NUCOR CORP
Form 10-Q
August 08, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

OR

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

Commission File Number: 1-4119

NUCOR CORPORATION

(Exact name of registrant as specified in its charter)

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

(704) 366-7000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	**Accelerated filer**
Non-accelerated filer	**Smaller reporting company**
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

316,343,488 shares of the registrant s common stock were outstanding at June 30, 2018.

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Nucor Corporation

Quarterly Report on Form 10-Q

For the Three Months and Six Months Ended June 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Nucor Corporation Condensed Consolidated Statements of Earnings (Unaudited)

(In thousands, except per share amounts)

	Three Months (13 Weeks) Ended		Six Months (26 Weeks) Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales	$ 6,460,774	$ 5,174,769	$ 12,029,193	$ 9,989,948
Costs, expenses and other:				
Cost of products sold	5,294,184	4,465,144	10,136,197	8,520,073
Marketing, administrative and other expenses	234,381	170,211	417,341	346,637
Equity in earnings of unconsolidated affiliates	(10,943)	(13,302)	(20,523)	(22,058)
Interest expense, net	29,451	44,580	66,565	88,185
	5,547,073	4,666,633	10,599,580	8,932,837
Earnings before income taxes and noncontrolling interests	913,701	508,136	1,429,613	1,057,111
Provision for income taxes	200,086	166,412	335,886	337,739
Net earnings	713,615	341,724	1,093,727	719,372
Earnings attributable to noncontrolling interests	30,462	18,676	56,395	39,425
Net earnings attributable to Nucor stockholders	$ 683,153	$ 323,048	$ 1,037,332	$ 679,947
Net earnings per share:				
Basic	$ 2.14	$ 1.00	$ 3.24	$ 2.12
Diluted	$ 2.13	$ 1.00	$ 3.23	$ 2.11
Average shares outstanding:				
Basic	318,467	320,439	318,941	320,332
Diluted	319,391	321,226	319,930	321,186
Dividends declared per share	$ 0.3800	$ 0.3775	$ 0.7600	$ 0.7550

See notes to condensed consolidated financial statements.

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Nucor Corporation Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)

	Three Months (13 Weeks) Ended		Six Months (26 Weeks) Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net earnings	$ 713,615	$ 341,724	$ 1,093,727	$ 719,372
Other comprehensive income:				
Net unrealized loss on hedging derivatives, net of income taxes of ($1,100) and $0 for the second quarter of 2018 and 2017, respectively, and ($600) and ($1,000) for the first six months of 2018 and 2017, respectively	(3,647)	(71)	(4,399)	(1,706)
Reclassification adjustment for loss on settlement of hedging derivatives included in net income, net of income taxes of $100 and $0 for the second quarter of 2018 and 2017, respectively, and $100 and $300 for the first six months of 2018 and 2017, respectively	447	171	399	656
Foreign currency translation gain (loss), net of income taxes of $0 for the second quarter and first six months of 2018 and 2017	(43,466)	23,957	(37,351)	25,958
	(46,666)	24,057	(41,351)	24,908
Comprehensive income	666,949	365,781	1,052,376	744,280
Comprehensive income attributable to noncontrolling interests	(30,462)	(18,676)	(56,395)	(39,425)
Comprehensive income attributable to Nucor stockholders	$ 636,487	$ 347,105	$ 995,981	$ 704,855

See notes to condensed consolidated financial statements.

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Nucor Corporation Condensed Consolidated Balance Sheets (Unaudited)

(In thousands)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,486,453	$ 949,104
Short-term investments		50,000
Accounts receivable, net	2,637,744	2,028,545
Inventories, net	4,133,472	3,461,686
Other current assets	143,566	335,085
Total current assets	8,401,235	6,824,420
Property, plant and equipment, net	5,122,381	5,093,147
Goodwill	2,185,809	2,196,058
Other intangible assets, net	867,905	914,646
Other assets	874,362	812,987
Total assets	$ 17,451,692	$ 15,841,258
LIABILITIES		
Current liabilities:		
Short-term debt	$ 59,168	$ 52,833
Long-term debt due within one year		500,000
Accounts payable	1,558,020	1,181,346
Salaries, wages and related accruals	507,608	516,660
Accrued expenses and other current liabilities	625,533	573,925
Total current liabilities	2,750,329	2,824,764
Long-term debt due after one year	4,232,244	3,242,242
Deferred credits and other liabilities	733,695	689,464
Total liabilities	7,716,268	6,756,470
EQUITY		
Nucor stockholders equity:		
Common stock	152,061	151,960
Additional paid-in capital	2,051,382	2,021,339
Retained earnings	9,257,823	8,463,709
Accumulated other comprehensive loss, net of income taxes	(296,032)	(254,681)
Treasury stock	(1,791,827)	(1,643,291)

Total Nucor stockholders equity	**9,373,407**	**8,739,036**
Noncontrolling interests	**362,017**	**345,752**
Total equity	**9,735,424**	**9,084,788**
Total liabilities and equity	**$ 17,451,692**	**$ 15,841,258**

See notes to condensed consolidated financial statements.

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Nucor Corporation Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	Six Months (26 Weeks) Ended	
	June 30, 2018	July 1, 2017
Operating activities:		
Net earnings	$ 1,093,727	$ 719,372
Adjustments:		
Depreciation	316,402	318,278
Amortization	44,573	45,443
Stock-based compensation	51,905	41,159
Deferred income taxes	48,181	(4,173)
Distributions from affiliates	27,453	46,877
Equity in earnings of unconsolidated affiliates	(20,523)	(22,058)
Changes in assets and liabilities (exclusive of acquisitions and dispositions):		
Accounts receivable	(602,414)	(396,452)
Inventories	(676,266)	(781,581)
Accounts payable	367,950	371,158
Federal income taxes	208,996	(14,114)
Salaries, wages and related accruals	1,631	(1,897)
Other operating activities	8,977	28,849
Cash provided by operating activities	870,592	350,861
Investing activities:		
Capital expenditures	(361,486)	(189,235)
Investment in and advances to affiliates	(73,427)	(19,000)
Disposition of plant and equipment	17,297	12,509
Acquisitions (net of cash acquired)		(478,410)
Purchases of investments		(50,000)
Proceeds from the sale of investments	50,000	150,000
Other investing activities	1,378	(990)
Cash used in investing activities	(366,238)	(575,126)
Financing activities:		
Net change in short-term debt	6,334	21,235
Proceeds from long-term debt, net of discount	995,710	
Repayment of long-term debt	(500,000)	
Bond issuance related costs	(7,625)	
Issuance of common stock	12,280	3,535
Payment of tax withholdings on certain stock-based compensation	(19,508)	(13,185)
Distributions to noncontrolling interests	(40,130)	(79,420)
Cash dividends	(243,649)	(242,704)
Acquisition of treasury stock	(170,315)	

Other financing activities	**(3,879)**	**(1,101)**
Cash provided by (used in) financing activities	**29,218**	**(311,640)**
Effect of exchange rate changes on cash	**3,777**	**1,297**
Increase (decrease) in cash and cash equivalents	**537,349**	**(534,608)**
Cash and cash equivalents - beginning of year	**949,104**	**2,045,961**
Cash and cash equivalents - end of six months	**$ 1,486,453**	**$ 1,511,353**
Non-cash investing activity:		
Change in accrued plant and equipment purchases recorded under capital lease arrangements	**$ 1,776**	**$ (12,927)**

See notes to condensed consolidated financial statements.

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Nucor Corporation Notes to Condensed Consolidated Financial Statements (Unaudited)

1. **BASIS OF INTERIM PRESENTATION: The information furnished in this Item 1 reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented and are of a normal and recurring nature unless otherwise noted. The information furnished has not been audited; however, the December 31, 2017 condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The unaudited condensed consolidated financial statements in this Item 1 should be read in conjunction with the audited consolidated financial statements and the notes thereto included in Nucor s Annual Report on Form 10-K for the year ended December 31, 2017.**

Reclassifications **In the first quarter of 2018, the Company began reporting its tubular products and piling businesses as part of the steel products segment. These businesses were previously included in the steel mills segment and were reclassified to the steel products segment as part of a realignment of Nucor s reportable segments to reflect the way in which they are now viewed by management and how segment performance assessments will be made by the chief operating decision maker beginning in such period. As a result, certain prior period amounts have been reclassified to conform to the current year presentation. These reclassifications did not have an impact on the condensed consolidated financial statements of the Company for the prior periods presented. See Note 15 for more information related to this segment realignment.**

Recently Adopted Accounting Pronouncements **In the first quarter of 2018, we adopted new accounting guidance related to revenue recognition for all contracts using the modified retrospective method. The modified retrospective method requires that the cumulative effect of initially applying this new guidance be recorded as an adjustment to the opening balance of retained earnings in the condensed consolidated balance sheet. The adoption of this new accounting guidance did not have an impact on any prior period earnings attributable to Nucor stockholders, and no adjustment was recorded to the opening retained earnings balance as of January 1, 2018. Retrospective adjustment of comparative prior period information is not required when using the modified retrospective adoption method, and no comparative prior periods have been adjusted for the new guidance.**

The adoption of the new revenue accounting guidance did not significantly change the way we recognize revenue. To illustrate this, if we had continued using the previous accounting guidance in effect before the adoption of the new revenue accounting guidance, our consolidated net sales for the second quarter and first six months of 2018 would have increased approximately $22.7 million, or 0.4%, and $32.9 million, or 0.3%, respectively, and cost of products sold would have increased by the same amounts. There would have been no impact on any other financial statement line items in the condensed consolidated financial statements for the second quarter or first six months of 2018. See Note 16 for disclosures required by the new revenue accounting guidance.

In the first quarter of 2018, we adopted new accounting guidance regarding the recognition and measurement of financial assets and financial liabilities. Changes to the current accounting guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the Financial Accounting Standards Board clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities and financial liabilities, is largely unchanged. The adoption of this

new guidance did not have a material impact on the Company s consolidated financial statements.

In the first quarter of 2018, we adopted new accounting guidance regarding the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. The new guidance addresses specific cash flow presentation issues in order to reduce diversity in existing practice. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

In the first quarter of 2018, we adopted new accounting guidance regarding intra-entity transfers of assets other than inventory. The new guidance requires that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The adoption of this new guidance did not have a material impact on the Company s consolidated financial statements.

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***Recently Issued Accounting Pronouncements* - In February 2016, new accounting guidance was issued regarding the accounting for leases. The new guidance requires all lessees to recognize on the balance sheet right to use assets and lease liabilities for the rights and obligations created by lease arrangements with terms greater than 12 months. The new guidance is effective for the Company for annual and interim reporting periods beginning after December 15, 2018. While the adoption of this new guidance is expected to increase assets and liabilities due to the recognition of lease rights and obligations on the balance sheet effective January 1, 2019, the Company does not expect the adoption of this new guidance to have a significant impact on its statement of earnings, statement of comprehensive income or statement of cash flows.**

In February 2018, new accounting guidance was issued regarding the tax effects of the Tax Cuts and Jobs Act (the Tax Reform Act). The new guidance allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Reform Act to improve the usefulness of information reported to financial statement users. The new guidance is effective for the Company for annual and interim reporting periods beginning after December 15, 2018. The Company does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

2. INVENTORIES: Inventories consisted of approximately 42% raw materials and supplies and 58% finished and semi-finished products at both June 30, 2018 and December 31, 2017. Nucor s manufacturing process consists of a continuous, vertically integrated process from which products are sold to customers at various stages throughout the process. Since most steel products can be classified as either finished or semi-finished products, these two categories of inventory are combined.

3. PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment is recorded net of accumulated depreciation of $8.89 billion at June 30, 2018 ($8.70 billion at December 31, 2017).

Given the natural gas pricing environment, Nucor performed an impairment assessment of its proved producing natural gas well assets in December 2017. One of the main assumptions that most significantly affects the undiscounted cash flows determination is management s estimate of future natural gas prices. The pricing used in this impairment assessment was developed by management based on projected natural gas market supply and demand dynamics. Management also makes key estimates on the expected reserve levels and on the expected drilling production costs. This analysis was performed on each of Nucor s three groups of wells, with each group defined by common geographic location. Each of Nucor s three groups of wells passed the impairment test. The combined carrying value of the three groups of wells was $241.0 million at June 30, 2018 ($252.0 million at December 31, 2017). Changes in the natural gas industry or a continuation of the low price environment beyond what had already been assumed in the analysis could cause management to revise the natural gas price assumptions, the estimated reserves or the estimated drilling production costs. Unfavorable revisions to these assumptions or estimates could possibly result in an impairment of some or all of the groups of proved well assets.

4. GOODWILL AND OTHER INTANGIBLE ASSETS: The change in the net carrying amount of goodwill for the six months ended June 30, 2018, by segment, was as follows (in thousands):

	Steel Products	Raw Materials	Total

	Steel Mills			
Balance at December 31, 2017	**$ 745,484**	**$ 720,997**	**$ 729,577**	**$ 2,196,058**
Translation		**(10,249)**		**(10,249)**
Reclassifications	**(153,498)**	**153,498**		
Balance at June 30, 2018	**$ 591,986**	**$ 864,246**	**$ 729,577**	**$ 2,185,809**

Previously, Nucor s tubular products and piling businesses were reported in the steel mills segment. Beginning in the first quarter of 2018, these businesses were reclassified to the steel products segment to better reflect the way in which they are viewed by management.

Nucor completed its most recent annual goodwill impairment testing during the fourth quarter of 2017 and concluded that as of such time there was no impairment of goodwill for any of its reporting units. There have been no triggering events requiring an interim assessment for impairment since the most recent annual goodwill impairment testing date.

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Intangible assets with estimated useful lives of five to 22 years are amortized on a straight-line or accelerated basis and were comprised of the following as of June 30, 2018 and December 31, 2017 (in thousands):

	June 30, 2018		December 31, 2017	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Customer relationships	$ 1,418,437	$ 677,547	$ 1,420,224	$ 641,089
Trademarks and trade names	176,089	82,426	176,471	77,208
Other	62,806	29,454	62,805	26,557
	$ 1,657,332	$ 789,427	$ 1,659,500	$ 744,854

Intangible asset amortization expense in the second quarter of 2018 and 2017 was $22.1 million and $23.0 million, respectively, and was $44.6 million and $45.4 million in the first six months of 2018 and 2017, respectively. Annual amortization expense is estimated to be $88.6 million in 2018; $86.7 million in 2019; $84.4 million in 2020; $83.1 million in 2021; and $80.8 million in 2022.

5. **EQUITY INVESTMENTS: The carrying value of our equity investments in domestic and foreign companies was $808.9 million at June 30, 2018 ($750.1 million at December 31, 2017) and is recorded in other assets in the condensed consolidated balance sheets.**

NUMIT

Nucor owns a 50% economic and voting interest in NuMit LLC (NuMit). NuMit owns 100% of the equity interest in Steel Technologies LLC, an operator of 26 sheet processing facilities located throughout the United States, Canada and Mexico. Nucor accounts for the investment in NuMit (on a one-month lag basis) under the equity method, as control and risk of loss are shared equally between the members. Nucor s investment in NuMit at June 30, 2018 was $317.7 million ($321.4 million at December 31, 2017). Nucor received distributions of $27.5 million and $46.9 million from NuMit during the first six months of 2018 and 2017, respectively.

DUFERDOFIN NUCOR

Nucor owns a 50% economic and voting interest in Duferdofin Nucor S.r.l. (Duferdofin Nucor), an Italian steel manufacturer, and accounts for the investment (on a one-month lag basis) under the equity method, as control and risk of loss are shared equally between the members.

Nucor s investment in Duferdofin Nucor at June 30, 2018 was $275.2 million ($285.9 million at December 31, 2017). Nucor s 50% share of the total net assets of Duferdofin Nucor was $114.5 million at June 30, 2018, resulting in a basis difference of $160.7 million due to the step-up to fair value of certain assets and liabilities attributable to Duferdofin Nucor as well as the identification of goodwill ($89.8 million) and finite-lived intangible assets. This basis difference, excluding the portion attributable to goodwill, is being amortized based on the remaining estimated useful lives of the various underlying net assets, as appropriate. Amortization expense associated with the fair value step-up was $2.3 million and $2.2 million in the second quarter of 2018 and 2017, respectively, and was $4.8 million and $4.3 million in the first six months of 2018 and 2017, respectively.

As of June 30, 2018, Nucor had outstanding notes receivable of 35.0 million ($40.8 million) from Duferdofin Nucor (35.0 million, or $41.9 million, as of December 31, 2017). The notes receivable bear interest at 0.83% and reset annually on September 30 to the 12-month Euro Interbank Offered Rate plus 1% per year. The maturity date of the principal amounts was extended to January 31, 2022 during the first quarter of 2018. As of June 30, 2018 and December 31, 2017, the notes receivable were classified in other assets in the condensed consolidated balance sheets.

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Nucor has issued a guarantee for its ownership percentage (50%) of Duferdofin Nucor s borrowings under Facility A of a Structured Trade Finance Facilities Agreement (Facility A). The fair value of the guarantee is immaterial. In April 2018, Duferdofin Nucor amended and extended Facility A to mature on April 16, 2021. The maximum amount Duferdofin Nucor could borrow under Facility A was 160.0 million ($186.4 million) at June 30, 2018. As of June 30, 2018, there was 140.0 million ($163.1 million) outstanding under that facility (122.5 million, or $146.7 million, as of December 31, 2017). If Duferdofin Nucor fails to pay when due any amounts for which it is obligated under Facility A, Nucor could be required to pay 50% of such amounts pursuant to and in accordance with the terms of its guarantee. Any indebtedness of Duferdofin Nucor to Nucor is effectively subordinated to the indebtedness of Duferdofin Nucor under Facility A. Nucor has not recorded any liability associated with this guarantee.

NUCOR-JFE

Nucor owns a 50% economic and voting interest in Nucor-JFE Steel Mexico, S. de R.L. de C.V. (Nucor-JFE), a 50-50 joint venture with JFE Steel Corporation of Japan, to build and operate a galvanized sheet steel plant in central Mexico. Nucor-JFE plant construction has commenced and operations are expected to begin in the second half of 2019. Nucor accounts for the investment in Nucor-JFE (on a one-month lag basis) under the equity method, as control and risk of loss are shared equally between the members. Nucor s investment in Nucor-JFE at June 30, 2018 was $102.7 million ($71.1 million at December 31, 2017).

ALL EQUITY INVESTMENTS

Nucor reviews its equity investments for impairment if and when circumstances indicate that a decline in value below their carrying amounts may have occurred. Nucor last assessed its equity investment in Duferdofin Nucor for impairment during the fourth quarter of 2017 due to the protracted challenging steel market conditions in Europe. After completing its assessment, the Company determined that the estimated fair value exceeded its carrying amount by a sufficient amount and that there was no need to record an impairment charge. The assumptions that most significantly affect the fair value determination include projected revenues and the discount rate. It is reasonably possible that material deviation of future performance from the estimates used in our most recent valuation could result in impairment of our investment in Duferdofin Nucor. We will continue to monitor for potential triggering events that could affect the carrying value of our investment in Duferdofin Nucor as a result of future market conditions and any changes in our business strategy.

6. CURRENT LIABILITIES: Book overdrafts, included in accounts payable in the condensed consolidated balance sheets, were $163.2 million at June 30, 2018 ($139.2 million at December 31, 2017). Dividends payable, included in accrued expenses and other current liabilities in the condensed consolidated balance sheets, were $121.3 million at June 30, 2018 ($121.8 million at December 31, 2017).

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7. FAIR VALUE MEASUREMENTS: The following table summarizes information regarding Nucor s financial assets and financial liabilities that are measured at fair value as of June 30, 2018 and December 31, 2017 (in thousands). Nucor does not have any non-financial assets or non-financial liabilities that are measured at fair value on a recurring basis.

		Fair Value Measurements at Reporting Date Using		
Description	Carrying Amount in Condensed Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2018				
Assets:				
Cash equivalents	$ 1,178,986	$ 1,178,986	$	$
Derivative contracts	6,455		6,455	
Total assets	$ 1,185,441	$ 1,178,986	$ 6,455	$
Liabilities:				
Derivative contracts	$ (9,000)	$	$ (9,000)	$
As of December 31, 2017				
Assets:				
Cash equivalents	$ 594,946	$ 594,946	$	$
Short-term investments	50,000	50,000		
Derivative contracts	479		479	
Total assets	$ 645,425	$ 644,946	$ 479	$
Liabilities:				
Derivative contracts	$ (8,531)	$	$ (8,531)	$

Fair value measurements for Nucor s cash equivalents and short-term investments are classified under Level 1 because such measurements are based on quoted market prices in active markets for identical assets. Fair value measurements for Nucor s derivatives, which are typically commodity or foreign exchange contracts, are classified under Level 2 because such measurements are based on published market prices for similar assets or are estimated based on observable inputs such as interest rates, yield curves, credit risks, spot and future commodity prices and spot and future exchange rates.

The fair value of short-term and long-term debt, including current maturities, was approximately $4.53 billion at June 30, 2018 ($4.19 billion at December 31, 2017). The debt fair value estimates are classified under Level 2 because such estimates are based on readily available market prices of our debt at June 30, 2018 and December 31, 2017, or similar debt with the same maturities, ratings and interest rates.

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8. CONTINGENCIES: Nucor is subject to environmental laws and regulations established by federal, state and local authorities and, accordingly, makes provisions for the estimated costs of compliance. Of the undiscounted total of $16.7 million of accrued environmental costs at June 30, 2018 ($17.1 million at December 31, 2017), $2.4 million was classified in accrued expenses and other current liabilities ($3.8 million at December 31, 2017) and $14.3 million was classified in deferred credits and other liabilities ($13.3 million at December 31, 2017). Inherent uncertainties exist in these estimates primarily due to unknown conditions, evolving remediation technology and changing governmental regulations and legal standards.

We are from time to time a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. With respect to all such lawsuits, claims and proceedings, we record reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on our results of operations, financial position or cash flows. Nucor maintains liability insurance with self-insurance limits for certain risks.

9. STOCK-BASED COMPENSATION: *Overview* The Company maintains the Nucor Corporation 2014 Omnibus Incentive Compensation Plan (the Omnibus Plan) under which the Company may award stock-based compensation to key employees, officers and non-employee directors. The Company s stockholders approved the Omnibus Plan on May 8, 2014. The Omnibus Plan permits the award of stock options, restricted stock units, restricted shares and other stock-based awards for up to 13.0 million shares of the Company s common stock. As of June 30, 2018, 6.0 million shares remained available for award under the Omnibus Plan.

The Company also maintains a number of inactive plans under which stock-based awards remain outstanding but no further awards may be made. As of June 30, 2018, 2.0 million shares were reserved for issuance upon the future settlement of outstanding awards under such inactive plans.

Stock Options **Stock options may be granted to Nucor s key employees, officers and non-employee directors with exercise prices at 100% of the market value on the date of the grant. The stock options granted are generally exercisable at the end of three years and have a term of 10 years. New shares are issued upon exercise of stock options.**

A summary of activity under Nucor s stock option plans for the first six months of 2018 is as follows (in thousands, except years and per share amounts):

	Shares	Weighted - Average Exercise Price	Weighted - Average Remaining Contractual Life	Aggregate Intrinsic Value
Number of shares under stock options:				
Outstanding at beginning of year	**4,106**	**$ 47.96**		
Granted	**265**	**$ 65.80**		
Exercised	**(288)**	**$ 42.64**		**$ 7,253**
Canceled		**$**		

Outstanding at June 30, 2018	**4,083**	**$**	**49.49**	**6.8 years**	**$**	**53,997**
Stock options exercisable at June 30, 2018	**2,368**	**$**	**45.50**	**5.6 years**	**$**	**40,350**

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For the 2018 stock option grant, the grant date fair value of $15.07 per share was calculated using the Black-Scholes option-pricing model with the following assumptions:

Exercise price	$ 65.80
Expected dividend yield	2.31%
Expected stock price volatility	25.28%
Risk-free interest rate	2.85%
Expected life (years)	6.5

Stock options granted to employees who are eligible for retirement on the date of grant are expensed immediately since these awards vest upon retirement from the Company. Retirement, for purposes of vesting in these stock options, means termination of employment after satisfying age and years of service requirements. Similarly, stock options granted to employees who will become retirement-eligible prior to the end of the vesting term are expensed over the period through which the employee will become retirement-eligible. Compensation expense for stock options granted to employees who will not become retirement-eligible prior to the end of the vesting term is recognized on a straight-line basis over the vesting period. Compensation expense for stock options was $3.6 million and $7.2 million in the second quarter of 2018 and 2017, respectively, and $4.0 million and $7.5 million in the first six months of 2018 and 2017, respectively. As of June 30, 2018, unrecognized compensation expense related to stock options was $2.2 million, which is expected to be recognized over a weighted-average period of 2.1 years.

Restricted Stock Units **Nucor annually grants restricted stock units (RSUs) to key employees, officers and non-employee directors. The RSUs typically vest and are converted to common stock in three equal installments on each of the first three anniversaries of the grant date. A portion of the RSUs awarded to an officer vests upon the officer s retirement. Retirement, for purposes of vesting in these RSUs only, means termination of employment with approval of the Compensation and Executive Development Committee of the Board of Directors after satisfying age and years of service requirements. RSUs granted to a non-employee director are fully vested on the grant date and are payable to the non-employee director in the form of common stock after the termination of the director s service on the Board of Directors.**

RSUs granted to employees who are eligible for retirement on the date of grant are expensed immediately, and RSUs granted to employees who will become retirement-eligible prior to the end of the vesting term are expensed over the period through which the employee will become retirement-eligible since these awards vest upon retirement from the Company. Compensation expense for RSUs granted to employees who will not become retirement-eligible prior to the end of the vesting term is recognized on a straight-line basis over the vesting period.

Cash dividend equivalents are paid to holders of RSUs each quarter. Dividend equivalents paid on RSUs expected to vest are recognized as a reduction in retained earnings.

The fair value of an RSU is determined based on the closing price of Nucor s common stock on the date of the grant. A summary of Nucor s RSU activity for the first six months of 2018 is as follows (shares in thousands):

	Shares	Grant Date Fair

			Value
RSUs:			
Unvested at beginning of year	**1,071**	**$**	**52.62**
Granted	**1,013**	**$**	**65.80**
Vested	**(762)**	**$**	**59.20**
Canceled	**(10)**	**$**	**53.50**
Unvested at June 30, 2018	**1,312**	**$**	**58.97**

Compensation expense for RSUs was $32.6 million and $21.1 million in the second quarter of 2018 and 2017, respectively, and $38.3 million and $26.1 million in the first six months of 2018 and 2017, respectively. As of June 30, 2018, unrecognized compensation expense related to unvested RSUs was $62.1 million, which is expected to be recognized over a weighted-average period of 2.1 years.

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Restricted Stock Awards **Prior to their expiration effective December 31, 2017, the Nucor Corporation Senior Officers Long-Term Incentive Plan and the Nucor Corporation Senior Officers Annual Incentive Plan authorized the award of shares of common stock to officers subject to certain conditions and restrictions. Effective January 1, 2018, the Company adopted supplements to the Omnibus Plan with terms that permit the award of shares of common stock to officers subject to the conditions and restrictions described below, which are substantially similar to those of the expired Senior Officers Long-Term Incentive Plan and Senior Officers Annual Incentive Plan. The expired Senior Officers Long-Term Incentive Plan, together with the applicable supplement, is referred to below as the LTIP, and the expired Senior Officers Annual Incentive Plan, together with the applicable supplement, is referred to below as the AIP.**

The LTIP provides for the award of shares of restricted common stock at the end of each LTIP performance measurement period at no cost to officers if certain financial performance goals are met during the period. One-third of the LTIP restricted stock award vests upon each of the first three anniversaries of the award date or, if earlier, upon the officer s attainment of age 55 while employed by Nucor. Although participants are entitled to cash dividends and may vote such awarded shares, the sale or transfer of such shares is limited during the restricted period.

The AIP provides for the payment of annual cash incentive awards. An AIP participant may elect, however, to defer payment of up to one-half of an AIP award. In such event, the deferred AIP award is converted into common stock units and credited with a deferral incentive, in the form of additional common stock units, equal to 25% of the number of common stock units attributable to the deferred AIP award. Common stock units attributable to deferred AIP awards are fully vested. Common stock units credited as a deferral incentive vest upon the AIP participant s attainment of age 55 while employed by Nucor. Vested common stock units are paid to AIP participants in the form of shares of common stock following their termination of employment with Nucor.

A summary of Nucor s restricted stock activity under the AIP and the LTIP for the first six months of 2018 is as follows (shares in thousands):

	Shares	Grant Date Fair Value
RSUs and Restricted stock awards:		
Unvested at beginning of year	**91**	**$ 54.50**
Granted	**256**	**$ 67.68**
Vested	**(212)**	**$ 64.99**
Canceled		
Unvested at June 30, 2018	**135**	**$ 62.99**

Compensation expense for common stock and common stock units awarded under the AIP and the LTIP is recorded over the performance measurement and vesting periods based on the anticipated number and market value of shares of common stock and common stock units to be awarded. Compensation expense for anticipated awards based upon Nucor s financial performance, exclusive of amounts payable in cash, was $5.3 million and $3.2 million in the second quarter of 2018 and 2017, respectively, and $9.7 million and $7.5 million in the first six months of 2018 and 2017, respectively. As of June 30, 2018, unrecognized compensation expense related to

unvested restricted stock awards was $2.4 million, which is expected to be recognized over a weighted-average period of 2.0 years.

10. EMPLOYEE BENEFIT PLAN: Nucor makes contributions to a Profit Sharing and Retirement Savings Plan for qualified employees based on the profitability of the Company. Nucor s expense for these benefits totaled $88.4 million and $48.5 million in the second quarter of 2018 and 2017, respectively, and $140.1 million and $102.5 million in the first six months of 2018 and 2017, respectively. The related liability for these benefits is included in salaries, wages and related accruals in the condensed consolidated balance sheets.

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11. INTEREST EXPENSE (INCOME): The components of net interest expense for the second quarter and first six months of 2018 and 2017 are as follows (in thousands):

	Three Months (13 Weeks) Ended		Six Months (26 Weeks) Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Interest expense	$ 35,341	$ 47,565	$ 75,519	$ 93,865
Interest income	(5,890)	(2,985)	(8,954)	(5,680)
Interest expense, net	$ 29,451	$ 44,580	$ 66,565	$ 88,185

Interest expense for the second quarter of 2018 decreased compared to the second quarter of 2017 due to a benefit received from entering into and settling a treasury lock instrument in anticipation of the Company s debt issuance in the second quarter of 2018. The Company did not elect hedge accounting for this instrument. Interest expense for the first half of 2018 decreased compared to the first half of 2017 due to a decrease in average debt outstanding associated with the repayment of $600.0 million of 5.750% notes due 2017 in the fourth quarter of 2017 and the treasury lock instrument noted above. Interest income for the second quarter and first half of 2018 increased compared to the respective prior year periods due to higher average interest rates on investments.

12. INCOME TAXES: The staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 (SAB 118) to address situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. Reflected in our 2017 financial results in accordance with SAB 118 were certain provisional income tax effects of the Tax Reform Act. The Company continues to analyze and assess the impact of the Tax Reform Act.

The effective tax rate for the second quarter of 2018 was 21.9% compared to 32.7% for the second quarter of 2017. The decrease in the effective tax rate for the second quarter of 2018 as compared to the second quarter of 2017 was primarily due to the permanent lowering of the U.S. corporate federal income tax rate from 35% to 21% effective for the years beginning after December 31, 2017 under the Tax Reform Act. This decrease was somewhat offset by increases in the effective tax rate due to the elimination of the domestic manufacturing deduction under the Tax Reform Act.

Nucor has concluded U.S. federal income tax matters for years through 2013. The tax years 2014 through 2016 remain open to examination by the Internal Revenue Service. The Canada Revenue Agency has substantially concluded its examination of the 2012 and 2013 Canadian returns for Harris Steel Group Inc. and certain related affiliates. The tax years 2010 through 2017 remain open to examination by other major taxing jurisdictions to which Nucor is subject (primarily Canada and other state and local jurisdictions).

Non-current deferred tax assets included in other assets in the condensed consolidated balance sheets were $0.7 million at June 30, 2018 ($0.6 million at December 31, 2017). Non-current deferred tax liabilities included in deferred credits and other liabilities in the condensed consolidated balance sheets were $376.6 million at June 30, 2018 ($329.3 million at December 31, 2017).

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13. STOCKHOLDERS EQUITY: The following tables reflect the changes in stockholders equity attributable to both Nucor and the noncontrolling interests of Nucor s joint ventures, primarily Nucor-Yamato Steel Company Limited Partnership, of which Nucor owns 51%, for the six months ended June 30, 2018 and July 1, 2017 (in thousands):

	Attributable to Nucor Corporation	Attributable to Noncontrolling Interests	Total
Stockholders equity at December 31, 2017	$ 8,739,036	$ 345,752	$ 9,084,788
Total comprehensive income	995,981	56,395	1,052,376
Stock options	16,218		16,218
Issuance of stock under award plans, net of forfeitures	34,706		34,706
Amortization of unearned compensation	1,000		1,000
Treasury stock acquired	(170,315)		(170,315)
Dividends declared	(243,219)		(243,219)
Distributions to noncontrolling interests		(40,130)	(40,130)
Stockholders equity at June 30, 2018	$ 9,373,407	$ 362,017	$ 9,735,424

	Attributable to Nucor Corporation	Attributable to Noncontrolling Interests	Total
Stockholders equity at December 31, 2016	$ 7,879,865	$ 374,843	$ 8,254,708
Total comprehensive income	704,855	39,425	744,280
Stock options	11,068		11,068
Issuance of stock under award plans, net of forfeitures	23,593		23,593
Amortization of unearned compensation	700		700
Dividends declared	(243,016)		(243,016)
Distributions to noncontrolling interests		(79,420)	(79,420)
Stockholders equity at July 1, 2017	$ 8,377,065	$ 334,848	$ 8,711,913

In September 2015, the Company announced that the Board of Directors had approved a share repurchase program under which the Company is authorized to repurchase up to $900.0 million of the Company s common stock. This $900.0 million share repurchase program has no stated expiration and replaced any previously authorized repurchase programs. As of June 30, 2018, the Company had approximately $567.7 million remaining available for share repurchases under the program. The Company expects any share repurchases to

be made through purchases from time to time in the open market at prevailing market prices, through private transactions or block trades. The timing and amount of any repurchases will depend on market conditions, share price, applicable legal requirements and other factors.

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14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS): The following tables reflect the changes in accumulated other comprehensive income (loss) by component for the three- and six-month periods ended June 30, 2018 and July 1, 2017 (in thousands):

	Three-Month (13-Week) Period Ended June 30, 2018			
	Gains and Losses on Hedging Derivatives	Foreign Currency Gain (Loss)	Adjustment to Early Retiree Medical Plan	Total
Accumulated other comprehensive income (loss) at March 31, 2018	$ (3,600)	$ (251,398)	$ 5,632	$ (249,366)
Other comprehensive income (loss) before reclassifications	(3,647)	(43,466)		(47,113)
Amounts reclassified from accumulated other comprehensive income (loss) into earnings [(1)]	447			447
Net current-period other comprehensive income (loss)	(3,200)	(43,466)		(46,666)
Accumulated other comprehensive income (loss) at June 30, 2018	$ (6,800)	$ (294,864)	$ 5,632	$ (296,032)

	Six-Month (26-Week) Period Ended June 30, 2018			
	Gains and Losses on Hedging Derivatives	Foreign Currency Gain (Loss)	Adjustment to Early Retiree Medical Plan	Total
Accumulated other comprehensive income (loss) at December 31, 2017	$ (2,800)	$ (257,513)	$ 5,632	$ (254,681)
Other comprehensive income (loss) before reclassifications	(4,399)	(37,351)		(41,750)
Amounts reclassified from accumulated other comprehensive income (loss) into earnings [(1)]	399			399
Net current-period other comprehensive income (loss)	(4,000)	(37,351)		(41,351)

Accumulated other comprehensive income (loss) at June 30, 2018	**$ (6,800)**	**$ (294,864)**	**$ 5,632**	**$ (296,032)**

(1) **Includes $447 and $399 of accumulated other comprehensive income reclassifications into cost of products sold for net losses on commodity contracts in the second quarter and first six months of 2018, respectively. The tax impacts of those reclassifications were $100 in both the second quarter and first six months of 2018.**

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	Three-Month (13-Week) Period Ended July 1, 2017			
	Gains and Losses on Hedging Derivatives	Foreign Currency Gain (Loss)	Adjustment to Early Retiree Medical Plan	Total
Accumulated other comprehensive income (loss) at April 1, 2017	$ (400)	$ (324,169)	$ 7,577	$ (316,992)
Other comprehensive income (loss) before reclassifications	(71)	23,957		23,886
Amounts reclassified from accumulated other comprehensive income (loss) into earnings (2)	171			171
Net current-period other comprehensive income (loss)	100	23,957		24,057
Accumulated other comprehensive income (loss) at July 1, 2017	$ (300)	$ (300,212)	$ 7,577	$ (292,935)

	Six-Month (26-Week) Period Ended July 1, 2017			
	Gains and Losses on Hedging Derivatives	Foreign Currency Gain (Loss)	Adjustment to Early Retiree Medical Plan	Total
Accumulated other comprehensive income (loss) at December 31, 2016	$ 750	$ (326,170)	$ 7,577	$ (317,843)
Other comprehensive income (loss) before reclassifications	(1,706)	25,958		24,252
Amounts reclassified from accumulated other comprehensive income (loss) into earnings (2)	656			656
Net current-period other comprehensive income (loss)	(1,050)	25,958		24,908
Accumulated other comprehensive income (loss) at July 1, 2017	$ (300)	$ (300,212)	$ 7,577	$ (292,935)

(2) **Includes $171 and $656 of accumulated other comprehensive income reclassifications into cost of products sold for net losses on commodity contracts in the second quarter and first six months of 2017, respectively. The tax impacts of those reclassifications were $0 and $300 in the second quarter and first six months of 2017, respectively.**

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15. SEGMENTS: Nucor reports its results in the following segments: steel mills, steel products and raw materials. The steel mills segment includes carbon and alloy steel in sheet, bars, structural and plate; steel trading businesses; rebar distribution businesses; and Nucor s equity method investments in Duferdofin Nucor, NuMit and Nucor-JFE. The steel products segment includes steel joists and joist girders, steel deck, fabricated concrete reinforcing steel, cold finished steel, steel fasteners, metal building systems, steel grating, tubular products businesses, piling products business, and wire and wire mesh. The raw materials segment includes The David J. Joseph Company and its affiliates, primarily a scrap broker and processor; Nu-Iron Unlimited and Nucor Steel Louisiana, two facilities that produce direct reduced iron used by the steel mills; and our natural gas production operations.

Previously, Nucor s tubular products and piling products businesses were reported in the steel mills segment. Beginning in the first quarter of 2018, these businesses were reclassified to the steel products segment as part of a realignment of Nucor s reportable segments to reflect the way in which they are now viewed by management and how segment performance assessments will be made by the chief operating decision maker beginning in such period. The segment data for the comparable periods has also been reclassified into the steel products segment in order to conform to the current year presentation. The steel mills, steel products and raw materials segments are consistent with the way Nucor manages its business, which is primarily based upon the similarity of the types of products produced and sold by each segment. Additionally, the composition of assets by segment at December 31, 2017 was reclassified to conform to the current year presentation. This reclassification between segments did not have any impact on the consolidated asset balances.

Net interest expense, other income, profit sharing expense and stock-based compensation are shown under Corporate/eliminations. Corporate assets primarily include cash and cash equivalents, short-term investments, allowances to eliminate intercompany profit in inventory, deferred income tax assets, federal and state income taxes receivable and investments in and advances to affiliates.

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Nucor s results by segment for the second quarter and first six months of 2018 and 2017 were as follows (in thousands):

	Three Months (13 Weeks) Ended		Six Months (26 Weeks) Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales to external customers:				
Steel mills	$ 4,169,539	$ 3,404,064	$ 7,750,233	$ 6,594,571
Steel products	1,738,370	1,366,693	3,207,081	2,579,050
Raw materials	552,865	404,012	1,071,879	816,327
	$ 6,460,774	$ 5,174,769	$ 12,029,193	$ 9,989,948
Intercompany sales:				
Steel mills	$ 1,065,780	$ 759,245	$ 1,964,106	$ 1,417,605
Steel products	50,907	26,664	86,677	56,365
Raw materials	3,155,268	2,459,352	5,764,212	4,637,991
Corporate/eliminations	(4,271,955)	(3,245,261)	(7,814,995)	(6,111,961)
	$	$	$	$
Earnings (loss) before income taxes and noncontrolling interests:				
Steel mills	$ 961,784	$ 579,520	$ 1,522,287	$ 1,223,703
Steel products	155,766	83,636	241,580	150,555
Raw materials	134,995	66,227	209,542	92,618
Corporate/eliminations	(338,844)	(221,247)	(543,796)	(409,765)
	$ 913,701	$ 508,136	$ 1,429,613	$ 1,057,111

	June 30, 2018	Dec. 31, 2017
Segment assets:		
Steel mills	$ 8,590,433	$ 7,671,217
Steel products	4,672,730	4,323,907
Raw materials	3,573,219	3,396,110
Corporate/eliminations	615,310	450,024
	$ 17,451,692	$ 15,841,258

16. **REVENUE: Revenue is recognized when obligations under the terms of a contract with our customers are satisfied; generally, this occurs upon shipment or when control is transferred. Revenue is measured as the**

amount of consideration expected to be received in exchange for transferring the goods. In addition, revenue is deferred when cash payments are received or due in advance of performance.

The durations of Nucor s contracts with customers are generally one year or less. Customer payment terms are generally 30 days.

Contract liabilities are primarily related to deferred revenue resulting from cash payments received in advance from customers to protect against credit risk. Contract liabilities totaled $94.3 million as of June 30, 2018 ($72.3 million as of December 31, 2017), and are included in accrued expenses and other current liabilities in the condensed consolidated balance sheets. The amount of revenue reclassified from the December 31, 2017 contract liabilities balance during the first six months of 2018 was approximately $57.9 million.

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The following table disaggregates our net sales by major source for the second quarter and first six months of 2018 (in thousands):

	Three Months (13 Weeks) Ended June 30, 2018				Six Months (26 Weeks) Ended June 30, 2018			
	Steel Mills	Steel Products	Raw Materials	Total	Steel Mills	Steel Products	Raw Materials	Total
Sheet	$ 1,974,427			$ 1,974,427	$ 3,640,647			$ 3,640,647
Bar	1,258,438			1,258,438	2,348,585			2,348,585
Structural	448,557			448,557	845,254			845,254
Plate	488,117			488,117	915,747			915,747
Tubular Products		$ 371,568		371,568		$ 682,796		682,796
Rebar Fabrication		390,921		390,921		720,140		720,140
Other Steel Products		975,881		975,881		1,804,145		1,804,145
Raw Materials			$ 552,865	552,865			$ 1,071,879	1,071,879
	$ 4,169,539	$ 1,738,370	$ 552,865	$ 6,460,774	$ 7,750,233	$ 3,207,081	$ 1,071,879	$ 12,029,193

STEEL MILLS SEGMENT

Sheet **For the majority of sheet products, we transfer control and recognize a sale when we ship the product from the sheet mill to our customer. The amount of consideration we receive and revenue we recognize for spot market sales are based upon prevailing prices at the time of sale. The amount of consideration we receive and revenue we recognize for contract customers are based primarily on pricing formulae that permit price adjustments to reflect changes in the current market-based indices and/or raw material costs near the time of shipment.**

The amount of tons sold to contract customers at any given time depends on a variety of factors, including our consideration of current and future market conditions, our strategy to appropriately balance spot and contract tons in a manner to meet our customers requirements while considering the expected profitability, our desire to sustain a diversified customer base and our end-use customers perceptions about future market conditions. These contracts are typically one year or less. Steel mills segment contract sales outside of our sheet operations are not significant.

Bar, Structural and Plate **For the majority of bar, structural and plate products, we transfer control and recognize a sale when we ship the product from the mill to our customer. The significant majority of bar, structural and plate product sales are spot market sales, and the amount of consideration we receive and revenue we recognize for those sales are based upon prevailing prices at the time of sale.**

STEEL PRODUCTS SEGMENT

Tubular Products **The tubular products businesses transfer control and recognize a sale when the product is shipped from our operating locations to our customers. The significant majority of tubular product sales are**

spot market sales, and the amount of consideration we receive and revenue we recognize for those sales are based upon prevailing prices at the time of sale.

Rebar Fabrication **The majority of revenue for our rebar fabrication businesses relates to revenue from contracts with customers for the supply of fabricated rebar. For the majority of these transactions, we transfer control and recognize a sale when the products are shipped from our operating locations and collection is reasonably assured. Provisions for losses on incomplete contracts are made in the period in which such losses are determined.**

Our rebar fabrication businesses also generate a significant amount of revenue from contracts with customers in which they supply fabricated rebar and install it at the customer s job site. There are two performance obligations for these types of contracts: the supply of the fabricated rebar and the installation of the supplied rebar at the customer s job site. For the supply of fabricated rebar performance obligation, we transfer control and recognize a sale when the product is delivered to our customer s job site. The transaction price allocated to this performance obligation is determined at the start of the contract, based on the then current market price for supplied fabricated rebar. For the installation performance obligation, we transfer control and recognize a sale when the delivered material is installed. The transaction price allocated to this performance obligation is determined at the start of the contract, based on the then current market price for the installation of fabricated rebar.