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NUCOR (NUE \$60.56, 7-20-07, rated Underweight) STABILITY OF RESULTS EVIDENT AND FORECAST BY COMPANY

	2007E	2008E	2009E	2010E
Revised EPS July 22 <sup>nd</sup>	\$5.03	\$4.89	\$3.96	\$3.93
Revised EPS July 16th	\$4.86	\$4.69	\$3.76	\$3.73
Earnings per share(April 19 <sup>th</sup> )	\$4.86	\$4.62	\$3.69	\$3.63

\* Pretax FIFO income per share has been very stable, and fluctuated much less than reported EPS. Share repurchases and "looking beyond LIFO charges" helps to appreciate the stable business performance a little better. We estimate FIFO pretax income per share in the four quarters of 2007 at \$2.024, \$1.975, \$1.992, and \$2.012 versus \$1.903, \$2.277, \$2.654 and \$1.897 per share, respectively, in the four quarters of 2006. The record June and September quarters of 2006 were 10% and 20%, respectively, better than the trend and the other six quarters appear indeed very similar.

\* We raised our earnings estimates by \$0.17 per share for 2007 and \$0.20 more each future year as the June quarter was \$0.04 better than our estimate, scrap costs will be less, LIFO credits could occur and fabricated volumes perk up seasonally.

\* The company spoke at length about its views concerning unfair, subsidized competition from China in world steel and domestic markets both on the July 19th and April 19th conference calls.

\* The company appears cognizant of the difficulty of selling over two million tons of steel each month, and the adverse incremental impact on selling prices of selling each incremental ton produced. Accordingly, Nucor has spent almost \$1.5 billion on share repurchases, about \$1.45 billion in 2005-07 common dividends, over \$1.7 billion on three fabrication acquisitions since November 2006, built up \$0.93 billion of intangible assets almost equal to 18% of equity and spent about 20% of its \$1.4 billion estimated 2005-07 capital spending on rolling to complement existing molten steel capacity.

Please note that on January 22, 2007, Nucor filed an action against Prudential Equities Group, John Tumazos (Senior Industrials Analyst) and Paretosh Misra (former Associate Industrials Analyst) in the General Court of Justice, Superior Court Division, Mecklenburg County,

North Carolina (Index Number 2007-CVS-1228) alleging, among other things, that our December 12, 2006 research note constituted libel per se and therefore violated the North Carolina Uniform Deceptive Trade Practices Act. By Final Judgment dated April 25, 2007, the Superior Court dismissed the lawsuit with prejudice. Nucor filed a notice of appeal on April 30, 2007.

**TABLE 1: NUCOR QUARTERLY OUTLOOK (\$ Mil.)**

	<b>4Q07E</b>	<b>3Q07E</b>	<b>2Q07A</b>	<b>1Q07A</b>	<b>4Q06</b>	<b>3Q06</b>	<b>2Q06</b>	<b>1Q06</b>
Sales	4200.0	4145.0	4168.1	3768.9	3468.6	3931.2	3806.4	3545.1
Cost of goods sold	3364.4	3315.4	3403.9	2991.6	2651.5	2926.6	2926.0	2768.1
Marketing and admin.	150.0	150.0	148.9	136.2	142.2	160.5	146.6	154.1
Interest expense (credit)	2.0	2.0	5.0	-9.2	-11.6	-10.4	-9.6	-5.7
Minority Interests	75.0	75.0	77.6	60.6	71.2	59.1	48.6	40.3
Other income								
Pretax income	608.6	602.6	532.7	589.7	615.3	795.5	694.8	588.3
Income taxes	213.0	210.9	187.9	208.6	207.1	277.9	242.0	209.1
Net income	395.6	391.7	344.8	381.0	408.2	517.6	452.8	379.1
<b>Earnings per share</b>	<b>\$1.32</b>	<b>\$1.31</b>	<b>\$1.14</b>	<b>\$1.26</b>	<b>\$1.35</b>	<b>\$1.68</b>	<b>\$1.45</b>	<b>\$1.21</b>
Steel operating rate (%)	90%	89%	87%	88%	80%	92%	91%	93%
Steel Prodn. (000 tons)	5,700	5,600	5,518	5,585	5,064	5,799	5,728	5,791
Steel Shipments (000 tons)	5,650	5,600	5,407	5,660	5,060	5,670	5,895	5,721
Steel Sales Outside (000 tons)	5,000	5,000	4,890	5,229	4,713	5,223	5,450	5,263
Est avg bar steel price (\$/ton)	\$600	\$625	\$650	\$585	\$576	\$601	\$567	\$543
Joist operating rate (%)	86%	95%	92%	77%	88%	97%	91%	89%
Joist production (000 tons)	135	148	144	121	137	152	142	139
Joist price (\$ per ton)	\$1,150	\$1,175	\$1,200	\$1,187	\$1,175	\$1,122	\$1,092	\$1,104
Decking sales (000 tons)	115	125	126	106	114	105	94	85
Cold finished-bar (000 tons)	95	110	116	90	66	74	91	96
Est. LIFO charges (\$ in mil.)	-5.0	-5.0	66.5	24.5	-39.6	20.5	15.5	9.0
Tax rate(%)	35.0%	35.0%	35.3%	35.4%	33.7%	34.9%	34.8%	35.6%
Start-up loss pretax (\$ Mil)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Capacity (mil. tons) up 5.5 1Q03	25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.00
Hot-rolled sheet (\$ per ton)	\$540	\$560	\$598	\$564	\$592	\$641	\$593	\$564
Large Structural (\$ per ton)	\$800	\$800	\$825	\$754	\$727	\$703	\$667	\$649
Scrap steel (\$ per ton)	\$260	\$270	\$291	\$259	\$243	\$257	\$247	\$237
Ending LIFO reserve (\$ Mil.)	\$468.24	\$473.24	\$478.24	\$411.74	\$387.24	426.8	406.3	390.8
Hot-rolled sheet price net scrap	\$280	\$290	\$307	\$305	\$349	\$384	\$346	\$327
Bar price net scrap	\$340	\$355	\$359	\$326	\$333	\$344	\$320	\$306
Structural price net scrap	\$540	\$530	\$534	\$495	\$484	\$446	\$420	\$412
FIFO pretax income	\$604	\$598	\$599	\$614	\$576	\$816	\$710	\$597
FIFO pretax income/share	\$2.012	\$1.992	\$1.975	\$2.024	\$1.897	\$2.654	\$2.277	\$1.903

Sources: Nucor financial statements; JT Very Independent Research, LLC estimates.

**TIDBITS FROM JULY 19TH DISCLOSURE CONCERNING PRODUCT MIX**

Joist tonnages rose to 144,000 from 142,000 last June, and improved much from 121,000 versus 139,000 tons in March 2007 versus March 2006. This signifies (a) that Nucor is not losing share to joist operations of Commercial Metals, Steel Dynamics, Canam or others and (b) that nonresidential construction in total is not following the 10% drop in retail space signified by the 20 mm sq ft reduction in WalMart's plans alone. On April 19th Hamilton Lott, the EVP overseeing this unit, indicated "timing and weather" explained the slow March volume and the better June comparison appeared to bear him out. A concern is that large backlogs may benefit current results and those backlogs may get used up when WalMart, other big box retailers, public "neighborhood" buildings and other impacts of the housing slowdown are more evident in

2008. We consider the joist business a key indicator of nonresidential construction activity without inventory changes or trade impacts as each joist is made to custom architectural specs.

Total steel prices rose \$56 in June from March 2007 while scrap input costs rose \$32 and the LIFO charge largely associated with scrap was another \$12 per ton. Prices rose \$53 to \$71 per ton for each product line other than sheets, which rose only \$34. Management appeared pleased with much of its business outlook, but most cautious concerning sheets, import competition and the poor states of the national auto, appliance and housing markets.

#### BALANCE SHEET DEVELOPMENTS

Goodwill and intangibles fell to \$928.3 mm in June from \$933.3 mm in March versus \$148.3 mm at December 31, 2006. We do not expect the \$280 mm Magnatrax acquisition to increase these accounts very much.

Tangible net worth was \$4.25 billion at June 30 owing to intangibles, share repurchases and dividends. It could have been nearer to \$7 billion without fabrication acquisitions, share repurchases or special extra dividends.

Cash-equivalents fell to \$975 mm at June 30 from \$1,369 mm March 31 and \$2,196 mm at December 31, 2006. Total debt was \$956 mm at June 30, 2007, leaving the balance sheet a little more balanced and less "cash heavy." It slightly lessens Nucor's potential appeal as a takeover target.

The company cut its capital spending forecast from \$900 to \$700 mm for 2007 owing to some slower execution or timing of outlays.

FABRICATION ACQUISITIONS SLIGHTLY REDUCE THE DEGREE TO WHICH NUCOR IS "LONG STEEL," PROVIDING CAPTIVE CUSTOMERS AND HELPING THE SALES EFFORT

Nucor's June 30 "Production and Sales" table posted on its web-site indicated June 30 steel production was 5.518 mm tons and sales to "outside customers" were 4.890 mm tons. Production less "outside sales" was 628,000 tons, including inventory built, while "outside plus inside" shipments minus "outside sales" were 517,000 tons.

Nucor's "Sales and Earnings" table posted on its web-site indicated total sales tons were 5.621 mm tons at 6- 30, steel sales were 4.890 mm tons and "internal sales" were 731,000 tons.

The Magnatrax acquisition should increase internal fabrication usage another 50,000 to 65,000 tons per quarter, and make it exceed 2.75 mm tons annually. These end markets, like any steel market, fluctuate and could be much larger. Nucor indicated on its July 19th conference call that the three fabricating acquisitions increased its fabricating capacity by 70% or 1.35 mm tons to 3.3 mm tons.

These businesses contained some cash, inventories, receivables, buildings, land and generate earnings and cash flows too. However, earnings and cash flow of fabricating businesses are cyclical, and

these three companies depend heavily on the very nonresidential

**Table 2: Nucor Earnings Model (\$ Mil.)**

	2003	2004	2005	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
<b>Revenues</b>											
Steel Production	6,104.6	10,840.6	11,839.6	14,212.1	14,543.9	14,926.8	15,294.5	15,523.1	15,523.0	15,522.9	15,522.8
Fabricated Joists	307.3	476.1	597.8	640.7	672.0	632.5	600.0	576.0	576.0	576.0	576.0
Other fabricated Products	380.3	564.5	608.2	659.1	1,995.8	2,000.1	2,006.5	2,008.0	2,013.6	2,019.2	2,024.8
Size, Alloy Extras and Other	-25.0	115.0	135.2	150.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0
Intra-Company Elimination	501.3	733.4	479.7	910.6	1,071.6	1,024.6	1,000.0	1,003.2	1,009.1	1,015.1	1,021.0
<b>Total Revenues</b>	<b>6,266.0</b>	<b>11,262.8</b>	<b>12,701.0</b>	<b>14,751.3</b>	<b>16,265.1</b>	<b>16,659.7</b>	<b>17,026.0</b>	<b>17,228.8</b>	<b>17,228.4</b>	<b>17,228.0</b>	<b>17,227.5</b>
Scrap Steel Costs	2,585.5	4,911.6	5,392.8	5,876.3	6,389.4	6,626.9	6,977.9	7,146.4	7,146.4	7,146.4	7,146.4
Startup and Research Costs	117.5	28.8	15.0	35.0	35.0	37.0	60.0	40.0	40.0	40.0	40.0
Inventory Charges(Credits)	115.0	375.9	(151.6)	5.4	81.0	0.0	30.0	30.0	30.0	30.0	30.0
Other costs of Goods Sold	2,813.7	3,315.1	4,460.7	4,984.7	6,232.2	6,602.6	6,930.3	6,977.1	6,975.3	6,973.4	6,971.6
<b>Nonscrap CGS, incl. Fab., excl. star</b>	<b>\$161</b>	<b>\$173</b>	<b>\$218</b>	<b>\$225</b>	<b>\$279</b>	<b>\$280</b>	<b>\$279</b>	<b>\$274</b>	<b>\$274</b>	<b>\$274</b>	<b>\$274</b>
<b>Gross Operating Income</b>											
Sheet Steel Production	191.2	1274.3	1399.4	1457.8	690.3	844.5	830.7	791.0	791.0	791.0	791.0
Plate Steel Production	46.0	363.2	412.3	494.9	306.3	294.3	250.0	251.0	251.0	251.0	251.0
Structural Steel Production	158.5	322.9	418.4	709.2	992.0	874.5	838.3	822.5	822.5	822.5	822.5
Bar Steel Production	170.9	477.3	445.7	862.2	1080.0	907.5	547.8	557.5	557.5	557.5	557.5
SBQ (Auto) Production			0.0	0.0	0.0	0.0	106.0	161.3	161.3	161.3	161.3
Fabricated Joists	(7.1)	59.8	159.7	160.9	173.2	139.0	116.0	92.0	92.0	92.0	92.0
Other Fabricated Products	74.9	133.9	148.6	164.9	285.9	333.5	339.2	360.2	361.6	363.0	364.4
<b>Total Operating Income</b>	<b>634.3</b>	<b>2631.4</b>	<b>2984.0</b>	<b>3849.8</b>	<b>3527.6</b>	<b>3393.2</b>	<b>3027.9</b>	<b>3035.4</b>	<b>3036.8</b>	<b>3038.2</b>	<b>3039.6</b>
<b>Gross Op. Income / Ton</b>											
Steel Production	32	128	131	159	137	124	104	102	102	102	102
Fabricated Joists	-14	114	288	282	309	242	193	153	153	153	153
Other Fabricated Products	94	154	151	167	157	188	191	201	201	201	200
Depreciation	364.1	383.3	380.2	381.7	386.2	420.4	462.0	481.8	491.7	500.7	509.0
10% Profit Sharing	7.0	200.0	230.0	290.0	260.0	200.0	200.0	200.0	200.0	200.0	200.0
Other Marketing & Admin	158.4	215.0	263.6	302.5	312.6	327.4	347.9	358.3	353.3	353.3	353.3
Minority Interest	24.0	80.9	110.7	219.2	290.0	270.0	275.0	280.0	220.0	220.0	220.0
Other income, net	-11.5	-1.6	12.0								
Interest Expense (Income)	24.6	22.4	4.2	-37.4	0.0	11.9	-13.3	-30.3	-47.6	-67.0	-87.1
Pretax Income	67.8	1731.4	1983.4	2693.8	2278.8	2163.6	1756.3	1745.5	1819.4	1831.2	1844.4
Income Taxes	4.1	609.8	684.3	936.1	786.2	735.6	597.1	595.2	618.6	622.6	627.1
<b>Net Income</b>	<b>63.6</b>	<b>1121.6</b>	<b>1299.1</b>	<b>1757.7</b>	<b>1492.6</b>	<b>1428.0</b>	<b>1159.2</b>	<b>1150.3</b>	<b>1200.8</b>	<b>1208.6</b>	<b>1217.3</b>
<b>Earnings Per Share</b>	<b>\$0.20</b>	<b>\$3.51</b>	<b>\$4.13</b>	<b>\$5.68</b>	<b>\$5.03</b>	<b>\$4.89</b>	<b>\$3.96</b>	<b>\$3.93</b>	<b>\$4.10</b>	<b>\$4.12</b>	<b>\$4.14</b>

Sources: Company Reports; JT Very Independent Research, LLC estimates

construction markets that historically account for about 60% of Nucor's steel output.

It is noteworthy that Nucor will pay \$1.7 billion and incur \$780 mm of intangible assets to "buy 1.35 mm tons" of customers, or enough to support about 6% of its capacity. We do not want to suggest that Nucor might spend \$3 billion in cash or incur \$1.5 billion in goodwill to sell each 10% of its existing steel capacity, but it certainly suggests it is very valuable to Nucor to have captive customers or help them sell steel.

In the past some other industrial companies have done poorly in "acquiring customers." Sometimes it alienates other customers. In the cases of some other companies in prior decades it was a sign of a lax management that did not enjoy "sales calls." Sometimes customers, such as automakers, demand fancy new galvanizing lines or heat treating or cold-rolling or quality improvements costing billions of dollars. It can be very strategic to a steelmaker to go "hat in hand" to the customer a little less often or from a better position of strength.

In a strong market a steelmaker that "sells out" a little quicker can raise prices more. In a weak market a steelmaker that has less excess capacity to market has to cut prices less. The company appears mindful of this benefit, and clearly will pay very large sums to "buy in customers" and very little money to add molten steelmaking capacity.

Once again, selling over 2 million tons of steel each month is a large task.

## DICHOTOMY BETWEEN LARGE STRUCTURALS AND HOT-ROLLED SHEET

We estimate the realized price differential in the June 2007 quarter between large structurals at \$825 per ton and hot-rolled sheets at an estimated \$598 per ton were \$227, a relatively large amount. Moreover, management commented on July 19<sup>th</sup> that the large structural, infrastructure and nonresidential construction markets key to big beams were strong. It commented that the sheet segment had import competition and exposure to soft auto, appliance and housing markets. These suggest that the price differential dichotomy may widen.

We estimate the costs of the scrap steel used for large structurals is about \$50 per ton less than hot-rolled sheets. Large structurals often call for 1% or 2% copper content to increase rigidity that is desirable for tall structurals to avoid “sway” in the wind. Sheets require ductility for fabrication and highest internal cleanliness, and often call for ultra clean scrap without any copper or other impurities to the extent possible. We estimate the nonscrap conversion costs for the two product classes are similar aside from alloys for certain types of sheets such as silicon electrical steels.

Thus, an estimated \$277 per ton gross profit differential between large structurals and hot-rolled sheets existed in the June quarter and it could widen to \$300 or more over the course of the final months. Aside from oilfield tubes or stainless or superalloys, we cannot recall any such a large price differential among plain vanilla ordinary steel products.

**Table 3:: Steel Output and Underlying Dynamics Estimates**

<b>Underlying Unit Volume</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Bar Steel Production	6,329	6,120	6,964	7,497	8,000	8,250	8,350	8,500	8,500	8,500	8,500
Structural Steel Production	2,780	2,760	2,866	3,209	3,200	3,300	3,500	3,500	3,500	3,500	3,500
Discrete Cut Plate Production	999	1,705	2,145	2,432	2,450	2,550	2,500	2,500	2,500	2,500	2,500
SBQ (Auto)			0	0	0	0	400	750	750	750	750
Sheet Steel Production	7,367	8,160	8,490	8,980	8,675	9,500	10,100	10,200	10,200	10,200	10,200
Mill #1 IND	1,950	2,150	2,000	2,095	2,050	2,250	2,300	2,300	2,300	2,300	2,300
Mill #2 ARK	2,100	2,200	2,100	2,335	2,150	2,300	2,400	2,400	2,400	2,400	2,400
Mill #3 SC	2,100	2,200	2,136	2,300	2,200	2,300	2,400	2,400	2,400	2,400	2,400
Mill #4 AL	1,157	1,528	2,000	2,150	2,100	2,350	2,500	2,500	2,500	2,500	2,500
Mill #5 (Castrip or sheet roundout)		0	0	100	175	300	500	600	600	600	600
<b>Total Steel Production</b>	<b>17,475</b>	<b>19,109</b>	<b>20,465</b>	<b>22,118</b>	<b>22,325</b>	<b>23,600</b>	<b>24,850</b>	<b>25,450</b>	<b>25,450</b>	<b>25,450</b>	<b>25,450</b>
Total Public Steel Sales	15,323	15,809	16,958	18,310	18,319	19,515	20,380	20,620	20,610	20,600	20,590
Fabricated Joists	503	522	554	570	560	575	600	600	600	600	600
Corrugated Decking	353	364	380	398	500	500	500	500	500	500	500
Cold Finished Bar	237	271	342	327	400	410	420	430	440	450	460
Chrome Stainless Sheet	40	50	50	50	60	60	60	60	60	60	60
<b>Estimated Underlying Major Produc</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007E</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	<b>2010E</b>	<b>2010E</b>	<b>2010E</b>
Bar Steel (External)	317	501	512	571	615	590	550	550	550	550	550
Large Structural Steel	362	544	594	687	800	755	730	720	720	720	720
Hot Rolled Sheet Steel	313	601	571	610	585	585	580	570	570	570	570
Cold Rolled Sheet Steel	408	667	645	705	676	674	675	670	670	670	670
Fabricated Joists	611	912	1,079	1,124	1,200	1,100	1,000	960	960	960	960
SBQ (Auto)			800	800	800	750	750	700	700	700	700
<b>Total Revenues per ton</b>	<b>\$359</b>	<b>\$589</b>	<b>\$621</b>	<b>\$667</b>	<b>\$729</b>	<b>\$706</b>	<b>\$685</b>	<b>\$677</b>	<b>\$677</b>	<b>\$677</b>	<b>\$677</b>
<b>Other Underlying Variables</b>											
Net Startup Loss Per Share	\$0.35	\$0.09	\$0.03	\$0.07	\$0.08	\$0.08	\$0.14	\$0.09	\$0.09	\$0.09	\$0.09
Steel Bar Price Net Scrap/Ton	180.0	263.0	268.0	325.0	350.0	330.0	290.0	290.0	290.0	290.0	290.0
Hot-Rolled Sheet Price net Scrap/ton	176.0	363.0	327.2	364.0	320.0	325.0	320.0	310.4	310.4	310.4	310.4
Scrap cost (\$/ton)	137	238	244	246	265	260	260	260	260	260	260
Avg. Borrowing (\$ Mil)	881.8	896.3	906.3	905.7	905.1	904.1	902.1	900.1	898.1	896.1	894.1
Avg Cash (\$ Mil)	284.0	564.7	1308.3	2017.0	1430.1	977.8	1502.5	1928.3	2385.9	2877.8	3384.5
Capital Expenditures (\$ Mil)	210.0	285.9	338.4	340.0	700.0	800.0	700.0	600.0	600.0	600.0	600.0
Tax Rate (%)	6.1	35.20%	34.5	34.8	34.5	34.0	34.0	34.1	34.0	34.0	34.0
Year-end LIFO Reserves (\$ Mil.)		533	382	387	468	468	498	528	558	588	618
Shares Outstanding (Mil)	313.7	319.5	314.5	309.4	297.0	292.0	292.4	292.8	293.2	293.6	294.0
Tons Per Share	0.0557	0.0598	0.0651	0.0715	0.0752	0.0808	0.0850	0.0869	0.0868	0.0867	0.0866
Domestic Market Share	15.1%	14.5%	16.9%	16.4%	19.0%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%
<b>EPS Impact \$1 per ton change in HF</b>	<b>0.022</b>	<b>0.025</b>	<b>0.018</b>	<b>0.019</b>	<b>0.019</b>	<b>0.021</b>	<b>0.023</b>	<b>0.023</b>	<b>0.023</b>	<b>0.023</b>	<b>0.023</b>
<b>EPS Impact \$1 per ton change in all</b>	<b>0.052</b>	<b>0.060</b>	<b>0.043</b>	<b>0.047</b>	<b>0.049</b>	<b>0.053</b>	<b>0.056</b>	<b>0.057</b>	<b>0.057</b>	<b>0.057</b>	<b>0.057</b>

Sources: Company Reports; JT Very Independent Research, LLC estimates

Table 4: Estimated Nucor Balance Sheet (\$ Mil.)

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Cash and Short-Term Investments	2,196.3	663.8	1,291.9	1,713.1	2,143.6	2,628.2	3,127.5	3,641.6
Accounts Receivable, Net	1,067.3	1,333.7	1,366.1	1,396.1	1,412.8	1,412.7	1,412.7	1,412.7
Total Inventories	1,141.2	1,626.5	1,666.0	1,702.6	1,722.9	1,722.8	1,722.8	1,722.8
Other Current Assets	270.2	120.0	121.0	122.0	123.0	123.0	123.0	123.0
<b>Total Current Assets</b>	<b>4,675.0</b>	<b>3,744.0</b>	<b>4,444.9</b>	<b>4,933.8</b>	<b>5,402.3</b>	<b>5,886.8</b>	<b>6,386.0</b>	<b>6,900.0</b>
Gross Property, Plant and Equipment	6,244.4	7,190.4	7,865.4	8,540.4	9,215.4	9,890.4	10,565.4	11,240.4
Less Accumulated Depreciation	3,388.0	3,780.7	4,126.6	4,514.1	4,921.4	5,338.6	5,764.8	6,199.3
<b>Net Property, Plant and Equipment</b>	<b>2,856.4</b>	<b>3,409.7</b>	<b>3,738.8</b>	<b>4,026.3</b>	<b>4,293.9</b>	<b>4,551.7</b>	<b>4,800.5</b>	<b>5,041.0</b>
Other Assets	353.5	353.5	353.5	353.5	353.5	353.5	353.5	353.5
Goodwill		623.0	623.0	623.0	623.0	623.0	623.0	623.0
<b>Total Assets</b>	<b>7,885.0</b>	<b>8,130.2</b>	<b>9,160.3</b>	<b>9,936.6</b>	<b>10,672.7</b>	<b>11,415.1</b>	<b>12,163.0</b>	<b>12,917.6</b>
Short-Term Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Payable and Other Current Liabilities	1,450.0	1,007.8	1,008.8	1,027.7	1,015.8	959.9	902.3	843.1
<b>Total Current Liabilities</b>	<b>1,450.0</b>	<b>1,007.8</b>	<b>1,008.8</b>	<b>1,027.7</b>	<b>1,015.8</b>	<b>959.9</b>	<b>902.3</b>	<b>843.1</b>
Long-Term Debt	922.3	905.1	903.1	901.1	899.1	897.1	895.1	893.1
Deferred Taxes	83.5	95.3	106.3	115.3	124.2	133.5	142.8	152.2
Other Long-Term Liabilities	364.6	302.8	304.8	306.8	308.8	310.8	312.8	314.8
Minority Interests	238.6	595.9	615.9	635.9	655.9	675.9	695.9	715.9
Common Equity	4,826.0	5,223.4	6,221.4	6,949.9	7,669.0	8,438.0	9,214.2	9,998.5
<b>Total Liabilities and Equity</b>	<b>7,885.0</b>	<b>8,130.2</b>	<b>9,160.3</b>	<b>9,936.6</b>	<b>10,672.7</b>	<b>11,415.1</b>	<b>12,163.0</b>	<b>12,917.6</b>
<b>Book Value/Share</b>	<b>15.92</b>	<b>17.59</b>	<b>21.31</b>	<b>23.77</b>	<b>26.19</b>	<b>28.78</b>	<b>31.38</b>	<b>34.01</b>
<b>Return on Equity</b>	<b>38.4%</b>	<b>30.0%</b>	<b>25.1%</b>	<b>17.6%</b>	<b>15.7%</b>	<b>14.9%</b>	<b>13.7%</b>	<b>12.7%</b>
Accounts Rec. / Sales	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
Inventory/Sales	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
AP and Other CL / Sales	9.8%	6.2%	6.1%	6.0%	5.9%	5.6%	5.2%	4.9%

Sources: Company Reports; JT Very Independent Research, LLC. estimates

Table 5: Nucor Cash Flows (\$ Mil.)

Sources:	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Net Income	1757.7	1492.6	1422.7	1153.7	1144.7	1195.1	1202.8	1211.3
Depreciation	363.9	386.2	420.4	462.0	481.8	491.7	500.7	509.0
Deferred taxes	-38.9	11.8	11.0	8.9	8.9	9.2	9.3	9.4
Asset Sales	2.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Common Stock, net	-562.2	-600.0	8.0	8.0	8.0	8.0	8.0	8.0
Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other, Net								
Minority Int, Net	44.5	25.0	25.0	25.0	25.0	25.0	25.0	25.0
<b>Total</b>	<b>1567.2</b>	<b>1316.1</b>	<b>1887.5</b>	<b>1658.2</b>	<b>1669.0</b>	<b>1729.5</b>	<b>1746.3</b>	<b>1763.2</b>
<b>Uses:</b>								
Capital Expenditures	372.7	940.0	750.0	750.0	750.0	750.0	750.0	750.0
Acquisitions	223.9	1480.0						
Dividends	577.8	816.8	438.0	438.6	439.2	439.8	440.4	441.0
Debt Repayment	1.3	0.0	2.0	2.0	2.0	2.0	2.0	2.0
Other	32.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Change in WC	358.8	-1925.6	692.5	462.6	472.8	532.7	548.9	565.2
<b>Total</b>	<b>1567.2</b>	<b>1316.1</b>	<b>1887.5</b>	<b>1658.2</b>	<b>1669.0</b>	<b>1729.5</b>	<b>1746.3</b>	<b>1763.2</b>
Year End Cash	2196.3	463.3	1086.6	1502.9	1928.4	2407.8	2901.8	3410.5
Cash Per share	\$7.10	\$1.56	\$3.72	\$5.14	\$6.59	\$8.21	\$9.88	\$11.60
<b>Cash Flow Per Share</b>	<b>6.88</b>	<b>6.45</b>	<b>6.44</b>	<b>5.64</b>	<b>5.67</b>	<b>5.87</b>	<b>5.92</b>	<b>5.97</b>

Sources: Company Reports; JT Very Independent Research, LLC. estimates

## LOWER INDUSTRYWIDE INVENTORIES LAYS FOUNDATION OF AN UPTURN

Steel distributors now have cut inventories from 16.8 to 13.9 million tons, reducing 2.9 of the 3.9 million ton buildup from late 2005 lows in 2006. A smaller “buffer exists,” which perhaps reflects lower expectations for autos, housing, appliances, nonresidential construction or some other markets. Further, SeverCorr will begin shipping steel in the coming months. Two more new suppliers and two incremental ones could add up to 13 million tons of sheets to the domestic market along with SeverCorr by the end of 2010.

However, many specialized capital goods niches are dynamic, including windmills, ethanol, aerospace, electrical equipment, refineries, oilfield exploration, desalination or other specialized factory construction.

Further, production failures occur from time to time. Lightning literally disabled Mittal Steel’s Sparrows Point, MD large blast furnace in 2006 and the larger coal mine supplying U.S. Steel in December 2003. The six month underground coal mine fire until June 2004 disrupted coke output and deliveries to five sheet and one domestic bar producer in 2004. Mittal Steel lost five weeks of basic oxygen output when a ladle of molten steel was dropped in Indiana in early 2006.

Transportation networks, raw materials, steel mills or steel import deliveries can sometimes be interrupted by unusual weather or other conditions. Such events could spark rebuild swings or several quarters of price firmness. The more inventories fall, the more such upside potentials loom.

#### PRICE TARGET AND INVESTMENT VIEW

We continue to rate Nucor Underweight because we believe the U.S. steel market is in fundamental oversupply, and it seems that consumption will be slowing heading into next year. Leading indicators of demand like interest rates, oil prices, autos, housing, etc. have not been moving the right way. Import stickiness, the recent 87% domestic utilization rate, and mild price competition or losses are weaker players like WCI Steel, Wheeling-Pittsburgh or others suggest current boom times may not last forever.

Our price target of \$52 per share is based on about 10 to 11 times estimated 2007 earnings. While book value is a source of stock price support since earnings and cash flow are uncertain given commodity price movements, Nucor could reduce its book value by \$2.25 billion if it buys back stock as we estimate and it could trade at a higher multiple of the reduced book value afterwards. We believe Nucor is a fine company, and we are not aware of any “company-specific” flaw or blemish. Further, its focus on nonresidential construction end markets for upwards of 60% and welded tube inputs for another 10% of its end markets should position it to greatly outperform competing North American steelmakers dependent upon automakers, for example, or foreign steelmakers suffering from top dollar iron ore or coal input costs.

#### BUSINESS RISKS

An upside risk to our conservative view involves the current takeover flurry across many industries. Chaparral Steel was sold on July 10<sup>th</sup> for \$4.22 billion or \$1,300 per ton of capacity and \$1,780 per ton of output or near three times “replacement costs.” Alcan commanded a valuation near 16 times estimated earnings in its July 12<sup>th</sup> takeover.

Risks to our investment thesis include lower import volumes and oil prices that could help steel demand, which would expand the premiums of sheet selling prices over scrap. Each \$1 change in selling prices or scrap costs or other costs represents about \$0.05 per share. Thus, a \$100 per ton change in margins recently at record levels represents a \$5 per share swing in EPS. Heavy construction, other capital goods, energy and autos are important end markets to Nucor.

## CHANGE IN OPERATION

This report reflects an initiation of research coverage by JTVIR, LLC. In no way shape or form should it be misconstrued as involving PEG, which shut down on June 6, 2007 as noted above. The continuation of that same quarterly or full year earnings estimate for 2007 as JTVIR, LLC should not be construed or mistaken to involve PEG, which shut down on June 6, 2007. Certain data, such as the logic of the earnings model, are similar owing to the same primary author, but this coverage initiation herein involves a different entity and no employment or affiliation with the former Prudential Equity Group, LLC.

## DISCLOSURES

“John Tumazos Very Independent Research, LLC” (JTVIR) is a Delaware Corporation with pending registration as an investment advisor in the state of New Jersey owing to our place of business in New Jersey.

JTVIR is not a broker-dealer, and conducts no trades. Its primary business is to provide “unbundled” metals and paper industry securities and market research to institutions or corporations in a zero commission, electronic execution, electronic dissemination, unbundled format for a specified annual fee structure.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than “day trading” sorts of near-term issues.

Neither JTVIR, its members or its employees own or have a financial interest in any securities discussed in this report. Our policy is full disclosure.

Our policy permits personal trading in the metals or paper industries, though no positions were taken in companies within regular research coverage after July 2001 after joining Prudential Financial and until after one month of completed New Jersey registration of JTVIR. Our policy is that any personal trading must be consistent with our recommendation, made two business days or more AFTER a recommendation or change in recommendation and held for a minimum of 30 days or one month. We believe it is virtuous for a securities analyst to “put his or her money where his mouth is” to invest consistent with the recommendation to clients after such recommendation has been made,

and we disagree with some restrictions made upon broker-dealer employees after 2000 era scandals.

Our policy permits up to three directorships and up to five consulting projects, advisory assignments or financial advice to corporations that might supplement, backcheck or substitute for certain services of a large investment banking firm. For example, we would accept an engagement to evaluate investment banking advice on behalf of a manufacturing company concerned whether advice is sincere or intended to maximize fees. Currently no such relationships exist.

Our policy is full disclosure of any advisory relationship or conflict going back three years. None currently exist.

Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d'Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or "due diligenced" for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

#### **ANALYST UNIVERSE COVERAGE:**

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International.

In accordance with applicable rules and regulations, we note above parenthetically that our stock ratings of “Overweight,” “Neutral Weight,” and “Underweight” most closely correspond with the more traditional ratings of “Buy,” “Hold,” and “Sell,” respectively; however, please note that their meanings are not the same. (See the definitions above.) We believe that an investor’s decision to buy or sell a security should always take into account, among other things, that the investor’s particular investment objectives and experience, risk tolerance, and financial circumstances. Rather than being based on an expected deviation from a given benchmark (as buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions).

There is no intention to “balance” the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a “bottoms up” manner based on the assets of each individual company.

### **Price Target – Methods/Risks**

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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