 million and \$5.7 million, respectively.

The Company has uncommitted credit facilities available from U.S. and international banks. In general, these credit facilities are used to support trade letters of credit (including accounts payable settled under bankers' acceptances), foreign exchange transactions and short-term advances which are priced at market rates.

Long-term debt, including the deferred gain from the termination of the interest rate swaps, was as follows:

(in thousands)	Weighted Average Interest Rate as of May 31, 2015	May 31, 2015	August 31, 2014
\$400 million notes at 6.50% due July 2017	5.74%	\$406,317	\$408,546
\$500 million notes at 7.35% due August 2018	6.40%	514,837	518,305
\$330 million notes at 4.875% due May 2023	4.875%	330,000	330,000
Other, including equipment notes		37,968	32,196
		1,289,122	1,289,047
Less current maturities		9,753	8,005
		\$1,279,369	\$1,281,042

Interest on these notes is payable semiannually.

CMC Poland Sp.z.o.o. ("CMCP") has uncommitted credit facilities of \$57.5 million with several banks with expiration dates ranging from November 2015 to March 2016. During the nine months ended May 31, 2015, CMCP had total borrowings of \$49.6 million and total repayments of \$49.6 million under these credit facilities. At May 31, 2015, no material amounts were outstanding under these credit facilities.

The Company had no material amounts of interest capitalized in the cost of property, plant and equipment during the three and nine months ended May 31, 2015 and 2014, respectively. Cash paid for interest during the three and nine months ended May 31, 2015 was \$10.6 million and \$53.5 million, respectively, and \$9.6 million and \$51.9 million during the three and nine months ended May 31, 2014, respectively.

NOTE 8. DERIVATIVES AND RISK MANAGEMENT

The Company's global operations and product lines expose it to risks from fluctuations in metal commodity prices, foreign currency exchange rates, natural gas prices and interest rates. One objective of the Company's risk management program is to mitigate these risks using derivative instruments. The Company enters into (i) metal commodity futures and forward contracts to mitigate the risk of unanticipated changes in gross margin due to the volatility of the commodities' prices, (ii) foreign currency forward contracts that match the expected settlements for purchases and sales denominated in foreign currencies and (iii) natural gas forward contracts to mitigate the risk of unanticipated changes in operating cost due to the volatility of natural gas prices. When sales commitments to customers include a fixed price freight component, the Company occasionally enters into freight forward contracts to reduce the effects of the volatility of ocean freight rates.

At May 31, 2015, the notional values of the Company's foreign currency contract commitments and its commodity contract commitments were \$399.8 million and \$46.5 million, respectively. At May 31, 2014, the notional values of the Company's foreign currency contract commitments and its commodity contract commitments were \$457.7 million and \$41.5 million, respectively.

The following table provides information regarding the Company's commodity contract commitments as of May 31, 2015:

Commodity	Long/Short	Total	
Aluminum	Long	3,746	MT
Aluminum	Short	325	MT
Copper	Long	826	MT
Copper	Short	5,364	MT
Zinc	Long	29	MT
Natural Gas	Long	180,000	MMBTUs

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 Company's consolidated statements of earnings, and there were no components excluded from the assessment of hedge effectiveness for the three and nine months ended May 31, 2015 and 2014. Certain 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 items recognized in the consolidated statements of earnings:

		Three Months Ended May 31,		Nine Months Ended May 31,	
		2015	2014	2015	2014
Derivatives Not Designated as Hedging Instruments (in thousands)	Location				
Commodity	Cost of goods sold	\$(354)	\$1,346	\$4,947	\$1,985
Foreign exchange	Net sales	—	(351)	3,005	(736)
Foreign exchange	Cost of goods sold	562	(326)	4,913	(697)
Foreign exchange	SG&A expenses	2,405	1,183	22,479	(5,632)
Gain (loss) before income taxes		\$2,613	\$1,852	\$35,344	\$(5,080)

The Company's fair value hedges are designated for accounting purposes with the gains or losses on the hedged items offsetting the gains or losses on the related derivative transactions. Hedged items relate to firm commitments on commercial sales and purchases.

		Three Months Ended May 31,		Nine Months Ended May 31,	
		2015	2014	2015	2014
Derivatives Designated as Fair Value Hedging Instruments (in thousands)	Location				
Foreign exchange	Net sales	\$207	\$(55)	\$566	\$(28)
Foreign exchange	Cost of goods sold	(283)	(1,053)	642	(2,133)
Gain (loss) before income taxes		\$(76)	\$(1,108)	\$1,208	\$(2,161)

		Three Months Ended May 31,		Nine Months Ended May 31,	
		2015	2014	2015	2014
Hedged Items Designated as Fair Value Hedging Instruments (in thousands)	Location				
Foreign exchange	Net sales	\$(207)	\$62	\$(565)	\$25

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Foreign exchange	Cost of goods sold	283	1,053	(642)	2,133
Gain (loss) before income taxes		\$76	\$1,115	\$(1,207)	\$2,158

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Effective Portion of Derivatives Designated as Cash Flow Hedging Instruments Recognized in Accumulated Other Comprehensive Income (Loss) (in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Commodity	\$ (76)	\$ 65	\$ (492)	\$ (48)
Foreign exchange	130	325	(1,879)	(1,605)
Gain (loss), net of income taxes	\$ 54	\$ 390	\$ (2,371)	\$ (1,653)

Effective Portion of Derivatives Designated as Cash Flow Hedging Instruments Reclassified from Accumulated Other Comprehensive Income (Loss) (in thousands)	Location	Three Months Ended May 31,		Nine Months Ended May 31,	
		2015	2014	2015	2014
Commodity	Cost of goods sold	\$ (174)	\$ 43	\$ (278)	\$ (110)
Foreign exchange	Net sales	(114)	20	(38)	(213)
Foreign exchange	Cost of goods sold	(617)	(57)	(1,560)	(1,231)
Foreign exchange	SG&A expenses	14	10	46	35
Interest rate	Interest expense	87	87	260	260
Gain (loss), net of income taxes		(804)	\$ 103	\$ (1,570)	\$ (1,259)

The Company enters into derivative agreements that include provisions to allow the set-off of certain amounts. Derivative instruments are presented on a gross basis on the Company's consolidated balance sheets. The asset and liability balances in the tables below reflect the gross amounts of derivative instruments at May 31, 2015 and August 31, 2014. The fair value of the Company's derivative instruments on the consolidated balance sheets was as follows:

Derivative Assets (in thousands)	May 31, 2015	August 31, 2014
Commodity — designated for hedge accounting	\$ 16	\$ 42
Commodity — not designated for hedge accounting	942	869
Foreign exchange — designated for hedge accounting	1,414	136
Foreign exchange — not designated for hedge accounting	3,240	1,853
Derivative assets (other current assets)*	\$ 5,612	\$ 2,900

Derivative Liabilities (in thousands)	May 31, 2015	August 31, 2014
Commodity — designated for hedge accounting	\$ 242	\$ 6
Commodity — not designated for hedge accounting	603	162
Foreign exchange — designated for hedge accounting	951	325
Foreign exchange — not designated for hedge accounting	1,178	1,010
Derivative liabilities (accrued expenses and other payables)*	\$ 2,974	\$ 1,503

* Derivative assets and liabilities do not include the hedged items designated as fair value hedges.

As of May 31, 2015, most of the Company's derivative instruments designated to hedge exposure to the variability in future cash flows of the forecasted transactions will mature within twelve months.

All of the instruments are highly liquid and were not entered into for trading purposes.

NOTE 9. FAIR VALUE

The Company has established a fair value hierarchy which prioritizes the inputs to the 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. Levels within the hierarchy are defined as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 - Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable, either directly or indirectly; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following tables summarize information regarding the Company's financial assets and financial liabilities that were measured at fair value on a recurring basis:

(in thousands)	May 31, 2015	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market investments (1)	\$200,394	\$200,394	\$—	\$—
Commodity derivative assets (2)	958	942	16	—
Foreign exchange derivative assets (2)	4,654	—	4,654	—
Liabilities:				
Commodity derivative liabilities (2)	845	603	242	—
Foreign exchange derivative liabilities (2)	2,129	—	2,129	—

(in thousands)	August 31, 2014	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market investments (1)	\$200,487	\$200,487	\$—	\$—
Commodity derivative assets (2)	911	911	—	—
Foreign exchange derivative assets (2)	1,989	—	1,989	—
Liabilities:				
Commodity derivative liabilities (2)	168	162	6	—
Foreign exchange derivative liabilities (2)	1,335	—	1,335	—

(1) Money market investments are short-term in nature, and the value is determined by broker quoted prices in active markets. The investment portfolio mix can change each period based on the Company's assessment of investment options.

(2) Derivative assets and liabilities classified as Level 1 are commodity futures contracts valued based on quoted market prices in the London Metal Exchange or Commodity Exchange, Inc. Amounts in Level 2 are based on broker

quotes in the over-the-counter market. Further discussion regarding the Company's use of derivative instruments and the classification of the assets and liabilities is included in Note 8, Derivatives and Risk Management.

There were no material non-recurring fair value measurements during the three and nine months ended May 31, 2015 and 2014, respectively.

The carrying values of the Company's short-term items, including the deferred purchase price of accounts receivable, documentary letters of credit and notes payable, approximate fair value due to their short-term nature.

The carrying values and estimated fair values of the Company's financial assets and liabilities that are not required to be measured at fair value on the consolidated balance sheets were as follows:

(in thousands)	Fair Value Hierarchy	May 31, 2015		August 31, 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value
\$400 million notes at 6.50% due July 2017 (1)	Level 2	\$406,317	\$427,000	\$408,546	\$438,200
\$500 million notes at 7.35% due August 2018 (1)	Level 2	514,837	535,000	518,305	567,560
\$330 million notes at 4.875% due May 2023 (1)	Level 2	330,000	318,302	330,000	325,050

(1) The fair values of the 2017 Notes, 2018 Notes and 2023 Notes are estimated based on readily available market prices of these notes at May 31, 2015 and August 31, 2014, or similar notes with the same maturities, rating and interest rates.

NOTE 10. INCOME TAX

The Company's effective income tax rate from continuing operations for the three and nine months ended May 31, 2015 was 36.1% and 33.5%, respectively, compared with 35.9% and 31.4% for the three and nine months ended May 31, 2014, respectively. For the three months ended May 31, 2015, the tax rate is higher than the statutory income tax rate of 35% due to losses in certain foreign jurisdictions where the deferred tax assets created by such losses are subject to a full valuation allowance, thus providing no tax benefit for such losses. For the nine months ended May 31, 2015, the tax rate was lower than the statutory income tax rate of 35% because the Company had income from operations in countries which have lower tax rates than the United States. In addition, the Company benefited under Section 199 of the Internal Revenue Code related to domestic production activity income during the three and nine months ended May 31, 2015. The Company's effective income tax rate from discontinued operations for the three and nine months ended May 31, 2015 was 3.9% and 2.2%, respectively, compared with 13.1% and 48.8% for the three and nine months ended May 31, 2014, respectively. The Company's effective income tax rate from discontinued operations for the three and nine months ended May 31, 2015 reflected the fact that earnings from discontinued operations before income taxes included a loss in Australia, a jurisdiction in which all tax losses created a deferred tax asset that was subject to a full valuation allowance, and thus no tax benefit. The Company's effective income tax rate from discontinued operations for the nine months ended May 31, 2014 reflected a \$23.8 million pre-tax gain on the sale of Howell, resulting in the appropriate amount of U.S. federal and state income tax expense.

The Company made net payments of \$46.7 million and \$12.9 million for income taxes during the nine months ended May 31, 2015 and 2014, respectively.

As of both May 31, 2015 and August 31, 2014, the reserve for unrecognized income tax benefits related to the accounting for uncertainty in income taxes was \$27.3 million, exclusive of interest and penalties.

The Company's policy classifies interest recognized on an underpayment of income taxes and any statutory penalties recognized on a tax position as income tax expense, and the balances at the end of a reporting period are recorded as part of the current or noncurrent reserve for uncertain income tax positions. For the three and nine months ended May 31, 2015, before any income tax benefits, the Company recorded immaterial amounts of accrued interest and penalties on unrecognized income tax benefits.

During the twelve months ending May 31, 2016, it is reasonably possible that the statute of limitations pertaining to positions taken by the Company in prior year income tax returns may lapse or that income tax audits in various taxing jurisdictions could be finalized. As a result, the total amount of unrecognized income tax benefits may decrease by

approximately \$16.9 million, which would reduce the provision for income taxes by \$2.7 million.

The Company files income tax returns in the United States and multiple foreign jurisdictions with varying statutes of limitations. In the normal course of business, CMC and its subsidiaries are subject to examination by various taxing authorities. The following is a summary of tax years subject to examination:

U.S. Federal — 2009 and forward

U.S. States — 2009 and forward

Foreign — 2007 and forward

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The Company is currently under examination by the Internal Revenue Service and state revenue authorities from 2009 to 2011. Management believes the Company's recorded tax liabilities as of May 31, 2015 sufficiently reflect the anticipated outcome of these examinations.

NOTE 11. STOCK-BASED COMPENSATION PLANS

The Company's stock-based compensation plans are described, and informational disclosures provided, in Note 15, Stock-Based Compensation Plans, to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014. During the nine months ended May 31, 2015 and 2014, restricted stock units and performance stock units totaling 1.1 million and 1.2 million, respectively, were granted at a weighted-average fair value of \$15.92 and \$16.90, respectively.

During the nine months ended May 31, 2015 and 2014, the Company granted 392,517 and 390,562 equivalent shares, respectively, of performance stock units and restricted stock units accounted for as liability awards. The fair value of these liability awards is remeasured each reporting period and is recognized ratably over the service period. As of May 31, 2015, the Company had 913,712 equivalent shares in liability awards outstanding. The Company expects 868,025 equivalent shares to vest.

In general, the restricted stock units granted during fiscal 2015 and 2014 vest ratably over a period of three years; however, certain restricted stock units granted during fiscal 2015 either vest after a period of three years or vest after a specified service period; one-third of each such award vest on the second anniversary of the grant date and the remaining two-thirds of each such award vest on the third anniversary of the grant date. In addition, certain restricted stock units granted during fiscal 2014 vest after a specified service period; 25% of the award vest on the second anniversary of the grant date; 25% of each such award vest on the third anniversary of the grant date and the remaining 50% of each such award vest on the fourth anniversary of the grant date. Subject to the achievement of performance targets established by the Compensation Committee of CMC's Board of Directors, the performance stock units granted during fiscal 2015 and fiscal 2014 will vest after a period of three years.

Stock-based compensation expense for the three and nine months ended May 31, 2015 of \$6.5 million and \$18.3 million, respectively, and \$5.3 million and \$16.1 million for the three and nine months ended May 31, 2014, respectively, was included in selling, general and administrative expenses on the Company's consolidated statements of earnings.

NOTE 12. STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE ATTRIBUTABLE TO CMC

The calculations of basic and diluted earnings per share from continuing operations for the three and nine months ended May 31, 2015 and 2014 were as follows:

(in thousands, except share data)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Earnings from continuing operations attributable to CMC	\$67,128	\$24,468	\$167,181	\$71,422
Basic earnings per share:				
Shares outstanding for basic earnings per share	115,742,534	117,705,133	116,807,469	117,400,198
Basic earnings per share attributable to CMC:	\$0.58	\$0.21	\$1.43	\$0.61
Diluted earnings per share:				
Shares outstanding for basic earnings per share	115,742,534	117,705,133	116,807,469	117,400,198

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Effect of dilutive securities:

Stock-based incentive/purchase plans	1,016,681	1,064,542	1,063,759	1,121,618
Shares outstanding for diluted earnings per share	116,759,215	118,769,675	117,871,228	118,521,816
Diluted earnings per share attributable to CMC:	\$0.58	\$0.21	\$1.42	\$0.60
Anti-dilutive shares not included above	378,006	1,248,330	245,542	1,248,330

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

On October 27, 2014, CMC's Board of Directors authorized a new share repurchase program under which the Company may repurchase up to \$100.0 million of shares of CMC common stock. This new program replaced the existing program, which was terminated by CMC's Board of Directors in connection with the approval of the new program. During the three and nine months ended May 31, 2015, the Company purchased 139,383 and 2,902,218 shares of CMC common stock, respectively, at an average purchase price of \$15.97 and \$14.40 per share, respectively. The Company had remaining authorization to purchase \$58.2 million of common stock at May 31, 2015 pursuant to its share repurchase program.

NOTE 13. COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Company becomes involved in litigation, administrative proceedings and governmental investigations, including environmental matters. See Note 18, Commitments and Contingencies, to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014.

In the third quarter of fiscal 2015, the Company recorded a \$45.5 million benefit as a result of a termination of a contract with a customer and is included in net sales on the Company's consolidated statements of earnings for the three and nine months ended May 31, 2015.

On September 18, 2008, the Company was served with a purported class action antitrust lawsuit alleging violations of Section 1 of the Sherman Act, brought by Standard Iron Works of Scranton, Pennsylvania, against nine steel manufacturing companies, including CMC. The lawsuit, filed in the United States District Court for the Northern District of Illinois, alleged that the defendants conspired to fix, raise, maintain and stabilize the price at which steel products were sold in the United States by artificially restricting the supply of such steel products. The lawsuit, which purported to be brought on behalf of a class consisting of all parties who purchased steel products directly from the defendants between January 1, 2005 and September 2008 (collectively, the "Direct Purchaser Plaintiffs"), sought treble damages and costs, including reasonable attorney fees and pre- and post-judgment interest.

On March 14, 2014, the Company entered into a final settlement agreement with the Direct Purchaser Plaintiffs. As part of that final settlement, in April 2014, the Company paid approximately \$4.0 million to the Direct Purchaser Plaintiffs in consideration for the full and final release of all claims of the Direct Purchaser Plaintiffs. The Company maintains that the claims lacked merit and that it has full and complete defenses to all of the claims asserted against it. However, the Company agreed to enter into the settlement agreement to avoid further expense, inconvenience, and distraction of burdensome and protracted litigation. On October 17, 2014, the court granted final approval of the settlement.

On September 24, 2008, a case was filed in the United States District Court for the Northern District of Illinois on behalf of a purported nationwide class of indirect purchasers naming the same defendants and containing allegations substantially identical to those of the complaint filed by Standard Iron Works. The lawsuit sought damages, including reasonable attorney fees and other amounts recoverable by statute. Some document production has occurred in the case. Another action was filed in Tennessee state court on behalf of a purported class of indirect purchasers in Tennessee naming the same defendants but seeking recovery for purchases through 2010. The lawsuit sought damages and costs, including reasonable attorney fees and pre- and post-judgment interest. The case has been removed to federal court and was transferred to United States District Court for the Northern District of Illinois in March 2012. No motion practice or discovery has taken place. The Company believes that the lawsuits are without merit and plans to defend them vigorously. Due to the uncertainty and the information available as of the date of this Quarterly Report on Form 10-Q, the Company cannot reasonably estimate a range of loss relating to these cases.

NOTE 14. BUSINESS SEGMENTS

The Company's operating segments engage in business activities from which they may earn revenues and incur expenses and for which discrete financial information is available. Operating results for the operating segments are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segments and to assess performance. The Company's chief operating decision maker is identified as the Chief Executive Officer. Operating segments are aggregated for reporting purposes when the operating segments are identified as similar in accordance with the basic principles and aggregation criteria in the accounting standards. The Company's reporting segments are based primarily on product lines and secondarily on geographic area. The reporting segments have different lines of management responsibility as each business requires different marketing strategies and management expertise.

The Company structures its business into the following five reporting segments: Americas Recycling, Americas Mills, Americas Fabrication, International Mill and International Marketing and Distribution. The Americas Recycling segment processes scrap metals for use as a raw material by manufacturers of new metal products. The Americas Mills segment manufactures finished long steel products including reinforcement bar ("rebar"), merchant bar, light structural, some special bar quality ("SBQ") and other special sections as well as semi-finished billets for re-rolling and forging applications. The Americas Fabrication segment consists of the Company's rebar and structural fabrication operations, fence post manufacturing plants, construction-related product facilities and plants that heat-treat steel to strengthen and provide flexibility. The International Mill segment includes the Company's minimill and the Company's recycling and fabrication operations in Poland. The International Marketing and Distribution segment includes international operations for the sale, distribution and processing of steel products, ferrous and nonferrous metals and other industrial products. Additionally, this segment includes the Company's marketing and distribution divisions headquartered in the U.S. and also operates a recycling facility in Singapore. Corporate contains expenses of the Company's corporate headquarters and interest expense related to its long-term debt.

The financial information presented for the Americas Mills segment excludes Howell. Additionally, the financial information presented for the International Marketing and Distribution segment excludes the steel distribution business in Australia. These operations have been classified as discontinued operations in the consolidated statements of earnings. See Note 6, Businesses Held for Sale, Discontinued Operations and Dispositions, for more information.

The Company uses adjusted operating profit (loss), a non-GAAP financial measure, to compare and to evaluate the financial performance of its segments. Adjusted operating profit (loss) is the sum of the Company's earnings from continuing operations before income taxes, interest expense and discounts on sales of accounts receivable. Intersegment sales are generally priced at prevailing market prices. Certain corporate administrative expenses are allocated to the segments based upon the nature of the expense. The accounting policies of the segments are the same as those described in Note 2, Summary of Significant Accounting Policies, of the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014.

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

Three Months Ended May 31, 2015								
(in thousands)	Americas			International			Eliminations	Continuing Operations
	Recycling	Mills	Fabrication	Mill	Marketing and Distribution	Corporate		
Net sales-unaffiliated customers	\$194,081	\$244,632	\$415,763	\$156,286	\$494,639	\$601	\$—	\$1,506,002
Intersegment sales	31,015	202,189	2,132	32	23,605	—	(258,973)	—
Net sales	225,096	446,821	417,895	156,318	518,244	601	(258,973)	1,506,002
Adjusted operating profit (loss)	(1,970)	84,237	22,878	6,146	37,669	(19,502)	(3,480)	125,978
Three Months Ended May 31, 2014								
(in thousands)	Americas			International			Eliminations	Continuing Operations
	Recycling	Mills	Fabrication	Mill	Marketing and Distribution	Corporate		
Net sales-unaffiliated customers	\$287,533	\$308,878	\$406,066	\$207,364	\$528,559	\$193	\$—	\$1,738,593
Intersegment sales	47,571	218,696	3,359	194	21,186	—	(291,006)	—
Net sales	335,104	527,574	409,425	207,558	549,745	193	(291,006)	1,738,593
Adjusted operating profit (loss)	(1,085)	74,063	1,244	2,047	2,023	(18,227)	(1,930)	58,135
Nine Months Ended May 31, 2015								
(in thousands)	Americas			International			Eliminations	Continuing Operations
	Recycling	Mills	Fabrication	Mill	Marketing and Distribution	Corporate		
Net sales-unaffiliated customers	\$691,382	\$796,218	\$1,165,679	\$472,364	\$1,447,316	\$4,150	\$—	\$4,577,109
Intersegment sales	108,852	604,299	9,114	32	73,972	—	(796,269)	—
Net sales	800,234	1,400,517	1,174,793	472,396	1,521,288	4,150	(796,269)	4,577,109
Adjusted operating profit (loss)	(3,285)	258,108	31,642	11,188	71,599	(55,513)	(2,248)	311,491
Total assets at May 31, 2015*	266,913	706,229	730,285	414,914	953,750	1,001,085	(571,535)	3,501,641
Nine Months Ended May 31, 2014								
(in thousands)	Americas			International			Eliminations	Continuing Operations
	Recycling	Mills	Fabrication	Mill	Marketing and Distribution	Corporate		
Net sales-unaffiliated customers	\$874,155	\$878,013	\$1,082,630	\$617,101	\$1,489,686	\$11,544	\$—	\$4,953,129

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Intersegment sales	141,419	587,561	10,903	969	43,865	—	(784,717)	—
Net sales	1,015,574	1,465,574	1,093,533	618,070	1,533,551	11,544	(784,717)	4,953,129
Adjusted operating profit (loss)	(1,109)	183,939	(1,869)	25,647	8,552	(51,340)	88	163,908
Total assets at August 31, 2014*	296,564	647,437	691,765	466,449	949,016	1,100,995	(470,716)	3,681,510

* Excludes total assets from discontinued operations of \$78.1 million at May 31, 2015 and \$7.0 million at August 31, 2014.

Reconciliations of earnings from continuing operations to adjusted operating profit are provided below:

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Earnings from continuing operations	\$67,128	\$24,468	\$167,181	\$71,423
Income taxes	37,964	13,700	84,252	32,657
Interest expense	20,519	18,849	58,828	57,234
Discounts on sales of accounts receivable	367	1,118	1,230	2,594
Adjusted operating profit	\$125,978	\$58,135	\$311,491	\$163,908

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In the following discussion, references to "we," "us," "our" or the "Company" mean Commercial Metals Company and its consolidated subsidiaries, unless the context otherwise requires. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the notes thereto, which are included in this Quarterly Report on Form 10-Q, and our audited consolidated financial statements and the notes thereto, which are included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2014. This discussion contains or incorporates by reference "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, but rather are based on expectations, estimates, assumptions and projections about our industry, business and future financial results, based on information available at the time this report is filed with the Securities and Exchange Commission ("SEC") or, with respect to any document incorporated by reference, available at the time that such document was prepared. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those identified in the section entitled "Forward-Looking Statements" in this Item 2 of this Quarterly Report on Form 10-Q and in the section entitled "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the fiscal year ended August 31, 2014. We do not undertake any obligation to update, amend or clarify any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or circumstances or otherwise, except as required by law.

CRITICAL ACCOUNTING POLICIES

There have been no material changes to our critical accounting policies as set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2014.

CONSOLIDATED RESULTS OF OPERATIONS

The following discussion of our results of operations is based on our continuing operations and excludes any results of our discontinued operations.

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales*	\$1,506,002	\$1,738,593	\$4,577,109	\$4,953,129
Adjusted operating profit*+	125,978	58,135	311,491	163,908
LIFO expense (income) before income taxes*	(37,063)	(8,174)	(115,750)	15,117
Earnings from continuing operations	67,128	24,468	167,181	71,423
Adjusted EBITDA*+	158,490	90,410	410,002	262,002

* Excludes divisions classified as discontinued operations.

+ Non-GAAP financial measure.

Adjusted Operating Profit (Loss)

In the table above, we have included financial statement measures that were not derived in accordance with United States generally accepted accounting principles ("GAAP"). We use adjusted operating profit (loss) to compare and to evaluate the financial performance of our segments. Adjusted operating profit (loss) is the sum of our earnings (loss) from continuing operations before income taxes, interest expense and discounts on sales of accounts receivable. For added flexibility, we may sell certain trade accounts receivable both in the U.S. and internationally. We consider sales of accounts receivable as an alternative source of liquidity to finance our operations, and we believe that removing these costs provides a clearer perspective of our operating performance. Adjusted operating profit (loss) may be inconsistent with similar measures presented by other companies.

Reconciliations of earnings from continuing operations to adjusted operating profit are provided below:

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Earnings from continuing operations	\$67,128	\$24,468	\$167,181	\$71,423
Income taxes	37,964	13,700	84,252	32,657
Interest expense	20,519	18,849	58,828	57,234
Discounts on sales of accounts receivable	367	1,118	1,230	2,594
Adjusted operating profit	\$125,978	\$58,135	\$311,491	\$163,908

Adjusted EBITDA

The other non-GAAP financial measure included in the table above is adjusted EBITDA. We use adjusted EBITDA (earnings from continuing operations before net earnings attributable to noncontrolling interests, interest expense, income taxes, depreciation, amortization and impairment charges) as a non-GAAP financial measure. Adjusted EBITDA should not be considered as an alternative to net earnings or as a better measure of liquidity than net cash flows from operating activities, as determined by GAAP. However, we believe that adjusted EBITDA provides relevant and useful information, which is often used by analysts, creditors and other interested parties in our industry. In calculating adjusted EBITDA, we exclude our largest recurring non-cash charge, depreciation and amortization, as well as impairment charges, which are also non-cash. Adjusted 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 U.S. jurisdictions. Tax regulations in international operations add additional complexity. We also exclude interest cost in our calculation of adjusted EBITDA. The results are, therefore, without consideration of financing alternatives of capital employed. Adjusted EBITDA is part of a debt compliance test in certain of our debt agreements and is the target benchmark for our annual and long-term cash incentive performance plans for management. Adjusted EBITDA may be inconsistent with similar measures presented by other companies.

Reconciliations of earnings from continuing operations to adjusted EBITDA are provided below:

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Earnings from continuing operations	\$67,128	\$24,468	\$167,181	\$71,423
Net earnings attributable to noncontrolling interests	—	—	—	1
Interest expense	20,519	18,849	58,828	57,234
Income taxes	37,964	13,700	84,252	32,657
Depreciation and amortization	32,840	33,393	99,553	99,784
Impairment charges	39	—	188	905
Adjusted EBITDA	\$158,490	\$90,410	\$410,002	\$262,002

As noted above, our adjusted EBITDA does not include net earnings attributable to noncontrolling interests, interest expense, income taxes, depreciation, amortization and impairment charges. 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. Impairment charges, when necessary, accelerate the write-off of fixed assets that otherwise would have been accomplished by periodic depreciation charges. Additionally, 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 determined in

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accordance with GAAP, as well as adjusted EBITDA, to evaluate our performance. Further, we separately analyze any significant fluctuations in interest expense, income taxes, depreciation, amortization and impairment charges.

Summary

Net sales for the three and nine months ended May 31, 2015 decreased \$232.6 million, or 13%, and \$376.0 million, or 8%, respectively compared to the corresponding periods in fiscal 2014. The decrease in net sales for the three months ended May 31, 2015 was primarily attributed to decreases in shipments and average selling prices across all product lines for our Americas Recycling and Americas Mills segments compared to the third quarter of fiscal 2014. In addition, our International Mill segment was impacted by a 25% decrease in average selling prices on flat volumes, and our International Marketing and Distribution segment was impacted by a 7% decrease in overall average selling prices compared to the corresponding period in the prior fiscal year. In contrast, our Americas Fabrication segment reported an increase in net sales for the three months ended May 31, 2015 primarily due to a \$32 per short ton increase in the average composite selling price compared to the third quarter of fiscal 2014.

The decrease in net sales for the nine months ended May 31, 2015 was due to decreases in both total shipments and average selling prices for our Americas Recycling, Americas Mills and International Mill segments compared to the first nine months of fiscal 2014. Additionally, our International Marketing and Distribution segment reported a decrease in net sales for the nine months ended May 31, 2015 primarily due to a decrease in volumes for our Australian operations and a decrease in volumes and average selling price for our Asian operations compared to the nine months ended May 31, 2014, partially offset by a \$45.5 million benefit as a result of a termination of a contract with a customer. In contrast, for the nine months ended May 31, 2015, our Americas Fabrication segment reported an increase in net sales compared to the corresponding period in the prior fiscal year due to a \$27 per short ton increase in the average composite selling price and a 4% increase in rebar shipments.

Adjusted operating profit for the three and nine months ended May 31, 2015 increased \$67.8 million and \$147.6 million, respectively, compared to the corresponding periods in fiscal 2014. Each of our segments, except our Americas Recycling segment, reported an improvement in adjusted operating profit for the third quarter of fiscal 2015 compared to the third quarter of fiscal 2014. Our Americas Fabrication and International Marketing and Distribution segments drove approximately 84% of the increase in adjusted operating profit, followed by our Americas Mills and International Mill segments, compared to the three months ended May 31, 2014. Our Americas Fabrication segment benefited from an increase in the average composite selling price which outpaced an increase in average material cost and resulted in a 24% increase in average metal margin for the three months ended May 31, 2015 compared to the corresponding period in fiscal 2014. Our International Marketing and Distribution segment benefited from an increase in volumes for our trading divisions headquartered in the U.S. and a \$45.5 million benefit recorded as a result of a termination of a contract with a customer for the three months ended May 31, 2015 compared to the corresponding period in fiscal 2014. Our Americas Mills segment benefited from an overall reduction in the average cost of ferrous scrap consumed during the third quarter of fiscal 2015 which contributed to a \$10.2 million increase in adjusted operating profit for this segment compared to the corresponding period in fiscal 2014. Our International Mill segment reported a \$4.1 million increase in adjusted operating profit partially due to the commissioning of a new, state-of-the-art electric furnace in the third quarter of fiscal 2014. In contrast, our Americas Recycling segment recorded a \$0.9 million increase in adjusted operating loss due to a decline in ferrous tons shipped on flat average ferrous metal margins and a 16% decline in average nonferrous metal margins coupled with a 5% decrease in nonferrous tons shipped.

For the nine months ended May 31, 2015, our Americas Mills, Americas Fabrication and International Marketing and Distribution segments each reported an improvement in adjusted operating profit, while our Americas Recycling and International Mill segments both reported a decline in adjusted operating profit compared to the first nine months of fiscal 2014. Our Americas Mills segment benefited from an overall reduction in the average cost of ferrous scrap consumed during the nine months ended May 31, 2015, which resulted in an 11% increase in average metal margin

compared to the corresponding period in fiscal 2014. Our Americas Fabrication segment benefited from an increase in shipments and a 7% increase in average composite metal margin. Our International Marketing and Distribution segment benefited from a \$45.5 million benefit recorded as a result of a termination of a contract with a customer for the nine months ended May 31, 2015 compared to the corresponding period in fiscal 2014. For the first nine months of fiscal 2015, our Americas Recycling and International Mill segments were both impacted by a decrease in shipments coupled with overall average selling prices declining at a faster rate than declining average material costs, which resulted in overall average metal margin compression of 5% and 18%, respectively, compared to the first nine months of fiscal 2014.

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Effective September 1, 2014, we changed our method of determining our LIFO inventory reserve from the complete quarterly LIFO valuation method to the expected annual LIFO valuation method. Under the expected annual LIFO valuation method, interim LIFO expense or income is based on management's current estimates of inventory costs and quantities at year end. Actual inventory costs and quantities at year end will likely differ from the interim estimates, and such differences may be significant. For the three and nine months ended May 31, 2015, we reported favorable changes in pre-tax LIFO of \$28.9 million and \$130.9 million, respectively, compared to the corresponding periods in fiscal 2014. The changes in pre-tax LIFO for the three and nine months ended May 31, 2015 were the result of management's estimates for the movement in inventory costs and inventory quantities throughout fiscal 2015 compared to the observed movement in inventory prices and quantities during the three and nine months ended May 31, 2014. A discussion of the impact of the changes (where material) in pre-tax LIFO on our segments for the three and nine months ended May 31, 2015 is included in "Segment Operating Data" below.

Interest Expense

Interest expense for the three and nine months ended May 31, 2015 increased \$1.7 million and \$1.6 million, respectively, compared to the three and nine months ended May 31, 2014 primarily due to an increase in documentary letters of credit outstanding for our International Marketing and Distribution segment.

Income Taxes

Our effective income tax rate from continuing operations for the three and nine months ended May 31, 2015 was 36.1% and 33.5%, respectively, compared with 35.9% and 31.4%, respectively, for the three and nine months ended May 31, 2014. The increase in our effective income tax rate from continuing operations for the three and nine months ended May 31, 2015 was largely attributed to an increase in estimated LIFO income resulting in an increase in income expected to be generated in the U.S., which has a higher tax rate than other jurisdictions. Our effective income tax rate can change from period to period as a result of changes in the mix and amount of pre-tax income generated in the jurisdictions in which we operate. Our effective income tax rates can also be impacted by state and local taxes as well as by earnings or losses from foreign jurisdictions. State and local taxes are generally consistent while the composition of domestic and foreign earnings can create larger fluctuations in our effective tax rate.

We intend to indefinitely reinvest all undistributed earnings of our non-U.S. subsidiaries. While not expected, if a repatriation occurs in the future, we would be required to provide for income taxes on repatriated earnings from our non-U.S. subsidiaries. Determination of the unrecognized deferred income tax liability related to the undistributed earnings of our non-U.S. subsidiaries is a complex, hypothetical calculation and is therefore impracticable.

SEGMENT OPERATING DATA

Unless otherwise indicated, all dollar amounts below are calculated before income taxes. Financial results for our reportable segments are consistent with the basis and manner in which we internally disaggregate financial information for the purpose of making operating decisions. See Note 14, Business Segments, to the unaudited consolidated financial statements included in this report.

Americas Recycling

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales	\$225,096	\$335,104	\$800,234	\$1,015,574
Adjusted operating loss	(1,970)	(1,085)	(3,285)	(1,109)
LIFO income	(2,579)	(3,693)	(11,975)	(2,190)
Average selling price (per short ton)				
Average ferrous selling price	\$218	\$319	\$264	\$331
Average nonferrous selling price	2,211	2,541	2,373	2,651
Short tons shipped (in thousands)				

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Ferrous tons shipped	416	538	1,361	1,560
Nonferrous tons shipped	55	58	170	168
Total tons shipped	471	596	1,531	1,728

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Net sales for the three and nine months ended May 31, 2015 decreased \$110.0 million, or 33%, and \$215.3 million, or 21%, respectively, compared to the corresponding periods in fiscal 2014. The decrease in net sales for the three months ended May 31, 2015 was due to a decrease in average ferrous and nonferrous selling prices of \$101 and \$330 per short ton, respectively, coupled with a decrease in ferrous and nonferrous tons shipped of 23% and 5%, respectively. For the nine months ended May 31, 2015, the decrease in net sales was principally due to a \$67 per short ton decrease in the average ferrous selling price and a 13% decrease in ferrous tons shipped, in each case compared to the nine months ended May 31, 2014. Nonferrous tons shipped increased 1% during the nine months ended May 31, 2015; however, a \$278 per short ton decline in average nonferrous selling prices outpaced the increase in nonferrous tons shipped and further contributed to the decrease in net sales compared to the corresponding period in fiscal 2014. The strengthening of the U.S. dollar during the three and nine months ended May 31, 2015 has weakened export demand and dampened both ferrous and nonferrous average selling prices compared to the three and nine months ended May 31, 2014.

Adjusted operating loss for the three and nine months ended May 31, 2015, increased \$0.9 million and \$2.2 million, respectively, compared to the corresponding periods in fiscal 2014. During the third quarter of fiscal 2015, ferrous volumes declined 23% on flat average ferrous metal margins compared to the corresponding period in fiscal 2014. Additionally, during the third quarter of fiscal 2015, the decrease in average nonferrous selling prices discussed above outweighed a decline in average nonferrous material cost and compressed average nonferrous metal margins by 16%, further contributing to the increase in adjusted operating loss compared to the third quarter of fiscal 2014. The increase in adjusted operating loss for the nine months ended May 31, 2015 was a result of the decrease in both average ferrous and nonferrous selling prices discussed above, which outweighed a decrease in both average ferrous and nonferrous material cost and compressed average ferrous and nonferrous metal margins by 9% and 8%, respectively, compared to the corresponding period in fiscal 2014. Additionally, for the nine months ended May 31, 2015, labor and employee benefit expenses increased approximately 6% per short ton as a result of a decrease in total tons shipped compared to the nine months ended May 31, 2014. However, a \$9.8 million favorable change in pre-tax LIFO during the nine months ended May 31, 2015 partially offset the average metal margin pressure discussed above. The favorable change in pre-tax LIFO was the result of management's expectation that inventory costs will decline at a faster pace for the remainder of fiscal 2015 compared to the pace of the decrease in inventory costs during the nine months ended May 31, 2014.

Americas Mills

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales	\$446,821	\$527,574	\$1,400,517	\$1,465,574
Adjusted operating profit	84,237	74,063	258,108	183,939
LIFO expense (income)	(20,917)	(7,060)	(62,670)	2,744
Average price (per short ton)				
Finished goods selling price	\$621	\$696	\$664	\$687
Total sales	612	683	653	672
Cost of ferrous scrap consumed	244	349	294	350
Metal margin	368	334	359	322
Ferrous scrap purchase price	204	275	249	298
Short tons (in thousands)				
Tons melted	655	666	1,952	1,928
Tons rolled	626	625	1,805	1,786
Tons shipped	673	734	2,002	2,041

We include our five domestic steel minimills and the recycling locations which directly support the steel minimills in our Americas Mills segment.

Net sales for the three and nine months ended May 31, 2015 decreased \$80.8 million, or 15%, and decreased \$65.1 million, or 4%, respectively, compared to the corresponding periods in fiscal 2014. The decrease in net sales for the three and nine months ended May 31, 2015 was due to decreases in both tons shipped of 8% and 2%, respectively, and average selling prices of \$71 per short ton and \$19 per short ton, respectively, as a result of continued import pressures in the U.S. compared to the three and nine months ended May 31, 2014. During the third quarter of fiscal 2015, shipments of our higher priced finished products, including rebar and merchants, decreased approximately 31 thousand short tons and our lower priced billet shipments decreased approximately 29 thousand short tons. During the first nine months of fiscal 2015, shipments of our higher priced finished products remained flat while our billet shipments decreased approximately 35 thousand short tons.

Adjusted operating profit for the three and nine months ended May 31, 2015 increased \$10.2 million and \$74.2 million, respectively, compared to the corresponding periods in fiscal 2014. During the three and nine months ended May 31, 2015, the average cost of ferrous scrap consumed decreased \$105 per short ton and \$56 per short ton, respectively, which more than offset the decreases in average selling prices discussed above and increased average metal margins by 10% and 11%, respectively, compared to the three and nine months ended May 31, 2014. Additionally, this segment recorded a favorable change in pre-tax LIFO of \$13.9 million and \$65.4 million for the three and nine months ended May 31, 2015, respectively, compared to the corresponding periods in fiscal 2014. The favorable change in pre-tax LIFO for the three months ended May 31, 2015 was due to management's expectation that inventory costs will decline at a faster pace throughout the remainder of fiscal 2015 compared to decreases in inventory costs during the three months ended May 31, 2014. The favorable change in pre-tax LIFO for the nine months ended May 31, 2015 was due to management's expectation that inventory costs will decline throughout the remainder of fiscal 2015 compared to increases in inventory costs during the nine months ended May 31, 2014. However, labor and employee benefit expenses increased 2% and 5% per short ton for the three and nine months ended May 31, 2015 partially due to the reduction in tons shipped discussed above compared to the corresponding periods in fiscal 2014. Furthermore, repairs and maintenance expense increased \$2.6 million and \$11.2 million for the for the three and nine months ended May 31, 2015 compared to the corresponding periods in fiscal 2014 due to routine maintenance and equipment enhancements conducted in the normal course of business.

Americas Fabrication

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales	\$417,895	\$409,425	\$1,174,793	\$1,093,533
Adjusted operating profit (loss)	22,878	1,244	31,642	(1,869)
LIFO expense (income)	(9,090)	(1,903)	(27,674)	4,402
Average selling price (excluding stock and buyout sales) (per short ton)				
Rebar	\$923	\$893	\$921	\$891
Structural	2,413	1,960	2,496	2,250
Post	886	889	889	887
Short tons shipped (in thousands)				
Rebar	260	266	732	703
Structural	8	14	29	39
Post	26	30	74	75

Net sales for the three and nine months ended May 31, 2015 increased \$8.5 million, or 2%, and \$81.3 million, or 7%, respectively, compared to the corresponding periods in fiscal 2014. The increase in net sales for the three months ended May 31, 2015 was primarily due to a \$32 per short ton increase in the average composite selling price as a result of an improvement in non-residential construction demand compared to the third quarter of fiscal 2014. For the nine months ended May 31, 2015, the increase in net sales was due to a 2% increase in shipments coupled with a \$27 per short ton increase in the average composite selling price compared to the corresponding period in fiscal 2014. The

increase in shipments during the nine months ended May 31, 2015 was primarily the result of an increase in non-residential construction spending compared to the corresponding period in fiscal 2014.

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Adjusted operating profit for the three and nine months ended May 31, 2015 increased \$21.6 million and \$33.5 million, respectively, compared to the corresponding periods in fiscal 2014. The increase in adjusted operating profit for the third quarter of fiscal 2015 was partially due to an increase in the average composite selling price coupled with a 3% decrease in average composite material cost, which resulted in a 24% increase in average metal margin compared to the corresponding period in the prior fiscal year. Additionally, for the third quarter of fiscal 2015, this segment recorded a favorable change in pre-tax LIFO of \$7.2 million compared to the third quarter of fiscal 2014 as a result of management's expectation that inventory costs will decline at a faster pace throughout the remainder of fiscal 2015 compared to decreases in inventory costs during the third quarter of fiscal 2014. The increase in adjusted operating profit for the nine months ended May 31, 2015 was primarily due to an increase in rebar shipments as well as an increase in the average composite selling price, which outpaced a 2% increase in average composite material cost and resulted in a 7% increase in average composite metal margin, in each case compared to the corresponding period in fiscal 2014. Additionally, for the nine months ended May 31, 2015, this segment recorded a favorable change in pre-tax LIFO of \$32.1 million compared to the corresponding period in fiscal 2014, as a result of management's expectation that inventory costs will decline throughout the remainder of fiscal 2015 compared to increases in inventory costs during the nine months ended May 31, 2014. However, for the three and nine months ended May 31, 2015, labor and employee benefit expenses increased 13% and 11% per short ton, respectively, in order to fulfill current activity levels and to prepare for a higher level of production in future periods compared to the corresponding periods in fiscal 2014.

International Mill

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales	\$156,318	\$207,558	\$472,396	\$618,070
Adjusted operating profit	6,146	2,047	11,188	25,647
Average price (per short ton)				
Total sales	\$455	\$610	\$493	\$613
Cost of ferrous scrap consumed	258	345	283	357
Metal margin	197	265	210	256
Ferrous scrap purchase price	219	287	237	303
Short tons (in thousands)				
Tons melted	348	258	969	950
Tons rolled	301	273	849	838
Tons shipped	323	322	898	953

Net sales for the three and nine months ended May 31, 2015 decreased \$51.2 million, or 25%, and \$145.7 million, or 24%, respectively, compared to the corresponding periods in fiscal 2014. The decrease in net sales for the three and nine months ended May 31, 2015 reflected an unfavorable foreign currency impact of approximately \$36.0 million and \$72.3 million, respectively. The decrease in net sales for the three months ended May 31, 2015 was due to a 25% decrease in average selling prices on flat volumes. The decrease in net sales for the nine months ended May 31, 2015 was due to a 20% decrease in average selling prices coupled with a 6% decrease in tons shipped. The decrease in average selling price for the three and nine months ended May 31, 2015 was a result of increased import pressure in Poland compared to the corresponding periods of the prior fiscal year.

Adjusted operating profit for the three and nine months ended May 31, 2015 increased \$4.1 million and decreased \$14.5 million, respectively, compared to the corresponding periods in fiscal 2014. The increase in adjusted operating profit for the third quarter of fiscal 2015 was partially due to the commissioning of a new, state-of-the-art electric arc furnace in the third quarter of fiscal 2014. The decrease in adjusted operating profit for the nine months ended May 31, 2015 was partially due to an 18% decrease in average metal margin compared to the first nine months of fiscal 2014. Average metal margin compression for the first nine months of fiscal 2015 was the result of the decrease in average selling price discussed above, which outpaced a \$74 per short ton decrease in the average cost of ferrous

scrap consumed, in each case compared to the corresponding period in fiscal 2014. For the nine months ended May 31, 2015, utilities and repairs and maintenance expense decreased by \$16.3 million primarily due to the new, state-of-the-art electric arc furnace discussed above, which partially offset the metal margin pressure compared to the corresponding period in the prior fiscal year. For the three and nine months ended May 31, 2015, the changes in this segment's cost of goods sold reflected a favorable foreign currency impact of approximately \$33.9 million and \$68.7 million, respectively.

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International Marketing and Distribution

(in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2015	2014	2015	2014
Net sales	\$518,244	\$549,745	\$1,521,288	\$1,533,551
Adjusted operating profit	37,669	2,023	71,599	8,552
LIFO expense (income)	(4,477	) 4,482	(13,431	) 10,161

Net sales for the three and nine months ended May 31, 2015 decreased \$31.5 million, or 6%, and decreased \$12.3 million, or 1%, respectively, compared to the corresponding periods in fiscal 2014. The decrease in net sales for the three and nine months ended May 31, 2015 reflected an unfavorable foreign currency impact of approximately \$14.9 million and \$24.5 million, respectively. The decrease in net sales for the three months ended May 31, 2015 was primarily due to a decrease in volumes and average selling prices for our Australian and Asian operations compared to the three months ended May 31, 2014 as economic slowdown in China has contracted the level of demand for steel and steel-related industrial products in the Asia-Pacific region. These decreases were partially offset by an increase in volumes for our trading divisions headquartered in the U.S., which overcame a 4% decline in their overall average selling price compared to the corresponding period in fiscal 2014. In addition, this segment recorded a \$45.5 million benefit as a result of a termination of a contract with a customer. The decline in net sales for the nine months ended May 31, 2015 was primarily due to a decrease in volumes for our Australian operations and a decrease in volumes and average selling price for our Asian operations compared to the nine months ended May 31, 2014, partially offset by the \$45.5 million contract termination benefit.

Adjusted operating profit for the three and nine months ended May 31, 2015 increased \$35.6 million and \$63.0 million, respectively, compared to the corresponding periods in fiscal 2014. The improvement in adjusted operating profit for the three and nine months ended May 31, 2015 resulted from the \$45.5 million contract termination benefit and a favorable change in pre-tax LIFO of \$9.0 million and \$23.6 million, respectively, as a result of management's expectation that inventory costs will decline throughout fiscal 2015 compared to increases in inventory costs during the three and nine months ended May 31, 2014. Furthermore, for the three and nine months ended May 31, 2015, the changes in this segment's cost of goods sold reflected a favorable foreign currency impact of approximately \$15.3 million and \$25.6 million, respectively. Partially offsetting the improvement in adjusted operating profit discussed above, this segment recorded a \$9.1 million inventory write-down in the third quarter of fiscal 2015.

Corporate

Our corporate expenses for the three and nine months ended May 31, 2015 increased \$1.3 million and \$4.2 million, respectively, primarily due to a decrease in inter-company interest charged to our other operating segments compared to the corresponding periods in fiscal 2014.

DISCONTINUED OPERATIONS DATA

In September 2014, we made the decision to exit our steel distribution business in Australia. Despite focused efforts and substantial progress to stabilize and improve the results of the Australian steel distribution business, we determined that achieving acceptable financial returns would take additional time and investment. In the first quarter of fiscal 2015, we determined that the decision to exit this business met the definition of a discontinued operation. As a result, this business has been presented as a discontinued operation for all periods. The expenses associated with exiting this business were not material for the three and nine months ended May 31, 2015. The Australian steel distribution business was previously an operating segment in the International Marketing and Distribution reporting segment.

During the fourth quarter of fiscal 2013, we decided to sell all of the capital stock of our wholly owned copper tube manufacturing operation, Howell Metal Company ("Howell"). We determined that the decision to sell this business met the definition of a discontinued operation. As a result, the Company included Howell in discontinued operations for all periods presented. During the first quarter of fiscal 2014, the Company sold all of the outstanding capital stock of Howell for \$58.5 million, \$3.2 million of which was held in escrow as of both May 31, 2015 and August 31, 2014.

During the second quarter of fiscal 2014, the Company made a \$3.0 million working capital adjustment, which was included in the Company's estimated pre-tax gain of \$23.8 million in fiscal 2014. Howell was previously an operating segment included in the Americas Mills reporting segment.

OUTLOOK

As we enter our fiscal fourth quarter, our key market indicators point toward a strong finish to our fiscal 2015. The demand for our finished steel products in the U.S. and Poland remains high. Additionally, unfavorable weather in May in the central region of the U.S. resulted in certain projects being pushed out into our fiscal fourth quarter, which we expect should provide some upside to the fourth quarter's results. Elevated levels of imports continue to pressure margins for our U.S. and Polish operations. Our International Marketing and Distribution segment also continues to be challenged by the strong U.S. dollar.

LIQUIDITY AND CAPITAL RESOURCES

See Note 7, Credit Arrangements, to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information.

While we believe the lending institutions participating in our credit arrangements are financially capable, it is important to note that the banking and capital markets periodically experience volatility that may limit our ability to raise capital. Additionally, changes to our credit rating by any rating agency may negatively impact our ability to raise capital and our financing costs.

The table below reflects our sources, facilities and availability of liquidity as of May 31, 2015:

(in thousands)	Total Facility	Availability
Cash and cash equivalents	\$381,006	\$ N/A
Revolving credit facility	350,000	326,555
U.S. receivables sale facility	200,000	185,000
International accounts receivable sales facilities	99,267	64,100
Bank credit facilities — uncommitted	92,462	91,660
Notes due from 2017 to 2023	1,230,000	*
Equipment notes	37,968	*

* We believe we have access to additional financing and refinancing, if needed.

We have \$400.0 million of 6.50% Senior Notes due July 2017 (the "2017 Notes"), \$500.0 million of 7.35% Senior Notes due August 2018 (the "2018 Notes") and \$330.0 million of 4.875% Senior Notes due May 2023 (the "2023 Notes" and together with the 2017 Notes and the 2018 Notes, the "Notes"). The Notes require interest only payments until maturity. We expect cash from operations to be sufficient to meet all interest and principal payments due within the next twelve months, and we believe we will be able to obtain additional financing or to refinance these notes when they mature.

CMC Poland Sp. z.o.o. ("CMCP") has uncommitted credit facilities of PLN 215 million (\$57.5 million) with several banks with expiration dates ranging from November 2015 to March 2016. We intend to renew the uncommitted credit facilities upon expiration. During the nine months ended May 31, 2015, CMCP had total borrowings of \$49.6 million and total repayments of \$49.6 million under these facilities. At May 31, 2015, no material amounts were outstanding under these facilities.

The maximum availability under our \$350.0 million revolving credit facility (the "credit facility") can be increased to \$500.0 million. Our obligation under the credit facility is secured by our U.S. inventory. The credit facility's capacity includes \$50.0 million for the issuance of stand-by letters of credit and was reduced by outstanding stand-by letters of credit which totaled \$23.4 million at May 31, 2015.

Under the credit facility, we are required to comply with certain financial and non-financial covenants, including covenants to maintain: (i) an interest coverage ratio (consolidated EBITDA to consolidated interest expense, as each is defined in the credit agreement governing our credit facility) of not less than 2.50 to 1.00 and (ii) a debt to capitalization ratio (consolidated funded debt to total capitalization, as each is defined in the credit agreement governing our credit facility) that does not exceed 0.60 to 1.00. In addition, beginning on the date three months prior to each maturity date of the 2017 Notes and the 2018 Notes and each day thereafter that the 2017 Notes and the 2018 Notes are outstanding, we will be required to maintain liquidity of at least \$150.0 million in excess of each of the outstanding aggregate principal amounts of the 2017 Notes and 2018 Notes. Loans under the credit facility bear interest based on the Eurocurrency rate, a base rate, or the LIBOR rate. At May 31, 2015, our interest coverage ratio was 6.26 to 1.00 and our debt to capitalization ratio was 0.48 to 1.00.

Our foreign operations generated approximately 22% of our revenue during the third quarter of fiscal 2015, and as a result, our foreign operations had cash and cash equivalents of approximately \$38.2 million at May 31, 2015. Historically, our domestic operations have generated the majority of our cash, which has been used to fund the cash needs of our domestic operations as well as our foreign operations. Additionally, our U.S. operations have access to the \$350.0 million credit facility described above and the \$200.0 million sale of accounts receivable program described below. We intend to indefinitely reinvest all undistributed earnings of our non-U.S. subsidiaries. While not expected, if a repatriation occurs in the future, we would be required to provide for income taxes on repatriated earnings from our non-U.S. subsidiaries. Determination of the unrecognized deferred income tax liability related to the undistributed earnings of our non-U.S. subsidiaries is not practicable because of the complexities with its hypothetical calculation.

We regularly maintain a substantial amount of accounts receivable. We actively monitor our accounts receivable and, based on market conditions and customers' financial condition, we record allowances as soon as we believe accounts are uncollectible. Continued pressure on the liquidity of our customers could result in additional allowances as we make our assessments in the future. We use credit insurance both in the U.S. and internationally to mitigate the risk of customer insolvency. We estimate that the amount of credit insured receivables (and those covered by export letters of credit) was approximately 41% of total receivables at May 31, 2015.

For added flexibility, we may sell certain accounts receivable both in the U.S. and internationally. See Note 3, Sales of Accounts Receivable, to the unaudited consolidated financial statements contained in this report. Our U.S. sale of accounts receivable program contains certain cross-default provisions whereby a termination event could occur if we default under certain of our credit arrangements. Additionally, our sales of accounts receivable program contains covenants that are consistent with the covenants contained in the credit facility.

We utilize documentary letter of credit programs whereby we assign certain trade accounts payable associated with trading transactions entered into by our marketing and distribution divisions. These letters of credit allow for payment at a future date and are used as an additional source of working capital financing. These letters of credit are issued under uncommitted lines of credit, which are in addition to and separate from our contractually committed credit facility and are not included in our overall liquidity analysis. We had \$166.7 million and \$125.1 million of documentary letters of credit outstanding at May 31, 2015 and August 31, 2014, respectively. The increase in use of documentary letters of credit at May 31, 2015 resulted in a decrease in cash from financing activities of \$51.7 million. The amount of documentary letters of credit outstanding during the period can fluctuate as a result of the level of activity and volume of materials purchased during the period as well as a result of their length and timing to maturity.

On October 27, 2014, CMC's Board of Directors authorized a new share repurchase program under which we may repurchase up to \$100.0 million of shares of CMC common stock. This new program replaced the existing program, which was terminated by CMC's Board of Directors in connection with the approval of the new program. We intend to repurchase shares from time to time for cash in open market transactions or in privately-negotiated transactions in accordance with applicable federal securities laws. The timing and the amount of repurchases, if any, are determined by management based on an evaluation of market conditions, capital allocation alternatives and other factors. The new share repurchase program does not require us to purchase any dollar amount or number of shares of CMC common stock and may be modified, suspended, extended or terminated at any time without prior notice. During the three and nine months ended May 31, 2015, we purchased 139,383 and 2,902,218 shares of CMC common stock, respectively, at an average purchase price of \$15.97 and \$14.40 per share, respectively.

Cash Flows

Our cash flows from operating activities result primarily from the sale of steel and related products, and to a lesser extent, sales of nonferrous metal products and other raw materials used in steel manufacturing. We have a diverse and generally stable customer base. From time to time, we use futures or forward contracts to mitigate the risks from

fluctuations in metal commodity prices, foreign currency exchange rates, natural gas prices and interest rates. See Note 8, Derivatives and Risk Management, to the unaudited consolidated financial statements contained in this report.

Net cash flows from operating activities were \$58.8 million during the first nine months of fiscal 2015 compared to net cash flows from operating activities of \$94.3 million during the first nine months of fiscal 2014. Net earnings increased \$66.8 million during the first nine months of fiscal 2015 compared to the same period in the prior fiscal year. Net earnings in the first nine months of fiscal 2014 included a \$23.8 million pre-tax gain on the sale of Howell. There was no such sale in the same period of fiscal 2015. The impact of the pre-tax gain on the sale of Howell was offset by a \$28.6 million increase in deferred income taxes during the first nine months of fiscal 2014. Comparatively, net earnings included an increase in deferred income taxes of \$26.4 million during the first nine months of fiscal 2015. In addition, net earnings in the first nine months of fiscal 2015 included an \$11.7 million inventory write-down, compared to no such write-down during the first nine months of fiscal 2014. There were no other material fluctuations of non-cash items or items included in net earnings for which the cash effects did not relate to operating activities for the first nine months of fiscal 2014 or fiscal 2015.

Cash used by operating assets and liabilities increased \$145.9 million during the first nine months of fiscal 2015 compared to the same period in the prior fiscal year. The significant components of change within operating assets and liabilities were as follows:

Accounts receivable - Cash from accounts receivable increased \$149.9 million during the first nine months of fiscal 2015 compared to the same period of fiscal 2014. The increase in cash from accounts receivable was primarily due to a \$353.9 million decrease in consolidated net sales between the fourth quarter of fiscal 2014 and the third quarter of fiscal 2015 compared to a \$70.5 million increase in consolidated net sales between the fourth quarter of fiscal 2013 and the third quarter of fiscal 2014. However, days sales outstanding increased eight days from 49 days at May 31, 2014 to 57 days at May 31, 2015.

Accounts receivable sold, net - Cash used by accounts receivable sold, net during the first nine months of fiscal 2015 was \$98.0 million compared to cash from accounts receivable sold, net of \$124.4 million in the same period in the prior fiscal year. This was due to net repayments on our U.S. sale of accounts receivable program of \$40.0 million for the first nine months of fiscal 2015 compared to net proceeds of \$70.0 million for the first nine months of fiscal 2014. In addition, during the first nine months of fiscal 2015, we had net repayments of \$58.0 million on our international sale of accounts receivable programs compared to net proceeds of \$54.4 million during the first nine months of fiscal 2014.

Inventories - Cash used by inventories decreased \$65.1 million during the first nine months of fiscal 2015 compared to the first nine months of fiscal 2014 primarily related to our International Marketing and Distribution segment as inventory levels increased at a slower pace for our European operations for the nine months ended May 31, 2015 compared to the same period in the prior fiscal year. Additionally, inventory levels decreased for our Australian steel distribution business during the first nine months of fiscal 2015 compared to an increase in inventory levels during the first nine months of fiscal 2014. In contrast, days sales in inventories increased 10 days to 65 days at May 31, 2015 from 55 days at May 31, 2014.

Accounts payable, accrued expenses and other payables - Cash used by accounts payable, accrued expenses and other payables increased \$167.7 million during the first nine months of fiscal 2015 compared to the first nine months of fiscal 2014 due to a decrease in trade payables resulting from reduced inventory costs, primarily caused by falling commodity prices, and timing of payments.

Net cash flows used by investing activities increased \$54.8 million during the first nine months of fiscal 2015 compared to the same period in the prior fiscal year. The largest factor contributing to the use of cash by investing activities in the first nine months of fiscal 2015 was a decrease in proceeds from the sale of a subsidiary of \$49.9 million, \$52.3 million of which related to the proceeds from the sale of Howell during the first nine months of fiscal 2014. Additionally, net cash flows used by investing activities increased during the first nine months of fiscal 2015 due to an \$8.3 million increase in capital expenditures.

We expect our total capital expenditures for fiscal 2015 to be between \$110 million and \$130 million. We regularly assess our capital spending and reevaluate our requirements based on current and expected results.

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Net cash flows used by financing activities increased \$17.2 million during the first nine months of fiscal 2015 compared to the same period in the prior fiscal year. The increase in net cash flows used by financing activities primarily resulted from a \$41.8 million increase in purchases of CMC common stock under our new share repurchase program, as well as a \$14.4 million decrease in the release of restricted cash, primarily related to an \$18.0 million release of restricted cash from fiscal 2014 that had been serving as collateral for letters of credit obligations for our Australian operations. Additionally, we had a decrease in net short-term borrowings of \$6.2 million due to lower demand in our Asian steel trading business toward the end of the first nine months of fiscal 2015 compared to the same period in fiscal 2014, as well as an increase in repayments on long-term debt of \$3.2 million. The increases in cash flows used by financing activities were partially offset by a \$48.7 million increase in the level of usage of documentary letters of credit during the first nine months of fiscal 2015 compared to the same period of fiscal 2014. The amount of documentary letters of credit outstanding during the period can fluctuate as a result of the level of activity and volume of materials purchased during the period as well as a result of their length and timing to maturity.

Our estimated contractual obligations for the twelve months ending May 31, 2015 were approximately \$800 million and constitute expenditures incurred in connection with normal revenue producing activities. We believe our current liquidity is adequate to fund our ongoing operations and planned capital expenditures.

CONTRACTUAL OBLIGATIONS

There were no material changes to our contractual obligations and commitments from the information provided in our Annual Report on Form 10-K for the fiscal year ended August 31, 2014.

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, 2015, we had committed \$23.6 million under these arrangements.

OFF-BALANCE SHEET ARRANGEMENTS

For added flexibility, we may sell certain accounts receivable both in the U.S. and internationally. We utilize proceeds from the sales of the trade accounts receivables as an alternative to short-term borrowings, effectively managing our overall borrowing costs and providing an additional source of working capital. We account for sales of the trade accounts receivables as true sales and the trade accounts receivable balances that are sold are removed from the consolidated balance sheets. The cash advances received are reflected as cash provided by operating activities on our consolidated statements of cash flows.

CONTINGENCIES

See Note 13, Commitments and Contingencies, to the unaudited consolidated financial statements included in this report.

In the ordinary course of conducting our business, we become involved in litigation, administrative proceedings and governmental investigations, including environmental matters. We may incur settlements, fines, penalties or judgments in connection with these matters. Liabilities and costs associated with litigation-related loss contingencies require estimates and judgments based on our knowledge of the facts and circumstances surrounding each matter and the advice of our legal counsel. We record liabilities for litigation-related losses when a loss is probable and we can reasonably estimate the amount of the loss. We evaluate the measurement of recorded liabilities each reporting period based on the current facts and circumstances specific to each matter. The ultimate losses incurred upon final resolution of litigation-related loss contingencies may differ materially from the estimated liability recorded at a particular balance sheet date. Changes in estimates are recorded in earnings in the period in which such changes occur. We do not believe that any currently pending legal proceedings to which we are a party will have a material adverse effect, individually or in the aggregate, on our results of operations, cash flows or financial condition.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws, with respect to U.S. construction activity, economic conditions, prices, volumes and our financial condition, results of operations, cash flows and business, and our expectations or beliefs concerning future events and financial results. These forward-looking statements can generally be identified by phrases such as we or our management "expects," "anticipates," "believes," "estimates," "intends," "plans to," "ought," "could," "will," "should," "likely," "appears," "projects," "forecasts," "outlook" or other similar words or phrases. There are inherent risks and uncertainties in any forward-looking statements. We caution readers not to place undue reliance on any forward-looking statements.

The Company's forward-looking statements are based on management's expectations and beliefs as of the time this report is filed with the SEC or, with respect to any document incorporated by reference, as of the time such document was prepared. Although the Company believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Except as required by law, the Company undertakes no obligation to update, amend or clarify any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or circumstances or otherwise. Some of the important factors that could cause actual results to differ materially from the Company's expectations include the following:

- absence of global economic recovery or possible recession relapse and the pace of overall global economic activity and its impact in a highly cyclical industry;
- construction activity or lack thereof;
- continued sovereign debt problems in the Euro-zone;
- success or failure of governmental efforts to stimulate the economy including restoring credit availability and confidence in a recovery;
- significant reductions in China's steel consumption or increased Chinese steel production;
- rapid and significant changes in the price of metals;
- increased capacity and product availability from competing steel minimills and other steel suppliers including import quantities and pricing;
- passage of new, or interpretation of existing, environmental laws and regulations;
- increased legislation associated with climate change and greenhouse gas emissions;
- solvency of financial institutions and their ability or willingness to lend;
- customers' inability to obtain credit and non-compliance with contracts;

financial covenants and restrictions on the operation of our business contained in agreements governing our debt;

currency fluctuations;

global factors including political and military uncertainties;

availability of electricity and natural gas for minimill operations;

information technology interruptions and breaches in security data;

ability to retain key executives;

execution of cost reduction strategies;

industry consolidation or changes in production capacity or utilization;

ability to make necessary capital expenditures;

availability and pricing of raw materials over which we exert little influence, including scrap metal, energy, insurance and supply prices;

unexpected equipment failures;

competition from other materials;

losses or limited potential gains due to hedging transactions;

litigation claims and settlements, court decisions and regulatory rulings;

risk of injury or death to employees, customers or other visitors to our operations;

increased costs related to health care reform legislation; and

those factors listed under Item 1A. "Risk Factors" included in the Company's Annual Report filed on Form 10-K for the fiscal year ended August 31, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to 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 fiscal year ended August 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. This term refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within required time periods, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, 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 on Form 10-Q, and they have concluded that as of that date, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended May 31, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014, on September 18, 2008, we were served with a purported class action antitrust lawsuit alleging violations of Section 1 of the Sherman Act, brought by Standard Iron Works of Scranton, Pennsylvania, against nine steel manufacturing companies, including CMC. The lawsuit, filed in the United States District Court for the Northern District of Illinois, alleged that the defendants conspired to fix, raise, maintain and stabilize the price at which steel products were sold in the United States by artificially restricting the supply of such steel products. The lawsuit, which purported to be brought on behalf of a class consisting of all parties who purchased steel products directly from the defendants between January 1, 2005 and September 2008 (collectively, the "Direct Purchaser Plaintiffs"), sought treble damages and costs, including reasonable attorney fees and pre- and post-judgment interest.

On March 14, 2014, the Company entered into a final settlement agreement with the Direct Purchaser Plaintiffs. As part of that final settlement, in April 2014, the Company paid approximately \$4 million to the Direct Purchaser Plaintiffs in consideration for the full and final release of all claims of the Direct Purchaser Plaintiffs. The Company maintains that the claims lacked merit and that it has full and complete defenses to all of the claims asserted against it. However, the Company agreed to enter into the settlement agreement to avoid further expense, inconvenience, and distraction of burdensome and protracted litigation. On October 17, 2014, the court granted final approval of the settlement.

On September 24, 2008, a case was filed in the United States District Court for the Northern District of Illinois on behalf of a purported nationwide class of indirect purchasers naming the same defendants and containing allegations substantially identical to those of the complaint filed by Standard Iron Works. The lawsuit sought damages, including reasonable attorney fees and other amounts recoverable by statute. Some document production has occurred in the case. Another action was filed in Tennessee state court on behalf of a purported class of indirect purchasers in Tennessee naming the same defendants but seeking recovery for purchases through 2010. The lawsuit sought damages and costs, including reasonable attorney fees and pre- and post-judgment interest. The case has been removed to federal court and was transferred to United States District Court for the Northern District of Illinois in March 2012. No motion practice or discovery has taken place. The Company believes that the lawsuits are without merit and plans to defend them vigorously. Due to the uncertainty and the information available as of the date of this Quarterly Report on Form 10-Q, the Company cannot reasonably estimate a range of loss relating to these cases.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in Part I Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about purchases by the Company during the quarter ended May 31, 2015 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or

				Programs ⁽¹⁾
March 1, 2015 - March 31, 2015	—	—	—	\$60,419,516
April 1, 2015 - April 30, 2015	139,383	15.97	139,383	58,193,939
May 1, 2015 - May 31, 2015	—	—	—	58,193,939
Total	139,383		139,383	

(1) On October 27, 2014, the Company announced that CMC's Board of Directors had authorized a new share repurchase program

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under which the Company may repurchase up to \$100.0 million of shares of CMC common stock. This new program replaced the existing program, which was terminated by CMC's Board of Directors in connection with the approval of the new program. The new share repurchase program does not require the Company to purchase any dollar amount or number of shares of CMC common stock and may be modified, suspended, extended or terminated by the Company at any time without prior notice.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K:

- 3.1(a) Restated Certificate of Incorporation (filed as Exhibit 3(i) to Commercial Metals Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2009 and incorporated herein by reference).
- 3.1(b) Certificate of Amendment of Restated Certificate of Incorporation dated February 1, 1994 (filed as Exhibit 3(i)(a) to Commercial Metals Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2009 and incorporated herein by reference).
- 3.1(c) Certificate of Amendment of Restated Certificate of Incorporation dated February 17, 1995 (filed as Exhibit 3(i)(b) to Commercial Metals Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2009 and incorporated herein by reference).
- 3.1(d) Certificate of Amendment of Restated Certificate of Incorporation dated January 30, 2004 (filed as Exhibit 3(i)(d) to Commercial Metals Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2004 and incorporated herein by reference).
- 3.1(e) Certificate of Amendment of Restated Certificate of Incorporation dated January 26, 2006 (filed as Exhibit 3(i) to Commercial Metals Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2006 and incorporated herein by reference).
- 3.1(f) Certificate of Designations, Preferences and Rights of Series A Preferred Stock (filed as Exhibit 2 to Commercial Metals Company's Form 8-A filed August 3, 1999 and incorporated herein by reference).
- 3.2 Second Amended and Restated Bylaws (filed as Exhibit 3.1 to Commercial Metals Company's Current Report on Form 8-K filed October 25, 2010 and incorporated herein by reference).
- 31.1 Certification of Joseph Alvarado, 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 Barbara R. Smith, 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 Joseph Alvarado, 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 Barbara R. Smith, 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).
- 101 The following financial information from Commercial Metals Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings (Unaudited), (ii) the Consolidated Statements of Comprehensive Income (Unaudited) (iii) the Consolidated Balance Sheets (Unaudited), (iv) the Consolidated Statements of Cash Flows (Unaudited), (v) the Consolidated Statements of Stockholders' Equity (Unaudited) and (vi) the Notes to Consolidated Financial Statements (Unaudited) (submitted electronically herewith).

SIGNATURE

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

June 29, 2015

/s/ Barbara R. Smith
Barbara R. Smith
Senior Vice President and Chief Financial Officer
(Duly authorized officer and principal financial officer of the
registrant)

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