

WORTHINGTON INDUSTRIES INC

Form 10-K

July 30, 2014

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2014

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 1-8399

WORTHINGTON INDUSTRIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Ohio

(State or Other Jurisdiction of Incorporation or Organization)

200 Old Wilson Bridge Road, Columbus, Ohio

(Address of Principal Executive Offices)

31-1189815

(I.R.S. Employer Identification No.)

43085

(Zip Code)

Registrant's telephone number, including area code:

(614) 438-3210

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

Title of Each Class
Common Shares, Without Par Value

Name of Each Exchange on Which Registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Shares (the only common equity of the Registrant) held by non-affiliates computed by reference to the closing price on the New York Stock Exchange on November 29, 2013 the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$2,068,755,749. For this purpose, executive officers and directors of the Registrant are considered affiliates.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. On July 22, 2014, the number of Common Shares issued and outstanding was 68,675,885.

DOCUMENT INCORPORATED BY REFERENCE:

Selected portions of the Registrant's definitive Proxy Statement to be furnished to shareholders of the Registrant in connection with the Annual Meeting of Shareholders to be held on September 25, 2014, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent provided herein.

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SAFE HARBOR STATEMENT

Selected statements contained in this Annual Report on Form 10-K, including, without limitation, in PART I Item 1. Business and PART II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995 (the Act). Forward-looking statements reflect our current expectations, estimates or projections concerning future results or events. These statements are often identified by the use of forward-looking words or phrases such as believe, expect, anticipate, may, could, intend, estimate, plan, foresee, likely, will, should or other similar words or phrases. These forward-looking statements include, without limitation, statements relating to:

outlook, strategy or business plans;
future or expected growth, performance, sales, volumes, cash flows, earnings, balance sheet strengths, debt, financial condition or other financial measures;
projected profitability potential, capacity, and working capital needs;
demand trends for us or our markets;
additions to product lines and opportunities to participate in new markets;
pricing trends for raw materials and finished goods and the impact of pricing changes;
anticipated capital expenditures and asset sales;
anticipated improvements and efficiencies in costs, operations, sales, inventory management, sourcing and the supply chain and the results thereof;
the ability to make acquisitions and the projected timing, results, benefits, costs, charges and expenditures related to acquisitions, newly-created joint ventures, headcount reductions and facility dispositions, shutdowns and consolidations;
the alignment of operations with demand;
the ability to operate profitably and generate cash in down markets;
the ability to maintain margins and capture and maintain market share and to develop or take advantage of future opportunities, new products and new markets;
expectations for Company and customer inventories, jobs and orders;
expectations for the economy and markets or improvements therein;
expected benefits from transformation plans, cost reduction efforts and other new initiatives;
expectations for increasing volatility or improving and sustaining earnings, earnings potential, margins or shareholder value;
effects of judicial rulings; and
other non-historical matters.

Because they are based on beliefs, estimates and assumptions, forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from those projected. Any number of factors could affect actual results, including, without limitation, those that follow:

the effect of national, regional and worldwide economic conditions generally and within major product markets, including a prolonged or substantial economic downturn;
the outcome of negotiations surrounding the United States debt and budget, which may be adverse due to its impact on tax increases, governmental spending, customer confidence and spending, and the overall economy;
the effect of conditions in national and worldwide financial markets;
product demand and pricing;
changes in product mix, product substitution and market acceptance of our products;
fluctuations in the pricing, quality or availability of raw materials (particularly steel), supplies, transportation, utilities and other items required by operations;
effects of facility closures and the consolidation of operations;
the effect of financial difficulties, consolidation and other changes within the steel, automotive, construction and other industries in which we participate;

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failure to maintain appropriate levels of inventories;
financial difficulties (including bankruptcy filings) of original equipment manufacturers, end-users and customers, suppliers, joint venture partners and others with whom we do business;
the ability to realize targeted expense reductions from headcount reductions, facility closures and other cost reduction efforts;
the ability to realize other cost savings and operational, sales and sourcing improvements and efficiencies, and other expected benefits from transformation initiatives, on a timely basis;
the overall success of, and the ability to integrate, newly-acquired businesses and joint ventures, maintain and develop their customers, and achieve synergies and other expected benefits and cost savings therefrom;
capacity levels and efficiencies, within facilities, within major product markets and within the industry as a whole;
the effect of disruption in the business of suppliers, customers, facilities and shipping operations due to adverse weather, casualty events, equipment breakdowns, acts of war or terrorist activities or other causes;
changes in customer demand, inventories, spending patterns, product choices, and supplier choices;
risks associated with doing business internationally, including economic, political and social instability, foreign currency exposure and the acceptance of our products in markets;
the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;
the outcome of adverse claims experience with respect to workers' compensation, product recalls or product liability, casualty events or other matters;
deviation of actual results from estimates and/or assumptions used by us in the application of our significant accounting policies;
level of imports and import prices in our markets;
the impact of judicial and governmental agency rulings as well as the impact of governmental regulations, both in the United States and abroad, including those adopted by the United States Securities and Exchange Commission and other governmental agencies as contemplated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;
the effect of changes to healthcare laws in the United States, which may increase our healthcare and other costs and negatively impact our financial results and operations; and
other risks described from time to time in the filings of Worthington Industries, Inc. with the United States Securities and Exchange Commission, including those described in PART I Item 1A. Risk Factors of this Annual Report on Form 10-K.

We note these factors for investors as contemplated by the Act. It is impossible to predict or identify all potential risk factors. Consequently, you should not consider the foregoing list to be a complete set of all potential risks and uncertainties. Any forward-looking statements in this Annual Report on Form 10-K are based on current information as of the date of this Annual Report on Form 10-K, and we assume no obligation to correct or update any such statements in the future, except as required by applicable law.

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PART I

Item 1. Business

General Overview

Worthington Industries, Inc. is a corporation formed under the laws of the State of Ohio (individually, the Registrant or Worthington Industries or, collectively with the subsidiaries of Worthington Industries, Inc., we, our, Worthington or the Company). Founded in 1955, Worthington primarily a diversified metals manufacturing company, focused on value-added steel processing and manufactured metal products. Our manufactured metal products include: pressure cylinders for liquefied petroleum gas (LPG), compressed natural gas (CNG), oxygen, refrigerant and other industrial gas storage, hand torches and filled hand torch cylinders, propane-filled camping cylinders, cylinders for breathing applications (medical, diving, firefighting), helium-filled balloon kits, steel and fiberglass tanks and processing equipment primarily for the oil and gas industry, and cryogenic pressure vessels for liquefied natural gas (LNG) and other gas storage applications; engineered cabs and operator stations and cab components; steel pallets and racks; and, through joint ventures, suspension grid systems for concealed and lay-in panel ceilings; laser welded blanks; light gauge steel framing for commercial and residential construction; and current and past model automotive service stampings.

Worthington is headquartered at 200 Old Wilson Bridge Road, Columbus, Ohio 43085, telephone (614) 438-3210. The common shares of Worthington Industries are traded on the New York Stock Exchange under the symbol WOR.

Worthington Industries maintains an Internet web site at www.worthingtonindustries.com. This uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate Worthington Industries web site into this Annual Report on Form 10-K. Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as well as Worthington Industries definitive annual meeting proxy materials filed pursuant to Section 14 of the Exchange Act, are available free of charge, on or through the Worthington Industries web site, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the SEC).

Segments

As of May 31, 2014, we, together with our unconsolidated affiliates, operated 80 production facilities in 25 states and 10 countries. A total of 34 of these facilities relate to wholly-owned and consolidated subsidiaries of the Company. The remaining facilities are operated by our consolidated and unconsolidated joint ventures.

Our operations are managed principally on a products and services basis and are comprised of three primary operating segments which our reportable business segments correspond with: Steel Processing, Pressure Cylinders and Engineered Cabs. The Steel Processing operating segment consists of the Worthington Steel business unit (Worthington Steel) which operates 11 main facilities, and also includes: Precision Specialty Metals, Inc. (PSM), a specialty stainless processor located in Los Angeles, California; Worthington Steelpac Systems, LLC (SteelPac), which designs and manufactures recyclable steel packaging solutions for the movement of products; Spartan Steel Coating, LLC (Spartan), a consolidated joint venture that operates a cold-rolled hot dipped galvanizing line in Monroe, Michigan; and TWB Company, L.L.C. (TWB), a consolidated joint venture that operates a laser welded blank business headquartered in Monroe, Michigan. The Pressure Cylinders operating segment consists of the Worthington Cylinders business unit (Worthington Cylinders) which operates 17 main facilities, and also includes two consolidated joint ventures: India-based

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Worthington Nitin Cylinders Limited (Worthington Nitin Cylinders), a manufacturer of high-pressure, seamless steel cylinders for CNG storage in motor vehicles and for industrial gases, and Worthington Aritas Basınçlı Kaplar Sanayi (Worthington Aritas,) a manufacturer of cryogenic pressure vessels for LNG and other gas storage applications located in Istanbul, Turkey. The Engineered Cabs operating segment consists of the Worthington Industries Engineered Cabs business unit (Engineered Cabs), formerly Angus Industries, Inc. Engineered Cabs operates 4 main facilities.

Our remaining operating segments include Construction Services and Worthington Energy Innovations (WEI), which are combined and disclosed in the Other category for segment reporting purposes, as they do not meet the quantitative thresholds for separate disclosure. Certain income and expense items not allocated to our operating segments are also included in the Other category as is the activity related to the wind down of our former Metal Framing operating segment.

We hold equity positions in 12 active joint ventures, which are further discussed in the *Joint Ventures* section below. Of these, five are consolidated with their operating results reported within our reportable business segments as follows: Spartan and TWB in Steel Processing; Worthington Aritas and Worthington Nitin Cylinders in Pressure Cylinders; and WEI in Other.

During the fiscal year ended May 31, 2014 (fiscal 2014), the Steel Processing, Pressure Cylinders and Engineered Cabs operating segments served approximately 1,100, 4,500, and 100 customers, respectively, located primarily in the United States. Foreign operations accounted for approximately 7% of consolidated net sales during fiscal 2014 and were comprised primarily of sales to customers in Europe. No single customer accounted for over 10% of consolidated net sales in fiscal 2014.

Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note N Segment Data of this Annual Report on Form 10-K for a full description of our reportable business segments.

Recent Developments

On July 31, 2013, we acquired an additional 10% interest in TWB for \$17.9 million, increasing our ownership to a 55% controlling interest. As a result, TWB's results have been consolidated within Steel Processing since that date, with the minority member's portion of earnings eliminated within earnings attributable to noncontrolling interest in our consolidated statement of earnings for fiscal 2014. This transaction was accounted for as a step acquisition, which required that we re-measure our previously held 45% ownership interest to fair value and record the excess of fair value over carrying value as a gain in our consolidated statement of earnings. The re-measurement to fair value resulted in a non-cash pre-tax gain of \$11.0 million, which is included in miscellaneous income in our consolidated statement of earnings for fiscal 2014.

During the second quarter of fiscal 2014, we committed to a re-branding initiative to brand substantially all of our businesses under the Worthington Industries name. In connection with the branding strategy, the Company discontinued the use of non-Worthington trade names except for retail brand names such as Bernzomatic® and Balloon Time® and for those related to our joint ventures. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note C Goodwill and Other Long-Lived Assets of this Annual Report on Form 10-K for additional information.

On October 18, 2013, we finalized an agreement with Nisshin Steel Co., Ltd. (Nisshin) and Marubeni-Itochu Steel Inc. (MISI) to form Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. The joint venture will construct a plant in the Zhejiang Province in the People's Republic of China that will produce cold-rolled strip steel, primarily for the automotive industry. We own a 10% interest in the joint venture with the option to increase our ownership interest to 34%.

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On November 12, 2013, we entered into an agreement to sell the operating assets related to our small and medium steel high pressure industrial gas and acetylene cylinders business in North America. The majority of these assets were located in our Tilbury, Ontario facility, which ceased operations in February 2014.

On December 10, 2013, we announced the closure of our Baltimore steel facility, which ceased operations in May 2014. With the consolidation of the steel industry, many of the mills that previously supplied the Baltimore facility have closed, negatively impacting the supply chain there. We concluded that we can more efficiently service our customers in the Mid-Atlantic Region from other Worthington facilities and processing partners. The Company is in the process of shipping the remaining inventory at the Baltimore facility to other Worthington locations and expects to completely exit the facility before the end of the first quarter of fiscal 2015.

On January 24, 2014, we acquired a 75% interest in Worthington Aritas, one of Europe's leading cryogenic technology companies for LNG and other gas storage applications. The remaining 25% stake was retained by the prior owners. The total purchase price, including an adjustment for estimated final working capital, was approximately \$35.3 million. The purchase price also includes contingent consideration with an estimated fair value of \$404,000.

On March 27, 2014, we acquired the tank manufacturing division of Steffes Corporation for cash consideration of approximately \$28.9 million. The division manufactures oilfield storage tanks for customers drilling in the Bakken shale and Williston Basin region out of its facility in Dickinson, North Dakota, and complements our existing operations in Ohio and Kansas that manufacture steel and fiberglass storage tanks, gas separators, gas production units and related wellhead equipment for oil and gas exploration customers in the Marcellus, Utica, Bakken and Mid-Continent regions.

On April 15, 2014, we completed the public offering of \$250.0 million aggregate principal amount of senior unsecured notes. The notes bear interest at a rate of 4.55% and mature in April 2026. A portion of the net proceeds was used to repay borrowings then outstanding under both the Company's \$425.0 million revolving credit facility and its \$100.0 million trade accounts receivable securitization facility. The remaining net proceeds will be used for general corporate purposes, which may include repayment of other indebtedness.

On June 25, 2014, our Board of Directors authorized the repurchase of an additional 10,000,000 of Worthington Industries' outstanding common shares, increasing the total number of common shares available for repurchase to 11,722,332.

On June 25, 2014, our Board of Directors declared a quarterly dividend of \$0.18 per share, an increase of \$0.03 per share from the previous quarterly rate. The dividend is payable on September 29, 2014 to shareholders of record on September 12, 2014.

During the fourth quarter of fiscal 2014, we repurchased a total of 1,000,000 of our common shares for \$37.1 million at an average price of \$37.14 per share. During fiscal 2014, we repurchased a total of 3,380,500 common shares for \$128.2 million at an average price of \$37.93.

Transformation Plan

In our fiscal year ended May 31, 2008 (fiscal 2008), we initiated a transformation plan (the Transformation Plan) with the overall goal to improve our sustainable earnings potential, asset utilization and operational performance. The Transformation Plan focuses on cost reduction, margin expansion and organizational capability improvements and, in the process, seeks to drive excellence in three core competencies: sales, operations, and supply chain management. The Transformation Plan is comprehensive

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in scope and includes aggressive diagnostic and implementation phases. When this process began, we retained a consulting firm to assist in the development and implementation of the Transformation Plan. As the Transformation Plan progressed, we formed internal teams dedicated to this effort, and they ultimately assumed full responsibility for executing the Transformation Plan. Although the consulting firm was again engaged in fiscal 2012 as we rolled out the Transformation Plan in Pressure Cylinders, all of the work is now led and executed by our internal teams. These internal teams are now an integral part of our business and constitute what we refer to as the Centers of Excellence (COE). The COE will continue to monitor the performance metrics and new processes instituted across our transformed operations and drive continuous improvements in all areas of our operations. The expenses related to the COE have been included in selling, general and administrative expense since the beginning of fiscal 2013.

To date, we have completed the transformation phases in each of the core facilities within Steel Processing, including the facilities of our Mexican joint venture. We also substantially completed the transformation phases at our metal framing facilities prior to contributing the related assets to Clarkwestern Dietrich Building Systems LLC (ClarkDietrich), our 25%-owned metal framing joint venture. Transformation efforts within Pressure Cylinders and Engineered Cabs, which began during the first quarter of fiscal 2012 and the first quarter of fiscal 2013, respectively, are ongoing.

As of May 31, 2014, we have recognized approximately \$74.3 million of total net restructuring charges associated with the Transformation Plan, including a net gain of \$3.8 million during fiscal 2014, and charges of \$3.3 million, \$6.0 million, \$2.6 million, \$4.2 million, \$43.0 million and \$18.1 million, during fiscal 2013, fiscal 2012, fiscal 2011, fiscal 2010, fiscal 2009 and fiscal 2008, respectively.

Steel Processing

Our Steel Processing operating segment consists of the Worthington Steel business unit, which includes PSM and SteelPac and our consolidated joint ventures, Spartan and TWB. For fiscal 2014, fiscal 2013, and fiscal 2012, the percentage of consolidated net sales generated by Steel Processing was approximately 62%, 61%, and 55%, respectively.

Worthington Steel is one of the largest independent intermediate processors of flat-rolled steel in the United States. It occupies a niche in the steel industry by focusing on products requiring exact specifications. These products cannot typically be supplied as efficiently by steel mills to the end-users of these products.

The Steel Processing operating segment, including Spartan and TWB, operates 19 manufacturing facilities located in Ohio (6), Mexico (4), Alabama (2), Indiana (2), Michigan (2), and one each in California, Pennsylvania, and Tennessee.

Our Steel Processing operating segment serves approximately 1,100 customers, principally in the agricultural, appliance, automotive, construction, hardware, HVAC, lawn and garden, leisure and recreation, and office furniture markets. Automotive-related customers have historically represented approximately half of Steel Processing's net sales. No single customer represented greater than 10% of Steel Processing's net sales during fiscal 2014.

Our Steel Processing operating segment buys coils of steel from integrated steel mills and mini-mills and processes them to the precise type, thickness, length, width, shape and surface quality required by customer specifications. Computer-aided processing capabilities include, among others:

- cold reducing, which achieves close tolerances of thickness;
- configured blanking, which stamps steel into specific shapes;
- cutting-to-length, which cuts flattened steel sheets to exact lengths;
- dry-lubing, the process of coating steel with a dry, soap-based lubricant;

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edging, which conditions the edges of the steel by imparting round, smooth or knurled edges;

hot-dipped galvanizing, which coats steel with zinc and zinc alloys through a hot-dip process;

hydrogen annealing, a thermal process that changes the hardness and certain metallurgical characteristics of steel;

laser welding, which joins metal blanks and coils with different thicknesses, coatings or material strength;

pickling, a chemical process using an acidic solution to remove surface oxide which develops on hot-rolled steel;

primacoat, which is a high-lubricity, acrylic-based coating;

slitting, which cuts steel coils or steel sheets to specific widths;

oscillate slitting, a slitting process that spools together several narrow coils welded end to end into one larger coil;

temper rolling, which is the process of light cold-rolling sheet steel;

tension leveling, a method of applying pressure to achieve precise flatness tolerances; and

non-metallic coating, including acrylic and paint coating.

Our Steel Processing operating segment also toll processes steel for steel mills, large end-users, service centers and other processors. Toll processing is different from typical steel processing in that the mill, end-user or other party retains title to the steel and has the responsibility for selling the end product. Toll processing enhances Worthington Steel's participation in the market for wide sheet steel and large standard orders, which is a market generally served by steel mills rather than by intermediate steel processors.

The steel processing industry is fragmented and highly competitive. There are many competitors, including other independent intermediate processors. Competition is primarily on the basis of price, product quality and the ability to meet delivery requirements. Technical service and support for material testing and customer-specific applications enhance the quality of products (see Business Technical Services). However, the extent to which technical service capability has improved Worthington Steel's competitive position has not been quantified. Worthington Steel's ability to meet tight delivery schedules is, in part, based on the proximity of our facilities to customers, suppliers and one another. The extent to which plant location has impacted Worthington Steel's competitive position has not been quantified. Processed steel products are priced competitively, primarily based on market factors, including, among other things, market pricing, the cost and availability of raw materials, transportation and shipping costs, and overall economic conditions in the United States and abroad.

On July 31, 2013, we purchased an additional 10% interest in TWB, increasing our ownership to a 55% controlling interest. As a result, TWB's results have been consolidated within Steel Processing since the acquisition date. TWB operates three facilities in the United States, with one facility in each of Alabama, Michigan and Tennessee, and four facilities in Mexico.

During the first quarter of fiscal 2014, we made certain organizational changes impacting the internal reporting and management structure of SteelPac. As a result of these organizational changes, management responsibilities and internal reporting were realigned under Steel Processing. SteelPac designs and manufactures reusable custom steel platforms, racks and pallets for supporting, protecting and handling products throughout the shipping process for customers in industries such as automotive, lawn and garden and recreational vehicles. SteelPac operates

three facilities, with one facility in each of Indiana, Ohio and Pennsylvania.

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Pressure Cylinders

The Pressure Cylinders operating segment consists of the Worthington Cylinders business unit and two consolidated joint ventures: Worthington Nitin Cylinders, an India-based manufacturer of high-pressure, seamless steel cylinders for CNG and other industrial gas storage applications; and Worthington Aritas, one of Europe's leading cryogenic technology companies for LNG and other gas storage applications. The percentage of consolidated net sales generated by Pressure Cylinders was approximately 30% in fiscal 2014 and fiscal 2013, respectively, and approximately 33% in fiscal 2012.

Our Pressure Cylinders operating segment manufactures and sells filled and unfilled pressure cylinders, tanks and various accessories and related products for diversified end-use market applications. The following is a description of these markets:

Consumer Products: These products include LPG cylinders for barbecue grills and other heating applications, propane accessories, propane-filled cylinders for camping stove and other applications, hand held torches and accessories including filled fuel cylinders, and Balloon Time® helium-filled balloon kits. These products are sold primarily to mass merchandisers, cylinder exchangers and distributors. Revenues from this market sector totaled \$369.1 million, \$374.8 million and \$339.6 million in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Alternative fuels: This sector includes Type I, II, III and ASME cylinders for containment of CNG and hydrogen for automobiles, buses, and light-duty trucks, as well as propane/autogas cylinders for automobiles and light and medium-duty trucks. Revenues from this market sector totaled \$65.8 million, \$76.0 million and \$60.5 million in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Industrial Products: This market sector includes industrial, refrigerant, cryogenic and certain LPG cylinders for gas, as well as cryogenic pressure vessels and other specialty products. Cylinders in these markets are generally sold to gas producers and distributors. Industrial cylinders hold fuel for uses such as cutting, welding, breathing (medical, diving and firefighting), semiconductor production, and beverage delivery. Refrigerant gas cylinders are used to hold refrigerant gases for commercial, residential and automotive air conditioning and refrigeration systems. Cryogenic cylinders are used to store liquid nitrogen, oxygen, argon and carbon dioxide for industrial gas markets. Cryogenic LNG pressure vessels include transport trailers, ISO containers, bulk tanks and satellite stations for re-gasification. LPG cylinders hold fuel for recreational vehicle equipment, residential and light commercial heating systems, industrial forklifts and commercial/residential cooking (the latter, generally outside North America). Specialty products include a variety of fire suppression and chemical tanks. Revenues from this market sector totaled \$346.3 million, \$341.2 million and \$370.0 million in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Energy: This sector was formed in fiscal 2013 as a result of the acquisition of Westerman, Inc. on September 17, 2012 and also included the Palmer and Steffes acquisitions. Products for this sector include steel and fiberglass tanks, and pressure vessels and other products for global energy markets, including oil and gas and nuclear, which products are used for a broad variety of exploration, recovery and production purposes; and hoists and other marine products which are used principally in shipyard lift systems. This sector also leverages its manufacturing competencies to produce pressure vessels, atmospheric tanks, controls and various custom machined components for other industrial and agricultural end markets. Revenues from this market sector totaled \$147.2 million in fiscal 2014 and \$67.3 million in fiscal 2013.

While a large percentage of Pressure Cylinders sales are made to major accounts, this operating segment serves approximately 4,500 customers. No single customer represented greater than 10% of net sales for the Pressure Cylinders operating segment during fiscal 2014.

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The Pressure Cylinders operating segment, including the Worthington Nitin Cylinders and Worthington Aritas consolidated joint ventures, operates 19 manufacturing facilities located in California, Kansas (2), Mississippi, North Carolina, North Dakota, New York, Ohio (5), Wisconsin, Austria, India, Poland (2), Portugal and Turkey.

For sales in the United States and Canada, high-pressure and low-pressure cylinders, are primarily manufactured in accordance with United States Department of Transportation and Transport Canada specifications. Outside the United States and Canada, cylinders are manufactured according to European norm specifications, as well as various other international standards. Other products are produced to applicable industry standards including, as applicable, those standards issued by the American Petroleum Institute, ASME and UL.

Worthington Cylinders has one principal domestic competitor in the low-pressure non-refillable refrigerant market and one principal domestic competitor in the low-pressure LPG cylinder market. There are also several foreign competitors in these markets. We believe that Worthington Cylinders has the largest market share in its domestic low-pressure cylinder markets. In the other cylinder markets, there are several competitors. We believe that Worthington Cylinders is a leading supplier to the European markets for LNG pressure vessels and for both the high-pressure cylinder and low-pressure non-refillable cylinders. Worthington Cylinders generally has a strong competitive position for its industrial, energy, retail and specialty products, but competition varies on a product-by-product basis, and geographically for energy products. As with our other operating segments, competition is based upon price, service and quality.

The Pressure Cylinders operating segment uses the trade name Worthington Cylinders to conduct business and the registered trademark Balloon Time® to market helium-filled balloon kits; the registered trademark Bernzomatic to market certain fuel cylinders and hand held torches; the trademark WORTHINGTON PRO-GRADE to market certain LPG cylinders, hand torches and camping fuel cylinders; the registered trademarks MAP-PR® and Pro-Max to market certain hand torch cylinders; the registered trademark SC1 to market certain cylinders for transportation of compressed gases for inflation of flotation bags and escape slides; and the trade names Westerman, Wooster Tool and Palmer to market the tanks and other products produced by those operations. During the second quarter of fiscal 2014, the Company committed to a re-branding initiative to brand substantially all of our businesses under the Worthington Industries name. In connection with the branding strategy, the Company discontinued the use of non-Worthington trade names except for retail brand names such as BernzOmatic® and Balloon Time® and for those related to our joint ventures.

In connection with the acquisition of the propane fuel cylinders business of The Coleman Company, Inc. (Coleman Cylinders) in fiscal 2012, we executed a trademark license agreement whereby we are required to make minimum annual royalty payments of \$2.0 million in exchange for the exclusive right to use certain Coleman trademarks within the United States and Canada in connection with our operation of the acquired business.

Engineered Cabs

The Engineered Cabs operating segment consists of the Worthington Industries Engineered Cabs business unit, formerly Angus Industries, Inc., which was acquired on December 29, 2011. For fiscal 2014, fiscal 2013, and fiscal 2012, the percentage of consolidated net sales generated by Engineered Cabs was approximately 7%, 9%, and 4%, respectively. On an annualized basis, fiscal 2012 net sales would have represented approximately 10% of consolidated net sales.

Engineered Cabs is headquartered in Columbus, Ohio and operates 4 primary manufacturing facilities, one in each of Iowa, South Carolina, South Dakota and Tennessee, which are strategically located near key assembly locations of original equipment manufacturers.

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Engineered Cabs is North America's leading non-captive designer and manufacturer of high-quality, custom-engineered open and enclosed cabs and operator stations and custom fabrications for heavy mobile equipment used primarily in the agricultural, construction, forestry, mining, military, and various other industries. Engineered Cabs' product design, engineering support and broad manufacturing capabilities enable it to produce cabs and structures used in products ranging from small utility equipment to the largest earthmovers.

In addition to its engineered cab products, this operating segment has the capability to provide a full suite of complementary products such as machined structural components, complex and painted weldments, engine doors, boom components and complete frames, as well as a complete range of vacuum-formed plastic/acoustical trim components and assemblies. Engineered Cabs has the manufacturing capability for:

Steel laser cutting;

Steel bending and forming;

Roll-form tube curving and bending;

Machining;

Welding – robotic and manual;

Automated steel product cleaning and E-coating;

Top coat painting; and

Assembly.

Engineered Cabs produces products for over 150 different equipment platforms for approximately 100 customers. For fiscal 2014, Engineered Cabs' top three customers represented approximately 75% of the operating segment's total net sales. Its production levels can run from small and medium production volumes through high volume productions.

Engineered Cabs competes primarily with a handful of primary non-captive producers of engineered cabs in the United States, although there are numerous other suppliers who can perform some of the functions supplied by the Company. Some customers can also produce operator cabs in-house. The Company believes its competitive strengths include its design and engineering capabilities and its broad manufacturing capabilities, which allow it to provide a fully-integrated complete cab, and its ability to provide cabs at a more effective cost than customers can produce in-house. Competition is based on price, quality, delivery and service.

Key supplies include steel sheet and plate, stampings, steel tubing, hardware, controls, wiper systems, glazing materials (glass, polycarbonate), perishables (paint, urethane, caulk), electrical materials, HVAC systems and aesthetic materials (acoustical trim, plastics, foam), which are available from a variety of sources.

Other

The Other category includes two operating segments, Construction Services and WEI, which do not meet the quantitative thresholds for separate disclosure, as well as other corporate-related entities.

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Construction Services. The Construction Services operating segment includes the Military Construction business unit, and, for periods prior to its closure in May 2014, the Worthington Construction Group business unit. Military Construction's operations involve the supply and construction of single family housing, with a focus on military housing. We are in the process of evaluating strategic options for this business.

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Worthington Energy Innovations. This operating segment is comprised of our 75%-owned and consolidated joint venture, WEI, which is described in more detail in the ***Joint Ventures*** section below.

Segment Financial Data

Financial information for the reportable business segments is provided in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note N Segment Data .

Financial Information About Geographic Areas

For fiscal 2014, our foreign operations represented 7% of consolidated net sales, (2)% of pre-tax earnings attributable to controlling interest and 15% of consolidated net assets. During fiscal 2014, fiscal 2013 and fiscal 2012, we had consolidated operations in Austria, Canada (through February 2014), the Czech Republic (through October 2012), India (beginning in fiscal 2011), Mexico (beginning July 2013), Poland (beginning in fiscal 2012), Portugal, Turkey (beginning January 2014) and the United States. Our unconsolidated joint ventures had operations in China, France, Mexico, Spain (through December 2013), the United Kingdom and the United States. Summary information about our foreign operations, including net sales and fixed assets by geographic region, is provided in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies Risks and Uncertainties and Note N Segment Data of this Annual Report on Form 10-K.

Suppliers

The primary raw material purchased by Worthington is steel. We purchase steel in large quantities at regular intervals from major primary producers of steel, both domestic and foreign. The amount purchased from any particular supplier varies from year to year depending on a number of factors including market conditions, then current relationships and prices and terms offered. In nearly all market conditions, steel is available from a number of suppliers and generally any supplier relationship or contract can and has been replaced with little or no significant interruption to our business. During fiscal 2014, we purchased approximately 2.4 million tons of steel (83% hot-rolled, 13% cold-rolled and 4% galvanized) on a consolidated basis. In the Steel Processing operating segment, steel is primarily purchased and processed based on specific customer orders. The Pressure Cylinders operating segment purchases steel to meet production schedules. For certain raw materials, there are more limited suppliers for example, helium and zinc, which are generally purchased at market prices. Since there are a limited number of suppliers in the helium and zinc markets, if delivery from a major supplier is disrupted due to a force majeure type occurrence, it may be difficult to obtain an alternative supply. Raw materials are generally purchased in the open market on a negotiated spot-market basis at prevailing market prices. Supply contracts are also entered into, some of which have fixed pricing and some of which are indexed (monthly or quarterly). During fiscal 2014, we purchased steel from the following major suppliers, in alphabetical order: AK Steel Corporation; ArcelorMittal; Essar Steel Algoma Inc.; Gallatin Steel Company; NLMK USA; North Star BlueScope Steel, LLC; Nucor Corporation; Severstal North America, Inc.; Steel Dynamics, Inc.; and United States Steel Corporation (U.S. Steel). Major suppliers of aluminum to the Pressure Cylinders operating segment in fiscal 2014 were, in alphabetical order: Alcoa; DK Tech Co; Rio Tinto Alcan; and Sapa Group. Major suppliers of zinc to the Steel Processing operating segment were, in alphabetical order: Considar Metal Marketing Inc. (a/k/a HudBay); Glencore Ltd; Teck Cominco Limited; and U.S. Zinc. Approximately 34.0 million pounds of zinc were purchased in fiscal 2014. We believe our supplier relationships are good.

Technical Services

We employ a staff of engineers and other technical personnel and maintain fully equipped laboratories to support operations. These facilities enable verification, analysis and documentation of the physical, chemical, metallurgical and mechanical properties of raw materials and products. Technical service personnel also work in conjunction with the sales force to determine the types of flat-rolled steel required for customer

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needs. Engineers at Engineered Cabs design cabs and cab manufacturing processes. To provide these services, we maintain a continuing program of developmental engineering with respect to product characteristics and performance under varying conditions. Laboratory facilities also perform metallurgical and chemical testing as dictated by the regulations of the United States Department of Transportation, Transport Canada, and other associated agencies, along with International Organization for Standardization (ISO) and customer requirements. An IASI (International Accreditations Service, Incorporated) accredited product testing laboratory supports these efforts.

Seasonality and Backlog

Sales are generally strongest in the fourth quarter of our fiscal year as our operating segments are generally operating at seasonal peaks. Historically, sales have generally been weaker in the third quarter of our fiscal year, primarily due to reduced activity in the building and construction industry as a result of inclement weather, as well as customer plant shutdowns in the automotive industry due to holidays. We do not believe backlog is a significant indicator of our business.

Employees

As of May 31, 2014, we had approximately 10,000 employees, including those employed by our unconsolidated joint ventures. Approximately 4% of these employees are represented by collective bargaining units. Worthington believes it has good relationships with its employees, including those covered by collective bargaining units.

Joint Ventures

As part of our strategy to selectively develop new products, markets and technological capabilities and to expand our international presence, while mitigating the risks and costs associated with those activities, we participate in five consolidated and seven unconsolidated joint ventures.

Consolidated

Spartan is a 52%-owned consolidated joint venture with a subsidiary of Severstal North America, Inc. (Severstal), located in Monroe, Michigan. It operates a cold-rolled, hot-dipped galvanizing line for toll processing steel coils into galvanized and galvanized products intended primarily for the automotive industry. Spartan's financial results are consolidated within Steel Processing. The equity owned by Severstal is shown as noncontrolling interest on our consolidated balance sheets and Severstal's portion of net earnings is included as net earnings attributable to noncontrolling interest in our consolidated statements of earnings. On July 21, 2014, Severstal announced that it had signed an agreement to sell certain steelmaking assets as well as its interests in three joint ventures, including Spartan, to AK Steel;

TWB is a 55%-owned consolidated joint venture with a subsidiary of Wuhan Iron and Steel Company (WISCO). It is a leading North American supplier of tailor welded blanks, tailor welded coils and other tailor welded products for use primarily in the automotive industry for products such as inner-door panels, body sides, rails and pillars. TWB operates facilities in Monroe, Michigan; Prattville, Alabama; and Smyrna, Tennessee as well as in Puebla, Ramos Arizpe (Saltillo), Hermosillo and Silao, Mexico. TWB's financial results have been consolidated within Steel Processing since July 31, 2013, when we increased our ownership interest from 45% to 55%. The equity owned by WISCO is shown as noncontrolling interest on our consolidated balance sheets and WISCO's portion of net earnings is included as net earnings attributable to noncontrolling interest in our consolidated statements of earnings from the acquisition date forward. For periods prior to the acquisition date, our portion of the equity in the net income of TWB was included within equity in the net income of unconsolidated affiliates;

WEI is a 75%-owned consolidated joint venture with a subsidiary of Professional Supply, Inc. (20%) and Stonehenge Structured Finance Partners, LLC (5%) (together referred to as WEI Partners), located in

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Fremont, Ohio. WEI is a professional services company that develops cost-effective energy solutions for entities in North America. WEI designs solutions to minimize energy consumption, manages the energy solution installation, monitors and verifies energy usage, guarantees future energy savings and shares in these savings. WEI's financial results are reported within the Other category for segment reporting purposes. The equity owned by the WEI Partners is shown as noncontrolling interest on our consolidated balance sheets and the WEI Partners' portion of net earnings is included as net earnings attributable to noncontrolling interest in our consolidated statements of earnings;

Worthington Nitin Cylinders is a 60%-owned consolidated joint venture based in Visakhapatnam, India with Nitin Fire Protection Industries Limited (Nitin Fire). Worthington Nitin Cylinders manufactures high-pressure, seamless steel cylinders for CNG storage in motor vehicles, and produces cylinders for other industrial gas storage applications. Worthington Nitin Cylinders' financial results are consolidated within Pressure Cylinders. The equity owned by Nitin Fire is shown as noncontrolling interest on our consolidated balance sheets and Nitin Fire's portion of net earnings is included as net earnings attributable to noncontrolling interest in our consolidated statements of earnings. During the fourth quarter of fiscal 2014, management committed to plans to sell its interest in Worthington Nitin Cylinders and actions to locate a buyer are ongoing; and

Worthington Aritas is a 75%-owned consolidated joint venture based in Turkey. Worthington Aritas is one of Europe's leading cryogenic technology companies for LNG and other gas storage applications. Its financial results have been consolidated within Pressure Cylinders since January 24, 2014, the date we acquired our interest in the joint venture. The equity owned by minority shareholders is shown as noncontrolling interest on our consolidated balance sheets and their portion of net earnings is included as net earnings attributable to noncontrolling interest in our consolidated statements of earnings.

Unconsolidated

ArtiFlex Manufacturing, LLC (ArtiFlex), a 50%-owned joint venture with International Tooling Solutions, LLC, provides an integrated solution for engineering, tooling, stamping, assembly and other services to customers primarily in the automotive industry. ArtiFlex operates six manufacturing facilities: three in Michigan, two in Ohio and one in Kentucky.

ClarkDietrich, a 25%-owned joint venture with Clarkwestern Building Systems, Inc., is the industry leader in the manufacture and supply of light gauge steel framing products in the United States. ClarkDietrich manufactures a full line of drywall studs and accessories, structural studs and joists, metal lath and accessories, shaft wall studs and track, and vinyl products used primarily in residential and commercial construction. This joint venture operates 13 manufacturing facilities, one each in Connecticut, Georgia, Hawaii, Illinois, and Maryland and two each in California, Ohio, Florida and Texas.

Samuel Steel Pickling Company (Samuel), a 31.25%-owned joint venture with Samuel Manu-Tech Pickling, Inc. operates one steel pickling facility in Twinsburg, Ohio, and another in Cleveland, Ohio. Samuel also performs in-line slitting, side trimming, pickle dry, under winding and the application of dry lube coatings during the pickling process.

Serviacero Planos, S. de R.L. de C.V. (Serviacero Worthington), a 50%-owned joint venture with Inverzer, S.A. de C.V., operates three facilities in Mexico, one each in Leon, Queretaro and Monterrey. Serviacero Worthington provides steel processing services, such as pickling, slitting, multi-blanking and cutting-to-length, to customers in a variety of industries including automotive, appliance, electronics and heavy equipment. Serviacero Worthington commissioned a new pickle line in Monterrey in September 2012.

Worthington Armstrong Venture (WAVE), a 50%-owned joint venture with Armstrong Ventures, Inc., a subsidiary of Armstrong World Industries, Inc., is one of the three largest global manufacturers of ceiling suspension systems for concealed and lay-in panel ceilings used in commercial and residential ceiling markets. It competes with the two other global manufacturers and numerous smaller manufacturers.

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WAVE operates eight facilities in five countries: Aberdeen, Maryland; Benton Harbor, Michigan; and North Las Vegas, Nevada; Qingpu, Shanghai, China; Sittingbourne and Team Valley, United Kingdom; Prouvy, France; and Marval, Pune, India.

Worthington Specialty Processing (WSP), a 51%-owned joint venture with a subsidiary of U. S. Steel, operates three steel processing facilities located in Canton, Jackson and Taylor, Michigan, which are managed by Steel Processing. WSP serves primarily as a toll processor for U.S. Steel and others. Its services include slitting, blanking, cutting-to-length, laser welding, tension leveling and warehousing. WSP is considered to be jointly controlled and not consolidated due to substantive participating rights of the minority partner.

Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd, a 10%-owned unconsolidated joint venture with Nisshin and MISI, is based in Pinghu City, Zhejiang, China. The joint venture will construct a facility that will produce cold-rolled strip steel, primarily for the automotive industry.

See Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note B Investments in Unconsolidated Affiliates of this Annual Report on Form 10-K for additional information about our unconsolidated joint ventures.

Environmental Regulation

Our manufacturing facilities, generally in common with those of similar industries making similar products, are subject to many federal, state, local and foreign laws and regulations relating to the protection of the environment. We examine ways to reduce emissions and waste and to decrease costs related to environmental compliance. The cost of compliance or capital expenditures for environmental control facilities required to meet environmental requirements are not anticipated to be material when compared with overall costs and capital expenditures and, accordingly, are not anticipated to have a material effect on our financial position, results of operations, cash flows, or the competitive position of Worthington or any particular business segment.

Item 1A. Risk Factors

Future results and the market price for Worthington Industries common shares are subject to numerous risks, many of which are driven by factors that cannot be controlled or predicted. The following discussion, as well as other sections of this Annual Report on Form 10-K, including PART II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, describe certain business risks. Consideration should be given to the risk factors described below as well as those in the Safe Harbor Statement at the beginning of this Annual Report on Form 10-K, in conjunction with reviewing the forward-looking statements and other information contained in this Annual Report on Form 10-K. These risks are not the only risks we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial in our operations.

Risks Related to Our Business

Economic or Industry Downturns

Our industry is cyclical and both recessions and prolonged periods of slow economic growth could have an adverse effect on our business. The impacts of the slow and uneven recovery in customer demand in many of our markets, and government measures to aid economic recovery, including various measures intended to provide stimulus to the economy in general or to certain industries, as well as the growing debt levels of the United States and other countries, especially in Europe, continue to be unknown. Overall, operating levels across many of our businesses may remain at lower levels until economic conditions improve and demand increases. While certain sectors of the economy have stabilized and recovered from the economic downturn, we are unable to predict the strength, pace or sustainability of the economic recovery or the effects of

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government intervention or debt levels. Overall general economic conditions, both domestically and globally, have improved from the lows reached during the recession. The automotive market has shown signs of strengthening, and the construction market has shown signs of stabilizing. However, global economic conditions, particularly in Europe, remain fragile, and the possibility remains that the domestic or global economies, or certain industry sectors of those economies that are key to our sales, may continue to be slow or could deteriorate, which could result in a corresponding decrease in demand for our products and negatively impact our results of operations and financial condition.

The automotive and construction industries account for a significant portion of our net sales, and reduced demand from these industries have adversely impacted and may continue to adversely affect our business. The overall downturn in the economy, the disruption in capital and credit markets, the impact on real estate values, high unemployment rates, and reduced consumer confidence and spending caused significant reductions in demand from our end markets in general and, in particular, the automotive and construction end markets. Many automotive manufacturers and their suppliers reduced production levels and eliminated manufacturing capacity, through the closure of facilities, reduction in operations and other cost reduction actions. The domestic automotive industry has improved from its lows in recent years. The construction industry has shown signs of stabilizing from further erosion. However, the construction markets remain below historical norms. We cannot predict the strength, pace or sustainability of recovery in these markets. The difficulties faced by the automotive and construction industries have adversely affected and may continue to adversely affect our business. If demand for the products we sell to the automotive or construction markets were to be reduced, this could negatively affect our sales, financial results and cash flows.

Financial difficulties and bankruptcy filings by our customers could have an adverse impact on our business. In recent years, many of our customers have experienced and continue to experience challenging financial conditions. The financial difficulties of certain customers and/or their failure to obtain credit or otherwise improve their overall financial condition could result in numerous changes within the markets we serve, including additional plant closings, decreased production, reduced demand, changes in product mix, unfavorable changes in the prices, terms or conditions we are able to obtain and other changes that may result in decreased purchases from us and otherwise negatively impact our business. These conditions also increase the risk that our customers may delay or default on their payment obligations to us. Economic conditions remain fragile, and the possibility remains that markets may not fully recover, or could further deteriorate. Should the economy or any of our markets decline, the risk of bankruptcy filings by and financial difficulties of our customers may increase. Such bankruptcy filings or other financial difficulties may result not only in a reduction in our sales, but also in a loss associated with our potential inability to collect outstanding accounts receivable from the affected customers. While we have taken and will continue to take steps intended to mitigate the impact of financial difficulties and potential bankruptcy filings by our customers, these matters could have a negative impact on our business.

Volatility in the United States and worldwide capital and credit markets has significantly impacted and may continue to significantly impact our end markets and has resulted and may continue to result in negative impacts on demand, increased credit and collection risks and other adverse effects on our business. The domestic and worldwide capital and credit markets have experienced significant volatility, disruptions and dislocations with respect to price and credit availability. These factors caused diminished availability of credit and other capital in our end markets, and for participants in, and the customers of, those markets.

Although domestic credit markets have largely stabilized from the height of the financial crisis, the effects of the financial crisis continue to present additional risks to us, our customers and suppliers. In particular, there is no guarantee that the credit markets or liquidity will not once again be restricted. Additionally, stricter lending standards have made it more difficult and costly for some firms to access the credit markets. In addition, uncertainties in Europe regarding the financial sector and sovereign debt and the potential impact on banks in other regions of the world will continue to weigh on global and domestic growth. Although we believe we have adequate access to several sources of contractually committed

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borrowings and other available credit facilities, these risks could temporarily restrict our ability to borrow money on acceptable terms in the credit markets and potentially could affect our ability to draw on our credit facility. In addition, restricted access to the credit markets is continuing to make it difficult, or in some cases, impossible for our customers to borrow money to fund their operations. Lack of, or limited access to, capital would adversely affect our customers' ability to purchase our products or, in some cases, to pay for our products on a timely basis.

Raw Material Pricing and Availability

The costs of manufacturing our products and our ability to supply our customers could be negatively impacted if we experience interruptions in deliveries of needed raw materials or supplies. If, for any reason, our supply of flat-rolled steel or other key raw materials, such as aluminum, zinc or helium, or other supplies is curtailed or we are otherwise unable to obtain the quantities we need at competitive prices, our business could suffer and our financial results could be adversely affected. Such interruptions could result from a number of factors, including a shortage of capacity in the supplier base of raw materials, energy or the inputs needed to make steel or other supplies, a failure of suppliers to fulfill their supply or delivery obligations, financial difficulties of suppliers resulting in the closing or idling of supplier facilities, other significant events affecting supplier facilities, significant weather events, those factors listed in the immediately following paragraph or other factors beyond our control. Further, the number of suppliers has decreased in recent years due to industry consolidation and the financial difficulties of certain suppliers, and this consolidation may continue. Accordingly, if delivery from a major supplier is disrupted, it may be more difficult to obtain an alternative supply than in the past.

Our future operating results may be affected by fluctuations in raw material prices, and we may be unable to pass on increases in raw material costs to our customers. Our principal raw material is flat-rolled steel, which we purchase from multiple primary steel producers. The steel industry as a whole has been cyclical, and at times availability and pricing can be volatile due to a number of factors beyond our control. These factors include general economic conditions, domestic and worldwide demand, the influence of hedge funds and other investment funds participating in commodity markets, curtailed production from major suppliers due to factors such as the closing or idling of facilities, accidents or equipment breakdowns, repairs or catastrophic events, labor costs or problems, competition, new laws and regulations, import duties, tariffs, energy costs, availability and cost of steel inputs (e.g., ore, scrap, coke and energy), currency exchange rates and other factors described in the immediately preceding paragraph. This volatility, as well as any increases in raw material costs, could significantly affect our steel costs and adversely impact our financial results. If our suppliers increase the prices of our critical raw materials, we may not have alternative sources of supply. In addition, in an environment of increasing prices for steel and other raw materials, competitive conditions may impact how much of the price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, our financial results could be adversely affected. Also, if steel prices decrease, competitive conditions may impact how quickly we must reduce our prices to our customers, and we could be forced to use higher-priced raw materials then on hand to complete orders for which the selling prices have decreased. Decreasing steel prices could also require us to write-down the value of our inventory to reflect current market pricing.

Inventories

Our business could be harmed if we fail to maintain proper inventory levels. We are required to maintain sufficient inventories to accommodate the needs of our customers including, in many cases, short lead times and just-in-time delivery requirements. Although we typically have customer orders in hand prior to placement of our raw material orders for Steel Processing, we anticipate and forecast customer demand for each of our operating segments. We purchase raw materials on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers based upon orders, customer volume expectations, historic buying practices and market conditions. Inventory levels in

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excess of customer demand may result in the use of higher-priced inventory to fill orders reflecting lower selling prices, if raw material prices have significantly decreased. These events could adversely affect our financial results. Conversely, if we underestimate demand for our products or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages. Inventory shortages could result in unfilled orders, negatively impacting our customer relationships and resulting in lost revenues, which could harm our business and adversely affect our financial results.

Suppliers and Customers

The loss of significant volume from our key customers could adversely affect us. A significant loss of, or decrease in, business from any of our key customers could have an adverse effect on our sales and financial results if we cannot obtain replacement business. Also, due to consolidation in the industries we serve, including the construction, automotive, and retail industries, our sales may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments with respect to, one or more of our top customers. In addition, certain of our top customers may be able to exert pricing and other influences on us, requiring us to market, deliver and promote our products in a manner that may be more costly to us. Moreover, we generally do not have long-term contracts with our customers. As a result, although our customers periodically provide indications of their product needs and purchases, they generally purchase our products on an order-by-order basis, and the relationship, as well as particular orders, can be terminated at any time.

Many of our key industries, such as automotive, construction and heavy mobile equipment, are cyclical in nature. Many of our key industries, such as automotive, construction and heavy mobile equipment, are cyclical and can be impacted by both market demand and raw material supply, particularly with respect to steel. The demand for our products is directly related to, and quickly impacted by, customer demand in our industries, which can change as the result of changes in the general United States or worldwide economy and other factors beyond our control. Adverse changes in demand or pricing can have a negative effect on our business.

Significant reductions in sales to any of the Detroit Three automakers could have a negative impact on our business. Approximately half of the net sales of our Steel Processing operating segment and a significant amount of the net sales of certain joint ventures are to automotive-related customers. Although we do sell to the domestic operations of foreign automakers and their suppliers, a significant portion of our automotive sales are to Ford, General Motors, and Chrysler (the Detroit Three automakers) and their suppliers. A reduction in sales for any of the Detroit Three automakers could negatively impact our business. Since 2011, automobile producers have begun taking steps toward complying with new Corporate Average Fuel Economy mileage requirements for new cars and light trucks that they produce. As automobile producers work to produce vehicles in compliance with these new standards, they may reduce the amount of steel or begin utilizing alternative materials in cars and trucks to improve fuel economy, thereby reducing demand for steel and resulting in further over-supply of steel in North America. Certain automakers have announced that they will use greater amounts of aluminum and smaller proportions of steel in some new models.

A significant reduction in sales to any of our large heavy mobile equipment customers could have a negative impact on our business. Substantially all of the sales of our Engineered Cabs operating segment are to customers who manufacture heavy mobile equipment. A reduction in sales to any of our major customers in this market could negatively impact our business. A reduction in demand could result from numerous causes including a reduction in overall market demand for heavy mobile equipment, in-sourcing of engineered cabs by our customers, or increased competition.

The closing or relocation of customer facilities could adversely affect us. Our ability to meet delivery requirements and the overall cost of our products as delivered to customer facilities are important

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competitive factors. If customers close or move their production facilities further away from our manufacturing facilities which can supply them, it could have an adverse effect on our ability to meet competitive conditions, which could result in the loss of sales. Likewise, if customers move their production facilities overseas, it could result in the loss of potential sales for us.

Sales conflicts with our customers and/or suppliers may adversely impact us. In some instances, we may compete with one or more of our customers and/or suppliers in pursuing the same business. In addition, in the Engineered Cabs business, our customers often have the option of producing certain cabs in-house instead of having them supplied by us or our competition. To the extent they elect to produce such cabs in-house, it could adversely affect our sales. Such conflicts may strain our relationships with those parties, which could adversely affect our future business with them.

The closing or idling of steel manufacturing facilities could have a negative impact on us. As steel makers have reduced their production capacities by closing or idling production lines in light of the challenging economic conditions, the number of facilities from which we can purchase steel, in particular certain specialty steels, has decreased. Accordingly, if delivery from a supplier is disrupted, particularly with respect to certain types of specialty steel, it may be more difficult to obtain an alternate supply than in the past. These closures and disruptions could also have an adverse effect on our suppliers' on-time delivery performance, which could have an adverse effect on our ability to meet our own delivery commitments and may have other adverse effects on our business.

The loss of key supplier relationships could adversely affect us. Over the years, our various manufacturing operations have developed relationships with certain steel and other suppliers which have been beneficial to us by providing more assured delivery and a more favorable all-in cost, which includes price and shipping costs. If any of those relationships were disrupted, it could have an adverse effect on delivery times and the overall cost and quality of our raw materials, which could have a negative impact on our business. In addition, we do not have long-term contracts with any of our suppliers. If, in the future, we are unable to obtain sufficient amounts of steel and other products at competitive prices and on a timely basis from our traditional suppliers, we may be unable to obtain these products from alternative sources at competitive prices to meet our delivery schedules, which could have a material adverse impact on our results of operations.

Competition

Our business is highly competitive, and increased competition could negatively impact our financial results. Generally, the markets in which we conduct business are highly competitive. Our competitors include a variety of both domestic and foreign companies in all major markets. Competition for most of our products is primarily on the basis of price, product quality and our ability to meet delivery requirements. Depending on a variety of factors, including raw material, energy, labor and capital costs, government control of currency exchange rates and government subsidies of foreign steel producers, our business may be materially adversely affected by competitive forces. Competition may also increase if suppliers to or customers of our industries begin to more directly compete with our businesses through new facilities, acquisitions or otherwise. As noted above, we can have conflicts with our customers or suppliers who, in some cases, supply the same products and services as we do. Increased competition could cause us to lose market share, increase expenditures, lower our margins or offer additional services at a higher cost to us, which could adversely impact our financial results.

Material Substitution

If steel prices increase compared to certain substitute materials, the demand for our products could be negatively impacted, which could have an adverse effect on our financial results. In certain applications, steel competes with other materials, such as aluminum (particularly in the automobile industry), cement and wood (particularly in the construction industry), composites, glass and plastic. Prices of all of these materials

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fluctuate widely, and differences between the prices of these materials and the price of steel may adversely affect demand for our products and/or encourage material substitution, which could adversely affect prices and demand for steel products. The high cost of steel relative to other materials may make material substitution more attractive for certain uses.

If increased government mileage standards for automobiles result in the substitution of other materials for steel, demand for our products could be negatively impacted, which could have an adverse effect on our financial results. Due to government requirements that manufacturers increase the fuel efficiency of automobiles, the automobile industry is exploring alternative materials to steel to decrease weight. The substitution of lighter weight material for steel in automobiles could adversely affect prices and demand for steel products.

Freight and Energy

Increasing freight and energy costs could increase our operating costs, which could have an adverse effect on our financial results. The availability and cost of freight and energy, such as electricity, natural gas and diesel fuel, is important in the manufacture and transport of our products. Our operations consume substantial amounts of energy, and our operating costs generally increase when energy costs rise. Factors that may affect our energy costs include significant increases in fuel, oil or natural gas prices, unavailability of electrical power or other energy sources due to droughts, hurricanes or other natural causes or due to shortages resulting from insufficient supplies to serve customers, or interruptions in energy supplies due to equipment failure or other causes. During periods of increasing energy and freight costs, we may be unable to fully recover our operating cost increases through price increases without reducing demand for our products. Our financial results could be adversely affected if we are unable to pass all of the increases on to our customers or if we are unable to obtain the necessary freight and energy. Also, increasing energy costs could put a strain on the transportation of our materials and products if the increased costs force certain transporters to close.

Information Systems

We are subject to information system security risks and systems integration issues that could disrupt our internal operations. We are dependent upon information technology for the distribution of information internally and also to our customers and suppliers. This information technology is subject to damage or interruption from a variety of sources, including, without limitation, computer viruses, security breaches and defects in design. We could also be adversely affected by system or network disruptions if new or upgraded business management systems are defective, not installed properly or not properly integrated into operations. Various measures have been implemented to manage our risks related to information system and network disruptions and to prevent attempts to gain unauthorized access through the Internet to our information systems. However, a system failure could negatively impact our operations and financial results. In addition, cyber attacks could threaten the integrity of our trade secrets and sensitive intellectual property.

Business Disruptions

Disruptions to our business or the business of our customers or suppliers could adversely impact our operations and financial results. Business disruptions, including increased costs for, or interruptions in, the supply of energy or raw materials, resulting from shortages of supply or transportation, severe weather events (such as hurricanes, tsunamis, earthquakes, tornados, floods and blizzards), casualty events (such as explosions, fires or material equipment breakdown), acts of terrorism, pandemic disease, labor disruptions, the idling of facilities due to reduced demand (resulting from a downturn in economic activity or otherwise) or other events (such as required maintenance shutdowns), could cause interruptions to our businesses as well as the operations of our customers and suppliers. While we maintain insurance coverage that can offset some losses relating to certain types of these events, losses from business disruptions could have an adverse effect on our operations and financial results and we could be adversely impacted to the extent any such losses are not covered by insurance or cause some other adverse impact to us.

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Foreign Operations

Economic, political and other risks associated with foreign operations could adversely affect our international financial results. Although the substantial majority of our business activity takes place in the United States, we derive a portion of our revenues and earnings from operations in foreign countries, and we are subject to risks associated with doing business internationally. We have wholly-owned facilities in Austria, Poland and Portugal and joint venture facilities in China, France, India, Mexico, Turkey and the United Kingdom, and are active in exploring other foreign opportunities. The risks of doing business in foreign countries include, among other factors: the potential for adverse changes in the local political climate, in diplomatic relations between foreign countries and the United States or in government policies, laws or regulations; terrorist activity that may cause social disruption; logistical and communications challenges; costs of complying with a variety of laws and regulations; difficulty in staffing and managing geographically diverse operations; deterioration of foreign economic conditions; inflation and fluctuations in interest rates; currency rate fluctuations; foreign exchange restrictions; differing local business practices and cultural considerations; restrictions on imports and exports or sources of supply, including energy and raw materials; changes in duties, quotas, tariffs, taxes or other protectionist measures; and potential issues related to matters covered by the Foreign Corrupt Practices Act or similar laws. We believe that our business activities outside of the United States involve a higher degree of risk than our domestic activities, and any one or more of these factors could adversely affect our operating results and financial condition. In addition, the global recession and the volatility of worldwide capital and credit markets have significantly impacted and may continue to significantly impact our foreign customers and markets. These factors have resulted in decreased demand in our foreign operations and have had significant negative impacts on our business. Refer to the ***Economic or Industry Downturns*** risk factor herein for additional information concerning the impact of the global recession and the volatility of capital and credit markets on our business.

Joint Ventures

A change in the relationship between the members of any of our joint ventures may have an adverse effect on that joint venture. We have been successful in the development and operation of various joint ventures, and our equity in net income from our joint ventures, particularly WAVE, has been important to our financial results. We believe an important element in the success of any joint venture is a solid relationship between the members of that joint venture. If there is a change in ownership, a change of control, a change in management or management philosophy, a change in business strategy or another event with respect to a member of a joint venture that adversely impacts the relationship between the joint venture members, it could adversely impact that joint venture. In addition, joint ventures necessarily involve special risks. Whether or not we hold a majority interest or maintain operational control in a joint venture, our partners may have economic or business interests or goals that are inconsistent with our interests or goals. For example, our partners may exercise veto rights to block actions that we believe to be in our best interests, may take action contrary to our policies or objects with respect to our investments, or may be unable or unwilling to fulfill their obligations or commitments to the joint venture.

Acquisitions

We may be unable to successfully consummate, manage or integrate our acquisitions. A portion of our growth has occurred through acquisitions. We may from time to time continue to seek attractive opportunities to acquire businesses, enter into joint ventures and make other investments that are complementary to our existing strengths. There are no assurances, however, that any acquisition opportunities will arise or, if they do, that they will be consummated, or that any needed additional financing for such opportunities will be available on satisfactory terms when required. In addition, acquisitions involve risks that the businesses acquired will not perform in accordance with expectations, that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect, that we may assume unknown liabilities from the seller, that the acquired businesses may not be integrated successfully and that the acquisitions may strain our management resources or divert management's attention from other

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business concerns. International acquisitions may present unique challenges and increase our exposure to the risks associated with foreign operations and countries. Failure to successfully integrate any of our acquisitions may cause significant operating inefficiencies and could adversely affect our operations and financial condition.

Capital Expenditures

Our business requires capital investment and maintenance expenditures, and our capital resources may not be adequate to provide for all of our cash requirements. Many of our operations are capital intensive. For the five-year period ended May 31, 2014, our total capital expenditures, including acquisitions and investment activity, were approximately \$733.2 million. Additionally, as of May 31, 2014, we were obligated to make aggregate lease payments of \$41.1 million under operating lease agreements. Our business also requires expenditures for maintenance of our facilities. We currently believe that we have adequate resources (including cash and cash equivalents, cash provided by operating activities, availability under existing credit facilities and unused lines of credit) to meet our cash needs for normal operating costs, capital expenditures, debt repayments, dividend payments, future acquisitions and working capital for our existing business. However, given the potential for challenges, uncertainty and volatility in the domestic and global economies and financial markets, there can be no assurance that our capital resources will be adequate to provide for all of our cash requirements.

Litigation

We may be subject to legal proceedings or investigations, the resolution of which could negatively affect our results of operations and liquidity in a particular period. Our results of operations or liquidity in a particular period could be affected by an adverse ruling in any legal proceedings or investigations which may be pending against us or filed against us in the future. We are also subject to a variety of legal compliance risks, including, without limitation, potential claims relating to product liability, product recall, health and safety, environmental matters, intellectual property rights, taxes and compliance with U.S. and foreign export laws, anti-bribery laws, competition laws and sales and trading practices. While we believe that we have adopted appropriate risk management and compliance programs to address and reduce these risks, the global and diverse nature of our operations means that these risks will continue to exist and additional legal proceedings and contingencies may arise from time to time. A future adverse ruling or settlement or an unfavorable change in laws, rules or regulations could have a material adverse effect on our results of operations or liquidity in a particular period.

Accounting and Tax Estimates

We are required to make accounting and tax-related estimates, assumptions and judgments in preparing our consolidated financial statements, and actual results may differ materially from the estimates, assumptions and judgments that we use. In preparing our consolidated financial statements in accordance with accounting principles generally accepted in the United States, we are required to make certain estimates and assumptions that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain information that is used in the preparation of our consolidated financial statements is dependent on future events, or cannot be calculated with a high degree of precision from data available to us. In some cases, these estimates and assumptions are particularly difficult to determine and we must exercise significant judgment. Some of the estimates, assumptions and judgments having the greatest amount of uncertainty, subjectivity and complexity are related to our accounting for bad debts, returns and allowances, inventory, self-insurance reserves, derivatives, stock-based compensation, deferred tax assets and liabilities and asset impairments. Our actual results may differ materially from the estimates, assumptions and judgments that we use, which could have a material adverse effect on our financial condition and results of operations.

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Tax Laws and Regulations

Tax increases or changes in tax laws could adversely affect our financial results. We are subject to tax and related obligations in the jurisdictions in which we operate or do business, including state, local, federal and foreign taxes. The taxing rules of the various jurisdictions in which we operate or do business often are complex and subject to varying interpretations. Tax authorities may challenge tax positions that we take or historically have taken, and may assess taxes where we have not made tax filings or may audit the tax filings we have made and assess additional taxes. Some of these assessments may be substantial, and also may involve the imposition of penalties and interest. In addition, governments could impose new taxes on us or increase the rates at which we are taxed in the future. The payment of substantial additional taxes, penalties or interest resulting from tax assessments, or the imposition of any new taxes, could materially and adversely impact our results of operations, financial condition and cash flows. In addition, our provision for income taxes and cash tax liability in the future could be adversely affected by changes in U.S. tax laws. Potential changes that may adversely affect our financial results include, without limitation, decreasing the ability of U.S. companies to receive a tax credit for foreign taxes paid or to defer the U.S. deduction of expenses in connection with investments made in other countries.

Claims and Insurance

Adverse claims experience, to the extent not covered by insurance, may have an adverse effect on our financial results. We self-insure a significant portion of our potential liability for workers' compensation, product liability, product recall, general liability, property liability, automobile liability and employee medical claims. In order to reduce risk, we purchase insurance from highly-rated, licensed insurance carriers that cover most claims in excess of the applicable deductible or retained amounts. We maintain reserves for the estimated cost to resolve open claims as well as an estimate of the cost of claims that have been incurred but not reported. The occurrence of significant claims, our failure to adequately reserve for such claims, a significant cost increase to maintain our insurance or the failure of our insurance providers to perform could have an adverse impact on our financial condition and results of operations.

Principal Shareholder

Our principal shareholder may have the ability to exert significant influence in matters requiring a shareholder vote and could delay, deter or prevent a change in control of Worthington Industries. Pursuant to our charter documents, certain matters such as those in which a person would attempt to acquire or take control of the Company, must be approved by the vote of the holders of common shares representing at least 75% of Worthington Industries' outstanding voting power. Approximately 25% of our outstanding common shares are beneficially owned, directly or indirectly, by John P. McConnell, our Chairman of the Board and Chief Executive Officer. As a result of his beneficial ownership of our common shares, Mr. McConnell may have the ability to exert significant influence in these matters and other proposals upon which our shareholders may vote.

Key Employees

If we lose senior management or other key employees, our business may be adversely affected. Our ability to successfully operate, grow our business and implement our business strategies is largely dependent on the efforts, abilities and services of our senior management and other key employees. The loss of any of these individuals or our inability to attract, train and retain additional personnel could reduce the competitiveness of our business or otherwise impair our operations or prospects. Our future success will also depend, in part, on our ability to attract and retain qualified personnel, such as engineers and other skilled technicians, who have experience in the application of our products and are knowledgeable about our business, markets and products. We cannot assure that we will be able to retain our existing senior management personnel or other key employees or attract additional qualified personnel when needed. We have not entered into any formal

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employment agreements or change in control agreements with our executive officers, and the loss of any member of our management team could adversely impact our business and operations. Additionally, we may modify our management structure from time to time or reduce our overall workforce as we did in certain operating segments during the recent economic downturn, which may create marketing, operational and other business risks.

Credit Ratings

Ratings agencies may downgrade our credit ratings, which could make it more difficult for us to raise capital and could increase our financing costs. Any downgrade in our credit ratings may make raising capital more difficult, may increase the cost and affect the terms of future borrowings, may affect the terms under which we purchase goods and services and may limit our ability to take advantage of potential business opportunities. In addition, the interest rate on our revolving credit facility is tied to our credit ratings, and any downgrade of our credit ratings would likely result in an increase in the current cost of borrowings under our revolving credit facility.

Difficult Financial Markets

Should we be required to raise capital in the future, we could face higher borrowing costs, less available capital, more stringent terms and tighter covenants or, in extreme conditions, an inability to raise capital. Although we currently have significant borrowing availability under our existing credit facilities, should those facilities become unavailable due to covenant or other defaults, or should we otherwise be required to raise capital outside our existing facilities, given the current uncertainty and volatility in the U.S. and global credit and capital markets, our ability to access capital and the terms under which we do so may be negatively impacted. Any adverse change in our access to capital or the terms of our borrowings, including increased costs, could have a negative impact on our financial condition.

Environmental, Health and Safety

We may incur additional costs related to environmental and health and safety matters. Our operations and facilities are subject to a variety of federal, state, local and foreign laws and regulations relating to the protection of the environment and human health and safety. Failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in increased costs and capital expenditures and potentially fines and civil or criminal sanctions, third-party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations. Over time, we and predecessor operators of our facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Environmental liabilities, including cleanup obligations, could exist at our facilities or at off-site locations where materials from our operations were disposed of or at facilities we have divested, which could result in future expenditures that cannot be currently quantified and which could reduce our profits and cash flow. We may be held strictly liable for any contamination of these sites, and the amount of any such liability could be material. Under the joint and several liability principle of certain environmental laws, we may be held liable for all remediation costs at a particular site, even with respect to contamination for which we are not responsible. Changes in environmental and human health and safety laws, rules, regulations or enforcement policies could have a material adverse effect on our business, financial condition or results of operations.

Legislation and Regulations

Certain proposed legislation and regulations may have an adverse impact on the economy in general and in our markets specifically, which may adversely affect our business. Our business may be negatively impacted by a variety of new or proposed legislation or regulations. For example, legislation and regulations proposing

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increases in taxation on, or heightened regulation of, carbon or other greenhouse gas emissions may result in higher prices for steel, higher prices for utilities required to run our facilities, higher fuel costs for us and our suppliers and distributors and other adverse impacts. See the immediately following risk factor for additional information regarding legislation and regulations concerning climate change and greenhouse gas emissions. To the extent that new legislation or regulations increase our costs, we may not be able to fully pass these costs on to our customers without a resulting decline in sales and adverse impact to our profits. Likewise, to the extent new legislation or regulations would have an adverse effect on the economy, our markets or the ability of domestic businesses to compete against foreign operations, it could also have an adverse impact on us.

Legislation or regulations concerning climate change and greenhouse gas emissions may negatively affect our results of operations. Energy is a significant input in a number of our operations and products, and many believe that consumption of energy derived from fossil fuels is a contributor to global warming. A number of governments and governmental bodies have introduced or are contemplating legislative and regulatory changes in response to the potential impacts of climate change and greenhouse gas emissions. The European Union has established greenhouse gas regulations, and Canada has published details of a regulatory framework for greenhouse gas emissions. The U.S. Environmental Protection Agency has issued and proposed regulations addressing greenhouse gas emissions, including regulations which will require reporting of greenhouse gas emissions from large sources and suppliers in the United States. Legislation previously has been introduced in the U.S. Congress aimed at limiting carbon emissions from companies that conduct business that is carbon-intensive. Among other potential items, such bills could include a system of carbon emission credits issued to certain companies, similar to the European Union's existing cap-and-trade system. Several U.S. states have also adopted, and other states may in the future adopt, legislation or regulations implementing state-wide or regional cap-and-trade systems that apply to some or all industries that emit greenhouse gases. It is impossible at this time to forecast what the final regulations and legislation, if any, will look like and the resulting effects on our business and operations. Depending upon the terms of any such regulations or legislation, however, we could suffer a negative financial impact as a result of increased energy, environmental and other costs necessary to comply with limitations on greenhouse gas emissions, and we may see changes in the margins of our greenhouse gas-intensive and energy-intensive assets. In addition, depending upon whether similar limitations are imposed globally, the regulations and legislation could negatively impact our ability to compete with foreign companies situated in areas not subject to such limitations. Many of our customers in the United States, Canada and Europe may experience similar impacts, which could result in decreased demand for our products.

Legislation, regulations or other events which could adversely affect the ability or cost to recover natural gas or oil may negatively affect our business. In recent years, increasing amounts of oil and natural gas have been produced through the hydraulic fracking process throughout the United States and North America. This has resulted in decreasing energy costs, particularly for natural gas and similar energy products. This reduction has been a boon for the U.S. economy and has helped lower energy costs for U.S. businesses. Also, some of our recent acquisitions supply products which are used by companies engaged in hydraulic fracking. If legislation, regulations or other events limit the ability to recover such fuels through hydraulic fracking or increase the cost thereof, it could have a negative impact on our business, the U.S. economy and U.S. businesses in general, which could result in decreased demand for our products or otherwise negatively impact our business.

The implementation of the provisions of the new health care law could adversely affect our business. As the provisions of the Patient Protection and Affordable Care Act begin to be fully implemented and governments and employers take action related thereto, the impact on U.S. health care costs are unknown. Many project that there will be a significant increase in health care costs which could adversely impact the U.S. economy and U.S. businesses which could result in a decreased demand for our products. Further, the Company's health care costs could increase which would negatively impact our profits.

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Seasonality

Our operations have been subject to seasonal fluctuations that may impact our cash flows for a particular period. Sales are generally strongest in the fourth quarter of the fiscal year when all of our business segments are normally operating at seasonal peaks. Historically, our sales are generally weaker in the third quarter of the fiscal year, primarily due to reduced activity in the building and construction industry as a result of the colder, more inclement weather, as well as customer plant shutdowns in the automotive industry due to holidays. Our quarterly results may also be affected by the timing of large customer orders. Consequently, our cash flow from operations may fluctuate significantly from quarter to quarter. If, as a result of any such fluctuation, our quarterly cash flows were significantly reduced, we may be unable to service our indebtedness or maintain compliance with certain covenants under our credit facilities. A default under any of the documents governing our indebtedness could prevent us from borrowing additional funds, limit our ability to pay interest or principal and allow our lenders to declare the amounts outstanding to be immediately due and payable and to exercise certain other remedies.

Impairment Charges

Continued or enhanced weakness or instability in the economy, our markets or our results of operations could result in future asset impairments, which would reduce our reported earnings and net worth. We review the carrying value of our long-lived assets, excluding purchased goodwill and intangible assets with indefinite lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. Impairment testing involves a comparison of the sum of the undiscounted future cash flows of the asset or asset group to its respective carrying amount. If the sum of the undiscounted future cash flows exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the sum of the undiscounted future cash flows, then a second step is performed to determine the amount of impairment, if any, to be recognized. For long-lived assets other than goodwill, an impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds fair value. Goodwill and intangible assets with indefinite lives are tested for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate that impairment may be present. The goodwill impairment test consists of comparing the fair value of the each reporting unit, determined using discounted cash flows, to each reporting unit's respective carrying value. If the estimated fair value of the reporting unit exceeds its carrying value, there is no impairment. If the carrying amount of the reporting unit exceeds its estimated fair value, a goodwill impairment is indicated. The amount of the impairment is determined by comparing the fair value of the net assets of the reporting unit, excluding goodwill, to its estimated fair value, with the difference representing the implied fair value of the goodwill. If the implied fair value of the goodwill is lower than its carrying value, the difference is recorded as an impairment charge in our consolidated statement of earnings. Economic conditions remain fragile, particularly in Europe and the possibility remains that the domestic or global economies, or certain industry sectors that are key to our sales, may deteriorate. If certain of our business segments are adversely affected by the challenging and volatile economic and financial conditions, we may be required to record additional impairments, which would negatively impact our results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties.

General

Our principal corporate offices are located in an office building in Columbus, Ohio, containing approximately 117,700 square feet, which also house the principal corporate offices of our Pressure Cylinders, Engineered Cabs and Construction Services operating segments. We purchased this office building on

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June 22, 2012, and are in the process of completing a renovation of the building. Our Steel Processing corporate offices are located in an office building next to the principal corporate offices that contain approximately 30,000 square feet of leased space. We also own three facilities used for administrative and medical purposes in Columbus, Ohio, containing an aggregate of approximately 166,000 square feet. As of May 31, 2014, we owned or leased a total of approximately 8,000,000 square feet of space for our operations, of which approximately 7,000,000 square feet (7,500,000 square feet with warehouses) was devoted to manufacturing, product distribution and sales offices. Major leases contain renewal options for periods of up to 10 years. For information concerning rental obligations, refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations *Contractual Cash Obligations and Other Commercial Commitments* as well as Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note R Operating Leases of this Annual Report on Form 10-K. We believe the distribution and office facilities provide adequate space for our operations and are well maintained and suitable.

Excluding our 12 active joint ventures, we operate 34 manufacturing facilities and 11 warehouses. These facilities are well maintained and in good operating condition, and are believed to be sufficient to meet current needs.

Steel Processing

Our wholly-owned operations within Steel Processing operate a total of 11 manufacturing facilities, 8 of which are owned by the Company and contain approximately 2,300,000 square feet, and three of which are leased and contain approximately 300,000 square feet. These facilities are located in Alabama, California, Indiana (2), Ohio (6), and Pennsylvania. This operating segment also owns one warehouse in Ohio, containing approximately 110,000 square feet, and one warehouse in California, containing approximately 60,000 square feet. As noted above, this operating segment's corporate offices are located in Columbus, Ohio.

Pressure Cylinders

Our wholly-owned operations within Pressure Cylinders operate a total of 17 manufacturing facilities, 15 of which are owned by the Company and contain a total of approximately 2,300,000 square feet, and two that are leased and contain approximately 350,000 square feet. These facilities are located in California, Kansas (2), Mississippi, North Carolina, North Dakota, New York, Ohio (5), Wisconsin, Austria, Poland (2) and Portugal. Pressure Cylinders also operates two warehouses, one in Austria and one in Poland, that are owned by the Company that contain a total of approximately 90,000 square feet, and three leased warehouses, two in Ohio and one in Canada, that contain a total of approximately 105,000 square feet. As noted above, this operating segment's corporate offices are located in Columbus, Ohio.

Engineered Cabs

Engineered Cabs operates four manufacturing facilities owned by the Company that contain a total of approximately 1,000,000 square feet. These facilities are located in Iowa, South Carolina, South Dakota, and Tennessee. This operating segment also operates one Company-owned warehouse in Iowa and three leased warehouses, one in each of South Carolina, South Dakota and Tennessee, that contain a total of approximately 60,000 square feet. Engineered Cabs' corporate offices are located in Columbus, Ohio. During fiscal 2014, the Company purchased two buildings within the Watertown, South Dakota, manufacturing facility that were previously leased.

Other

The Construction Services operating segment consists of the Military Construction business unit, and, for periods prior to its closure in May 2014, the Worthington Construction Group business unit. Construction Services operates two leased administrative facilities, one in each of Ohio and Tennessee, that contain a total

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of approximately 16,000 square feet and leases an additional administrative facility in Hawaii containing approximately 600 square feet. The Company also owns a manufacturing facility in Wooster, Ohio, that is subject to a lease agreement with our automotive body panels joint venture, ArtiFlex, and contains approximately 900,000 square feet.

Joint Ventures

As outlined below, our consolidated and unconsolidated joint ventures operate a total of 46 manufacturing facilities.

Consolidated

Spartan owns and operates one manufacturing facility in Monroe, Michigan; TWB operates seven manufacturing facilities, one owned facility located in Monroe, Michigan, and six leased facilities located in Alabama, Tennessee, and Mexico (4); WEI leases one manufacturing facility in Fremont, Ohio; Worthington Nitin Cylinders owns and operates a manufacturing facility in India; and Worthington Aritas operates one leased manufacturing facility near Istanbul, Turkey.

Unconsolidated

ArtiFlex operates six manufacturing facilities located in Michigan (3), Ohio (2) and Kentucky.

ClarkDietrich operates 13 manufacturing facilities, one each in Connecticut, Georgia, Hawaii, Illinois, and Maryland and two each in California, Ohio, Florida and Texas.

Samuel operates one steel pickling facility in Twinsburg, Ohio, and another in Cleveland, Ohio.

Serviacero operates three facilities in Mexico, one each in Leon, Queretaro and Monterrey.

WAVE operates eight facilities in five countries, three of which are located in the United States (one each in Maryland; Michigan; and Nevada). The remaining facilities are located in China, United Kingdom (2), France, and India.

WSP operates three steel processing facilities located in Michigan and managed by our Steel Processing operating segment.

Item 3. Legal Proceedings

The Company is involved in various judicial and administrative proceedings as both plaintiff and defendant, arising in the ordinary course of business. The Company does not believe that any such proceedings will have a material adverse effect on its business, financial position, results of operation or cash flows.

Item 4. Mine Safety Disclosures

Not Applicable

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The following table lists the names, positions held and ages of the individuals serving as executive officers of the Registrant as of July 30, 2014.

Name	Age	Position(s) with the Registrant	Present Office Held Since
John P. McConnell	60	Chairman of the Board and Chief Executive Officer; a Director	1996
Mark A. Russell	51	President and Chief Operating Officer	2012
B. Andrew Rose	44	Executive Vice President and Chief Financial Officer	2008
Andrew J. Billman	46	President-Worthington Cylinder Corporation	2011
Dale T. Brinkman	61	Vice President-Administration, General Counsel and Secretary	2000
Terrance M. Dyer	47	Vice President-Human Resources	2012
Geoffrey G. Gilmore	42	President-The Worthington Steel Company	2012
Joseph B. Hayek	42	Vice President-Mergers and Acquisitions and Corporate Development	2014
John G. Lamprinakos	56	President-Worthington Industries Engineered Cabs	2013
Catherine M. Lyttle	55	Vice President-Communications and Investor Relations	2009
Eric M. Smolenski	44	Chief Information Officer	2012
Richard G. Welch	56	Corporate Controller	2000
Virgil L. Winland	66	Senior Vice President-Manufacturing	2001

John P. McConnell has served as Worthington Industries Chief Executive Officer since June 1993, as a director of Worthington Industries continuously since 1990, and as Chairman of the Board of Worthington Industries since September 1996. Mr. McConnell serves as the Chair of the Executive Committee of Worthington Industries Board of Directors. He served in various positions with the Company from 1975 to June 1993.

Mark A. Russell has served as President and Chief Operating Officer of Worthington Industries since August 1, 2012. From February 2007 to July 31, 2012, Mr. Russell served as President of The Worthington Steel Company.

B. Andrew Andy Rose has served as Executive Vice President of Worthington Industries since July 2014 and as Chief Financial Officer since December 2008. From December 2008 to July 2014, Mr. Rose also served as Vice President of Worthington Industries. From 2007 to 2008, he served as a senior investment professional with MCG Capital Corporation, a publicly-traded company specializing in debt and equity investments in middle market companies; and from 2002 to 2007, he was a founding partner at Peachtree Equity Partners, L.P., a private equity firm backed by Goldman Sachs.

Andrew J. Billman has served as President of Worthington Cylinder Corporation since August 2011. From February 2010 to August 2011, he served as Vice President-Purchasing for Worthington Industries. He served as Regional Sales Manager of The Worthington Steel Company from August 2008 to January 2010, as National Account Manager of The Worthington Steel Company from August 2006 to July 2008, and as Automotive Accounts Manager of The Worthington Steel Company from August 1998 to December 2000. Mr. Billman served in various other positions with the Company from 1991 to January 2001. From January 2001 to July 2006, he was employed with A.M.S.E.A., Inc., a private manufacturing company that stamped components, located in Michigan.

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Dale T. Brinkman has served as Worthington Industries Vice President-Administration since December 1998 and as Worthington Industries General Counsel since September 1982. He has been Secretary of Worthington Industries since September 2000 and served as Assistant Secretary from September 1982 to September 2000.

Terrance M. Dyer has served as Vice President-Human Resources of Worthington Industries since June 2012. From October 2009 to June 2012, he served as the Vice President-Human Resources for our WAVE joint venture in Malvern, Pennsylvania. Prior to serving as Vice President-Human Resources for WAVE, Mr. Dyer spent five years in various human resources roles of increasing responsibility at Armstrong World Industries.

Geoffrey G. Gilmore has served as President of The Worthington Steel Company since August 2012. From July 2011 to July 2012, he served as Vice President-Purchasing for Worthington Industries and was responsible for all purchasing efforts across the Company including steel, commodity and OEM purchasing, logistics and outside processing. From April 2010 to July 2011, he served as General Manager of The Worthington Steel Company's Delta, Ohio facility, responsible for overseeing its manufacturing and sales operations; and from June 2006 to February 2010, he served as Director of Automotive Sales for The Worthington Steel Company. Mr. Gilmore served in various other positions with the Company from 1998 to June 2006.

Joseph B. Hayek has served as Vice President Mergers and Acquisitions and Corporate Development of Worthington Industries since April 2014. From June 2012 to April 2014, Mr. Hayek served as President of Sarcom, Inc., a value-added IT solutions provider which changed its name to PCM Sales, Inc. in January 2013. From March 2008 to June 2012, he served as Executive Vice President of corporate development of PCM Inc., a provider of IT products, services and solutions. Prior to March 2008, Mr. Hayek served for eight years in the investment banking industry with Raymond James.

John G. Lamprinakos has served as President of Worthington Industries Engineered Cabs since June 2013. From December 2004 to July 2013, Mr. Lamprinakos served as President and Chief Executive Officer of our WAVE joint venture in Malvern, Pennsylvania. Before joining WAVE, Mr. Lamprinakos spent 24 years at Worthington Cylinder Corporation, including as President from 2001 to 2003.

Catherine M. Lyttle has served as Vice President Communications and Investor Relations of Worthington Industries since April 2009. She served as Vice President of Communications of Worthington Industries from January 1999 to April 2009. Ms. Lyttle served as Vice President of Marketing for the Columbus Chamber of Commerce from 1987 to September 1997 and as Vice President of JMAC Hockey from 1997 to 1999.

Eric M. Smolenski has served as Chief Information Officer of Worthington Industries since June 2012. He served as Vice President-Human Resources of Worthington Industries from December 2005 through June 2012 and as the Director of Corporate Human Resources Services of Worthington Industries from January 2001 to December 2005. Mr. Smolenski served in various other positions with the Company from January 1994 to January 2001.

Richard G. Welch has served as the Corporate Controller of Worthington Industries since March 2000 and prior thereto, he served as Assistant Controller of Worthington Industries from August 1999 to March 2000. He served as Principal Financial Officer of Worthington Industries on an interim basis from September 2008 to December 2008.

Virgil L. Winland has served as Senior Vice President-Manufacturing of Worthington Industries since January 2001. He served in various other positions with the Company from 1971 to January 2001, including as President of Worthington Cylinder Corporation from June 1998 through January 2001.

Executive officers serve at the pleasure of the directors of the Registrant. There are no family relationships among any of the Registrant's executive officers or directors. No arrangements or understandings exist pursuant to which any individual has been, or is to be, selected as an executive officer of the Registrant.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Common Shares Information**

The common shares of Worthington Industries, Inc. ("Worthington Industries") trade on the New York Stock Exchange ("NYSE") under the symbol "WOR" and are listed in most newspapers as "WorthgtnInd." As of July 22, 2014, Worthington Industries had 6,040 registered shareholders. The following table sets forth (i) the low and high closing prices and the closing price per share for Worthington Industries' common shares for each quarter of fiscal 2014 and fiscal 2013, and (ii) the cash dividends per share declared on Worthington Industries' common shares for each quarter of fiscal 2014 and fiscal 2013.

	Market Price			Cash Dividends Declared
	Low	High	Closing	
Fiscal 2014				
Quarter Ended				
August 31, 2013	\$ 31.35	\$ 36.50	\$ 33.33	\$ 0.15
November 30, 2013	\$ 33.16	\$ 41.93	\$ 41.93	\$ 0.15
February 28, 2014	\$ 37.39	\$ 44.05	\$ 39.86	\$ 0.15
May 31, 2014	\$ 35.70	\$ 41.86	\$ 40.30	\$ 0.15
Fiscal 2013				
Quarter Ended				
August 31, 2012	\$ 15.88	\$ 23.16	\$ 20.90	\$ 0.13
November 30, 2012	\$ 20.86	\$ 24.27	\$ 23.56	\$ 0.13
February 28, 2013	\$ 22.93	\$ 29.10	\$ 28.34	\$ 0.26
May 31, 2013	\$ 28.02	\$ 35.59	\$ 34.38	\$ -

Dividends are declared at the discretion of Worthington Industries' Board of Directors (the "Board"). The Board declared quarterly dividends of \$0.15 per common share in fiscal 2014 and of \$0.13 per common share for the first and second quarters in fiscal 2013. On December 10, 2012, the Board declared an accelerated cash dividend totaling \$0.26 per common share for the third and fourth quarter of fiscal 2013. On June 25, 2014, the Board declared a quarterly dividend of \$0.18 per common share for the first quarter of fiscal 2015, an increase of \$0.03 per common share over the previous quarterly rate. This dividend is payable on September 29, 2014, to shareholders of record as of September 12, 2014.

The Board reviews the dividend on a quarterly basis and establishes the dividend rate based upon Worthington Industries' financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other factors which the directors may deem relevant. While Worthington Industries has paid a dividend every quarter since becoming a public company in 1968, there is no guarantee this will continue in the future.

Shareholder Return Performance

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or Regulation 14C under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent we specifically incorporate such information into such a filing.

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The following graph compares the five-year cumulative return on Worthington Industries common shares, the S&P Midcap 400 Index and the S&P 1500 Steel Composite Index. The graph assumes that \$100 was invested at May 31, 2009, in Worthington Industries common shares and each index.

	05/09	05/10	05/11	05/12	05/13	05/14
Worthington Industries, Inc.	100.00	108.16	164.39	125.79	272.53	323.25
S&P Midcap 400 Index	100.00	134.52	178.85	167.95	218.25	257.63
S&P 1500 Steel Composite Index	100.00	125.41	148.41	98.22	105.16	125.65

Data and graph provided by Zacks Investment Research, Inc. Copyright© 2014, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All rights reserved. Used with permission.

Worthington Industries is a component of the S&P Midcap 400 Index. The S&P 1500 Steel Composite Index, of which Worthington Industries is also a component, is the most specific index relative to the largest line of business of Worthington Industries and its subsidiaries. At May 31, 2014, the S&P 1500 Steel Composite Index included 9 steel related companies from the S&P 500, S&P Midcap 400 and S&P 600 indices: Allegheny Technologies Incorporated; A.M. Castle & Co.; Cliffs Natural Resources Inc.; Commercial Metals Company; Olympic Steel, Inc.; Reliance Steel & Aluminum Co.; Steel Dynamics, Inc.; United States Steel Corporation; and Worthington Industries, Inc.

Table of Contents**Issuer Purchases of Equity Securities**

The following table provides information about purchases made by, or on behalf of, Worthington Industries or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) of common shares of Worthington Industries during each month of the fiscal quarter ended May 31, 2014:

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Common Shares that May Yet Be Purchased Under the Plans or Programs (1)
March 1-31, 2014	-	-	-	2,722,332
April 1-30, 2014	387,036	\$ 36.98	387,036	2,335,296
May 1-31, 2014 (2)	744,013	\$ 37.65	612,964	1,722,332
Total	1,131,049	\$ 37.42	1,000,000	

(1) The number shown represents, as of the end of each period, the maximum number of common shares that could be purchased under the publicly announced repurchase authorization then in effect. On June 29, 2011, we announced that the Board had authorized the repurchase of up to 10,000,000 of Worthington Industries' outstanding common shares. A total of 1,722,332 common shares were available under this repurchase authorization at May 31, 2014.

On June 25, 2014, the Board authorized the repurchase of up to an additional 10,000,000 of Worthington Industries' outstanding common shares, increasing the total number of common shares available for repurchase to 11,722,332.

The common shares available for repurchase under these authorizations may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other appropriate factors. Repurchases may be made on the open market or through privately negotiated transactions.

(2) Includes an aggregate of 131,049 common shares surrendered by employees in May 2014 to satisfy tax withholding obligations upon exercise of stock options and vesting of restricted common shares. These common shares were not counted against the 10,000,000 share repurchase authorization in effect throughout fiscal 2014 and discussed in footnote (1) above.

Table of Contents**Item 6. Selected Financial Data**

(in thousands, except per share amounts)	Fiscal Year Ended May 31,				
	2014	2013	2012	2011	2010
FINANCIAL RESULTS					
Net sales	\$ 3,126,426	\$ 2,612,244	\$ 2,534,701	\$ 2,442,624	\$ 1,943,034
Cost of goods sold	2,633,907	2,215,601	2,201,833	2,086,467	1,663,104
Gross margin	492,519	396,643	332,868	356,157	279,930
Selling, general and administrative expense	300,396	258,324	225,069	235,198	218,315
Impairment of long-lived assets	58,246	6,488	355	4,386	35,409
Restructuring and other expense (income)	(2,912)	3,293	5,984	2,653	4,243
Joint venture transactions	1,036	(604)	(150)	(10,436)	-
Operating income	135,753	129,142	101,610	124,356	21,963
Miscellaneous income	16,963	1,452	2,319	597	1,127
Interest expense	(26,671)	(23,918)	(19,497)	(18,756)	(9,534)
Equity in net income of unconsolidated affiliates	91,456	94,624	92,825	76,333	64,601
Earnings before income taxes	217,501	201,300	177,257	182,530	78,157
Income tax expense	57,349	64,465	51,904	58,496	26,650
Net earnings	160,152	136,835	125,353	124,034	51,507
Net earnings attributable to noncontrolling interest	8,852	393	9,758	8,968	6,266
Net earnings attributable to controlling interest	\$ 151,300	\$ 136,442	\$ 115,595	\$ 115,066	\$ 45,241
Earnings per share diluted:					
Net earnings per share attributable to controlling interest	\$ 2.11	\$ 1.91	\$ 1.65	\$ 1.53	\$ 0.57
Depreciation and amortization	\$ 79,730	\$ 66,469	\$ 55,873	\$ 61,058	\$ 64,653
Capital expenditures (including acquisitions, net of cash acquired, and investments)	82,855	219,813	272,349	59,891	98,275
Cash dividends declared	41,816	36,471	33,441	29,411	31,676
Per common share	\$ 0.60	\$ 0.52	\$ 0.48	\$ 0.40	\$ 0.40
Average common shares outstanding diluted	71,664	71,314	70,252	75,409	79,143
FINANCIAL POSITION					
Total current assets	\$ 1,198,922	\$ 866,883	\$ 914,239	\$ 891,635	\$ 782,285
Total current liabilities	589,663	448,914	658,263	525,002	379,802
Working capital	\$ 609,259	\$ 417,969	\$ 255,976	\$ 366,633	\$ 402,483
Total property, plant and equipment, net	\$ 498,861	\$ 459,430	\$ 443,077	\$ 405,334	\$ 506,163
Total assets	2,296,381	1,950,857	1,877,797	1,667,249	1,520,347
Total debt	666,325	521,056	533,714	383,210	250,238
Total shareholders equity controlling interest	850,812	830,822	697,174	689,910	711,413
Per share	\$ 12.62	\$ 11.91	\$ 10.27	\$ 9.62	\$ 8.98
Common shares outstanding	67,408	69,752	67,906	71,684	79,217

The operations of the tank manufacturing division of Steffes Corporation have been reflected since its acquisition in March 2014. The operations of Worthington Aritas Basincli Kaplar Sanayi have been reflected since January 2014 when we acquired our 75% ownership interest. Our small and medium steel high pressure industrial gas and acetylene cylinders business in North America has been excluded from consolidated operating results since its disposition in November 2013. TWB Company, LLC has been reflected since July 2013 when we acquired an additional 10% ownership interest bringing our total to 55%. The acquisition of

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the net assets of Palmer Mfg. & Tank, Inc. has been reflected since April 2013. Our European air brake tank operations in Czech Republic have been excluded since their disposal in October 2012. Westerman, Inc. has been reflected since its acquisition in September 2012. WEI, formerly PSI Energy Solutions, LLC, has been reflected since March 2012 when we acquired our 75% ownership interest. Worthington Industries Engineered Cabs, formerly Angus Industries, Inc., has been reflected since its acquisition in December 2011. The propane fuel cylinders business of The Coleman Company, Inc. has been reflected since its acquisition in December 2011. STAKO sp. Z o.o. has been reflected since its acquisition in September 2011. The Bernzomatic business of Irwin Industrial Tool Company has been reflected since its acquisition in July 2011. Our Automotive Body Panels operations have been excluded from consolidated operating results since their deconsolidation in May 2011. Our Metal Framing operations have been excluded from consolidated operating results since their deconsolidation in March 2011, except for our Metal Framing operations in Canada, which have been excluded since their disposition in November 2009. The acquisition of the net assets of three MISA Metals, Inc. steel processing locations has been reflected since March 2011. The operations of Worthington Nitin Cylinders Limited have been reflected since December 2010 when we acquired our 60% ownership interest. The net assets of Hy-Mark Cylinders, Inc. have been reflected since their acquisition in June 2010.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Selected statements contained in this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based, in whole or in part, on management's beliefs, estimates, assumptions and currently available information. For a more detailed discussion of what constitutes a forward-looking statement and of some of the factors that could cause actual results to differ materially from such forward-looking statements, please refer to the Safe Harbor Statement in the beginning of this Annual Report on Form 10-K and Part I Item 1A. Risk Factors of this Annual Report on Form 10-K.

Introduction

Worthington Industries, Inc. is a corporation formed under the laws of the State of Ohio (individually, the Registrant or Worthington Industries or, collectively with the subsidiaries of Worthington Industries, Inc., we, our, Worthington or the Company). Founded in 1955, Worthington primarily a diversified metals manufacturing company, focused on value-added steel processing and manufactured metal products. Our manufactured metal products include: pressure cylinders for liquefied petroleum gas (LPG), compressed natural gas (CNG), oxygen, refrigerant and other industrial gas storage, hand torches and filled hand torch cylinders, propane-filled camping cylinders, cylinders for breathing applications (medical, diving, firefighting), helium-filled balloon kits, steel and fiberglass tanks and processing equipment primarily for the oil and gas industry, and cryogenic pressure vessels for liquefied natural gas (LNG) and other gas storage applications; engineered cabs and operator stations and cab components; steel pallets and racks; and, through joint ventures, suspension grid systems for concealed and lay-in panel ceilings; laser welded blanks; light gauge steel framing for commercial and residential construction; and current and past model automotive service stampings. Our number one goal is to increase shareholder value, which we seek to accomplish by optimizing existing operations, developing and commercializing new products and applications, and pursuing strategic acquisitions and joint ventures.

As of May 31, 2014, excluding our joint ventures, we operated 34 manufacturing facilities worldwide, principally in three operating segments, which correspond with our reportable business segments: Steel Processing, Pressure Cylinders and Engineered Cabs. Our remaining operating segments, which do not meet the applicable aggregation criteria or quantitative thresholds for separate disclosure, are combined and reported in the Other category. These include Construction Services and Worthington Energy Innovations (WEI).

We also held equity positions in 12 active joint ventures, which operated 46 manufacturing facilities worldwide, as of May 31, 2014. Five of these joint ventures are consolidated with the equity owned by the other joint venture member(s) shown as noncontrolling interest in our consolidated balance sheets, and the other joint venture members' portion of net earnings and other comprehensive income shown as net earnings or comprehensive income attributable to noncontrolling interest in our consolidated statements of earnings and consolidated statements of comprehensive income, respectively.

During the first quarter of fiscal 2014, we made certain organizational changes impacting the internal reporting and management structure of our Steel Packaging operating segment. As a result of these organizational changes, management responsibilities and internal reporting were realigned under Steel Processing. Segment information reported in previous periods has been restated to conform to this new presentation.

Overview

The Company had a record year in fiscal 2014, recording the highest annual earnings per diluted share in Company history. Near record revenue and earnings at Steel Processing were partially offset by weakness in Engineered Cabs and larger than expected losses from our construction businesses, the strategic alternatives

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of which are being evaluated by the Company. Pressure Cylinders' operating income declined from fiscal 2013; however, the current year included \$32.0 million of non-cash impairment charges, an increase of \$25.5 million over fiscal 2013.

Volumes were mixed in fiscal 2014. Pressure Cylinders volumes were up a modest 3%; however, a more favorable product mix due to an increase in higher-priced, lower-volume tanks led to an 8% increase in net sales. Steel Processing volumes were up 23%, driven by contributions from the consolidation of TWB and improvements in the automotive, construction and agriculture markets. Excluding the impact of TWB, Steel Processing volumes were up 12%. Refer to **Recent Business Developments** below for additional information regarding the Company's acquisition of an additional 10% interest in TWB.

Equity in net income of unconsolidated affiliates (equity income) during fiscal 2014 was down 3% from fiscal 2013 to \$91.5 million. The decrease resulted primarily from the consolidation of TWB on July 31, 2013. Since that date, TWB's results have been consolidated versus reported in equity income. In addition, equity income from ClarkDietrich was lower by \$1.8 million on lower volumes caused by severe weather conditions. However, all joint ventures posted positive results, led by WAVE, Serviacerro and ClarkDietrich, which contributed \$67.1 million, \$7.3 million, and \$7.0 million of equity income, respectively. We received \$85.3 million in cash distributions from our unconsolidated affiliates during fiscal 2014.

The Company continues its strategy of optimizing existing operations through the Transformation, pursuing growth opportunities that add to our current businesses, and developing new products through innovation. Our Transformation efforts within Pressure Cylinders, which were initiated in the first quarter of fiscal 2012, continue to gain traction and increase in scope. The efforts in our industrial and consumer products end markets, in particular, are helping to drive recent steady quarterly improvements in our operating margins. We initiated the Transformation in our Engineered Cabs operating segment during the first quarter of fiscal 2013, and these efforts are progressing through each facility. For additional information regarding the Transformation Plan, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense (Income) of this Annual Report on Form 10-K.

Recent Business Developments

On July 31, 2013, we acquired an additional 10% interest in our laser welded blank joint venture, TWB, for \$17.9 million, increasing our ownership to a 55% controlling interest. As a result, TWB's results have been consolidated within Steel Processing since that date, with the minority member's portion of earnings eliminated within earnings attributable to noncontrolling interest. This transaction was accounted for as a step acquisition, which required that we re-measure our previously held 45% ownership interest to fair value and record the difference between fair value and carrying value as a gain in our consolidated statement of earnings. The re-measurement to fair value resulted in a non-cash pre-tax gain of \$11.0 million, which is included in miscellaneous income in our consolidated statement of earnings for fiscal 2014.

During the second quarter of fiscal 2014, we committed to a re-branding initiative to brand substantially all of our businesses under the Worthington Industries name. In connection with the branding strategy, the Company discontinued the use of non-Worthington trade names except for retail brand names such as BernzOmatic® and Balloon Time® and for those related to our joint ventures. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note C Goodwill and Other Long-Lived Assets of this Annual Report on Form 10-K for additional information.

On October 18, 2013, we finalized an agreement with Nisshin Steel Co., Ltd. and Marubeni-Itochu Steel Inc. to form Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. The joint venture

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will construct a plant in the Zhejiang Province in the People's Republic of China that will produce cold-rolled strip steel, primarily for the automotive industry. We own a 10% interest in the joint venture with the option to increase our ownership interest to 34%.

On November 12, 2013, we entered into an agreement to sell the operating assets related to our small and medium steel high pressure industrial gas and acetylene cylinders business in North America. The majority of these assets were located in our Tilbury, Ontario facility, which ceased operations in February 2014.

On December 10, 2013, we announced the closure of our Baltimore steel facility, which ceased production prior to the end of fiscal 2014. With the consolidation of the steel industry, many of the mills that previously supplied the Baltimore facility have closed, negatively impacting the supply chain there. We concluded that we can more efficiently service our customers in the Mid-Atlantic Region from other Worthington facilities and processing partners. The Company is in the process of shipping the remaining inventory at the Baltimore facility to other Worthington locations and expects to completely exit the facility before the end of the first quarter of fiscal 2015.

On January 24, 2014, we acquired a 75% interest in Aritaş Basınçlı Kaplar Sanayi (Worthington Aritas), one of Europe's leading cryogenic technology companies for LNG and other gas storage applications. The remaining 25% stake was retained by the prior owners. The total purchase price, including an adjustment for estimated final working capital, was approximately \$35.3 million. The purchase price also includes contingent consideration with an estimated fair value of \$404,000.

On March 27, 2014, we acquired the tank manufacturing division of Steffes Corporation for cash consideration of approximately \$28.9 million. The division manufactures oilfield storage tanks for customers drilling in the Bakken shale and Williston Basin region out of its facility in Dickinson, North Dakota, and complements our existing operations in Ohio and Kansas that manufacture steel and fiberglass storage tanks, gas separators, gas production units and related wellhead equipment for oil and gas exploration customers in the Marcellus, Utica, Bakken and Mid-Continent regions.

On April 15, 2014, we completed the public offering of \$250.0 million aggregate principal amount of senior unsecured notes. The notes bear interest at a rate of 4.55% and mature in April 2026. A portion of the net proceeds was used to repay borrowings then outstanding under both the Company's \$425.0 million revolving credit facility and its \$100.0 million trade accounts receivable securitization facility. The remaining net proceeds will be used for general corporate purposes, which may include repayment of other indebtedness.

On June 25, 2014, the Board authorized the repurchase of an additional 10,000,000 of Worthington Industries' outstanding common shares, increasing the total number of common shares available for repurchase to 11,722,332.

On June 25, 2014, the Board declared a quarterly dividend of \$0.18 per share, an increase of \$0.03 per share from the previous quarterly rate. The dividend is payable on September 29, 2014 to shareholders of record on September 12, 2014.

During the fourth quarter of fiscal 2014, we repurchased a total of 1,000,000 of our common shares for \$37.1 million at an average price of \$37.14 per share. During fiscal 2014, we repurchased a total of 3,380,500 common shares for \$128.2 million at an average price of \$37.93.

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Market & Industry Overview

We sell our products and services to a diverse customer base and a broad range of end markets. The breakdown of our net sales by end market for fiscal 2014 and fiscal 2013 is illustrated in the following chart:

The automotive industry is one of the largest consumers of flat-rolled steel, and thus the largest end market for our Steel Processing operating segment. Approximately 57% of the net sales of our Steel Processing operating segment are to the automotive market. North American vehicle production, primarily by Chrysler, Ford and General Motors (the Detroit Three automakers), has a considerable impact on the activity within this operating segment. The majority of the net sales of four of our unconsolidated joint ventures are also to the automotive end market. The increase in the portion of total net sales made to the automotive market, as shown in the table above, was driven primarily by the consolidation of TWB on July 31, 2013.

Approximately 9% of the net sales of our Steel Processing operating segment, 55% of the net sales of our Engineered Cabs operating segment and substantially all of the net sales of our Construction Services operating segment are to the construction market. The construction market is also the predominant end market for two of our unconsolidated joint ventures: WAVE and ClarkDietrich. While the market price of steel significantly impacts these businesses, there are other key indicators that are meaningful in analyzing construction market demand, including U.S. gross domestic product (GDP), the Dodge Index of construction contracts, and trends in the relative price of framing lumber and steel.

Substantially all of the net sales of our Pressure Cylinders operating segment, and approximately 34% and 45% of the net sales of our Steel Processing and Engineered Cabs operating segments, respectively, are to other markets such as consumer products, industrial, lawn and garden, agriculture, energy, heavy truck, mining, forestry and appliance. Given the many different products that make up these net sales and the wide variety of end markets, it is very difficult to detail the key market indicators that drive this portion of our business. However, we believe that the trend in U.S. GDP growth is a good economic indicator for analyzing these operating segments.

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We use the following information to monitor our costs and demand in our major end markets:

	Fiscal Year Ended May 31,			Increase / (Decrease)	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
U.S. GDP (% growth year-over-year) ¹	1.7%	2.2%	2.2%	-0.5%	0.0%
Hot-Rolled Steel (\$ per ton) ²	\$ 651	\$ 616	\$ 693	\$ 35	(\$ 77)
Detroit Three Auto Build (000 s vehicles ³)	9,020	8,557	8,126	463	473
No. America Auto Build (000 s vehicles ³)	16,381	15,744	14,329	637	1,415
Zinc (\$ per pound) ⁴	\$ 0.86	\$ 0.90	\$ 0.96	(\$ 0.04)	(\$ 0.06)
Natural Gas (\$ per mcf) ⁵	\$ 4.08	\$ 3.49	\$ 3.61	\$ 0.59	(\$ 0.12)
On-Highway Diesel Fuel Prices (\$ per gallon) ⁶	\$ 3.92	\$ 3.96	\$ 3.93	(\$ 0.04)	\$ 0.03

¹ 2013/2012 figures based on revised actuals ² CRU Hot-Rolled Index; period average ³ IHS Global ⁴ LME Zinc; period average ⁵ NYMEX Henry Hub Natural Gas; period average ⁶ Energy Information Administration; period average

U.S. GDP growth rate trends are generally indicative of the strength in demand and, in many cases, pricing for our products. A year-over-year increase in U.S. GDP growth rates is indicative of a stronger economy, which generally increases demand and pricing for our products. Conversely, decreasing U.S. GDP growth rates generally indicate a weaker economy. Changes in U.S. GDP growth rates can also signal changes in conversion costs related to production and in selling, general and administrative (SG&A) expense.

The market price of hot-rolled steel is one of the most significant factors impacting our selling prices and operating results. When steel prices fall, we typically have higher-priced material flowing through cost of goods sold, while selling prices compress to what the market will bear, negatively impacting our results. On the other hand, in a rising price environment, our results are generally favorably impacted, as lower-priced material purchased in previous periods flows through cost of goods sold, while our selling prices increase at a faster pace to cover current replacement costs.

The following table presents the average quarterly market price per ton of hot-rolled steel during fiscal 2014, fiscal 2013, and fiscal 2012:

(Dollars per ton ¹)	Fiscal Year			Inc / (Dec)			
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012		
1st Quarter	\$ 627	\$ 616	\$ 709	\$ 11	1.8%	(\$ 93)	-13.1%
2nd Quarter	\$ 651	\$ 622	\$ 660	\$ 29	4.7%	(\$ 38)	-5.8%
3rd Quarter	\$ 669	\$ 629	\$ 718	\$ 40	6.4%	(\$ 89)	-12.4%
4th Quarter	\$ 655	\$ 595	\$ 684	\$ 60	10.1%	(\$ 89)	-13.0%
Annual Avg.	\$ 651	\$ 616	\$ 693	\$ 35	5.7%	(\$ 77)	-11.1%

¹ CRU Hot-Rolled Index

No single customer contributed more than 10% of our consolidated net sales during fiscal 2014. While our automotive business is largely driven by the production schedules of the Detroit Three automakers, our customer base is much broader and includes other domestic manufacturers and many of their suppliers. During fiscal 2014, we continued to benefit from improving automotive production from the Detroit Three automakers, which experienced a 5% increase in vehicle production over the prior year. Overall North American vehicle production was up 4% during fiscal 2014.

Certain other commodities, such as zinc, natural gas and diesel fuel, represent a significant portion of our cost of goods sold, both directly through our plant operations and indirectly through transportation and freight expense.

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The following table presents consolidated operating results for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,		Fiscal Year Ended May 31,		Increase/ (Decrease)
	2014	% of Net sales	2013	% of Net sales	
Net sales	\$ 3,126.4	100.0%	\$ 2,612.2	100.0%	\$ 514.2
Cost of goods sold	2,633.9	84.2%	2,215.6	84.8%	418.3
Gross margin	492.5	15.8%	396.6	15.2%	95.9
Selling, general and administrative expense	300.4	9.6%	258.3	9.9%	42.1
Impairment of long-lived assets	58.2	1.9%	6.5	0.2%	51.7
Restructuring and other expense (income)	(2.9)	-0.1%	3.3	0.1%	(6.2)
Joint venture transactions	1.0	0.0%	(0.6)	0.0%	1.6
Operating income	135.8	4.3%	129.1	4.9%	6.7
Miscellaneous income	16.9	0.5%	1.5	0.1%	15.4
Interest expense	(26.7)	-0.9%	(23.9)	-0.9%	2.8
Equity in net income of unconsolidated affiliates	91.5	2.9%	94.6	3.6%	(3.1)
Income tax expense	(57.3)	-1.8%	(64.5)	-2.5%	(7.2)
Net earnings	160.2	5.1%	136.8	5.2%	23.4
Net earnings attributable to noncontrolling interest	(8.9)	-0.3%	(0.4)	0.0%	8.5
Net earnings attributable to controlling interest	\$ 151.3	4.8%	\$ 136.4	5.2%	\$ 14.9

Fiscal 2014 net earnings attributable to controlling interest increased \$14.9 million over fiscal 2013. Net sales and operating highlights were as follows:

Net sales increased \$514.2 million from fiscal 2013. Higher overall volumes, aided by the impact of acquisitions, favorably impacted net sales by \$532.7 million. The impact of higher overall volumes was partially offset by lower average selling prices, which negatively impacted net sales by \$18.5 million.

Gross margin increased \$95.9 million from fiscal 2013 due to the aforementioned increase in volumes and a higher spread between average selling prices and material costs due in part to the favorable impact of inventory holding gains in Steel Processing in fiscal 2014, compared to inventory holding losses in fiscal 2013.

SG&A expense increased \$42.1 million from fiscal 2013, due primarily to the impact of acquisitions and higher profit sharing and bonus expense. The overall increase in SG&A expense was partially offset by a net pre-tax gain of \$4.0 million for the favorable settlement of a legal dispute with a supplier involved in the fiscal 2012 voluntary product recall in Pressure Cylinders. For additional information regarding this and other significant legal matters, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note E Contingent Liabilities and Commitments.

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Impairment charges of \$58.2 million consisted of \$30.7 million related to the write-off of certain trade name intangible assets as a result of a re-branding initiative, \$19.0 million for the impairment of Worthington Nitin Cylinders, our 60%-owned consolidated joint venture in India, \$7.1 million related to the Company's stainless steel business, Precision Specialty Metals, and \$1.4 million related to the Company's aluminum high-pressure cylinder business in New Albany, Mississippi.

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Approximately \$7.6 million, or 40%, of the total impairment charge related to Worthington Nitin Cylinders was attributed to the non-controlling interest. For additional information regarding these impairment charges, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note C Goodwill and Other Long-Lived Assets of this Annual Report on Form 10-K.

Restructuring income of \$2.9 million was driven by \$7.1 million of net gains on the sale of assets, including \$4.8 million related to the sale of our Integrated Terminals warehouse facility in Detroit, Michigan, and \$2.3 million related to the sale of our North American steel high pressure and acetylene cylinders business. The impact of these items was partially offset by \$2.5 million of accrued severance costs and \$1.7 million of facility exit costs related to various restructuring and exit activities. For additional information, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense (Income) of this Annual Report on Form 10-K.

In connection with the wind down of our former Metal Framing operating segment, we recognized net charges of \$1.0 million within the joint venture transactions financial statement caption, consisting primarily of facility exit costs. For additional information, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense (Income) of this Annual Report on Form 10-K.

Interest expense of \$26.7 million was \$2.8 million higher than the prior fiscal year. The increase was due to the impact of higher average debt levels and higher average interest rates resulting from an increase in the usage of long-term debt versus short-term debt. For additional information, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note G Debt and Receivables Securitization of this Annual Report on Form 10-K.

Equity income decreased \$3.1 million from fiscal 2013 to \$91.5 million. Adjusting for the removal of TWB from equity income, due to its consolidation, and the impact of a \$4.8 million charge for the write-off of our metal framing joint venture in China in fiscal 2013, equity income was up \$2.8 million led by higher contributions from WSP, WAVE, and Serviacerro, which increased \$2.5 million, \$1.6 million and \$1.4 million, respectively. Equity income at ClarkDietrich decreased \$1.8 million on lower volumes related to severe weather conditions. However, all joint ventures posted positive results, led by WAVE, Serviacerro and ClarkDietrich, which contributed \$67.1 million, \$7.3 million, and \$7.0 million of equity income, respectively. For additional financial information regarding our unconsolidated affiliates, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note B Investments in Unconsolidated Affiliates of this Annual Report on Form 10-K.

Income tax expense decreased \$7.2 million from fiscal 2013. The impact of higher earnings was more than offset by (a) a one-time \$7.1 million favorable tax adjustment associated with the acquisition of an additional 10% interest in TWB (the TWB acquisition adjustment), (b) a one-time \$2.3 million tax write-off of an investment in a foreign subsidiary, and (c) \$2.2 million of research and development credits. The TWB acquisition adjustment related primarily to the estimated U.S. deferred tax liability associated with the unremitted earnings of TWB's wholly-owned foreign corporations.

Fiscal 2014 income tax expense reflects an effective tax rate attributable to controlling interest of 27.5% vs. 32.1% in fiscal 2013. The 27.5% rate is lower than the federal statutory rate of 35% primarily as a result of (a) the TWB acquisition adjustment, and (b) benefits from (i) the qualified production activities deduction, (ii) a one-time tax write-off of an investment in a foreign subsidiary, and (iii) research and development credits, offset partially by state and local income taxes and the unfavorable impact of foreign taxes due primarily to certain foreign impairment charges for which there was no associated tax benefit. For additional information, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note L Income Taxes of this Annual Report on Form 10-K.

Table of Contents**Segment Operations****Steel Processing**

The following table presents a summary of operating results for our Steel Processing operating segment for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,				
	2014	% of Net sales	2013	% of Net sales	Increase/ (Decrease)
Net sales	\$ 1,936.1	100.0%	\$ 1,462.6	100.0%	\$ 473.5
Cost of goods sold	1,683.7	87.0%	1,284.3	87.8%	399.4
Gross margin	252.4	13.0%	178.3	12.2%	74.1
Selling, general and administrative expense	129.7	6.7%	110.1	7.5%	19.6
Impairment of long-lived assets	7.1	0.4%	-	0.0%	7.1
Restructuring and other income	(3.4)	-0.2%	-	0.0%	(3.4)
Operating income	\$ 119.0	6.1%	\$ 68.2	4.7%	\$ 50.8
Material cost	\$ 1,392.0		\$ 1,044.8		\$ 347.2
Tons shipped (in thousands)	3,282		2,659		623

Net sales and operating highlights were as follows:

Net sales increased \$473.5 million over fiscal 2013 to \$1.9 billion. The impact of higher overall volumes, resulting from the consolidation of TWB and increased sales to the automotive, construction and agriculture markets, favorably impacted net sales by \$485.7 million. Excluding the impact of TWB, overall volumes were up 12%, and the mix of direct versus toll tons processed was unchanged from fiscal 2013 at 56% to 44%.

Operating income increased \$50.8 million over fiscal 2013 primarily due to higher overall volumes and the positive impact of inventory holding gains in fiscal 2014 compared to inventory holding losses in fiscal 2013. Operating income in fiscal 2014 was also favorably impacted by a net restructuring gain of \$3.4 million, which consisted of a \$4.8 million gain on the sale of the Company's Integrated Terminals warehouse facility in Detroit, Michigan, offset by \$1.4 million of severance costs accrued in connection with the closure of the Company's Baltimore steel facility. The overall improvement in operating income was partially offset by impairment charges of \$7.1 million related to the Company's stainless steel business, Precision Specialty Metals, Inc. (PSM).

Pressure Cylinders

The following table presents a summary of operating results for our Pressure Cylinders operating segment for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,				
	2014	% of Net sales	2013	% of Net sales	Increase/ (Decrease)
Net sales	\$ 928.4	100.0%	\$ 859.3	100.0%	\$ 69.1
Cost of goods sold	716.1	77.1%	676.8	78.8%	39.3
Gross margin	212.3	22.9%	182.5	21.2%	29.8
Selling, general and administrative expense	126.0	13.6%	106.9	12.4%	19.1
Impairment of long-lived assets	32.0	3.4%	6.5	0.8%	25.5

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Restructuring and other expense (income)	(0.7)	-0.1%	2.7	0.3%	(3.4)
Operating income	\$ 55.0	5.9%	\$ 66.4	7.7%	\$ (11.4)
Material cost	\$ 426.9		\$ 409.1		\$ 17.8
Units shipped (in thousands)	84,564		82,189		2,375

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Net sales and operating highlights were as follows:

Net sales increased \$69.1 million over fiscal 2013 to \$928.4 million. Higher overall volumes favorably impacted net sales by \$62.0 million, as the favorable impact of recent acquisitions more than offset overall softness in our European cylinder operations.

Operating income decreased \$11.4 million from fiscal 2013, as the improvement in gross margin was more than offset by higher impairment charges and an increase in SG&A expense. Fiscal 2014 impairment charges of \$32.0 million consisted of \$19.0 million for the impairment of Worthington Nitin Cylinders, \$11.6 million related to the write-off of certain trade name intangible assets, and \$1.4 million related to the impairment of the Company's aluminum high-pressure cylinder business in New Albany, Mississippi. The overall increase in SG&A expense was due to the impact of acquisitions and an increase in corporate allocated expenses, partially offset by a net pre-tax gain of \$4.0 million for the favorable settlement of a legal dispute with a supplier involved in the fiscal 2012 voluntary product recall in Pressure Cylinders. Restructuring income of \$0.7 million was driven by a \$2.0 million net gain on the sale of the Company's North American small and medium steel high pressure industrial gas and acetylene cylinders business partially offset by severance and other exit costs associated with the consolidation of our hand torch manufacturing operation in Medina, New York into the existing Pressure Cylinders facility in Chilton, Wisconsin.

Engineered Cabs

The following table presents a summary of operating results for our Engineered Cabs operating segment for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,				
	2014	% of Net sales	2013	% of Net sales	Increase/ (Decrease)
Net sales	\$ 200.5	100.0%	\$ 226.0	100.0%	\$ (25.5)
Cost of goods sold	177.3	88.4%	194.4	86.0%	(17.1)
Gross margin	23.2	11.6%	31.6	14.0%	(8.4)
Selling, general and administrative expense	30.6	15.3%	27.4	12.1%	3.2
Impairment of long-lived assets	19.1	9.5%	-	0.0%	19.1
Operating income (loss)	\$ (26.5)	-13.2%	\$ 4.2	1.9%	\$ (30.7)
Material cost	\$ 90.9		\$ 112.8		\$ (21.9)

Net sales and operating highlights were as follows:

Net sales decreased \$25.5 million from fiscal 2013 due to the combined impact of lower volumes and lower average selling prices due to an unfavorable change in product mix.

Operating loss of \$26.5 million represents a \$30.7 million decrease from the \$4.2 million of operating income generated in fiscal 2013. The decrease was driven by an impairment charge of \$19.1 million related to the write-off of certain trade name intangible assets and the combined impact of lower net sales and higher manufacturing and SG&A expense, due in part to continued investment in people, technology and process improvements.

Table of Contents**Other**

The Other category includes the Construction Services and Worthington Energy Innovations operating segments, as they do not meet the quantitative thresholds for separate disclosure. Certain income and expense items not allocated to our operating segments are also included in the Other category as is the activity related to the wind down of our former Metal Framing operating segment. The following table presents a summary of operating results for the Other category for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,				
	2014	% of Net sales	2013	% of Net sales	Increase/ (Decrease)
Net sales	\$ 61.4	100.0%	\$ 64.3	100.0%	\$ (2.9)
Cost of goods sold	56.9	92.7%	60.0	93.3%	(3.1)
Gross margin	4.5	7.3%	4.3	6.7%	0.2
Selling, general and administrative expense	14.1	23.0%	13.8	21.5%	0.3
Restructuring and other expense	1.2	2.0%	0.6	0.9%	0.6
Joint venture transactions	1.0	1.6%	(0.6)	-0.9%	1.6
Operating loss	\$ (11.8)	-19.2%	\$ (9.5)	-14.8%	\$ (2.3)

Net sales and operating highlights were as follows:

Net sales decreased \$2.9 million from fiscal 2013 driven by declines in the Construction Services operating segment.

Operating loss increased \$2.3 million from fiscal 2013 driven by higher restructuring charges and an increase in expenses related to the wind down of our former Metal Framing operating segment. Restructuring charges in fiscal 2014 consisted of facility exit costs associated with the closure of our commercial stairs business and accrued severance related to our mid-rise construction business, which was shut down during May 2014. For additional information regarding these restructuring charges, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense (Income) of this Annual Report on Form 10-K.

Table of Contents**Fiscal 2013 Compared to Fiscal 2012****Consolidated Operations**

The following table presents consolidated operating results for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,				
	2013	% of Net sales	2012	% of Net sales	Increase/ (Decrease)
Net sales	\$ 2,612.2	100.0%	\$ 2,534.7	100.0%	\$ 77.5
Cost of goods sold	2,215.6	84.8%	2,201.8	86.9%	13.8
Gross margin	396.6	15.2%	332.9	13.1%	63.7
Selling, general and administrative expense	258.3	9.9%	225.1	8.9%	33.2
Impairment of long-lived assets	6.5	0.2%	0.4	0.0%	6.1
Restructuring and other expense	3.3	0.1%	6.0	0.2%	(2.7)
Joint venture transactions	(0.6)	0.0%	(0.2)	0.0%	(0.4)
Operating income	129.1	4.9%	101.6	4.0%	27.5
Miscellaneous income	1.5	0.1%	2.3	0.1%	(0.8)
Interest expense	(23.9)	-0.9%	(19.5)	-0.8%	4.4
Equity in net income of unconsolidated affiliates	94.6	3.6%	92.8	3.7%	1.8
Income tax expense	(64.5)	-2.5%	(51.9)	-2.0%	12.6
Net earnings	136.8	5.2%	125.3	4.9%	11.5
Net earnings attributable to noncontrolling interest	(0.4)	0.0%	(9.7)	-0.4%	(9.3)
Net earnings attributable to controlling interest	\$ 136.4	5.2%	\$ 115.6	4.6%	\$ 20.8

Fiscal 2013 net earnings attributable to controlling interest increased \$20.8 million over fiscal 2012. Net sales and operating highlights were as follows:

Net sales increased \$77.5 million from fiscal 2012. Higher overall volumes, aided by the impact of acquisitions, favorably impacted net sales by \$182.6 million. The impact of higher overall volumes was partially offset by lower average selling prices, primarily in Steel Processing, which negatively impacted net sales by \$105.1 million. Selling prices are affected by the market price of steel, which averaged \$616 per ton during fiscal 2013 versus an average of \$693 per ton during fiscal 2012.

Gross margin increased \$63.7 million from fiscal 2012 due to the aforementioned increase in volumes, a more favorable product mix, and a decrease in charges related to the voluntary product recall in Pressure Cylinders. Gross margin for fiscal 2013 included \$2.6 million of product recall charges compared to \$9.7 million in fiscal 2012. For additional information regarding the product recall, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note E Contingent Liabilities and Commitments.

SG&A expense increased \$33.2 million from fiscal 2012, primarily due to the impact of acquisitions and higher profit sharing and bonus expense resulting from higher net earnings.

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Impairment charges of \$6.5 million consisted of \$5.0 million related to Pressure Cylinders' investment in a 60%-owned consolidated joint venture in India, \$2.0 million of which was attributed to the non-controlling interest, and \$1.5 million related to the sale of Pressure Cylinders' business in Czech Republic. For additional information regarding these impairment charges, refer to Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - Note C - Goodwill and Other Long-Lived Assets.

Restructuring charges of \$3.3 million consisted primarily of a \$2.5 million accrual for severance costs associated with the recently announced consolidation of our BernzOmatic hand torch manufacturing operation in Medina, New York into the existing Pressure Cylinders facility in Chilton,

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Wisconsin and \$1.8 million of facility exit and other costs associated with the closure of our commercial stairs business. For additional information regarding these restructuring charges, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense (Income).

In connection with the wind down of our former Metal Framing operating segment, we recognized a net benefit of \$0.6 million. This amount consisted primarily of \$1.9 million of net gains on asset disposals partially offset by facility exit and other costs. For additional information, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense (Income).

Interest expense of \$23.9 million was \$4.4 million higher than the prior fiscal year, as the impact of higher average interest rates due to a higher mix of long-term versus short-term debt more than offset the impact of lower average debt levels. For additional information, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note G Debt and Receivables Securitization.

Equity income increased \$1.8 million from fiscal 2012. The majority of the equity income is generated by our WAVE joint venture, where our portion of net earnings increased \$3.5 million, or 6%, to \$65.5 million. Additionally, our portion of net earnings of ClarkDietrich and TWB increased \$2.7 million and \$2.3 million, respectively, over fiscal 2012. The overall increase in equity income was partially offset by a \$4.8 million charge related to the write-off of the investment in our joint venture in China. For additional financial information regarding our unconsolidated affiliates, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note B Investments in Unconsolidated Affiliates.

Income tax expense increased \$12.6 million from fiscal 2012 due primarily to higher earnings. Fiscal 2013 income tax expense reflects an effective tax rate attributable to controlling interest of 32.1% versus 31.0% in fiscal 2012. These rates are calculated based on net earnings attributable to controlling interest, as reflected in our consolidated statements of earnings. The increase in the effective tax rate attributable to controlling interest was due primarily to a reduction in the benefit associated with lower tax rates on foreign income. The reduction in the tax benefit associated with lower tax rates on foreign income was due to certain foreign impairment charges for which there was no associated tax benefit. The 32.1% rate is lower than the federal statutory rate of 35% primarily as a result of the benefits from the qualified production activities deduction and lower tax rates on foreign income (collectively decreasing the rate by 3.6%). These impacts are partially offset by state and local income taxes of 1.0% (net of their federal tax benefit). For additional information, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note L Income Taxes.

Table of Contents**Segment Operations****Steel Processing**

The following table presents a summary of operating results for our Steel Processing operating segment for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,				
	2013	% of Net sales	2012	% of Net sales	Increase/ (Decrease)
Net sales	\$ 1,462.6	100.0%	\$ 1,598.8	100.0%	\$ (136.2)
Cost of goods sold	1,284.3	87.8%	1,415.7	88.5%	(131.4)
Gross margin	178.3	12.2%	183.1	11.5%	(4.8)
Selling, general and administrative expense	110.1	7.5%	111.6	7.0%	(1.5)
Joint venture transactions	-	0.0%	(2.1)	-0.1%	2.1
Operating income	\$ 68.2	4.7%	\$ 73.6	4.6%	\$ (5.4)
Material cost	\$ 1,044.8		\$ 1,168.6		\$ (123.8)
Tons shipped (in thousands)	2,659		2,898		(239)

Net sales and operating highlights were as follows:

Net sales decreased \$136.2 million from fiscal 2012. Lower base material prices throughout fiscal 2013 led to decreased pricing for our products, negatively impacting net sales by \$120.7 million. Overall volumes were also down during fiscal 2013, negatively impacting net sales by \$15.5 million. The mix of direct versus toll tons was 56% to 44% during fiscal 2013 versus 51% to 49% in the prior fiscal year. After excluding volumes from the MISA Metals facilities, which were wound down or sold during fiscal 2013, direct volumes increased approximately 3%. The change in mix of direct versus toll tons was driven primarily by our Spartan joint venture.

Operating income decreased \$5.4 million from fiscal 2012 primarily due to the impact of lower volumes. Also contributing to the decrease was a \$2.1 million gain in fiscal 2012 related to the disposal of two of the three MISA Metals steel processing facilities acquired in fiscal 2011. This gain was included in the joint venture transactions financial statement caption to correspond with amounts previously recognized in connection with this transaction.

Pressure Cylinders

The following table presents a summary of operating results for our Pressure Cylinders operating segment for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,				
	2013	% of Net sales	2012	% of Net sales	Increase/ (Decrease)
Net sales	\$ 859.3	100.0%	\$ 770.1	100.0%	\$ 89.2
Cost of goods sold	676.8	78.8%	641.8	83.3%	35.0
Gross margin	182.5	21.2%	128.3	16.7%	54.2
Selling, general and administrative expense	106.9	12.4%	83.1	10.8%	23.8
Impairment of long-lived assets	6.5	0.8%	-	0.0%	6.5
Restructuring charges	2.7	0.3%	-	0.0%	2.7

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Operating income	\$ 66.4	7.7%	\$ 45.2	5.9%	\$ 21.2
Material cost	\$ 409.1		\$ 386.7		\$ 22.4
Units shipped (in thousands)	82,189		71,777		10,412

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Net sales and operating highlights were as follows:

Net sales increased \$89.2 million from fiscal 2012 driven almost entirely by the impact of acquisitions.

Operating income increased \$21.2 million from fiscal 2012 due primarily to improved margins, as costs associated with the voluntary product recall decreased by \$7.1 million. Gross margin also improved due to contributions from acquisitions, cost containment efforts, and a more favorable product mix. The increase in gross margin was partially offset by higher SG&A expense due to the impact of acquisitions, an increase in corporate allocated expenses, and increased spending for new product development. Additionally, SG&A expense in the prior fiscal year included a \$4.4 million gain related to the settlement of a legal dispute. Fiscal 2013 impairment charges included \$5.0 million related to Worthington Nitin Cylinders, our consolidated joint venture in India, and \$1.5 million related to the sale of our air brake tank business in Czech Republic. Fiscal 2013 restructuring charges consisted primarily of severance costs associated with the previously announced consolidation of our BernzOmatic hand torch manufacturing operation in Medina, New York into the existing Pressure Cylinders facility in Chilton, Wisconsin.

Engineered Cabs

The following table presents a summary of operating results for our Engineered Cabs operating segment for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,				Increase/ (Decrease)
	2013	% of Net sales	2012	% of Net sales	
Net sales	\$ 226.0	100.0%	\$ 104.3	100.0%	\$ 121.7
Cost of goods sold	194.4	86.0%	88.9	85.2%	105.5
Gross margin	31.6	14.0%	15.4	14.8%	16.2
Selling, general and administrative expense	27.4	12.1%	10.5	10.1%	16.9
Operating income	\$ 4.2	1.9%	\$ 4.9	4.7%	\$ (0.7)
Material cost	\$ 112.8		\$ 53.9		\$ 58.9

Net sales and operating highlights were as follows:

Net sales increased \$121.7 million from fiscal 2012. This business was acquired on December 29, 2011 and therefore only five months of results were included in the prior fiscal year.

Operating income decreased \$0.7 million from fiscal 2012 on lower volumes resulting from production delays and lower demand from Engineered Cabs' top customer. Fiscal 2013 operating income was also negatively impacted by a charge of \$0.7 million related to the accelerated vesting of certain restricted stock awards. Operating income in fiscal 2012 was reduced by \$5.0 million of expenses associated with the write-up of inventory to fair value as a result of the application of purchase accounting and various acquisition-related costs.

Table of Contents**Other**

The Other category includes our Construction Services and Worthington Energy Innovations operating segments, as they do not meet the quantitative thresholds for separate disclosure. Certain income and expense items not allocated to our operating segments are also included in the Other category as is the activity related to the wind down of our former Metal Framing operating segment. The following table presents a summary of operating results for the Other category for the periods indicated:

(Dollars in millions)	Fiscal Year Ended May 31,		Fiscal Year Ended May 31,		Increase/ (Decrease)
	2013	% of Net sales	2012	% of Net sales	
Net sales	\$ 64.3	100.0%	\$ 61.5	100.0%	\$ 2.8
Cost of goods sold	60.0	93.3%	55.4	90.1%	4.6
Gross margin	4.3	6.7%	6.1	9.9%	(1.8)
Selling, general and administrative expense	13.8	21.5%	19.9	32.4%	(6.1)
Impairment of long-lived assets	-	0.0%	0.4	0.7%	(0.4)
Restructuring and other expense	0.6	0.9%	5.9	9.6%	(5.3)
Joint Venture Transactions	(0.6)	-0.9%	1.9	3.1%	(2.5)
Operating loss	\$ (9.5)	-14.8%	\$ (22.0)	-35.8%	\$ 12.5

Net sales and operating highlights were as follows:

Net sales increased \$2.8 million from fiscal 2012, primarily due to higher volumes in the Construction Services operating segment.

Operating loss decreased \$12.5 million from fiscal 2012 driven by the impact of the joint venture transactions and reductions in both SG&A and restructuring and other expense. For additional information regarding these restructuring charges, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note D Restructuring and Other Expense (Income).

Liquidity and Capital Resources

During fiscal 2014, we generated \$229.0 million in cash from operating activities, invested \$71.3 million in property, plant and equipment and received proceeds of \$27.4 million from the sale of assets. Additionally, we repurchased 3,380,500 of our common shares for \$128.2 million and paid \$31.2 million of dividends. We also repaid \$103.6 million of short-term borrowings, which was funded by \$247.6 million of net proceeds from the issuance of long-term debt. The following table summarizes our consolidated cash flows for each period shown:

(in millions)	Fiscal Years Ended May 31,	
	2014	2013
Net cash provided by operating activities	\$ 229.0	\$ 273.0
Net cash used by investing activities	(46.2)	(202.0)
Net cash used by financing activities	(44.1)	(60.6)
Increase in cash and cash equivalents	138.7	10.4
Cash and cash equivalents at beginning of period	51.4	41.0
Cash and cash equivalents at end of period	\$ 190.1	\$ 51.4

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We believe we have access to adequate resources to meet our needs for normal operating costs, capital expenditures, debt repayments, dividend payments and working capital for our existing businesses. These

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resources include cash and cash equivalents, cash provided by operating activities and unused lines of credit. We also believe we have adequate access to the financial markets to allow us to be in a position to sell long-term debt or equity securities. However, uncertainty and volatility in the financial markets may impact our ability to access capital and the terms under which we can do so.

The cash and equivalents balance at May 31, 2014 included \$11.5 million of cash held by subsidiaries outside of the United States that the Company intends to reinvest indefinitely. Although the majority of this cash is available for repatriation, bringing the money into the United States could trigger federal, state and local income tax obligations.

Operating activities

Our business is cyclical and cash flows from operating activities may fluctuate during the year and from year to year due to economic and industry conditions. We rely on cash and short-term borrowings to meet cyclical increases in working capital needs. These needs generally rise during periods of increased economic activity or increasing raw material prices due to higher levels of inventory and accounts receivable. During economic slowdowns, or periods of decreasing raw material costs, working capital needs generally decrease as a result of the reduction of inventories and accounts receivable.

Net cash provided by operating activities was \$229.0 million during fiscal 2014 compared to \$273.0 million in fiscal 2013. The \$44.0 million decrease in net cash provided by operating activities was driven by changes in working capital needs, partially offset by the improvement in net earnings over fiscal 2013.

Investing activities

Net cash used by investing activities was \$46.2 million in fiscal 2014 compared to \$202.0 million in the prior year period. The decrease of \$155.8 million was driven primarily by a decrease in the amount spent on acquisitions, higher proceeds from the sale of assets and an increase in excess distributions from ClarkDietrich. During fiscal 2014, the Company paid \$28.9 million for the tank manufacturing division of Steffes, \$35.6 million for its 75% interest in Worthington Aritas and \$17.9 million for an additional 10% interest in TWB. However, the overall impact of the TWB transaction was a net increase in cash of \$53.0 million, as TWB's cash balance at the time of acquisition exceeded the cash paid for our additional 10% interest. This compares to a combined \$175.2 million paid in fiscal 2013 for the net assets of Palmer Mfg. & Tank, Inc. and the outstanding common shares of Westerman, Inc. The overall decrease in cash used by investing activities was partially offset by higher capital expenditures in the current year.

Capital expenditures reflect cash used for investment in property, plant and equipment and are presented below by reportable business segment (this information excludes cash flows related to acquisition and divestiture activity):

	(in millions)	Fiscal Year Ended	
		2014	2013
		May 31,	
Steel Processing		\$ 16.7	\$ 8.3
Pressure Cylinders		32.4	13.4
Engineered Cabs		10.4	6.3
Other		11.8	16.6
Total Capital Expenditures		\$ 71.3	\$ 44.6

Capital expenditures increased \$26.7 million in fiscal 2014 due primarily to spending associated with certain capital projects in Steel Processing and Pressure Cylinders and the purchase of two buildings in Watertown, South Dakota, that were previously leased by the Company's Engineered Cabs operating

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segment. Capital expenditures in fiscal 2014 also include capital outlays associated with the rebuild of building and equipment destroyed in the fire at our cylinders facility in Austria on August 19, 2013. For additional information regarding this matter, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note E Contingent Liabilities and Commitments.

Investment activities are largely discretionary and future investment activities could be reduced significantly or eliminated as economic conditions warrant. We assess acquisition opportunities as they arise, and such opportunities may require additional financing. There can be no assurance, however, that any such opportunities will arise, that any such acquisitions will be consummated or that any needed additional financing will be available on satisfactory terms when required.

Financing activities

Net cash used by financing activities was \$44.1 million in fiscal 2014 compared to \$60.6 million in the prior year. During fiscal 2014, we spent \$128.2 million to repurchase 3,380,500 of our common shares, made payments to noncontrolling interests of \$41.0 million, including \$33.5 million to the minority partner of TWB for excess cash at the time of acquisition of our additional 10% interest, and paid dividends of \$31.2 million. We also repaid \$103.6 million of short-term borrowings, which was funded by \$247.6 million of net proceeds from the issuance of long-term debt, as described in more detail below.

Long-term debt Our senior unsecured long-term debt is rated investment grade by both Moody's Investors Service, Inc. and Standard & Poor's Ratings Group. We typically use the net proceeds from long-term debt for acquisitions, refinancing of outstanding debt, capital expenditures and general corporate purposes. As of May 31, 2014, we were in compliance with our long-term debt covenants. Our long-term debt agreements do not include ratings triggers or material adverse change provisions.

On April 13, 2014, we issued \$250.0 million aggregate principal amount of unsecured senior notes due on April 15, 2026 (the 2026 Notes). The 2026 Notes bear interest at a rate of 4.55%. The 2026 Notes were sold to the public at 99.789% of the principal amount thereof, to yield 4.573% to maturity. We used a portion of the net proceeds from the offering to repay borrowings then outstanding under both the Company's \$425.0 million revolving credit facility and its \$100.0 million trade accounts receivable securitization facility, both of which are described in more detail below. Approximately \$3.1 million, \$2.3 million and \$0.5 million of the aggregate proceeds were allocated to the settlement of a derivative contract entered into in anticipation of the issuance of the 2026 Notes, debt issuance costs, and the debt discount, respectively. The debt discount, debt issuance costs and the loss on the derivative contract were recorded on the consolidated balance sheet as of May 31, 2014, within long-term debt as a contra-liability, short- and long-term other assets and accumulated other comprehensive income (AOCI), respectively. Each will be recognized, through interest expense, in our consolidated statements of earnings over the term of the 2026 Notes.

On April 27, 2012, we executed a \$5.9 million seven-year term loan that matures on May 1, 2019. The loan bears interest at a rate of 2.49% and is secured by an aircraft that was purchased with its proceeds.

On August 10, 2012, we issued \$150.0 million aggregate principal amount of unsecured senior notes due August 10, 2024 (the 2024 Notes). The 2024 Notes bear interest at a rate of 4.60%. The net proceeds from this issuance were used to repay a portion of the outstanding borrowings under our multi-year revolving credit facility and amounts outstanding under our revolving trade accounts receivable securitization facility.

In connection with the acquisition of Worthington Industries Engineered Cabs, formerly Angus Industries, Inc. on December 29, 2011, we assumed industrial revenue bonds (IRBs) issued by the South Dakota Economic Development Finance Authority that mature in April 2019 and had an outstanding principal balance of \$2.0 million at May 31, 2014. These IRBs bear interest at rates between 2.75% and 5.00%.

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On April 13, 2010, we issued \$150.0 million aggregate principal amount of unsecured senior notes due on April 15, 2020 (the 2020 Notes). The 2020 Notes bear interest at a rate of 6.50%. The 2020 Notes were sold to the public at 99.890% of the principal amount thereof, to yield 6.515% to maturity. We used the net proceeds from the offering to repay a portion of the then outstanding borrowings under our revolving credit facility and amounts then outstanding under our revolving trade accounts receivable securitization facility. Approximately \$0.2 million, \$1.5 million and \$1.4 million of the aggregate proceeds were allocated to the debt discount, debt issuance costs, and the settlement of a derivative contract entered into in anticipation of the issuance of the 2020 Notes. The debt discount, debt issuance costs and the loss on the derivative contract were recorded on the consolidated balance sheets within long-term debt as a contra-liability, short- and long-term other assets and AOCI, respectively. Each will continue to be recognized, through interest expense, in our consolidated statements of earnings over the remaining term of the 2020 Notes.

On December 17, 2004, we issued \$100.0 million aggregate principal amount of unsecured floating rate senior notes due December 17, 2014 (the 2014 Notes). The 2014 Notes bear interest at a variable rate equal to six-month LIBOR plus 80 basis points. However, we entered into an interest rate swap agreement whereby we receive interest on the \$100.0 million notional amount at the six-month LIBOR rate and we pay interest on the same notional amount at a fixed rate of 4.46%, effectively fixing the interest rate at 5.26%.

The Company had \$190.1 million of cash at May 31, 2014, \$100.0 million of which will be used to repay the 2014 Notes when they mature in December 2014.

Short-term borrowings Our short-term debt agreements do not include ratings triggers or material adverse change provisions. We were in compliance with our short-term debt covenants at May 31, 2014.

We maintain a \$425.0 million multi-year revolving credit facility (the Credit Facility) with a group of lenders that matures in May 2017. Borrowings under the Credit Facility have maturities of less than one year and given that our intention has been to repay them within a year, they have been classified as short-term borrowings within current liabilities on our consolidated balance sheets. However, we can also extend the term of amounts borrowed by renewing these borrowings for the term of the Credit Facility. We have the option to borrow at rates equal to an applicable margin over the LIBOR, Prime or Fed Funds rates. The applicable margin is determined by our credit rating. No borrowings were outstanding under the Credit Facility at May 31, 2014.

We provided approximately \$14.3 million in letters of credit for third-party beneficiaries as of May 31, 2014. The letters of credit secure potential obligations to certain bond and insurance providers. These letters can be drawn at any time at the option of the beneficiaries, and while not drawn against at May 31, 2014, \$11.7 million of these letters of credit are issued against and therefore reduce availability under the Credit Facility. We had \$413.3 million available to us under the Credit Facility at May 31, 2014, compared to \$405.0 million available to us at May 31, 2013.

We maintain a \$100.0 million revolving trade accounts receivable securitization facility that expires in January 2015 (the AR Facility). The AR Facility was available throughout fiscal 2014 and fiscal 2013. Pursuant to the terms of the AR Facility, certain of our subsidiaries sell their accounts receivable without recourse, on a revolving basis, to Worthington Receivables Corporation (WRC), a wholly-owned, consolidated, bankruptcy-remote subsidiary. In turn, WRC may sell without recourse, on a revolving basis, up to \$100.0 million of undivided ownership interests in this pool of accounts receivable to a multi-seller, asset-backed commercial paper conduit (the Conduit). Purchases by the Conduit are financed with the sale of A1/P1 commercial paper. We retain an undivided interest in this pool and are subject to risk of loss based on the collectability of the receivables from this retained interest. Because the amount eligible to be sold excludes receivables more than 90 days past due, receivables offset by an allowance for doubtful accounts due to bankruptcy or other cause, concentrations over certain limits with specific customers and certain reserve amounts, we believe

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additional risk of loss is minimal. The book value of the retained portion of the pool of accounts receivable approximates fair value. As of May 31, 2014, no undivided ownership interests in this pool of accounts receivable had been sold.

The remaining balance of short-term borrowings at May 31, 2014, consisted of \$4.4 million outstanding under a credit facility maintained by our consolidated affiliate, Worthington Aritas, that bears interest at a fixed rate of 5.60%, and \$5.9 million outstanding under a \$9.5 million credit facility maintained by our consolidated affiliate, Worthington Nitin Cylinders, that matures in November 2014 and bears interest at a variable rate. The applicable variable rate was 7.52% at May 31, 2014.

Common shares We declared dividends at a quarterly rate of \$0.15 per common share for each quarter of fiscal 2014 compared to \$0.13 per common share for each quarter of fiscal 2013. Dividends paid on our common shares totaled \$31.2 million and \$44.1 million, respectively, during fiscal 2014 and fiscal 2013. The decrease was due to an accelerated cash dividend for the third and fourth quarters of fiscal 2013 totaling \$0.26 per common share. The dividend was paid on December 28, 2012 to shareholders of record as of December 21, 2012. As a result, no dividends were paid on our common shares during the first quarter of fiscal 2014.

On June 29, 2011, the Board authorized the repurchase of up to 10,000,000 of our outstanding common shares of which 1,722,332 remained available for repurchase at May 31, 2014. During fiscal 2014, 3,380,500 common shares were repurchased under this authorization.

On June 25, 2014, the Board authorized the repurchase of up to an additional 10,000,000 of our outstanding common shares, increasing the total number of common shares available for repurchase to 11,722,332.

The common shares available for repurchase under these authorizations may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other relevant considerations. Repurchases may be made on the open market or through privately negotiated transactions.

Dividend Policy

We currently have no material contractual or regulatory restrictions on the payment of dividends. Dividends are declared at the discretion of the Board. The Board reviews the dividend quarterly and establishes the dividend rate based upon our financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other relevant factors. As mentioned above, the third and fourth quarter dividends of fiscal 2013 were paid on December 28, 2012. While we have paid a dividend every quarter since becoming a public company in 1968, there is no guarantee that payments will continue in the future.

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The following table summarizes our contractual cash obligations as of May 31, 2014. Certain of these contractual obligations are reflected in our consolidated balance sheet, while others are disclosed as future obligations in accordance with U.S. GAAP.

(in millions)	Total	Payments Due by Period			
		Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Short-term borrowings	\$ 10.4	\$ 10.4	\$ -	\$ -	\$ -
Long-term debt	656.5	101.2	2.5	2.4	550.4
Interest expense on long-term debt	284.8	33.5	61.7	56.1	133.5
Operating leases	41.2	9.1	14.5	10.8	6.8
Royalty obligations	12.0	2.0	4.0	4.0	2.0
Total contractual cash obligations	\$ 1,004.9	\$ 156.2	\$ 82.7	\$ 73.3	\$ 692.7

Interest expense on long-term debt is computed by using the fixed rates of interest on the debt, including impacts of the related interest rate hedge. Royalty obligations relate to a trademark license agreement executed in connection with the acquisition of Coleman Cylinders in fiscal 2012. For additional information regarding this agreement, refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note E Contingent Liabilities and Commitments of this Annual Report on Form 10-K. Due to the uncertainty regarding the timing of future cash outflows associated with our unrecognized tax benefits of \$4.1 million, we are unable to make a reliable estimate of the periods of cash settlement with the respective tax authorities and have not included this amount in the contractual obligations table above.

The following table summarizes our other commercial commitments as of May 31, 2014. These commercial commitments are not reflected in our consolidated balance sheet.

(in millions)	Total	Commitment Expiration by Period			
		Less Than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
Guarantees	\$ 16.3	\$ 13.0	\$ 3.3	\$ -	\$ -
Standby letters of credit	14.3	14.3	-	-	-
Total commercial commitments	\$ 30.6	\$ 27.3	\$ 3.3	\$ -	\$ -

Off-Balance Sheet Arrangements

We do not have guarantees or other off-balance sheet financing arrangements that we believe are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of May 31, 2014, we were party to an operating lease for an aircraft in which we have guaranteed a residual value at the termination of the lease. The maximum obligation under the terms of this guarantee was approximately \$13.0 million at May 31, 2014. We have also guaranteed the repayment of a \$3.3 million term loan held by ArtiFlex, an unconsolidated joint venture. In addition, we had in place approximately \$14.3 million of outstanding stand-by letters of credit at May 31, 2014. These letters of credit were issued to third-party service providers and had no amounts drawn against them at May 31, 2014. Based on current facts and circumstances, we have estimated the likelihood of payment pursuant to these guarantees, and determined that the fair value of our obligation under each guarantee based on those likely outcomes is not material.

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Recently Issued Accounting Standards

In December 2011, new accounting guidance was issued that establishes certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. The new disclosures are required for annual reporting periods beginning on or after January 1, 2013, and interim periods within those periods. The adoption of this amended accounting guidance effective June 1, 2013 did not have a material impact on our financial position or results of operations.

In July 2012, amended accounting guidance was issued that simplifies how an entity tests indefinite-lived intangible assets for impairment. The amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. An entity is no longer required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative test unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amended guidance is effective for interim and annual indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this amended accounting guidance effective June 1, 2013 did not have a material impact on our financial position or results of operations.

In March 2013, amended accounting guidance was issued regarding the accounting for cumulative translation adjustment. The amended guidance specifies that a cumulative translation adjustment should be released from earnings when an entity ceases to have a controlling financial interest in a subsidiary or a group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For sales of an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment attributable to the investment would be recognized in earnings upon sale of the investment. The amended guidance is effective prospectively for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2013. Early adoption is permitted. We do not expect the adoption of this amended accounting guidance to have a material impact on our financial position or results of operations.

In April 2014, amended accounting guidance was issued that updates the definition of discontinued operations from current U.S. GAAP. Going forward only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. Currently, a component of an entity that is a reportable segment, an operating segment, a reporting unit, a subsidiary, or an asset group is eligible for discontinued operations presentation. Additionally, the existing condition that the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction has been removed. The amended guidance is effective for applicable transactions that occur within annual periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. We adopted this amended guidance upon issuance, which did not have an impact on our financial position or results of operations.

In May 2014, amended accounting guidance was issued that replaces most existing revenue recognition guidance under U.S. GAAP. The amended guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The amended guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are in the process of evaluating the effect this guidance will have on our financial position and results of operations. The amended guidance permits the use of either the retrospective or cumulative effect transition method. We have not selected a transition method nor have we determined the effect of the amended guidance on our ongoing financial reporting.

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Environmental

We do not believe that compliance with environmental laws has or will have a material effect on our capital expenditures, future results of operations or financial position or competitive position.

Inflation

The effects of inflation on our operations were not significant during the periods presented in the consolidated financial statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. We continually evaluate our estimates, including those related to our valuation of receivables, inventories, intangible assets, accrued liabilities, income and other tax accruals and contingencies and litigation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical accounting policies are defined as those that reflect our significant judgments and uncertainties that could potentially result in materially different results under different assumptions and conditions. Although actual results historically have not deviated significantly from those determined using our estimates, as discussed below, our financial position or results of operations could be materially different if we were to report under different conditions or to use different assumptions in the application of such policies. We believe the following accounting policies are the most critical to us, as these are the primary areas where financial information is subject to our estimates, assumptions and judgment in the preparation of our consolidated financial statements.

Revenue Recognition: We recognize revenue upon transfer of title and risk of loss provided evidence of an arrangement exists, pricing is fixed and determinable and the ability to collect is probable. In circumstances where the collection of payment is not probable at the time of shipment, we defer recognition of revenue until payment is collected. We provide for returns and allowances based on historical experience and current customer activities.

Receivables: In order to ensure that our receivables are properly valued, we utilize two contra-receivable accounts: returns and allowances and allowance for doubtful accounts. Returns and allowances are used to record estimates of returns or other allowances resulting from quality, delivery, discounts or other issues affecting the value of receivables. This account is estimated based on historical trends and current market conditions, with the offset to net sales.

The allowance for doubtful accounts is used to record the estimated risk of loss related to the customers' inability to pay. This allowance is maintained at a level that we consider appropriate based on factors that affect collectability, such as the financial health of our customers, historical trends of charge-offs and recoveries and current economic and market conditions. As we monitor our receivables, we identify customers that may have payment problems, and we adjust the allowance accordingly, with the offset to SG&A expense. Account balances are charged off against the allowance when recovery is considered remote.

We review our receivables on an ongoing basis to ensure that they are properly valued and collectible. Based on this review, we believe our related reserves are sized appropriately. The reserve for doubtful accounts decreased approximately \$0.4 million during fiscal 2014 to \$3.0 million.

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While we believe our allowances are adequate, changes in economic conditions, the financial health of customers and bankruptcy settlements could impact our future earnings. If the economic environment and market conditions deteriorate, particularly in the automotive and construction end markets where our exposure is greatest, additional reserves may be required.

Inventory Valuation: Our inventory is valued at the lower of cost or market, with cost determined using a first-in, first-out method. This assessment requires the use of significant estimates to determine replacement cost, cost to complete, normal profit margin and ultimate selling price of the inventory. We believe that our inventories were valued appropriately as of May 31, 2014 and 2013.

Impairment of Definite-Lived Long-Lived Assets: We review the carrying value of our long-lived assets, including intangible assets with finite useful lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. Impairment testing involves a comparison of the sum of the undiscounted future cash flows of the asset or asset group to its respective carrying amount. If the sum of the undiscounted future cash flows exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the sum of the undiscounted future cash flows, then a second step is performed to determine the amount of impairment, if any, to be recognized. An impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds fair value.

Fiscal 2014: During the fourth quarter of fiscal 2014, management committed to a plan to sell the Company's 60%-owned consolidated joint venture in India, Worthington Nitin Cylinders. As all of the criteria for classification as assets held for sale were met, the net assets of this business are presented separately as assets held for sale in our consolidated balance sheet as of May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group, or \$5.9 million, was lower than its net book value, an impairment charge of \$19.0 million was recognized within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings. The portion of this impairment loss attributable to the noncontrolling interest of \$7.6 million was recorded within net earnings attributable to noncontrolling interest in our fiscal 2014 consolidated statement of earnings.

During the fourth quarter of fiscal 2014, management committed to a plan to sell the Company's stainless steel business, Precision Specialty Metals. As all of the criteria for classification as assets held for sale were met, the net assets of this business are presented separately as assets held for sale in our consolidated balance sheet as of May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group, or \$19.0 million, was lower than its net book value, an impairment charge of \$7.1 million was recognized within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

During the fourth quarter of fiscal 2014, we determined that indicators of impairment were present at the Company's aluminum high-pressure cylinder business in New Albany, Mississippi, due to current and projected operating losses. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value of \$7.0 million, resulting in an impairment charge of \$1.4 million within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

During the second quarter of fiscal 2014, we committed to a re-branding initiative. Under the re-branding initiative, we re-branded substantially all of our businesses under the Worthington Industries name. In connection with the change in branding strategy, we discontinued the use of all non-Worthington trade names except those related to consumer products such as BernzOmatic® and Balloon Time® and those related to our joint ventures. As a result, we determined an impairment indicator was present for the trade names

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that have been or will be discontinued. As no future cash flows will be attributed to the impacted trade names, the entire book value was written-off, resulting in an impairment charge of \$30.7 million within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

Fiscal 2013: During the fourth quarter of fiscal 2013, we determined that indicators of impairment were present at Worthington Nitin Cylinders due to current and projected operating losses. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value of \$6.9 million, resulting in an impairment charge of \$5.0 million within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings. The portion of this impairment loss attributable to the noncontrolling interest, or \$2.0 million, was recorded within net earnings attributable to noncontrolling interest in our fiscal 2013 consolidated statement of earnings.

During the first quarter of fiscal 2013, management committed to a plan to sell the Company's pressure cylinders operations in Czech Republic. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group was lower than its net book value, an impairment charge of \$1.6 million was recognized. On October 31, 2012, we completed the sale of this asset group to an unrelated third party resulting in a gain of approximately \$50,000. The combined impact of these items of \$1.5 million is presented within impairment of long-lived assets in our fiscal 2013 consolidated statement of earnings.

Impairment of Indefinite-Lived Long-Lived Assets: Goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate that impairment may be present. Application of goodwill impairment testing involves judgment, including but not limited to, the identification of reporting units and estimation of the fair value of each reporting unit. A reporting unit is defined as an operating segment or one level below an operating segment. We test goodwill at the operating segment level as we have determined that the characteristics of the reporting units within each operating segment are similar and allow for their aggregation in accordance with the applicable accounting guidance.

The goodwill impairment test consists of comparing the fair value of each operating segment, determined using discounted cash flows, to each operating segment's respective carrying value. If the estimated fair value of an operating segment exceeds its carrying value, there is no impairment. If the carrying amount of the operating segment exceeds its estimated fair value, a goodwill impairment is indicated. The amount of the impairment is determined by comparing the fair value of the net assets of the operating segment, excluding goodwill, to its estimated fair value, with the difference representing the implied fair value of the goodwill. If the implied fair value of the goodwill is lower than its carrying value, the difference is recorded as an impairment charge in our consolidated statements of earnings.

We performed our annual impairment evaluation of goodwill and other indefinite-lived intangible assets during the fourth quarter of fiscal 2014 and fiscal 2013 and concluded that the fair value of each reporting unit exceeded its carrying value; therefore, no impairment charges were recognized. As expected, the estimated fair value of the Engineered Cabs operating segment, which was formed in fiscal 2012 as a result of the acquisition of Worthington Industries Engineered Cabs, formerly Angus Industries, Inc., exceeded its carrying value by less than 10%. A 100 basis point decrease in the projected long-term growth rate for this operating segment could decrease the fair value by enough to result in some impairment based on the current forecast model. A 100 basis point decrease in the discount rate would have the opposite impact by increasing the valuation such that it would be greater than 10% of the carrying value. Future declines in the market and deterioration in earnings could lead to a step 2 calculation to quantify a potential impairment. The Engineered Cabs operating segment had goodwill totaling \$44.9 million at May 31, 2014.

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Accounting for Derivatives and Other Contracts at Fair Value: We use derivatives in the normal course of business to manage our exposure to fluctuations in commodity prices, foreign currency and interest rates. Fair values for these contracts are based upon valuation methodologies deemed appropriate in the circumstances; however, the use of different assumptions could affect the estimated fair values.

Stock-Based Compensation: All share-based awards, including those to employees and non-employee directors, are recorded as expense in the consolidated statements of earnings based on the fair value of the award at the date of grant.

Income Taxes: In accordance with the authoritative accounting guidance, we account for income taxes using the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax basis and financial reporting basis of our assets and liabilities. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some, or a portion, of the deferred tax assets will not be realized. We provide a valuation allowance for deferred income tax assets when it is more likely than not that a portion of such deferred income tax assets will not be realized.

In accordance with accounting literature related to uncertainty in income taxes, tax benefits from uncertain tax positions that are recognized in the financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

We have reserves for taxes and associated interest and penalties that may become payable in future years as a result of audits by taxing authorities. It is our policy to record these in income tax expense. While we believe the positions taken on previously filed tax returns are appropriate, we have established the tax and interest reserves in recognition that various taxing authorities may challenge our positions. The tax reserves are analyzed periodically, and adjustments are made as events occur to warrant adjustment to the reserves, such as lapsing of applicable statutes of limitations, conclusion of tax audits, additional exposure based on current calculations, identification of new issues, and release of administrative guidance or court decisions affecting a particular tax issue.

Self-Insurance Reserves: We are largely self-insured with respect to workers' compensation, general and automobile liability, property damage, employee medical claims and other potential losses. In order to reduce risk and better manage our overall loss exposure, we purchase stop-loss insurance that covers individual claims in excess of the deductible amounts. We maintain reserves for the estimated cost to settle open claims, which includes estimates of legal costs expected to be incurred, as well as an estimate of the cost of claims that have been incurred but not reported. These estimates are based on actuarial valuations that take into consideration the historical average claim volume, the average cost for settled claims, current trends in claim costs, changes in our business and workforce, general economic factors and other assumptions believed to be reasonable under the circumstances. The estimated reserves for these liabilities could be affected if future occurrences and claims differ from assumptions used and historical trends. Facility consolidations, a focus on safety initiatives and an emphasis on property loss prevention and product quality have resulted in an improvement in our loss history and the related assumptions used to analyze many of the current self-insurance reserves. We will continue to review these reserves on a quarterly basis, or more frequently if factors dictate a more frequent review is warranted.

The critical accounting policies discussed herein are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP, with a lesser need for our judgment in their application. There are also areas in which our judgment in selecting an available alternative would not produce a materially different result.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to various market risks. We continually monitor these risks and regularly develop appropriate strategies to manage them. Accordingly, from time to time, we may

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enter into certain financial and commodity-based derivative instruments. These instruments are used solely to mitigate market exposure and are not used for trading or speculative purposes. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note P Derivative Instruments and Hedging Activities of this Annual Report on Form 10-K for additional information.

Interest Rate Risk

We entered into an interest rate swap in October 2004, which was amended December 17, 2004. The swap has a notional amount of \$100.0 million to hedge changes in cash flows attributable to changes in the LIBOR rate associated with the December 17, 2004, issuance of the 2014 Notes. See Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note G Debt and Receivables Securitization of this Annual Report on Form 10-K for further information. The critical terms of the derivative correspond with the critical terms of the underlying exposure. The interest rate swap was executed with a highly rated financial institution. No credit loss is anticipated. We pay a fixed rate of 4.46% and receive a variable rate based on the six-month LIBOR. A sensitivity analysis of changes in the interest rate yield curve associated with our interest rate swap indicates that a 10% parallel decline in the yield curve would not materially impact the fair value of our interest rate swap. A sensitivity analysis of changes in the interest rates on our variable rate debt indicates that a 10% increase in those rates would not have materially impacted our reported results. Based on the terms of the noted derivative contract, such changes would also be expected to materially offset against each other.

We entered into an interest rate swap in March 2014, in anticipation of the issuance of \$250.0 million principal amount of our 2026 Notes. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note G Debt and Receivables Securitization of this Annual Report on Form 10-K for additional information regarding the 2026 Notes. The interest rate swap had a notional amount of \$150.0 million to hedge the risk of changes in the semi-annual interest payments attributable to changes in the benchmark interest rate during the several days leading up to the issuance of the 12-year fixed-rate debt. Upon pricing of the 2026 Notes, the derivative was settled and resulted in a loss of approximately \$3.1 million, a significant portion of which was reflected within accumulated other comprehensive income in our consolidated statement of equity and will be recognized in earnings, as an increase to interest expense, over the life of the related 2026 Notes.

We entered into a U.S. Treasury Rate-based treasury lock in April 2010, in anticipation of the issuance of \$150.0 million principal amount of our 2020 Notes. Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note G Debt and Receivables Securitization of this Annual Report on Form 10-K for additional information regarding the 2020 Notes. The treasury lock had a notional amount of \$150.0 million to hedge the risk of changes in the semi-annual interest payments attributable to changes in the benchmark interest rate during the several days leading up to the issuance of the 10-year fixed-rate debt. Upon pricing of the 2020 Notes, the derivative was settled and resulted in a loss of approximately \$1.4 million, which has been reflected within accumulated other comprehensive income in our consolidated statements of equity. That balance is being recognized in earnings, as an increase to interest expense, over the life of the related 2020 Notes.

Foreign Currency Risk

The translation of foreign currencies into United States dollars subjects us to exposure related to fluctuating exchange rates. Derivative instruments are not used to manage this risk; however, we do make use of forward contracts to manage exposure to certain intercompany loans with our foreign affiliates as well as exposure to transactions denominated in a currency other than the related foreign affiliate's local currency. Such contracts limit exposure to both favorable and unfavorable currency fluctuations. At May 31, 2014, the difference between the contract and book value of these instruments was not material to our consolidated financial position, results of operations or cash flows. A 10% change in the exchange rate to the U.S. dollar forward rate is not expected to materially impact our consolidated financial position, results of operations or

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cash flows. A sensitivity analysis of changes in the U.S. dollar on these foreign currency-denominated contracts indicates that if the U.S. dollar uniformly weakened by 10% against all of these currency exposures, the fair value of these instruments would not be materially impacted. Any resulting changes in fair value would be offset by changes in the underlying hedged balance sheet position. A sensitivity analysis of changes in the currency exchange rates of our foreign locations indicates that a 10% increase in those rates would not have materially impacted our net results. The sensitivity analysis assumes a uniform shift in all foreign currency exchange rates. The assumption that exchange rates change in uniformity may overstate the impact of changing exchange rates on assets and liabilities denominated in a foreign currency.

Commodity Price Risk

We are exposed to market risk for price fluctuations on purchases of steel, natural gas, zinc and other raw materials as well as our utility requirements. We attempt to negotiate the best prices for commodities and to competitively price products and services to reflect the fluctuations in market prices. Derivative financial instruments have been used to manage a portion of our exposure to fluctuations in the cost of certain commodities, including steel, natural gas, zinc and other raw materials. These contracts covered periods commensurate with known or expected exposures throughout fiscal 2014. The derivative instruments were executed with highly rated financial institutions. No credit loss is anticipated. No derivatives are held for trading purposes.

A sensitivity analysis of changes in the price of hedged commodities indicates that a 10% decline in the market prices of steel, zinc, natural gas or any combination of these would not have a material impact to the value of our hedges or our reported results.

The fair values of our outstanding derivative positions as of May 31, 2014 and 2013 are summarized below. Fair values of these derivatives do not consider the offsetting impact of the underlying hedged item.

	(in millions)	Fair Value At May 31,	
		2014	2013
Interest rate		\$ (4.2)	\$ (7.9)
Commodity		1.0	(1.1)
		\$ (3.2)	\$ (9.0)

Safe Harbor

Quantitative and qualitative disclosures about market risk include forward-looking statements with respect to management's opinion about risks associated with the use of derivative instruments. These statements are based on certain assumptions with respect to market prices and industry supply of, and demand for, steel products and certain raw materials. To the extent these assumptions prove to be inaccurate, future outcomes with respect to hedging programs may differ materially from those discussed in the forward-looking statements.

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Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Worthington Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Worthington Industries, Inc. and subsidiaries as of May 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended May 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule of valuation and qualifying accounts. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Worthington Industries, Inc. and subsidiaries as of May 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended May 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Worthington Industries, Inc.'s internal control over financial reporting as of May 31, 2014, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 30, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Columbus, Ohio

July 30, 2014

Table of Contents**WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands)**

	May 31,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 190,079	\$ 51,385
Receivables, less allowances of \$3,043 and \$3,408 at May 31, 2014 and 2013, respectively	493,127	394,327
Inventories:		
Raw materials	213,173	175,093
Work in process	105,872	103,861
Finished products	90,957	77,814
Total inventories	410,002	356,768
Income taxes receivable	5,438	724
Assets held for sale	32,235	3,040
Deferred income taxes	24,272	21,928
Prepaid expenses and other current assets	43,769	38,711
Total current assets	1,198,922	866,883
Investments in unconsolidated affiliates	179,113	246,125
Goodwill	251,093	213,858
Other intangible assets, net of accumulated amortization of \$35,506 and \$26,669 at May 31, 2014 and 2013, respectively	145,993	147,144
Other assets	22,399	17,417
Property, plant and equipment:		
Land	15,260	26,253
Buildings and improvements	213,848	205,017
Machinery and equipment	848,889	798,467
Construction in progress	32,135	22,899
Total property, plant and equipment	1,110,132	1,052,636
Less accumulated depreciation	611,271	593,206
Total property, plant and equipment, net	498,861	459,430
Total assets	\$ 2,296,381	\$ 1,950,857

See notes to consolidated financial statements.

Table of Contents**WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands)**

	May 31,	
	2014	2013
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 333,744	\$ 222,696
Short-term borrowings	10,362	113,728
Accrued compensation, contributions to employee benefit plans and related taxes	78,514	68,043
Dividends payable	11,044	551
Other accrued items	49,873	36,536
Income taxes payable	4,953	6,268
Current maturities of long-term debt	101,173	1,092
Total current liabilities	589,663	448,914
Other liabilities	76,426	70,882
Distributions in excess of investment in unconsolidated affiliate	59,287	63,187
Long-term debt	554,790	406,236
Deferred income taxes	71,333	89,401
Total liabilities	1,351,499	1,078,620
Shareholders' equity - controlling interest:		
Preferred shares, without par value; authorized 1,000,000 shares; issued and outstanding - none	-	-
Common shares, without par value; authorized 150,000,000 shares; issued and outstanding, 2014 67,408,484 shares, 2013 69,752,411 shares	-	-
Additional paid-in capital	262,610	244,864
Accumulated other comprehensive loss, net of taxes of \$8,043 and \$8,571 at May 31, 2014 and 2013, respectively	(3,581)	(12,036)
Retained earnings	591,783	597,994
Total shareholders' equity - controlling interest	850,812	830,822
Noncontrolling interest	94,070	41,415
Total equity	944,882	872,237
Total liabilities and equity	\$ 2,296,381	\$ 1,950,857

See notes to consolidated financial statements.

Table of Contents**WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF EARNINGS****(In thousands, except per share amounts)**

	Fiscal Years Ended May 31,		
	2014	2013	2012
Net sales	\$ 3,126,426	\$ 2,612,244	\$ 2,534,701
Cost of goods sold	2,633,907	2,215,601	2,201,833
Gross margin	492,519	396,643	332,868
Selling, general and administrative expense	300,396	258,324	225,069
Impairment of long-lived assets	58,246	6,488	355
Restructuring and other expense (income)	(2,912)	3,293	5,984
Joint venture transactions	1,036	(604)	(150)
Operating income	135,753	129,142	101,610
Other income (expense):			
Miscellaneous income	16,963	1,452	2,319
Interest expense	(26,671)	(23,918)	(19,497)
Equity in net income of unconsolidated affiliates	91,456	94,624	92,825
Earnings before income taxes	217,501	201,300	177,257
Income tax expense	57,349	64,465	51,904
Net earnings	160,152	136,835	125,353
Net earnings attributable to noncontrolling interest	8,852	393	9,758
Net earnings attributable to controlling interest	\$ 151,300	\$ 136,442	\$ 115,595
Basic			
Average common shares outstanding	68,944	69,301	69,651
Earnings per share attributable to controlling interest	\$ 2.19	\$ 1.97	\$ 1.66
Diluted			
Average common shares outstanding	71,664	71,314	70,252
Earnings per share attributable to controlling interest	\$ 2.11	\$ 1.91	\$ 1.65

See notes to consolidated financial statements.

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WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	2014	2013	2012
Net earnings	\$ 160,152	\$ 136,835	\$ 125,353
Other comprehensive income (loss):			
Foreign currency translation	7,618	5,393	(17,930)
Pension liability adjustment, net of tax	(1,044)	2,273	(9,241)
Cash flow hedges, net of tax	2,509	698	(318)
Other comprehensive income (loss)	9,083	8,364	(27,489)
Comprehensive income	169,235	145,199	97,864
Comprehensive income attributable to noncontrolling interest	9,480	406	6,631
Comprehensive income attributable to controlling interest	\$ 159,755	\$ 144,793	\$ 91,233

See notes to consolidated financial statements.

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WORTHINGTON INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(Dollars in thousands, except per share amounts)

	Common Shares		Controlling Interest			Total	Noncontrolling Interest	Total
	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss), Net of Tax	Retained Earnings			
Balance at May 31, 2011	71,683,876	-	181,525	3,975	504,410	689,910	50,793	740,703
Net earnings	-	-	-	-	115,595	115,595	9,758	125,353
Other comprehensive loss	-	-	-	(24,362)	-	(24,362)	(3,127)	(27,489)
Acquisition of PSI Energy Solutions	-	-	-	-	-	-	2,333	2,333
Common shares issued	689,463	-	11,428	-	-	11,428	-	11,428
Stock-based compensation	-	-	11,462	-	-	11,462	-	11,462
Purchases and retirement of common shares	(4,466,970)	-	(12,077)	-	(61,341)	(73,418)	-	(73,418)
Payments to noncontrolling interest	-	-	-	-	-	-	(9,494)	(9,494)
Cash dividends declared (\$0.48 per share)	-	-	-	-	(33,441)	(33,441)	-	(33,441)
Balance at May 31, 2012	67,906,369	-	192,338	(20,387)	525,223	697,174	50,263	747,437
Net earnings	-	-	-	-	136,442	136,442	393	136,835
Other comprehensive income	-	-	-	8,351	-	8,351	13	8,364
Common shares issued	2,771,042	-	37,914	-	-	37,914	-	37,914
Stock-based compensation	-	-	17,829	-	-	17,829	-	17,829
Purchases and retirement of common shares	(925,000)	-	(3,217)	-	(27,200)	(30,417)	-	(30,417)
Payments to noncontrolling interest	-	-	-	-	-	-	(9,254)	(9,254)
Cash dividends declared (\$0.52 per share)	-	-	-	-	(36,471)	(36,471)	-	(36,471)
Balance at May 31, 2013	69,752,411	\$ -	\$ 244,864	\$ (12,036)	\$ 597,994	\$ 830,822	\$ 41,415	\$ 872,237
Net earnings	-	-	-	-	151,300	151,300	8,852	160,152
Other comprehensive income	-	-	-	8,455	-	8,455	628	9,083
Acquisitions	-	-	-	-	-	-	84,144	84,144
Common shares issued	1,036,573	-	4,618	-	-	4,618	-	4,618
Stock-based compensation	-	-	25,651	-	-	25,651	-	25,651
Purchases and retirement of common shares	(3,380,500)	-	(12,523)	-	(115,695)	(128,218)	-	(128,218)
Payments to noncontrolling interest	-	-	-	-	-	-	(40,969)	(40,969)
Cash dividends declared (\$0.60 per share)	-	-	-	-	(41,816)	(41,816)	-	(41,816)
Balance at May 31, 2014	67,408,484	\$ -	\$ 262,610	\$ (3,581)	\$ 591,783	\$ 850,812	\$ 94,070	\$ 944,882

See notes to consolidated financial statements.

Table of Contents**WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Fiscal Years Ended May 31,		
	2014	2013	2012
Operating activities:			
Net earnings	\$ 160,152	\$ 136,835	\$ 125,353
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	79,730	66,469	55,873
Impairment of long-lived assets	58,246	6,488	355
Provision for deferred income taxes	(25,916)	1,798	775
Bad debt expense	32	783	339
Equity in net income of unconsolidated affiliates, net of distributions	(15,333)	(10,948)	(1,019)
Net loss (gain) on sale of assets	(11,212)	1,121	(5,918)
Stock-based compensation	22,017	13,270	11,742
Excess tax benefits stock-based compensation	(8,880)	(5,183)	(578)
Gain on previously held equity interest in TWB	(11,000)	-	-
Changes in assets and liabilities, net of impact of acquisitions:			
Receivables	(49,206)	18,801	956
Inventories	(38,010)	77,115	17,310
Prepaid expenses and other current assets	(2,921)	871	8,478
Other assets	(5,278)	4,636	4,141
Accounts payable and accrued expenses	69,682	(47,483)	(45,847)
Other liabilities	6,943	8,404	1,689
Net cash provided by operating activities	229,046	272,977	173,649
Investing activities:			
Investment in property, plant and equipment	(71,338)	(44,588)	(31,713)
Acquisitions, net of cash acquired	(11,517)	(175,225)	(239,851)
Distributions from unconsolidated affiliates	9,223	863	45,879
Proceeds from sale of assets and insurance	27,438	16,974	37,089
Net cash used by investing activities	(46,194)	(201,976)	(188,596)
Financing activities:			
Net proceeds from (payments of) short-term borrowings	(103,618)	(168,446)	97,626
Proceeds from long-term debt	247,566	150,000	5,880
Principal payments on long-term debt	(1,219)	(1,480)	(342)
Proceeds from issuance of common shares	4,618	37,914	11,116
Excess tax benefits stock-based compensation	8,880	5,183	578
Payments to noncontrolling interest	(40,969)	(9,254)	(9,494)
Repurchase of common shares	(128,218)	(30,417)	(73,418)
Dividends paid	(31,198)	(44,144)	(32,138)
Net cash used by financing activities	(44,158)	(60,644)	(192)
Increase (decrease) in cash and cash equivalents	138,694	10,357	(15,139)
Cash and cash equivalents at beginning of year	51,385	41,028	56,167
Cash and cash equivalents at end of year	\$ 190,079	\$ 51,385	\$ 41,028

See notes to consolidated financial statements.

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WORTHINGTON INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Years Ended May 31, 2014, 2013 and 2012

Note A Summary of Significant Accounting Policies

Consolidation: The consolidated financial statements include the accounts of Worthington Industries, Inc. and consolidated subsidiaries (collectively, we, our, Worthington, or the Company). Investments in unconsolidated affiliates are accounted for using the equity method. Significant intercompany accounts and transactions are eliminated.

Worthington Aritas Basınçlı Kaplar Sanayi (Worthington Aritas), Spartan Steel Coating, LLC (Spartan), TWB Company, L.L.C. (TWB), Worthington Energy Innovations, LLC (WEI), and Worthington Nitin Cylinders Limited (Worthington Nitin Cylinders) in which we own controlling interests of 75%, 52%, 55%, 75%, and 60%, respectively, are consolidated with the equity owned by the other joint venture members shown as noncontrolling interest in our consolidated balance sheets, and the other joint venture members' portion of net earnings and other comprehensive income shown as net earnings or comprehensive income attributable to noncontrolling interest in our consolidated statements of earnings and consolidated statements of comprehensive income, respectively.

On July 21, 2014, Severstal, the other member of our Spartan joint venture, announced that it had signed an agreement to sell certain steelmaking assets as well as its interests in three joint ventures, including Spartan, to AK Steel.

As more fully described in Note O Acquisitions , on July 31, 2013, we purchased an additional 10% interest in TWB for \$17,869,000, increasing our ownership to a 55% controlling interest. As a result, TWB's results have been consolidated within the Steel Processing operating segment since the acquisition date.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories: Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out method for all inventories. We believe our inventories were valued appropriately as of May 31, 2014 and May 31, 2013.

Derivative Financial Instruments: We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk and commodity price risk. All derivative instruments are accounted for using mark-to-market accounting. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. Gains and losses on fair value hedges are recognized in current period earnings in the same line as the underlying hedged item. The effective portion of gains and losses on cash flow hedges is deferred as a component of accumulated other comprehensive income (AOCI) and recognized in earnings at the time the hedged item affects earnings, in the same financial statement caption as the underlying hedged item. Ineffectiveness of the hedges during the fiscal year ended May 31, 2014 (fiscal 2014), the fiscal year ended May 31, 2013 (fiscal 2013) and the fiscal year ended May 31, 2012 (fiscal 2012) was immaterial. Classification in the consolidated statements of earnings of gains and losses related to derivative instruments that do not qualify for hedge accounting is determined based on the underlying intent of the instruments. Cash flows related to derivative instruments are generally classified as operating activities in our consolidated statements of cash flows.

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In order for hedging relationships to qualify for hedge accounting under current accounting guidance, we formally document each hedging relationship and its risk management objective. This documentation includes the hedge strategy, the hedging instrument, the hedged item, the nature of the risk being hedged, how hedge effectiveness will be assessed prospectively and retrospectively as well as a description of the method used to measure hedge ineffectiveness.

Derivative instruments are executed only with highly rated financial institutions. No credit loss is anticipated on existing instruments, and no such material losses have been experienced to date. We monitor our positions, as well as the credit ratings of counterparties to those positions.

We discontinue hedge accounting when it is determined that the derivative instrument is no longer effective in offsetting the hedged risk, expires or is sold, is terminated or is no longer designated as a hedging instrument because it is unlikely that a forecasted transaction will occur or we determine that designation of the hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative instrument is retained, we continue to carry the derivative instrument at its fair value on the consolidated balance sheet and recognize any subsequent changes in its fair value in net earnings immediately. When it is probable that a forecasted transaction will not occur, we discontinue hedge accounting and immediately recognize the gains and losses that were accumulated in AOCI.

Refer to Note P Derivative Instruments and Hedging Activities for additional information regarding the consolidated balance sheet location and the risk classification of our derivative instruments.

Risks and Uncertainties: As of May 31, 2014, we, together with our unconsolidated affiliates, operated 80 production facilities in 25 states and 10 countries. A total of 34 of these facilities relate to wholly-owned and consolidated subsidiaries of the Company. The remaining facilities are operated by our consolidated and unconsolidated joint ventures. As of May 31, 2014, we held equity positions in 13 joint ventures, of which five are consolidated. Our largest market is the automotive market, which comprised 36% of consolidated net sales in fiscal 2014. Our foreign operations represented 7% of consolidated net sales, (2)% of pre-tax earnings attributable to controlling interest, and 15% of consolidated net assets as of and for the year ended May 31, 2014. As of May 31, 2014, approximately 4% of our consolidated labor force was represented by collective bargaining agreements. The concentration of credit risks from financial instruments related to the markets we serve is not expected to have a material adverse effect on our consolidated financial position, cash flows or future results of operations.

In fiscal 2014, our largest customer accounted for approximately 8% of our consolidated net sales, and our ten largest customers accounted for approximately 31% of our consolidated net sales. A significant loss of, or decrease in, business from any of these customers could have an adverse effect on our sales and financial results if we cannot obtain replacement business. Also, due to consolidation within the industries we serve, including the construction, automotive and retail industries, our sales may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments with respect to, one or more of our largest customers.

Our principal raw material is flat-rolled steel, which we purchase from multiple primary steel producers. The steel industry as a whole has been cyclical, and at times availability and pricing can be volatile due to a number of factors beyond our control. This volatility can significantly affect our steel costs. In an environment of increasing prices for steel and other raw materials, in general, competitive conditions may impact how much of the price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, our financial results could be adversely affected. Also, if steel prices decrease, in general, competitive conditions may impact how quickly we must reduce our prices to our customers and we could be forced to use higher-priced raw materials to complete orders for which the selling prices have decreased. Declining steel prices could also require us to write-down the value of our inventories to reflect current market pricing. Further, the number of suppliers has decreased in recent years

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due to industry consolidation and the financial difficulties of certain suppliers, and consolidation may continue. Accordingly, if delivery from a major steel supplier is disrupted, it may be more difficult to obtain an alternative supply than in the past.

Receivables: We review our receivables on an ongoing basis to ensure that they are properly valued and collectible. This is accomplished through two contra-receivable accounts: returns and allowances and allowance for doubtful accounts. Returns and allowances, including limited warranties on certain products, are used to record estimates of returns or other allowances resulting from quality, delivery, discounts or other issues affecting the value of receivables. This account is estimated based on historical trends and current market conditions, with the offset to net sales. The portion of the liability related to product warranties was immaterial at May 31, 2014 and May 31, 2013.

The allowance for doubtful accounts is used to record the estimated risk of loss related to the customers' inability to pay. This allowance is maintained at a level that we consider appropriate based on factors that affect collectability, such as the financial health of our customers, historical trends of charge-offs and recoveries and current economic and market conditions. As we monitor our receivables, we identify customers that may have payment problems, and we adjust the allowance accordingly, with the offset to selling, general and administrative (SG&A) expense. Account balances are charged off against the allowance when recovery is considered remote. The allowance for doubtful accounts decreased approximately \$365,000 during fiscal 2014 to \$3,043,000.

While we believe our allowances are adequate, changes in economic conditions, the financial health of customers and bankruptcy settlements could impact our future earnings. If the economic environment and market conditions deteriorate, particularly in the automotive and construction end markets where our exposure is greatest, additional reserves may be required.

Property and Depreciation: Property, plant and equipment are carried at cost and depreciated using the straight-line method. Buildings and improvements are depreciated over 10 to 40 years and machinery and equipment over 3 to 20 years. Depreciation expense was \$62,344,000, \$56,002,000, and \$50,644,000 during fiscal 2014, fiscal 2013 and fiscal 2012, respectively. The increase in depreciation expense in fiscal 2014 resulted from the impact of acquisitions. Accelerated depreciation methods are used for income tax purposes.

Goodwill and Other Long-Lived Assets: We use the purchase method of accounting for all business combinations and recognize amortizable intangible assets separately from goodwill. The acquired assets and assumed liabilities in an acquisition are measured and recognized based on their estimated fair values at the date of acquisition, with goodwill representing the excess of the purchase price over the fair value of the identifiable net assets. A bargain purchase may occur, wherein the fair value of identifiable net assets exceeds the purchase price, and a gain is then recognized in the amount of that excess. Goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate that impairment may be present. Application of goodwill impairment testing involves judgment, including but not limited to, the identification of reporting units and estimation of the fair value of each reporting unit. A reporting unit is defined as an operating segment or one level below an operating segment. We test goodwill at the operating segment level as we have determined that the characteristics of the reporting units within each operating segment are similar and allow for their aggregation in accordance with the applicable accounting guidance.

The goodwill impairment test consists of comparing the fair value of each operating segment, determined using discounted cash flows, to each operating segment's respective carrying value. If the estimated fair value of an operating segment exceeds its carrying value, there is no impairment. If the carrying amount of the operating segment exceeds its estimated fair value, a goodwill impairment is indicated. The amount of the impairment is determined by comparing the fair value of the net assets of the operating

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segment, excluding goodwill, to its estimated fair value, with the difference representing the implied fair value of the goodwill. If the implied fair value of the goodwill is lower than its carrying value, the difference is recorded as an impairment charge in our consolidated statements of earnings.

We performed our annual impairment evaluation of goodwill and other indefinite-lived intangible assets during the fourth quarter of fiscal 2014 and fiscal 2013 and concluded that the fair value of each reporting unit exceeded its carrying value; therefore, no impairment charges were recognized. As expected, the estimated fair value of the Engineered Cabs operating segment, which was formed in fiscal 2012 as a result of the acquisition of Worthington Industries Engineered Cabs, formerly Angus Industries, Inc., exceeded its carrying value by less than 10%. A 100 basis point decrease in the projected long-term growth rate for this operating segment could decrease the fair value by enough to result in some impairment based on the current forecast model. A 100 basis point decrease in the discount rate would have the opposite impact by increasing the valuation such that it would be greater than 10% of the carrying value. Future declines in the market and deterioration in earnings could lead to a step 2 calculation to quantify a potential impairment. The Engineered Cabs operating segment had goodwill totaling \$44,933,000 at May 31, 2014.

We review the carrying value of our long-lived assets, including intangible assets with finite useful lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. Impairment testing involves a comparison of the sum of the undiscounted future cash flows of the asset or asset group to its respective carrying amount. If the sum of the undiscounted future cash flows exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the sum of the undiscounted future cash flows, then a second step is performed to determine the amount of impairment, if any, to be recognized. The loss recognized is equal to the amount that the carrying value of the asset or asset group exceeds fair value.

Our impairment testing for both goodwill and other long-lived assets, including intangible assets with finite useful lives, is largely based on cash flow models that require significant judgment and require assumptions about future volume trends, revenue and expense growth rates; and, in addition, external factors such as changes in economic trends and cost of capital. Significant changes in any of these assumptions could impact the outcomes of the tests performed. See Note C Goodwill and Other Long-Lived Assets for additional details regarding these assets and related impairment testing.

Leases: Certain lease agreements contain fluctuating or escalating payments and rent holiday periods. The related rent expense is recorded on a straight-line basis over the length of the lease term. Leasehold improvements made by the lessee, whether funded by the lessee or by landlord allowances or incentives, are recorded as leasehold improvement assets and will be amortized over the shorter of the economic life or the lease term. These incentives are also recorded as deferred rent and amortized as reductions in rent expense over the lease term.

Stock-Based Compensation: At May 31, 2014, we had stock-based compensation plans for our employees as well as our non-employee directors as described more fully in Note J Stock-Based Compensation. All share-based awards, including grants of stock options and restricted common shares, are recorded as expense in the consolidated statements of earnings based on their grant-date fair values.

Revenue Recognition: We recognize revenue upon transfer of title and risk of loss provided evidence of an arrangement exists, pricing is fixed and determinable and the ability to collect is probable. We provide, through charges to net sales, for returns and allowances based on experience and current customer activities. We also provide, through charges to net sales, for customer rebates and sales discounts based on specific agreements and recent and anticipated levels of customer activity. In circumstances where the collection of payment is not probable at the time of shipment, we defer recognition of revenue until payment is collected.

Advertising Expense: We expense advertising costs as incurred. Advertising expense was \$6,788,000, \$6,179,000, and \$4,788,000 for fiscal 2014, fiscal 2013, and fiscal 2012, respectively.

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Shipping and Handling Fees and Costs: Shipping and handling fees billed to customers are included in net sales, and shipping and handling costs incurred are included in cost of goods sold.

Environmental Costs: Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, and/or mitigate or prevent contamination from future operations. Costs related to environmental contamination treatment and clean up are charged to expense.

Statements of Cash Flows: Supplemental cash flow information was as follows for the fiscal years ended May 31:

(in thousands)	2014	2013	2012
Interest paid, net of amount capitalized	\$ 24,199	\$ 22,614	\$ 18,281
Income taxes paid, net of refunds	81,997	64,260	46,445

We use the cumulative earnings approach for determining cash flow presentation of distributions from our unconsolidated joint ventures. Distributions received are included in our consolidated statements of cash flows as operating activities, unless the cumulative distributions exceed our portion of the cumulative equity in the net earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in our consolidated statements of cash flows.

Income Taxes: We account for income taxes using the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax basis and the financial reporting basis of our assets and liabilities. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that all, or a portion, of the deferred tax assets will not be realized. We provide a valuation allowance for deferred income tax assets when it is more likely than not that a portion of such deferred income tax assets will not be realized.

Tax benefits from uncertain tax positions that are recognized in the consolidated financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

We have reserves for taxes and associated interest and penalties that may become payable in future years as a result of audits by taxing authorities. It is our policy to record these in income tax expense. While we believe the positions taken on previously filed tax returns are appropriate, we have established the tax and interest reserves in recognition that various taxing authorities may challenge our positions. The tax reserves are analyzed periodically, and adjustments are made as events occur to warrant adjustment to the reserves, such as lapsing of applicable statutes of limitations, conclusion of tax audits, additional exposure based on current calculations, identification of new issues and release of administrative guidance or court decisions affecting a particular tax issue.

Self-Insurance Reserves: We are largely self-insured with respect to workers' compensation, general and automobile liability, property damage, employee medical claims and other potential losses. In order to reduce risk and better manage our overall loss exposure, we purchase stop-loss insurance that covers individual claims in excess of the deductible amounts. We maintain reserves for the estimated cost to settle open claims, which includes estimates of legal costs expected to be incurred, as well as an estimate of the cost of claims that have been incurred but not reported. These estimates are based on actuarial valuations that take into consideration the historical average claim volume, the average cost for settled claims, current trends in claim costs, changes in our business and workforce, general economic factors and other assumptions believed to be reasonable under the circumstances. The estimated reserves for these liabilities could be affected if future occurrences and claims differ from assumptions used and historical trends.

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Recently Issued Accounting Standards: In December 2011, new accounting guidance was issued that establishes certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. The new disclosures are required for annual reporting periods beginning on or after January 1, 2013, and interim periods within those periods. The adoption of this amended accounting guidance effective June 1, 2013 did not have a material impact on our financial position or results of operations.

In July 2012, amended accounting guidance was issued that simplifies how an entity tests indefinite-lived intangible assets for impairment. The amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. An entity is no longer required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative test unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amended guidance is effective for interim and annual indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this amended accounting guidance effective June 1, 2013 did not have a material impact on our financial position or results of operations.

In March 2013, amended accounting guidance was issued regarding the accounting for cumulative translation adjustment. The amended guidance specifies that a cumulative translation adjustment should be released from earnings when an entity ceases to have a controlling financial interest in a subsidiary or a group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For sales of an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment attributable to the investment would be recognized in earnings upon sale of the investment. The amended guidance is effective prospectively for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2013. Early adoption is permitted. We do not expect the adoption of this amended accounting guidance to have a material impact on our financial position or results of operations.

In April 2014, amended accounting guidance was issued that updates the definition of discontinued operations from current U.S. GAAP. Going forward only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. Currently, a component of an entity that is a reportable segment, an operating segment, a reporting unit, a subsidiary, or an asset group is eligible for discontinued operations presentation. Additionally, the existing condition that the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction has been removed. The amended guidance is effective for applicable transactions that occur within annual periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. We adopted this amended guidance upon issuance, which did not have an impact on our financial position or results of operations.

In May 2014, amended accounting guidance was issued that replaces most existing revenue recognition guidance under U.S. GAAP. The amended guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The amended guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are in the process of evaluating the effect this guidance will have on our financial position and results of operations. The amended guidance permits the use of either the retrospective or cumulative effect transition method. We have not selected a transition method nor have we determined the effect of the amended guidance on our ongoing financial reporting.

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Note B Investments in Unconsolidated Affiliates

At May 31, 2014, equity investments and the percentage interests owned consisted of the following (in alphabetic order): ArtiFlex Manufacturing, LLC (ArtiFlex) (50%), ClarkDietrich (25%), Samuel Steel Pickling Company (31.25%), Serviacero Planos, S. de R. L. de C.V. (Serviacero) (50%), Worthington Armstrong Venture (WAVE) (50%), Worthington Modern Steel Framing Manufacturing Co., Ltd. (WMSFMCo.) (40%), Worthington Specialty Processing (WSP) (51%), and Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. (10%). WSP is considered to be jointly controlled and not consolidated due to substantive participating rights of the minority partner.

On October 18, 2013, we finalized an agreement with Nisshin Steel Co., Ltd. and Marubeni-Itochu Steel Inc. to form Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. We own a 10% interest in the joint venture with the option to increase our ownership interest to 34%. The joint venture will construct a plant in Zhejiang Province in the People's Republic of China that will produce cold-rolled strip steel primarily for the automotive industry.

During the second quarter of fiscal 2014, we dissolved our wind tower joint venture, Gestamp Worthington Wind Steel, LLC, due to the volatile political environment in the United States, particularly in regards to the Federal Production Tax Credit. This event did not have a material impact on our financial position or results of operations.

On July 31, 2013, we acquired an additional 10% interest in our laser welded blank joint venture, TWB, increasing our ownership to a 55% controlling interest. Since that date, TWB's results have been consolidated within Steel Processing versus reported in equity in net income of unconsolidated affiliates. For additional information, refer to Note O Acquisitions.

During the fourth quarter of fiscal 2013, we determined our 40% ownership interest in our construction joint venture in China, WMSFMCo., was other than temporarily impaired due to current and projected operating losses. As a result, an impairment charge of \$4,751,000, representing the carrying value of the investment, was recognized within equity income in our consolidated statement of earnings.

During January 2012, we sold our 49% equity interest in LEFCO Worthington, LLC, to the other member of the joint venture. The impact of this transaction was immaterial.

We received distributions from unconsolidated affiliates totaling \$85,346,000, \$84,539,000, and \$138,471,000 in fiscal 2014, fiscal 2013 and fiscal 2012, respectively, including a special dividend of \$50,000,000 in connection with a refinancing transaction completed by WAVE in December 2011. We have received cumulative distributions from WAVE in excess of our investment balance, which resulted in an amount recorded within other liabilities on our consolidated balance sheets of \$59,287,000 and \$63,187,000 at May 31, 2014 and 2013, respectively. In accordance with the applicable accounting guidance, we reclassified the negative balance to the liability section of our consolidated balance sheet. We will continue to record our equity in the net income of WAVE as a debit to the investment account, and if it becomes positive, it will again be shown as an asset on our consolidated balance sheet. If it becomes probable that any excess distribution may not be returned (upon joint venture liquidation or otherwise), we will recognize any balance classified as a liability as income immediately.

We use the cumulative earnings approach for determining cash flow presentation of distributions from our unconsolidated joint ventures. Distributions received are included in our consolidated statements of cash flows as operating activities, unless the cumulative distributions exceed our portion of the cumulative equity in the net earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in our consolidated statements of cash flows. During fiscal 2014, we received excess distributions from ClarkDietrich of \$9,223,000.

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The following table presents combined information of the financial position for the affiliated companies accounted for using the equity method as of May 31, 2014 and 2013:

(in thousands)	2014	2013
Cash	\$ 52,997	\$ 70,380
Receivable from partner (1)	12,717	69,706
Other current assets	454,417	518,262
Noncurrent assets	294,001	350,681
Total assets	\$ 814,132	\$ 1,009,029
Current liabilities	\$ 128,595	\$ 181,111
Short-term borrowings	40,992	21,369
Current maturities of long-term debt	4,510	5,442
Long-term debt	268,350	274,750
Other noncurrent liabilities	20,217	18,345
Equity	351,468	508,012
Total liabilities and equity	\$ 814,132	\$ 1,009,029

(1) Represents cash owed from a joint venture partner as a result of centralized cash management.

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The following table presents financial results of our three largest affiliated companies for the fiscal years ended May 31, 2014, 2013 and 2012. All other affiliated companies are combined and presented in the Other category.

(in thousands)	2014	2013	2012
Net sales			
WAVE	\$ 382,821	\$ 370,702	\$ 364,530
ClarkDietrich	549,267	547,971	564,624
TWB	54,003	344,065	312,943
Other	506,711	490,996	443,646
Total net sales	\$ 1,492,802	\$ 1,753,734	\$ 1,685,743
Gross margin			
WAVE	\$ 177,935	\$ 167,924	\$ 155,246
ClarkDietrich	73,803	75,580	61,703
TWB	6,109	41,116	40,098
Other	54,773	48,229	57,346
Total gross margin	\$ 312,620	\$ 332,849	\$ 314,393
Operating income			
WAVE	\$ 144,167	\$ 137,202	\$ 127,305
ClarkDietrich	27,918	35,024	27,094
TWB	4,273	28,241	28,141
Other	37,574	30,457	38,473
Total operating income	\$ 213,932	\$ 230,924	\$ 221,013
Depreciation and amortization			
WAVE	\$ 4,916	\$ 3,919	\$ 4,142
ClarkDietrich	16,253	18,173	14,271
TWB	880	5,123	3,259
Other	14,909	13,497	12,481
Total depreciation and amortization	\$ 36,958	\$ 40,712	\$ 34,153
Interest expense			
WAVE	\$ 6,464	\$ 6,280	\$ 3,427
ClarkDietrich	103	3	3
TWB	-	-	-
Other	2,655	2,611	2,617
Total interest expense	\$ 9,222	\$ 8,894	\$ 6,047
Income tax expense			
WAVE	\$ 3,606	\$ 2,451	\$ 2,789
ClarkDietrich	-	-	-
TWB	478	1,218	5,458
Other	5,770	3,187	6,867
Total income tax expense	\$ 9,854	\$ 6,856	\$ 15,114
Net earnings			

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WAVE	\$ 134,019	\$ 128,614	\$ 121,261
ClarkDietrich	27,837	35,005	27,203
TWB	4,023	27,931	22,952
Other	30,252	24,452	30,317
Total net earnings	\$ 196,131	\$ 216,002	\$ 201,733

The fluctuations in the financial information presented in the tables above were driven primarily by the consolidation of TWB effective July 31, 2013.

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At May 31, 2014, \$13,241,000 of our consolidated retained earnings represented undistributed earnings, net of tax, of our unconsolidated affiliates.

Note C Goodwill and Other Long-Lived Assets**Goodwill**

The following table summarizes the changes in the carrying amount of goodwill during fiscal 2014 and fiscal 2013 by reportable business segment:

(in thousands)	Pressure Cylinders	Engineered Cabs	Other	Total
Balance at May 31, 2012				
Goodwill	\$ 105,800	\$ 45,230	\$ 127,245	\$ 278,275
Accumulated impairment losses	-	-	(121,594)	(121,594)
	105,800	45,230	5,651	156,681
Acquisitions and purchase accounting adjustments	57,010	(297)	-	56,713
Divestitures	(1,131)	-	-	(1,131)
Translation adjustments	1,595	-	-	1,595
Balance at May 31, 2013				
Goodwill	163,274	44,933	127,245	335,452
Accumulated impairment losses	-	-	(121,594)	(121,594)
	163,274	44,933	5,651	213,858
Acquisitions and purchase accounting adjustments	36,033	-	-	36,033
Translation adjustments	1,202	-	-	1,202
Balance at May 31, 2014				
Goodwill	200,509	44,933	127,245	372,687
Accumulated impairment losses	-	-	(121,594)	(121,594)
	\$ 200,509	\$ 44,933	\$ 5,651	\$ 251,093

For additional information regarding the Company's acquisitions, refer to Note O Acquisitions.

Other Intangible Assets

Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives, which range from one to 20 years. The following table summarizes other intangible assets by class as of May 31, 2014 and 2013:

(in thousands)	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Indefinite-lived intangible assets:				
Trademarks	\$ 8,481	\$ -	\$ 27,581	\$ -

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Total indefinite-lived intangible assets	8,481	-	27,581	-
Definite-lived intangible assets:				
Patents and trademarks	\$ 4,696	148	\$ 15,111	2,201
Customer relationships	143,585	28,257	113,098	18,967
Non-compete agreements	10,733	4,263	11,669	3,427
Other	14,004	2,838	6,354	2,074
Total definite-lived intangible assets	173,018	35,506	146,232	26,669
Total intangible assets	\$ 181,499	\$ 35,506	\$ 173,813	\$ 26,669

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The increase in the carrying amount of other intangible assets resulted primarily from acquisitions completed during fiscal 2014 partially offset by impairment charges of \$30,734,000 related to certain trade name intangible assets impacted by the rebranding initiative described below. Impairment charges totaling \$19,100,000 related to indefinite-lived trade names intangible assets within Engineered Cabs and \$11,634,000 related to certain definite-lived trade names intangible assets within Pressure Cylinders.

Amortization expense of \$17,386,000, \$10,467,000, and \$5,229,000 was recognized during fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Amortization expense for each of the next five fiscal years is estimated to be:

(in thousands)	
2015	\$ 17,527
2016	\$ 16,888
2017	\$ 16,269
2018	\$ 15,836
2019	\$ 13,216

Other Long-Lived Assets

Fiscal 2014: During the fourth quarter of fiscal 2014, management committed to a plan to sell the Company's 60%-owned consolidated joint venture in India, Worthington Nitin Cylinders. As all of the criteria for classification as assets held for sale were met, the net assets of this business are presented separately as assets held for sale in our consolidated balance sheet as of May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group, or \$5,925,000, was lower than its net book value, an impairment charge of \$18,959,000 was recognized within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings. The portion of this impairment loss attributable to the noncontrolling interest of \$7,583,000 was recorded within net earnings attributable to noncontrolling interest in our fiscal 2014 consolidated statement of earnings.

During the fourth quarter of fiscal 2014, management committed to a plan to sell the Company's stainless steel business, Precision Specialty Metals, Inc. As all of the criteria for classification as assets held for sale were met, the net assets of this business are presented separately as assets held for sale in our consolidated balance sheet as of May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group, or \$19,115,000, was lower than its net book value, an impairment charge of \$7,141,000 was recognized within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

During the fourth quarter of fiscal 2014, we determined that indicators of impairment were present at the Company's aluminum high-pressure cylinder business in New Albany, Mississippi, due to current and projected operating losses. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value of \$7,034,000, resulting in an impairment charge of \$1,412,000 within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

During the second quarter of fiscal 2014, we committed to a re-branding initiative. Under the re-branding initiative, we re-branded substantially all of our businesses under the Worthington Industries name. In connection with the change in branding strategy, we discontinued the use of all non-Worthington trade names except those related to consumer products such as BernzOmatic® and Balloon Time® and those related

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to our joint ventures. As a result, we determined an impairment indicator was present for the trade names that have been or will be discontinued. As no future cash flows will be attributed to the impacted trade names, the entire book value was written-off, resulting in an impairment charge of \$30,734,000 within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

Fiscal 2013: During the fourth quarter of fiscal 2013, we determined that indicators of impairment were present at Worthington Nitin Cylinders due to current and projected operating losses. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value of \$6,856,000, resulting in an impairment charge of \$4,968,000 within impairment of long-lived assets in our fiscal 2013 consolidated statement of earnings. The portion of this impairment loss attributable to the noncontrolling interest, or \$1,987,000, was recorded within net earnings attributable to noncontrolling interest in our fiscal 2013 consolidated statement of earnings.

During the first quarter of fiscal 2013, management committed to a plan to sell the Company's pressure cylinders operations in Czech Republic. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group was lower than its net book value, an impairment charge of \$1,570,000 was recognized. On October 31, 2012, we completed the sale of this asset group to an unrelated third party resulting in a gain of approximately \$50,000. The combined impact of these items of \$1,520,000 is presented within impairment of long-lived assets in our fiscal 2013 consolidated statement of earnings.

Note D Restructuring and Other Expense (Income)

In fiscal 2008, we initiated a Transformation Plan (the "Transformation Plan") with the overall goal to improve our sustainable earnings potential, asset utilization and operational performance. The Transformation Plan focuses on cost reduction, margin expansion and organizational capability improvements and, in the process, seeks to drive excellence in three core competencies: sales; operations; and supply chain management. The Transformation Plan is comprehensive in scope and includes aggressive diagnostic and implementation phases. When this process began, we retained a consulting firm to assist in the development and implementation of the Transformation Plan. As the Transformation Plan progressed, we formed internal teams dedicated to this effort, and they ultimately assumed full responsibility for executing the Transformation Plan. Although the consulting firm was again engaged as we rolled out the Transformation Plan in our Pressure Cylinders operating segment, most of the work is now being done by our internal teams. These internal teams are now an integral part of our business and constitute what we refer to as the Centers of Excellence ("COE"). The COE will continue to monitor the performance metrics and new processes instituted across our transformed operations and drive continuous improvements in all areas of our operations. The expenses related to the COE have been included in selling, general and administrative ("SG&A") expense since the beginning of fiscal 2013.

To date, we have completed the transformation phases in each of the core facilities within our Steel Processing operating segment, including the facilities of our Mexican joint venture, Serviacerro. We also substantially completed the transformation phases at our metal framing facilities prior to their contribution to ClarkDietrich. Transformation efforts within our Pressure Cylinders and Engineered Cabs operating segments, which began during the first quarter of fiscal 2012 and the first quarter of fiscal 2013, respectively, are ongoing.

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A progression of the liabilities associated with our restructuring activities, combined with a reconciliation to the restructuring and other expense (income) financial statement caption in our consolidated statement of earnings for fiscal 2014, is summarized as follows:

(in thousands)	Beginning Balance	Expense	Payments	Adjustments	Ending Balance
Early retirement and severance	\$ 5,029	\$ 6,236	\$ (4,703)	\$ (67)	\$ 6,495
Facility exit and other costs	1,200	2,477	(3,021)	(122)	534
	\$ 6,229	8,713	\$ (7,724)	\$ (189)	\$ 7,029
Net gain on sale of assets		(10,589)			
Less: joint venture transactions		(1,036)			
Restructuring and other income		\$ (2,912)			

Approximately \$6,399,000 of the total liability shown in the table above is expected to be paid in the next twelve months. The remaining liability, which consists of certain severance benefits, will be paid through September 2016.

During fiscal 2014, the following actions were taken in connection with the Transformation Plan:

In connection with the wind-down of our former Metal Framing operating segment, we recognized \$924,000 of facility exit and other costs and a loss of \$112,000 related to the sale of certain retained assets. These costs were recognized within the joint venture transactions financial statement caption in our consolidated statement of earnings to correspond with amounts previously recognized in connection with the formation of ClarkDietrich and the subsequent wind-down of our former Metal Framing operating segment.

In connection with the closure of our commercial stairs business, we incurred facility exit charges of \$652,000.

In connection with the consolidation of the BernzOmatic hand torch manufacturing operation in Medina, New York into the existing Pressure Cylinders facility in Chilton, Wisconsin, we recognized an additional accrual of \$578,000 for expected employee severance costs and \$377,000 of facility exit costs. During the fourth quarter of fiscal 2013, we had recognized a \$2,488,000 accrual for expected severance costs related to this matter.

On June 30, 2013, the Company completed the sale of Integrated Terminals, its warehouse facility in Detroit, Michigan, for cash proceeds of \$7,457,000, resulting in a gain of \$4,762,000.

On November 12, 2013, the Company entered into an agreement to sell the operating assets related to its steel high pressure and acetylene cylinders business in North America, resulting in a gain of \$5,939,000. In connection with this transaction, the Company recognized a \$3,714,000 accrual for expected severance costs and incurred facility exit charges of \$524,000.

On December 10, 2013, the Company announced the closure of its Baltimore steel facility, which ceased operations in May 2014. The Company is in the process of shipping the remaining inventory at the Baltimore facility to other Worthington locations and expects to completely exit the facility before the end of the first quarter of fiscal 2015. In connection with this matter, the Company recognized an accrual of \$1,380,000 for expected severance costs.

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During May 2014, the Company completed the closure of its Mid-Rise construction business. In connection with this matter, the Company recognized an accrual of \$564,000 for expected severance costs.

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A progression of the liabilities associated with our restructuring activities, combined with a reconciliation to the restructuring and other expense financial statement caption in our consolidated statement of earnings for fiscal 2013, is summarized as follows:

(in thousands)	Beginning Balance	Expense	Payments	Adjustments	Ending Balance
Early retirement and severance	\$ 4,892	\$ 2,228	\$ (2,388)	\$ 297	\$ 5,029
Facility exit and other costs	691	2,347	(2,378)	540	1,200
	\$ 5,583	4,575	\$ (4,766)	\$ 837	\$ 6,229
Net gain on sale of assets		(1,886)			
Less: joint venture transactions		604			
Restructuring and other expense		\$ 3,293			

During fiscal 2013, the following actions were taken in connection with the Transformation Plan:

In connection with the wind-down of our former Metal Framing operating segment:

Approximately \$1,546,000 of facility exit and other costs were incurred in connection with the closure of certain facilities that were retained.

The severance accrual was adjusted downward, resulting in a \$264,000 credit to earnings.

Certain assets classified as held for sale were disposed of for cash proceeds of \$5,637,000 resulting in a net gain of \$1,886,000.

These items were recognized within the joint venture transactions financial statement caption in our consolidated statement of earnings to correspond with amounts previously recognized in connection with the formation of ClarkDietrich and the subsequent wind-down of our former Metal Framing operating segment.

In connection with the closure of our commercial stairs business, we incurred net charges of approximately \$1,530,000, consisting of \$1,624,000 of facility exit and other costs and a \$94,000 credit to severance expense.

In connection with certain organizational changes impacting our former Global Group operating segment, we accrued approximately \$98,000 of employee severance.

In connection with the sale of our Pressure Cylinders operations in Czech Republic, we recognized approximately \$177,000 of facility exit and other costs.

In connection with the previously-announced consolidation of the BernzOmatic hand torch manufacturing operation in Medina, New York into the existing Pressure Cylinders facility in Chilton, Wisconsin, we recognized a \$2,488,000 accrual for expected employee

severance costs.

Note E Contingent Liabilities and Commitments

Legal Proceedings

On August 5, 2013, we tendered to our excess loss carrier, who accepted the tender, a wrongful death claim against the Company involving a MAPP gas cylinder. Pursuant to the tender and its acceptance, our overall exposure related to this matter was limited to \$2,000,000. As a result, a pre-tax charge of \$2,000,000 was recorded within SG&A expense during fiscal 2014.

On January 27, 2012, the Fifth Appellate District of the Ohio Court of Appeals upheld a lower court ruling against the Company for professional negligence regarding the wrongful death of an employee of a third-party freight company. The lower court's ruling awarded damages to the plaintiff of approximately

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\$3,700,000; however, our overall exposure related to this matter was limited under our stop-loss insurance policy. As a result, we accrued an additional pre-tax charge of \$1,500,000, which was recorded within SG&A expense during fiscal 2012.

On July 1, 2011, in connection with the acquisition of the BernzOmatic business (Bernz) of Irwin Industrial Tool Company, a subsidiary of Newell Rubbermaid, Inc., we settled a dispute over our early termination of a supply contract for \$10,000,000. Reserves previously recognized in connection with this matter totaled \$14,402,000.

We are defendants in certain other legal actions. In the opinion of management, the outcome of these actions, which is not clearly determinable at the present time, would not significantly affect our consolidated financial position or future results of operations. We also believe that environmental issues will not have a material effect on our capital expenditures, consolidated financial position or future results of operations.

Pressure Cylinders Voluntary Product Recall

On January 10, 2012, we announced a voluntary recall of our MAP-PRO[®], propylene and MAAP[®] cylinders and related hand torch kits. The recall was precautionary in nature and involved a valve supplied by a third party that may leak when a torch or hose is disconnected from the cylinder. We incurred \$9,671,000 of expenses related to the recall during fiscal 2012. Due to higher product returns than initially anticipated, we incurred additional expenses of \$2,571,000 related to the recall during fiscal 2013. During the fourth quarter of fiscal 2014, we settled a legal dispute with the third party supplier, which resulted in a net gain of \$3,951,000 within SG&A expense.

Royalty Agreements

In connection with the acquisition of the propane fuel cylinders business of The Coleman Company, Inc. (Coleman Cylinders), we executed a trademark license agreement whereby we are required to make minimum annual royalty payments of \$2,000,000 in exchange for the exclusive right to use certain Coleman trademarks within the United States and Canada in connection with our operation of the acquired business.

Insurance Recoveries

On August 19, 2013, a fire occurred at our Pressure Cylinders facility in Kienberg, Austria, in the building that houses the massing process in the production of acetylene cylinders. The other portions of the Austrian facility were not damaged; however, the massing building sustained extensive damage and was rendered inoperable. Additionally, we have incurred and will continue to incur incremental business interruption costs. The Company has business interruption and property damage insurance and, as a result, the fire did not have a material adverse impact on the Company's financial results.

The Company has received proceeds of \$5,645,000 for the property portion of the claim, representing advance payments for the replacement value of the damaged property and equipment. These proceeds were in excess of the \$145,000 remaining book value of the assets, resulting in a gain of \$5,500,000. This gain was recorded within miscellaneous income in our consolidated statement of earnings for fiscal 2014. We will continue to receive payments from the insurance company for the replacement value of the property and equipment throughout the rebuild process.

Total proceeds received related to the insurance claim since the date of loss have been as follows:

(in thousands)	
Property and equipment	\$ 5,645
Business interruption	2,868
Other expenses	745
Total insurance proceeds	\$ 9,258

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The proceeds for business interruption relate to the loss of profits from the date of the fire through April 30, 2014, and have been recorded as a reduction of manufacturing expense. The proceeds for other expenses represent reimbursement for incremental expenses related to the fire and were recorded as an offset to manufacturing expense.

Note F Guarantees

We do not have guarantees that we believe are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of May 31, 2014, we were party to an operating lease for an aircraft in which we have guaranteed a residual value at the termination of the lease. The maximum obligation under the terms of this guarantee was approximately \$13,019,000 at May 31, 2014. We have also guaranteed the repayment of a \$3,333,000 term loan held by one of our unconsolidated affiliates, ArtiFlex. Based on current facts and circumstances, we have estimated the likelihood of payment pursuant to these guarantees, and determined that the fair value of our obligation under each guarantee based on those likely outcomes is not material.

We also had in place \$14,332,000 of outstanding stand-by letters of credit issued to third-party service providers at May 31, 2014. The fair value of these guarantee instruments, based on premiums paid, was not material and no amounts were drawn against them at May 31, 2014.

Note G Debt and Receivables Securitization

The following table summarizes our long-term debt and short-term borrowings outstanding at May 31, 2014 and 2013:

(in thousands)	2014	2013
Short-term borrowings	\$ 10,362	\$ 113,728
Floating rate senior notes due December 17, 2014	100,000	100,000
6.50% senior notes due April 15, 2020	149,912	149,888
4.60% senior notes due August 10, 2024	150,000	150,000
4.55% senior notes due April 15, 2026	249,472	-
Industrial revenue bonds due April 2019	2,024	2,084
Secured term loan	4,235	5,036
Other	320	320
Total debt	666,325	521,056
Less: current maturities and short-term borrowings	111,535	114,820
Total long-term debt	\$ 554,790	\$ 406,236

Short-term borrowings at May 31, 2014 consisted of \$4,437,000 outstanding under a credit facility maintained by our consolidated affiliate, Worthington Aritas, that bears interest at a fixed rate of 5.60%, and \$5,925,000 outstanding under a \$9,500,000 credit facility maintained by our consolidated affiliate, Worthington Nitin Cylinders, that matures in November 2014 and bears interest at a variable rate. The applicable variable rate was 7.52% at May 31, 2014.

We maintain a \$100,000,000 revolving trade accounts receivable securitization facility that expires in January 2015 (the AR Facility). The AR Facility was available throughout fiscal 2014 and fiscal 2013. Pursuant to the terms of the AR Facility, certain of our subsidiaries sell their accounts receivable without recourse, on a revolving basis, to Worthington Receivables Corporation (WRC), a wholly-owned, consolidated, bankruptcy-remote subsidiary. In turn, WRC may sell without recourse, on a revolving basis, up to \$100.0 million of undivided ownership interests in this pool of accounts receivable to a multi-seller, asset-backed commercial

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paper conduit (the Conduit). Purchases by the Conduit are financed with the sale of A1/P1 commercial paper. We retain an undivided interest in this pool and are subject to risk of loss based on the collectability of the receivables from this retained interest. Because the amount eligible to be sold excludes receivables more than 90 days past due, receivables offset by an allowance for doubtful accounts due to bankruptcy or other cause, concentrations over certain limits with specific customers and certain reserve amounts, we believe additional risk of loss is minimal. The book value of the retained portion of the pool of accounts receivable approximates fair value. As of May 31, 2014, no undivided ownership interests in this pool of accounts receivable had been sold. Facility fees of \$652,000, \$983,000, and \$1,232,000 were incurred during fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

We maintain a \$425,000,000 multi-year revolving credit facility (the Credit Facility) with a group of lenders that matures in May 2017. Borrowings under the Credit Facility have maturities of less than one year and given that our intention has been to repay them within a year, they have been classified as short-term borrowings within current liabilities on our consolidated balance sheets. However, we can also extend the term of amounts borrowed by renewing these borrowings for the term of the Credit Facility. We have the option to borrow at rates equal to an applicable margin over the LIBOR, Prime or Fed Funds rates. The applicable margin is determined by our credit rating. The average variable rate was 1.20% at May 31, 2014; however, no borrowings were outstanding at May 31, 2014. As discussed in Note F Guarantees, we provided \$14,332,000 in letters of credit for third-party beneficiaries as of May 31, 2014. While not drawn against at May 31, 2014, \$11,732,000 of these letters of credit were issued against availability under the Credit Facility, leaving \$413,268,000 available under the Credit Facility at May 31, 2014.

At May 31, 2014, we had \$100,000,000 aggregate principal amount of unsecured floating rate senior notes outstanding, which are due on December 17, 2014 (the 2014 Notes) and bear interest at a variable rate equal to six-month LIBOR plus 80 basis points. However, we entered into an interest rate swap agreement whereby we receive interest on the \$100,000,000 notional amount at the six-month LIBOR rate and we pay interest on the same notional amount at a fixed rate of 4.46%, effectively fixing the interest rate at 5.26%. See Note P Derivative Instruments and Hedging Activities for additional information regarding this interest rate swap agreement.

On April 13, 2014, we issued \$250,000,000 aggregate principal amount of unsecured senior notes due on April 15, 2026 (the 2026 Notes). The 2026 Notes bear interest at a rate of 4.55%. The 2026 Notes were sold to the public at 99.789% of the principal amount thereof, to yield 4.573% to maturity. We used a portion of the net proceeds from the offering to repay borrowings then outstanding under both the Credit Facility and AR Facility. Approximately \$3,081,000, \$2,256,000 \$528,000 of the aggregate proceeds were allocated to the settlement of a derivative contract entered into in anticipation of the issuance of the 2026 Notes, debt issuance costs, and the debt discount, respectively. The debt discount, debt issuance costs and the loss on the derivative contract were recorded on the consolidated balance sheet as of May 31, 2014, within long-term debt as a contra-liability, short- and long-term other assets and AOCI, respectively. Each will be recognized, through interest expense, in our consolidated statements of earnings over the term of the 2026 Notes.

On August 10, 2012, we issued \$150,000,000 aggregate principal amount of unsecured senior notes due August 10, 2024 (the 2024 Notes). The 2024 Notes bear interest at a rate of 4.60%. The net proceeds from this issuance were used to repay a portion of the outstanding borrowings under our multi-year revolving credit facility and amounts outstanding under our revolving trade accounts receivable securitization facility.

On April 13, 2010, we issued \$150,000,000 aggregate principal amount of unsecured senior notes due on April 15, 2020 (the 2020 Notes). The 2020 Notes bear interest at a rate of 6.50%. The 2020 Notes were sold to the public at 99.890% of the principal amount thereof, to yield 6.515% to maturity. We used the net proceeds from the offering to repay a portion of the then outstanding borrowings under our multi-year revolving credit facility and amounts then outstanding under our revolving trade accounts receivable securitization facility. Approximately \$165,000, \$1,535,000 and \$1,358,000 of the aggregate proceeds were allocated to the debt discount, debt issuance costs, and the settlement of a derivative contract entered into in anticipation of the

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issuance of the 2020 Notes. The debt discount, debt issuance costs and the loss on the derivative contract were recorded on the consolidated balance sheets within long-term debt as a contra-liability, short- and long-term other assets and AOCI, respectively. Each will continue to be recognized, through interest expense, in our consolidated statements of earnings over the remaining term of the 2020 Notes.

In connection with the acquisition of Worthington Industries Engineered Cabs, formerly Angus Industries, Inc. (Angus), on December 29, 2011, we assumed industrial revenue bonds (IRBs) issued by the South Dakota Economic Development Finance Authority that mature in April 2019 and had an outstanding principal balance of \$2,024,000 at May 31, 2014. These IRBs require monthly payments of approximately \$31,000 and bear interest at rates between 2.75% and 5.00%.

Maturities on long-term debt and short-term borrowings in the next five fiscal years, and the remaining years thereafter, are as follows:

(in thousands)	
2015	\$ 111,535
2016	1,238
2017	1,274
2018	1,341
2019	1,130
Thereafter	550,423
Total	\$ 666,941

Note H Comprehensive Income

Other Comprehensive Income: The following table summarizes the tax effects of each component of other comprehensive income (loss) for the fiscal years ended May 31:

(in thousands)	2014			2013			2012		
	Before-Tax	Tax	Net-of-Tax	Before-Tax	Tax	Net-of-Tax	Before-Tax	Tax	Net-of-Tax
Foreign currency translation	\$ 7,618	-	\$ 7,618	\$ 5,393	-	\$ 5,393	\$ (17,930)	-	\$ (17,930)
Pension liability adjustment	(1,555)	511	(1,044)	3,688	(1,415)	2,273	(14,216)	4,975	(9,241)
Cash flow hedges	3,548	(1,039)	2,509	1,461	(763)	698	(636)	318	(318)
Other comprehensive income (loss)	\$ 9,611	\$ (528)	\$ 9,083	\$ 10,542	\$ (2,178)	\$ 8,364	\$ (32,782)	\$ 5,293	\$ (27,489)

Accumulated Other Comprehensive Income: The components of AOCI were as follows at May 31, 2014 and 2013:

(in thousands)		2014	2013
Foreign currency translation		\$ 11,015	\$ 4,025
Defined benefit pension liability, net of tax		(11,265)	(10,221)
Cash flow hedges, net of tax		(3,331)	(5,840)
Accumulated other comprehensive loss		\$ (3,581)	\$ (12,036)

Net losses of \$5,965,000 (net of tax of \$3,536,000), \$1,604,000 (net of tax of \$827,000), and \$1,245,000 (net of tax of \$794,000) were reclassified from AOCI for cash flow hedges in fiscal 2014, fiscal 2013, and fiscal 2012, respectively.

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The estimated net amount of the existing losses in AOCI at May 31, 2014 expected to be reclassified into net earnings within the succeeding twelve months is \$1,287,000 (net of tax of \$763,000). This amount was computed using the fair value of the cash flow hedges at May 31, 2014, and will change before actual reclassification from AOCI to net earnings during the fiscal year ending May 31, 2015.

Note I Equity

Preferred Shares: The Worthington Industries, Inc. Amended Articles of Incorporation authorize two classes of preferred shares and their relative voting rights. The Board of Directors of Worthington Industries, Inc. is empowered to determine the issue prices, dividend rates, amounts payable upon liquidation and other terms of the preferred shares when issued. No preferred shares are issued or outstanding.

Common Shares: On June 29, 2011, the Board of Directors authorized the repurchase of up to 10,000,000 of our outstanding common shares of which 1,722,332 remained available for repurchase at May 31, 2014. During fiscal 2014 and fiscal 2013, we paid \$128,218,000 and \$30,417,000 to repurchase 3,380,500 and 925,000 of our common shares, respectively, under this authorization.

On June 25, 2014, the Board of Directors authorized the repurchase of up to an additional 10,000,000 of our outstanding common shares, increasing the total number of common shares available for repurchase to 11,722,332.

The common shares available for repurchase under these authorizations may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other relevant considerations. Repurchases may be made on the open market or through privately negotiated transactions.

Note J Stock-Based Compensation

Under our employee and non-employee director stock-based compensation plans (the Plans), we may grant incentive or non-qualified stock options, restricted common shares and performance shares to employees and non-qualified stock options and restricted common shares to non-employee directors. We classify share-based compensation expense within SG&A expense to correspond with the same financial statement caption as the majority of the cash compensation paid to employees. A total of 1,670,708 of our common shares have been authorized and are available for issuance in connection with the stock-based compensation plans in place at May 31, 2014.

We recognized pre-tax stock-based compensation expense of \$22,017,000 (\$13,778,000 after-tax), \$13,270,000 (\$8,339,000 after-tax), and \$11,742,000 (\$7,871,000 after-tax) under the Plans during fiscal 2014, fiscal 2013 and fiscal 2012, respectively. At May 31, 2014, the total unrecognized compensation cost related to non-vested awards was \$20,572,000, which will be expensed over the next three fiscal years.

Non-Qualified Stock Options

Stock options may be granted to purchase common shares at not less than 100% of fair market value on the date of the grant. All outstanding stock options are non-qualified stock options. The exercise price of all stock options granted has been set at 100% of the fair market value of the underlying common shares on the date of grant. Generally, stock options granted to employees vest and become exercisable at the rate of (i) 20% per year for options issued before June 30, 2011, and (ii) 33% per year for options issued on or after June 30, 2011, in each case beginning one year from the date of grant, and expire ten years after the date of grant. Non-qualified stock options granted to non-employee directors vest and become exercisable on the earlier of (a) the first anniversary of the date of grant or (b) the date on which the next annual meeting of shareholders is held following the date of grant for any stock option granted as of the date of an annual meeting of shareholders of Worthington Industries, Inc. Stock options can be exercised through net-settlement, at the election of the option holder.

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U.S. GAAP requires that all share-based awards be recorded as expense in the statement of earnings based on their grant-date fair value. We calculate the fair value of our non-qualified stock options using the Black-Scholes option pricing model and certain assumptions. The computation of fair values for all stock options incorporates the following assumptions: expected volatility (based on the historical volatility of our common shares); risk-free interest rate (based on the United States Treasury strip rate for the expected term of the stock options); expected term (based on historical exercise experience); and dividend yield (based on annualized current dividends and an average quoted price of our common shares over the preceding annual period).

The table below sets forth the non-qualified stock options granted during each of the last three fiscal years. For each grant, the exercise price was equal to the closing market price of the underlying common shares at each respective grant date. The fair values of these stock options were based on the Black-Scholes option pricing model, calculated at the respective grant dates. The calculated pre-tax stock-based compensation expense for these stock options, which is after an estimate of forfeitures, will be recognized on a straight-line basis over the respective vesting periods of the stock options.

(in thousands, except per share amounts)	2014	2013	2012
Granted	130	1,034	600
Weighted average exercise price, per share	\$ 32.21	\$ 20.83	\$ 21.15
Weighted average grant date fair value, per share	\$ 12.92	\$ 7.71	\$ 8.25
Pre-tax stock-based compensation	\$ 1,539	\$ 7,165	\$ 4,456

The weighted average fair value of stock options granted in fiscal 2014, fiscal 2013 and fiscal 2012 was based on the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	2013	2012
Assumptions used:			
Dividend yield	2.28%	2.95%	2.70%
Expected volatility	52.23%	52.88%	51.70%
Risk-free interest rate	1.69%	0.91%	1.90%
Expected life (years)	6.0	6.0	6.0

The following tables summarize our stock option activity for the years ended May 31:

(in thousands, except per share)	2014		2013		2012	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,517	\$ 17.19	7,511	\$ 16.65	7,852	16.29
Granted	130	32.21	1,034	20.83	600	21.15
Exercised	(828)	17.39	(2,858)	17.18	(675)	16.87
Forfeited	(67)	16.13	(170)	15.86	(266)	15.55
Outstanding, end of year	4,752	17.58	5,517	17.19	7,511	16.65
Exercisable at end of year	2,996	17.57	2,682	17.70	4,404	17.72

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	Number of Stock Options (in thousands)	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
May 31, 2014			
Outstanding	4,752	5.50	\$ 107,970
Exercisable	2,996	4.67	68,108
May 31, 2013			
Outstanding	5,517	6.06	\$ 94,860
Exercisable	2,682	4.50	44,752
May 31, 2012			
Outstanding	7,511	5.53	\$ 11,786
Exercisable	4,404	4.12	3,381

During fiscal 2014, the total intrinsic value of stock options exercised was \$16,748,000. The total amount of cash received from the exercise of stock options during fiscal 2014 was \$4,618,000, and the related excess tax benefit realized from the exercise of these stock options was \$8,880,000.

The following table summarizes information about non-vested stock option awards for the year ended May 31, 2014:

	Number of Stock Options (in thousands)	Weighted Average Grant Date Fair Value Per Share
Non-vested, beginning of year	2,835	\$ 5.96
Granted	130	11.82
Vested	(1,142)	6.02
Forfeited	(67)	5.45
Non-vested, end of year	1,756	\$ 6.38

Service-Based Restricted Common Shares

We have awarded restricted common shares to certain employees and non-employee directors that contain service-based vesting conditions. Service-based restricted common shares granted to employees cliff vest three years from the date of grant. Service-based restricted common shares granted to non-employee directors vest under the same parameters as the stock options discussed above. These restricted common shares are valued at the closing market price of our common shares on the date of the grant.

The table below sets forth the restricted common shares we granted during each of the last three fiscal years ended May 31. The calculated pre-tax stock-based compensation expense for these restricted common shares will be recognized on a straight-line basis over their respective vesting periods.

(in thousands, except per share amounts)	2014	2013	2012
Granted	380	121	515
Weighted average grant date fair value, per share	\$ 33.14	\$ 20.77	\$ 17.09
Pre-tax stock-based compensation	\$ 11,307	\$ 2,299	\$ 7,501

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The following tables summarize our restricted common share activity for the years ended May 31:

(in thousands, except per share)	2014		2013		2012	
	Restricted Common Shares	Weighted Average Exercise Price	Restricted Common Shares	Weighted Average Exercise Price	Restricted Common Shares	Weighted Average Exercise Price
Outstanding, beginning of year	399	\$ 18.74	513	\$ 17.08	23	14.88
Granted	380	33.14	121	20.76	515	17.09
Vested	(185)	17.17	(233)	16.10	(23)	14.88
Forfeited	(21)	30.70	(2)	22.09	(2)	23.10
Outstanding, end of year	573	28.36	399	18.74	513	17.08
Weighted average remaining contractual life of outstanding restricted common shares (in years)	1.61		1.31		1.69	
Aggregate intrinsic value of outstanding restricted common shares	\$ 23,112		\$ 13,701		\$ 8,344	
Aggregate intrinsic value of restricted common shares vested during the year	\$ 7,499		\$ 5,559		\$ 342	

Market-Based Restricted Common Shares

During the first quarter of fiscal 2014, we granted 360,000 restricted common shares to certain key employees under our stock-based compensation plans. Vesting of these restricted common share awards is contingent upon the price of our common shares reaching \$50.00 per share within a five year period from the date of grant and remaining at or above that price for 30 consecutive days and the completion of a three-year service vesting period. The grant-date fair value of these restricted common shares, as determined by a Monte Carlo simulation model, was \$24.19 per share. The Monte Carlo simulation model is a statistical technique that incorporates multiple assumptions to determine the probability that the market condition will be achieved. The following assumptions were used to determine the grant-date fair value and the derived service period for these restricted common shares:

Dividend yield	2.28%
Expected volatility	53.40%
Risk-free interest rate	1.41%

The calculated pre-tax stock-based compensation expense for these restricted common shares was determined to be \$8,708,000 and will be recognized on a straight-line basis over the three-year service vesting period.

Performance Shares

We have awarded performance shares to certain key employees that are contingent (i.e., vest) upon achieving corporate targets for cumulative corporate economic value added, earnings per share growth and, in the case of business unit executives, business unit operating income targets for the three-year periods ending May 31, 2014, 2015 and 2016. These performance share awards will be paid, to the extent earned, in common shares of the Company in the fiscal quarter following the end of the applicable three-year performance period. The fair value of our performance shares is determined by the closing market prices of the underlying common shares at their respective grant dates and the pre-tax stock-based compensation expense is based on our periodic assessment of the probability of the targets being achieved and our estimate of the number of common shares that will ultimately be issued.

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The table below sets forth the performance shares we granted during each of the last three fiscal years ended May 31 (at target levels).

(in thousands, except per share amounts)	2014	2013	2012
Granted	59	108	91
Weighted average grant date fair value, per share	\$ 33.33	\$ 22.08	\$ 22.35
Pre-tax stock-based compensation	\$ 1,958	\$ 2,383	\$ 2,039

Note K Employee Pension Plans

We provide retirement benefits to employees mainly through defined contribution retirement plans. Eligible participants make pre-tax contributions based on elected percentages of eligible compensation, subject to annual addition and other limitations imposed by the Internal Revenue Code and the various plans' provisions. Company contributions consist of company matching contributions, annual or monthly employer contributions and discretionary contributions, based on individual plan provisions.

We also have one defined benefit plan, The Gerstenslager Company Bargaining Unit Employees' Pension Plan (the Gerstenslager Plan or defined benefit plan). The Gerstenslager Plan is a non-contributory pension plan, which covers certain employees based on age and length of service. Our contributions have complied with ERISA's minimum funding requirements. Effective May 9, 2011, in connection with the formation of the ArtiFlex joint venture, the Gerstenslager Plan was frozen, which qualified as a curtailment under the applicable accounting guidance. We did not recognize a gain or loss in connection with the curtailment of the Gerstenslager Plan.

The following table summarizes the components of net periodic pension cost for the defined benefit plan and the defined contribution plans for the years ended May 31:

(in thousands)	2014	2013	2012
Defined benefit plan:			
Interest cost	\$ 1,403	\$ 1,361	\$ 1,213
Actual return on plan assets	2,524	4,355	(789)
Net amortization and deferral	(4,175)	(5,522)	(756)
Net periodic pension cost (benefit) on defined benefit plan	(248)	194	(332)
Defined contribution plans	12,586	9,955	8,643
Total retirement plan cost	\$ 12,338	\$ 10,149	\$ 8,311

The following actuarial assumptions were used for our defined benefit plan:

	2014	2013	2012
To determine benefit obligation:			
Discount rate	4.38%	4.44%	4.16%
To determine net periodic pension cost:			
Discount rate	4.44%	4.16%	5.60%
Expected long-term rate of return	8.00%	8.00%	8.00%
Rate of compensation increase	n/a	n/a	n/a

To calculate the discount rate, we used the expected cash flows of the benefit payments and the Citigroup Pension Index. The Gerstenslager Plan's expected long-term rate of return in fiscal 2014, fiscal 2013 and fiscal 2012 was based on the actual historical returns adjusted for a change in the frequency of lump-sum settlements upon retirement. In determining our benefit obligation, we use the actuarial present value of the vested benefits to which each eligible employee is currently entitled, based on the employee's expected date of separation or retirement.

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The following tables provide a reconciliation of the changes in the projected benefit obligation and fair value of plan assets and the funded status for the Gerstenslager Plan during fiscal 2014 and fiscal 2013 as of the respective measurement dates:

(in thousands)	May 31, 2014	May 31, 2013
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 31,930	\$ 33,023
Interest cost	1,403	1,361
Actuarial loss (gain)	3,002	(1,810)
Benefits paid	(796)	(644)
Benefit obligation, end of year	\$ 35,539	\$ 31,930
Change in plan assets		
Fair value, beginning of year	\$ 24,442	\$ 19,746
Actual return on plan assets	2,524	4,355
Company contributions	300	985
Benefits paid	(796)	(644)
Fair value, end of year	\$ 26,470	\$ 24,442
Funded status	\$ (9,069)	\$ (7,488)
Amounts recognized in the consolidated balance sheets consist of:		
Other liabilities	\$ (9,069)	\$ (7,488)
Accumulated other comprehensive income	14,028	11,899
Amounts recognized in accumulated other comprehensive income consist of:		
Net loss	14,028	11,899
Total	\$ 14,028	\$ 11,899

The following table shows other changes in plan assets and benefit obligations recognized in OCI during the fiscal year ended May 31:

(in thousands)	2014	2013
Net actuarial gain (loss)	\$ (2,419)	\$ 4,559
Amortization of prior service cost	290	439
Total recognized in other comprehensive income	\$ (2,129)	\$ 4,998
Total recognized in net periodic benefit cost and other comprehensive income	\$ (1,881)	\$ 4,804

The estimated net gain for the defined benefit plan that will be amortized from AOCI into net periodic pension cost over the fiscal year ending May 31, 2015 is \$327,208.

Pension plan assets are required to be disclosed at fair value in the consolidated financial statements. Fair value is defined in Note Q Fair Value Measurements. The pension plan assets fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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The following table sets forth, by level within the fair value hierarchy, a summary of the defined benefit plan's assets measured at fair value on a recurring basis at May 31, 2014:

(in thousands)	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment:				
Money Market Funds	\$ 1,099	\$ 1,099	\$ -	\$ -
Bond Funds	11,570	11,570	-	-
Equity Funds	13,801	13,801	-	-
Totals	\$ 26,470	\$ 26,470	\$ -	\$ -

The following table sets forth by level within the fair value hierarchy a summary of the defined benefit plan's assets measured at fair value on a recurring basis at May 31, 2013:

(in thousands)	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment:				
Money Market Funds	\$ 939	\$ 939	\$ -	\$ -
Bond Funds	6,274	6,274	-	-
Equity Funds	17,229	17,229	-	-
Totals	\$ 24,442	\$ 24,442	\$ -	\$ -

Fair values of the money market, bond and equity funds held by the defined benefit plan were determined by quoted market prices.

Plan assets for the defined benefit plan consisted principally of the following as of the respective measurement dates:

Asset category	May 31, 2014	May 31, 2013
Equity securities	52%	70%
Debt securities	44%	26%
Other	4%	4%
Total	100%	100%

Equity securities include no employer stock. The investment policy and strategy for the defined benefit plan is: (i) long-term in nature with liquidity requirements that are anticipated to be minimal due to the projected normal retirement date of the average employee and the current average age of participants; (ii) to earn nominal returns, net of investment fees, equal to or in excess of the actuarial assumptions of the plan; and (iii) to include a strategic asset allocation of 60-80% equities, including international, and 20-40% fixed income investments. Employer contributions of \$824,602 are expected to be made to the defined benefit plan during fiscal 2015.

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The following estimated future benefits, which reflect expected future service, as appropriate, are expected to be paid during the fiscal years noted:

(in thousands)	
2015	\$ 731
2016	\$ 773
2017	\$ 858
2018	\$ 997
2019	\$ 1,115
2020-2024	\$ 7,337

Commercial law requires us to pay severance and service benefits to employees at our Austrian Pressure Cylinders location. Severance benefits must be paid to all employees hired before December 31, 2002. Employees hired after that date are covered under a governmental plan that requires us to pay benefits as a percentage of compensation (included in payroll tax withholdings). Service benefits are based on a percentage of compensation and years of service. The accrued liability for these unfunded plans was \$6,440,000 and \$6,074,000 at May 31, 2014 and 2013, respectively, and was included in other liabilities on the consolidated balance sheets. Net periodic pension cost for these plans was \$677,000, \$689,000, and \$623,000, for fiscal 2014, fiscal 2013 and fiscal 2012, respectively. The assumed salary rate increase was 3.0%, for each of fiscal 2014, fiscal 2013 and fiscal 2012. The discount rate at May 31, 2014, 2013 and 2012 was 3.25%, 4.50%, and 4.50%, respectively. Each discount rate was based on a published corporate bond rate with a term approximating the estimated benefit payment cash flows and is consistent with European and Austrian regulations.

Note L Income Taxes

Earnings before income taxes for the years ended May 31 include the following components:

(in thousands)	2014	2013	2012
United States based operations	\$ 210,783	\$ 190,942	\$ 162,285
Non United States based operations	6,718	10,358	14,972
Earnings before income taxes	217,501	201,300	177,257
Less: Net earnings attributable to non-controlling interests*	8,852	393	9,758
Earnings before income taxes attributable to controlling interest	\$ 208,649	\$ 200,907	\$ 167,499

* Net earnings attributable to non-controlling interest are not taxable to Worthington.

Significant components of income tax expense (benefit) for the years ended May 31 were as follows:

(in thousands)	2014	2013	2012
Current			
Federal	73,149	\$ 54,427	\$ 47,543
State and local	3,537	4,109	2,756
Foreign	6,579	4,131	830
	83,265	62,667	51,129
Deferred			
Federal	(25,453)	4,698	67

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State and local	(1,194)	(2,170)	(69)
Foreign	731	(730)	777
	(25,916)	1,798	775
	\$ 57,349	\$ 64,465	\$ 51,904

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Tax benefits related to stock-based compensation that were credited to additional paid-in capital were \$7,115,000, \$4,054,000, and \$32,000 for fiscal 2014, fiscal 2013 and fiscal 2012, respectively. Tax benefits (expenses) related to defined benefit pension liability that were credited to (deducted from) other comprehensive income (OCI) were \$511,000, (\$1,415,000), and \$4,975,000 for fiscal 2014, fiscal 2013 and fiscal 2012, respectively. Tax benefits (expenses) related to cash flow hedges that were credited to (deducted from) OCI were (\$1,039,000), (\$763,000), and \$318,000 for fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

A reconciliation of the 35% federal statutory tax rate to total tax provision follows:

	2014	2013	2012
Federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefit	2.0	2.3	1.7
Change in state and local valuation allowances	(0.9)	(1.3)	(0.1)
Non-U.S. income taxes at other than 35%	(1.0)	(1.7)	(2.4)
Change in Non-U.S. valuation allowances	1.4	1.1	0.2
Qualified production activities deduction	(3.9)	(3.0)	(2.8)
Acquisition of an additional 10% interest in TWB	(3.4)	(0.0)	(0.0)
Research & development credits	(1.1)	(0.1)	(0.0)
Tax write-off of investment in foreign subsidiary	(1.1)	(0.0)	(0.0)
Other	0.5	(0.2)	(0.6)
Effective tax rate attributable to controlling interest	27.5%	32.1%	31.0%

The above effective tax rate attributable to controlling interest excludes any impact from the inclusion of net earnings attributable to non-controlling interests in our consolidated statements of earnings. The effective tax rates upon inclusion of net earnings attributable to non-controlling interests were 26.4%, 32.0% and 29.3% for fiscal 2014, fiscal 2013 and fiscal 2012, respectively. The change in effective income tax rates, upon inclusion of net earnings attributable to non-controlling interests, is primarily a result of our Spartan, WEI, Worthington Nitin Cylinders, and TWB consolidated joint ventures. Refer to Note O Acquisitions for additional information regarding our acquisition of an additional 10% interest in TWB. The earnings attributable to the noncontrolling interest in Spartan, PSI, and TWB's U.S. operations do not generate tax expense to Worthington since the investors in Spartan, PSI, and TWB's U.S. operations are taxed directly based on the earnings attributable to them. The tax expense of Worthington Nitin Cylinders, a foreign corporation, is reported in our consolidated tax expense. Since the consolidation of TWB on July 31, 2013, the tax expense of TWB's wholly-owned foreign corporations are reported in our consolidated tax expense. In connection with the consolidation of TWB, we recognized a favorable one-time tax adjustment of \$7,100,000 related primarily to the estimated U.S. deferred tax liability associated with the unremitted earnings of TWB's wholly-owned foreign corporations.

Under applicable accounting guidance, a tax benefit may be recognized from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Any tax benefits recognized in our financial statements from such a position were measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

The total amount of unrecognized tax benefits were \$4,110,000, \$3,705,000 and \$4,410,000 as of May 31, 2014, 2013 and 2012, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate attributable to controlling interest was \$2,672,000 as of May 31, 2014. Unrecognized tax benefits are the differences between a tax position taken, or expected to be taken in a tax return, and the benefit recognized for accounting purposes. Accrued amounts of interest and penalties related to unrecognized tax benefits are recognized as part of income tax expense within our consolidated statements of earnings. As of May 31, 2014, 2013 and 2012, we had accrued liabilities of \$1,049,000, \$1,128,000 and \$1,219,000, respectively, for interest and penalties related to unrecognized tax benefits.

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A tabular reconciliation of unrecognized tax benefits follows:

(In thousands)		
Balance at June 1, 2013		\$ 3,705
Increases	tax positions taken in prior years	609
Increases	current tax positions	635
Settlements		(346)
Lapse of statutes of limitations		(493)
Balance at May 31, 2014		\$ 4,110

Approximately \$832,000 of the liability for unrecognized tax benefits is expected to be settled in the next twelve months due to the expiration of statutes of limitations in various tax jurisdictions and as a result of expected settlements with various tax jurisdictions. While it is expected that the amount of unrecognized tax benefits will change in the next twelve months, any change is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

The following is a summary of the tax years open to examination by major tax jurisdiction:

U.S. Federal 2011 and forward

U.S. State and Local 2008 and forward

Austria 2009 and forward

Canada 2010 and forward

Mexico 2008 and forward

Earnings before income taxes attributable to foreign sources for fiscal 2014, fiscal 2013 and fiscal 2012 were as noted above. As of May 31, 2014, and based on the tax laws in effect at that time, it remains our intention to continue to indefinitely reinvest our undistributed foreign earnings, except for the foreign earnings of our TWB joint venture and our wholly-owned Canadian subsidiary (Canada), which ceased operations in February 2014 as a result of the sale of the Company's small and medium steel high pressure industrial gas and acetylene cylinders business in North America. The decision to no longer reinvest Canada's undistributed earnings indefinitely was made during the fourth quarter of fiscal 2014. Accordingly, no deferred tax liability has been recorded for our foreign earnings, except those that pertain to TWB and Canada. Excluding TWB and Canada, the undistributed earnings of our foreign subsidiaries at May 31, 2014 were approximately \$237,000,000. If such earnings were not permanently reinvested, a deferred tax liability of approximately \$22,000,000 would have been required. Refer to Note D Restructuring and Other Expense (Income) for additional information regarding the sale of the Company's small and medium steel high pressure industrial gas and acetylene cylinders business in North America.

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The components of our deferred tax assets and liabilities as of May 31 were as follows:

(in thousands)	2014	2013
Deferred tax assets		
Accounts receivable	\$ 2,400	\$ 1,602
Inventories	7,210	4,840
Accrued expenses	40,873	36,547
Net operating and capital loss carry forwards	19,302	20,369
Tax credit carry forwards	203	1,595
Stock-based compensation	12,573	10,405
Derivative contracts	1,838	3,047
Other	541	7
Total deferred tax assets	84,940	78,412
Valuation allowance for deferred tax assets	(21,701)	(21,863)
Net deferred tax assets	63,239	56,549
Deferred tax liabilities		
Property, plant and equipment	(67,472)	(76,079)
Undistributed earnings of unconsolidated affiliates	(39,429)	(47,606)
Other	(3,395)	(61)
Total deferred tax liabilities	(110,296)	(123,746)
Net deferred tax liabilities	\$ (47,057)	\$ (67,197)

The above amounts are classified in the consolidated balance sheets as of May 31 as follows:

(in thousands)	2014	2013
Current assets:		
Deferred income taxes	\$ 24,272	\$ 21,928
Noncurrent assets:		
Other assets	4	276
Noncurrent liabilities:		
Deferred income taxes	(71,333)	(89,401)
Net deferred tax liabilities	\$ (47,057)	\$ (67,197)

At May 31, 2014, we had tax benefits for state net operating loss carry forwards of \$14,614,000 that expire from fiscal 2015 to the fiscal year ending May 31, 2034, tax benefits for foreign net operating loss carry forwards of \$3,423,000 that expire from fiscal 2015 to the fiscal year ending May 31, 2022, a tax benefit for a foreign capital loss carry forward of \$1,265,000 with no future expiration date, and tax benefits for foreign investment tax credit carry forwards of \$203,000 that expire from fiscal 2015 to the fiscal year ending May 31, 2017.

The valuation allowance for deferred tax assets of \$21,701,000 at May 31, 2014, is associated primarily with the net operating and capital loss carry forwards and foreign tax credit carry forwards. The valuation allowance includes \$12,754,000 for state and \$8,947,000 for foreign. The majority of the state valuation allowance relates to our Decatur, Alabama facility. The foreign valuation allowance relates primarily to operations in China, Canada and India. Based on our history of profitability and taxable income projections, we have determined that it is more likely than not that the remaining net deferred tax assets are otherwise realizable.

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The following table sets forth the computation of basic and diluted earnings per share for the years ended May 31:

(in thousands, except per share amounts)	2014	2013	2012
Numerator (basic & diluted):			
Net earnings attributable to controlling interest income available to common shareholders	\$ 151,300	\$ 136,442	\$ 115,595
Denominator:			
Denominator for basic earnings per share attributable to controlling interest weighted average common shares	68,944	69,301	69,651
Effect of dilutive securities	2,720	2,013	601
Denominator for diluted earnings per share attributable to controlling interest adjusted weighted average common shares	71,664	71,314	70,252
Basic earnings per share attributable to controlling interest	\$ 2.19	\$ 1.97	\$ 1.66
Diluted earnings per share attributable to controlling interest	2.11	1.91	1.65

Stock options covering 7,945, 257,667, and 3,451,046 common shares for fiscal 2014, fiscal 2013 and fiscal 2012, respectively, have been excluded from the computation of diluted earnings per share because the effect would have been anti-dilutive for those periods because the exercise price of the stock options was greater than the average market price of the common shares during the period.

Note N Segment Data

Our operations are managed principally on a products and services basis and include three reportable business segments: Steel Processing, Pressure Cylinders and Engineered Cabs, each of which is comprised of a similar group of products and services. Factors used to identify reportable business segments include the nature of the products and services provided by each business, the management reporting structure, similarity of economic characteristics and certain quantitative measures, as prescribed by authoritative guidance. A discussion of each of our reportable business segments is outlined below.

During the first quarter of fiscal 2014, we made certain organizational changes impacting the internal reporting and management structure of our Steel Packaging operating segment. As a result of these organizational changes, management responsibilities and internal reporting were realigned under our Steel Processing operating segment. Segment information reported in previous periods has been restated to conform to this new presentation.

Steel Processing: The Steel Processing operating segment consists of the Worthington Steel business unit, and includes Precision Specialty Metals, Inc., a specialty stainless processor located in Los Angeles, California, and Worthington Steelpac Systems, LLC (SteelPac), which designs and manufactures reusable steel custom platforms, racks and pallets for supporting, protecting and handling products throughout the shipping process. Worthington Steel also includes our consolidated joint ventures: Spartan Steel Coating, LLC (Spartan) and TWB. Spartan operates a cold-rolled hot dipped galvanizing line and TWB operates a tailor welded blank business. Worthington Steel is an intermediate processor of flat-rolled steel. This operating segment's processing capabilities include pickling; slitting; oscillate slitting; cold reducing; hot-dipped galvanizing; hydrogen annealing; cutting-to-length; temper rolling; tension leveling; edging; non-metallic coating, including dry lubrication, acrylic and paint; and configured blanking. Worthington Steel sells to customers principally in the automotive, construction, lawn and garden, hardware, furniture, office equipment, leisure and recreation, appliance, agricultural, HVAC, container and aerospace markets. Worthington Steel also toll processes steel for steel mills, large end-users, service centers and other processors. Toll processing is different from typical steel processing in that the mill, end-user or other party retains title to the steel and has the responsibility for selling the end product.

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Pressure Cylinders: The Pressure Cylinders operating segment consists of the Worthington Cylinders business unit and two consolidated joint ventures: Worthington Nitin Cylinders, an India-based manufacturer of high-pressure, seamless steel cylinders for CNG and other industrial gas storage applications; and Worthington Aritas, a Turkey-based manufacturer that is one of Europe's leading cryogenic technology companies for LNG and other gas storage applications. Our Pressure Cylinders operating segment manufactures and sells filled and unfilled pressure cylinders, tanks and various accessories and related products for diversified end-use market applications. The following is a description of these markets:

Consumer Products: These products include LPG cylinders for barbecue grills and other heating applications, propane accessories, propane-filled cylinders for camping stove and other applications, hand held torches and accessories including filled fuel cylinders, and Balloon Time® helium-filled balloon kits. These products are sold primarily to mass merchandisers, cylinder exchangers and distributors.

Alternative fuels: This sector includes Type I, II, III and ASME cylinders for containment of CNG and hydrogen for automobiles, buses, and light-duty trucks, as well as propane/autogas cylinders for automobiles and light and medium-duty trucks.

Industrial Products: This market sector includes industrial, refrigerant, cryogenic and certain LPG cylinders for gas, as well as cryogenic pressure vessels and other specialty products. Cylinders in these markets are generally sold to gas producers and distributors. Industrial cylinders hold fuel for uses such as cutting, welding, breathing (medical, diving and firefighting), semiconductor production, and beverage delivery. Refrigerant gas cylinders are used to hold refrigerant gases for commercial, residential and automotive air conditioning and refrigeration systems. Cryogenic cylinders are used to store liquid nitrogen, oxygen, argon and carbon dioxide for industrial gas markets. Cryogenic LNG pressure vessels include transport trailers, ISO containers, bulk tanks and satellite stations for re-gasification. LPG cylinders hold fuel for recreational vehicle equipment, residential and light commercial heating systems, industrial forklifts and commercial/residential cooking (the latter, generally outside North America). Specialty products include a variety of fire suppression and chemical tanks.

Energy: This sector was formed in fiscal 2013 as a result of the acquisition of Westerman, Inc. on September 17, 2012 and also included the Palmer and Steffes acquisitions. Products for this sector include steel and fiberglass tanks, and pressure vessels and other products for global energy markets, including oil and gas and nuclear, which products are used for a broad variety of exploration, recovery and production purposes; and hoists and other marine products which are used principally in shipyard lift systems. This sector also leverages its manufacturing competencies to produce pressure vessels, atmospheric tanks, controls and various custom machined components for other industrial and agricultural end markets.

Engineered Cabs: This operating segment consists of the Worthington Industries Engineered Cabs business unit, which designs and manufactures high-quality, custom-engineered open and closed cabs and operator stations for a wide range of heavy mobile equipment in a range of industries. Engineered Cabs also manufactures other specialty weldments, kits, accessories, and cab components. The segment's core capabilities are: 1) design and engineering and 2) manufacturing. Design and engineering capabilities consist of filling key project management roles from the initial design phase, prototyping and through final manufacturing and delivery of the finished product. Manufacturing capabilities are facilitated by computer-aided design and manufacturing systems as well as a variety of technologically advanced cutting, bending, forming, welding and painting equipment. Products and services are sold principally to original equipment manufacturers located primarily in the United States.

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Other: The Other category includes the Construction Services and Worthington Energy Innovations operating segments, as they do not meet the quantitative thresholds for separate disclosure. Certain income and expense items not allocated to our operating segments are also included in Other as is the activity related to the wind down of our former Metal Framing operating segment.

Construction Services: The Construction Services operating segment consists of the Military Construction business unit, and, for periods prior to its closure in May 2014, the Worthington Construction Group business unit. Military Construction's operations involve the supply and construction of single family housing, with a focus on military housing. We are in the process of evaluating strategic options for this business.

Worthington Energy Innovations: WEI is a 75%-owned consolidated joint venture with a subsidiary of Professional Supply, Inc. (20%) and Stonehenge Structured Finance Partners, LLC (5%) (together referred to as WEI Partners), located in Fremont, Ohio. WEI is a professional services company that develops cost-effective energy solutions for entities in North America. WEI designs solutions to minimize energy consumption, manages the energy solution installation, monitors and verifies energy usage, guarantees future energy savings and shares in these savings.

The accounting policies of the reportable business segments and other operating segments are described in Note A Summary of Significant Accounting Policies. We evaluate operating segment performance based on operating income (loss). Inter-segment sales are not material.

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The following table presents summarized financial information for our reportable business segments as of, and for the fiscal years ended, May 31:

(in thousands)	2014	2013	2012
Net sales			
Steel Processing	\$ 1,936,073	\$ 1,462,630	\$ 1,598,812
Pressure Cylinders	928,396	859,264	770,101
Engineered Cabs	200,528	226,002	104,272
Other	61,429	64,348	61,516
Total net sales	\$ 3,126,426	\$ 2,612,244	\$ 2,534,701
Operating income (loss)			
Steel Processing	\$ 119,025	\$ 68,156	\$ 73,626
Pressure Cylinders	55,004	66,367	45,108
Engineered Cabs	(26,516)	4,158	4,878
Other	(11,760)	(9,539)	(22,002)
Total operating income	\$ 135,753	\$ 129,142	\$ 101,610
Depreciation and amortization			
Steel Processing	\$ 32,882	\$ 25,918	\$ 27,093
Pressure Cylinders	31,984	26,919	20,407
Engineered Cabs	10,027	9,096	3,540
Other	4,837	4,536	4,833
Total depreciation and amortization	\$ 79,730	\$ 66,469	\$ 55,873
Impairment of long-lived assets			
Steel Processing	\$ 7,141	\$ -	\$ -
Pressure Cylinders	32,005	6,488	-
Engineered Cabs	19,100	-	-
Other	-	-	355
Total impairment of long-lived assets	\$ 58,246	\$ 6,488	\$ 355
Restructuring and other expense (income)			
Steel Processing	\$ (3,382)	\$ -	\$ -
Pressure Cylinders	(745)	2,665	52
Engineered Cabs	-	-	-
Other	1,215	628	5,932
Total restructuring and other expense	\$ (2,912)	\$ 3,293	\$ 5,984
Joint venture transactions			
Steel Processing	\$ -	\$ -	\$ (2,102)
Pressure Cylinders	-	-	-
Engineered Cabs	-	-	-
Other	1,036	(604)	1,952
Total joint venture transactions	\$ 1,036	\$ (604)	\$ (150)
Total assets			

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Steel Processing	\$ 850,748	\$ 610,464	\$ 709,030
Pressure Cylinders	818,720	742,686	575,250
Engineered Cabs	181,251	201,048	199,594
Other	445,662	396,659	393,923
Total assets	\$ 2,296,381	\$ 1,950,857	\$ 1,877,797
Capital expenditures			
Steel Processing	\$ 16,682	8,371	\$ 9,705
Pressure Cylinders	32,364	13,368	8,456
Engineered Cabs	10,351	6,265	4,641
Other	11,941	16,584	8,911
Total capital expenditures	\$ 71,338	\$ 44,588	\$ 31,713

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The following table presents net sales by geographic region for the years ended May 31:

(in thousands)	2014	2013	2012
United States	\$ 2,917,484	\$ 2,418,307	\$ 2,333,575
Europe	136,513	159,562	150,458
Mexico	51,430	-	-
Canada	10,324	21,257	29,097
Other	10,675	13,118	21,571
Total	\$ 3,126,426	\$ 2,612,244	\$ 2,534,701

The following table presents property, plant and equipment, net, by geographic region as of May 31:

(in thousands)	2014	2013
United States	\$ 429,068	\$ 400,032
Europe	56,884	51,222
Mexico	6,314	-
Canada	-	1,275
Other	6,595	6,901
Total	\$ 498,861	\$ 459,430

Note O Acquisitions**Fiscal 2014****The Tank Manufacturing Division of Steffes Corporation**

On March 27, 2014, we acquired the tank manufacturing division of Steffes Corporation (Steffes) for cash consideration of approximately \$28,874,000, subject to a final working capital adjustment. This division manufactures oilfield storage tanks for customers drilling in the Bakken shale and Williston Basin region out of a manufacturing facility located in Dickinson, North Dakota, and complements our existing operations in Ohio and Kansas that manufacture steel and fiberglass storage tanks, gas separators, gas production units and related wellhead equipment for oil and gas exploration in the Marcellus, Utica, Bakken and Mid-Continent regions. The acquired net assets became part of our Pressure Cylinders operating segment upon closing.

The assets acquired and liabilities assumed were recognized at their acquisition-date fair values, with goodwill representing the excess of the purchase price over the fair value of the net identifiable assets acquired. In connection with the acquisition of Steffes, we identified and valued the following identifiable intangible assets:

(in thousands)	Amount	Useful Life (Years)
Customer relationships	\$ 10,000	9
Trade name	290	Less than 1
Total acquired identifiable intangible assets	\$ 10,290	

The purchase price includes the fair values of other assets that were not identifiable, not separately recognizable under accounting rules (e.g., assembled workforce) or of immaterial value. The purchase price also includes a going-concern element that represents our ability to earn a

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higher rate of return on this group of assets than would be expected on the separate assets as determined during the valuation process. This additional investment value resulted in goodwill, which is expected to be deductible for income tax purposes.

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The following table summarizes the consideration transferred for Steffes and the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

(in thousands)	
Inventories	\$ 2,316
Intangible assets	10,290
Property, plant and equipment	2,638
Total identifiable assets	15,244
Goodwill	13,046
Purchase price	28,290
Estimated working capital deficit	584
Total cash paid	\$ 28,874

Operating results of Steffes have been included in our consolidated statements of earnings from the acquisition date, forward. Pro forma results, including the acquired business since the beginning of fiscal 2013, would not be materially different than reported results.

Aritas Basınçlı Kaplar Sanayi

On January 24, 2014, we acquired a 75% interest in Worthington Aritas, one of Europe's leading LNG (liquefied natural gas) and cryogenic technology companies. The remaining 25% stake was retained by the prior owners. The total purchase price, including an adjustment for estimated final working capital, was \$35,325,000. The purchase price also includes contingent consideration with an estimated fair value of \$404,000. The acquired net assets became part of our Pressure Cylinders operating segment upon closing.

The contingent consideration arrangement requires the Company to pay \$2,000,000 of additional consideration to the former owners if earnings before interest, taxes, depreciation and amortization (EBITDA) exceed \$5,000,000 during any 12 consecutive months during the first 14 month period following the closing date. We determined the acquisition date fair value of the contingent consideration obligation using a Monte Carlo simulation model based on management's projections of future EBITDA levels. Refer to Note Q Fair Value Measurements for additional information regarding the fair value measurement of the contingent consideration obligation.

The assets acquired and liabilities assumed were recognized at their estimated acquisition-date fair values based on a preliminary valuation analysis, with goodwill representing the excess of the purchase price over the fair value of the net identifiable assets acquired. In connection with the acquisition of our 75% interest in Worthington Aritas, we identified and valued the following identifiable intangible assets:

Category	(in thousands)	
	Amount	Useful Life (Years)
Customer relationships	\$ 8,400	10
Technological know-how	8,100	20
Trade name	180	2
Non-compete agreements	120	3
Total acquired identifiable intangible assets	\$ 16,800	

The purchase price includes the fair values of other assets that were not identifiable, not separately recognizable under accounting rules (e.g., assembled workforce) or of immaterial value. The purchase price also includes a going-concern element that represents our ability to earn a higher rate of return on this group of assets than would be expected on the separate assets as determined during the valuation process. This additional investment value resulted in goodwill, which is not expected to be deductible for income tax purposes.

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The following table summarizes the consideration transferred for Worthington Aritas and the final fair values assigned to the assets acquired and liabilities assumed at the acquisition date:

(in thousands)	Preliminary Valuation February 28, 2014	Measurement Period Adjustments	Final Valuation May 31, 2014
Cash and cash equivalents	\$ 1,037	\$ -	\$ 1,037
Accounts receivable	3,326	(84)	3,242
Inventories	10,678	-	10,678
Prepaid expenses and other current assets	1,317	-	1,317
Intangible assets	16,800	-	16,800
Other noncurrent assets	1,099	-	1,099
Property, plant and equipment	5,467	-	5,467
Total identifiable assets	39,724	(84)	39,640
Accounts payable	(5,587)	-	(5,587)
Short-term borrowings	(251)	-	(251)
Accrued liabilities	(2,756)	(4,146)	(6,902)
Other liabilities	(4,954)	4,954	-
Deferred taxes	(2,787)	-	(2,787)
Net identifiable assets	23,389	724	24,113
Goodwill	23,586	(599)	22,987
Net assets	46,975	125	47,100
Noncontrolling interest	(11,744)	(31)	(11,775)
Total consideration	\$ 35,231	\$ 94	\$ 35,325

The Company recognized \$1,520,000 of acquisition-related costs that were expensed within SG&A expense in the current period. Operating results of Worthington Aritas have been included in our consolidated statements of earnings from the acquisition date, forward. Pro forma results, including the acquired business since the beginning of fiscal 2013, would not be materially different than reported results.

TWB Company, L.L.C.

On July 31, 2013, we purchased an additional 10% interest in our laser welded blank joint venture, TWB, for \$17,869,000, increasing our ownership to a 55% controlling interest. This transaction was accounted for as a step acquisition, which required that we re-measure our previously held 45% ownership interest to fair value and record the difference between fair value and carrying value as a gain in our consolidated statement of earnings. The re-measurement to fair value resulted in a non-cash pre-tax gain of \$11,000,000, which is included in miscellaneous income in our consolidated statement of earnings for fiscal 2014. The acquired net assets became part of our Steel Processing operating segment upon closing.

The assets acquired and liabilities assumed were recognized at their acquisition-date fair values. In connection with the acquisition of TWB, we identified and valued the following identifiable intangible assets:

(in thousands)	Amount	Useful Life (Years)
Category		
Customer relationships	\$ 17,438	5-6
Trade names	4,120	Indefinite
Non-compete agreement	470	5

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Total acquired identifiable intangible assets	\$ 22,028
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The estimated fair value of the assets acquired and liabilities assumed approximated the purchase price and therefore no goodwill was recognized.

The following table summarizes the consideration transferred for our 55% controlling interest in TWB and the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

(in thousands)	
Consideration Transferred:	
Cash consideration	\$ 17,869
Fair value of previously held interest in TWB	72,369
 Total consideration	 \$ 90,238
Estimated Fair Value of Assets Acquired and Liabilities Assumed:	
Cash and cash equivalents	\$ 70,826
Accounts receivable	52,012
Inventories	20,403
Prepaid expenses and other current assets	4,027
Intangible assets	22,028
Other noncurrent assets	103
Property, plant and equipment	52,390
 Total identifiable assets	 221,789
Accounts payable	(50,642)
Accrued liabilities	(6,431)
Deferred taxes	(2,109)
 Net assets	 162,607
Noncontrolling interest	(72,369)
 Total consideration	 \$ 90,238

The fair value of our previously held equity interest and the noncontrolling interest was derived using a market approach, and included a minority discount of 10% to reflect management's estimate of the control premium.

Net sales of \$319,542,000 and earnings before income taxes of \$22,991,000 have been included in the Company's consolidated statement of earnings from the acquisition date through May 31, 2014.

Proforma net sales of the combined entity had the acquisition occurred at the beginning of fiscal 2013 were \$3,180,428,000 and \$2,956,309,000 for the fiscal years ended May 31, 2014 and 2013, respectively. Pro forma earnings would not be materially different than reported results due to our 45% noncontrolling interest in TWB prior to the acquisition date.

Fiscal 2013**Palmer Mfg. & Tank, Inc.**

On April 9, 2013, we acquired the net assets of Palmer Mfg. & Tank, Inc. (Palmer) for cash consideration of approximately \$113,479,000. Palmer manufactures steel and fiberglass tanks and processing equipment for the oil and gas industry, and custom manufactures fiberglass tanks for agricultural, chemical and general industrial applications. The acquired net assets became part of our Pressure Cylinders operating segment upon closing.

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The assets acquired and liabilities assumed were recognized at their acquisition-date fair values, with goodwill representing the excess of the purchase price over the fair value of the net identifiable assets acquired. In connection with the acquisition of Palmer, we identified and valued the following identifiable intangible assets:

Category	(in thousands)	Useful Life (Years)
Customer relationships	\$ 25,730	8
Trade name	8,406	5
Non-compete agreement	5,208	5
Other	150	3
Total acquired identifiable intangible assets	\$ 39,494	

The purchase price includes the fair values of other assets that were not identifiable, not separately recognizable under accounting rules (e.g., assembled workforce) or of immaterial value. The purchase price also includes a going-concern element that represents our ability to earn a higher rate of return on this group of assets than would be expected on the separate assets as determined during the valuation process. This additional investment value resulted in goodwill, which is expected to be deductible for income tax purposes.

The following table summarizes the consideration transferred for Palmer and the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

(in thousands)	
Cash and cash equivalents	\$ 364
Accounts receivable	9,252
Inventories	17,758
Prepaid expenses and other current assets	9
Intangible assets	39,494
Property, plant and equipment	16,504
Total identifiable assets	83,381
Accounts payable	(2,547)
Accrued liabilities	(2,175)
Net identifiable assets	78,659
Goodwill	34,820
Total cash consideration	\$ 113,479

Operating results of Palmer have been included in our consolidated statements of earnings from the acquisition date, forward. Pro forma results, including the acquired business since the beginning of fiscal 2012, would not be materially different than reported results.

Westerman, Inc.

On September 17, 2012, we acquired 100% of the outstanding common shares of Westerman, Inc. (Westerman) for cash consideration of approximately \$62,749,000 and the assumption of approximately \$7,251,000 of debt, which was repaid at closing. Westerman is a leading manufacturer of tanks, pressure vessels and other products for the oil and gas and nuclear markets as well as hoists and other products for marine applications. The acquired net assets became part of our Pressure Cylinders operating segment upon closing.

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The assets acquired and liabilities assumed were recognized at their acquisition-date fair values, with goodwill representing the excess of the purchase price over the fair value of the net identifiable assets acquired. In connection with the acquisition of Westerman, we identified and valued the following identifiable intangible assets:

Category	(in thousands)	Useful Life (Years)
Customer relationships	\$ 12,796	10
Trade name	2,986	3-4
Non-compete agreement	1,050	5
Other	1,486	1-3
Total acquired identifiable intangible assets	\$ 18,318	

The purchase price includes the fair values of other assets that were not identifiable, not separately recognizable under accounting rules (e.g., assembled workforce) or of immaterial value. The purchase price also includes a going-concern element that represents our ability to earn a higher rate of return on this group of assets than would be expected on the separate assets as determined during the valuation process. This additional investment value resulted in goodwill, which is not expected to be deductible for income tax purposes.

The following table summarizes the consideration transferred for Westerman and the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

(in thousands)	
Cash and cash equivalents	\$ 639
Accounts receivable	6,355
Inventories	15,377
Prepaid expenses and other current assets	836
Intangible assets	18,318
Property, plant and equipment	23,503
Total identifiable assets	65,028
Accounts payable	(2,952)
Accrued liabilities	(2,479)
Other current liabilities	(765)
Short-term borrowings	(7,251)
Deferred income taxes	(11,022)
Net identifiable assets	40,559
Goodwill	22,190
Total cash consideration	\$ 62,749

Operating results of Westerman have been included in our consolidated statements of earnings from the acquisition date, forward. Pro forma results, including the acquired business since the beginning of fiscal 2012, would not be materially different than reported results.

Note P Derivative Instruments and Hedging Activities

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk and commodity price risk. While certain of our derivative instruments are designated

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as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments and therefore do not qualify for hedge accounting. These derivative instruments are adjusted to current fair value through earnings at the end of each period.

Interest Rate Risk Management We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on cash flows and the market value of our borrowings. We utilize a mix of debt maturities along with both fixed-rate and variable-rate debt to manage changes in interest rates. In addition, we enter into interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

Currency Exchange Risk Management We conduct business in several major international currencies and are therefore subject to risks associated with changing foreign exchange rates. We enter into various contracts that change in value as foreign exchange rates change to manage this exposure. Such contracts limit exposure to both favorable and unfavorable currency fluctuations. The translation of foreign currencies into United States dollars also subjects us to exposure related to fluctuating exchange rates; however, derivative instruments are not used to manage this risk.

Commodity Price Risk Management We are exposed to changes in the price of certain commodities, including steel, natural gas, zinc and other raw materials, and our utility requirements. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases and sales of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative contracts to manage the associated price risk.

We are exposed to counterparty credit risk on all of our derivative instruments. Accordingly, we have established and maintain strict counterparty credit guidelines and enter into derivative instruments only with major financial institutions. We do not have significant exposure to any one counterparty and management believes the risk of loss is remote and, in any event, would not be material.

Refer to Note Q Fair Value Measurements for additional information regarding the accounting treatment for our derivative instruments, as well as how fair value is determined.

The following table summarizes the fair value of our derivative instruments and the respective line in which they were recorded in the consolidated balance sheet at May 31, 2014:

(in thousands)	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate contracts	Receivables	\$ -	Accounts payable	\$ 4,180
Commodity contracts	Receivables	456	Accounts payable	-
Totals		\$ 456		\$ 4,180
Derivatives not designated as hedging instruments:				
Commodity contracts	Receivables	\$ 796	Accounts payable	\$ 295
Foreign exchange contracts	Receivables	32	Accounts payable	-
Totals		\$ 828		\$ 295
Total Derivative Instruments		\$ 1,284		\$ 4,475

The amounts in the table above reflect the fair value of the Company's derivative contracts on a net basis. Had these amounts been recognized on a gross basis, the impact would have been a \$730,000 increase in receivables with a corresponding increase in accounts payable.

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The following table summarizes the fair value of our derivative instruments and the respective line in which they were recorded in the consolidated balance sheet at May 31, 2013:

(in thousands)	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate contracts	Receivables	\$ -	Accounts payable	\$ 4,032
	Other assets	-	Other liabilities	3,863
		-		7,895
Commodity contracts	Receivables	425	Accounts payable	1,352
		425		1,352
Totals		\$ 425		\$ 9,247
Derivatives not designated as hedging instruments:				
Commodity contracts	Receivables	\$ 331	Accounts payable	\$ 527
		331		527
Foreign exchange contracts	Receivables	5	Accounts payable	-
		5		-
Totals		\$ 336		\$ 527
Total Derivative Instruments		\$ 761		\$ 9,774

The amounts in the table above reflect the fair value of the Company's derivative contracts on a net basis. Had these amounts been recognized on a gross basis, the impact would have been a \$740,000 increase in receivables with a corresponding increase in accounts payable.

Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same line associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in earnings immediately.

The following table summarizes our cash flow hedges outstanding at May 31, 2014:

(Dollars in thousands)	Notional Amount	Maturity Date
Commodity contracts	\$ 26,700	June 2014 - December 2015
Interest rate contracts	\$ 100,000	December 2014

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The following table summarizes the gain (loss) recognized in OCI and the gain (loss) reclassified from accumulated OCI into earnings for derivative instruments designated as cash flow hedges during the fiscal years ended May 31, 2014 and 2013:

(in thousands)	Income (Loss) Recognized in OCI (Effective Portion)	Location of Income (Loss) Reclassified from Accumulated OCI (Effective Portion)	Income (Loss) Reclassified from Accumulated OCI (Effective Portion)	Location of Income (Loss) (Ineffective Portion) Excluded from Effectiveness Testing	Income (Loss) (Ineffective Portion) Excluded from Effectiveness Testing
For the fiscal year ended					
May 31, 2014:					
Interest rate contracts	\$ (3,351)	Interest expense	\$ (4,586)	Interest expense	\$ -
Commodity contracts	(2,602)	Cost of goods sold	(4,915)	Cost of goods sold	-
Totals	\$ (5,953)		\$ (9,501)		\$ -
For the fiscal year ended					
May 31, 2013:					
Interest rate contracts	\$ (951)	Interest expense	\$ (4,011)	Interest expense	\$ -
Commodity contracts	(19)	Cost of goods sold	1,580	Cost of goods sold	-
Totals	\$ (970)		\$ (2,431)		\$ -

The estimated net amount of the losses in AOCI at May 31, 2014 expected to be reclassified into net earnings within the succeeding twelve months is \$1,287,000 (net of tax of \$763,000). This amount was computed using the fair value of the cash flow hedges at May 31, 2014, and will change before actual reclassification from other comprehensive income to net earnings during the fiscal year ended May 31, 2015.

Economic (Non-designated) Hedges

We enter into foreign currency contracts to manage our foreign exchange exposure related to inter-company and financing transactions that do not meet the requirements for hedge accounting treatment. We also enter into certain commodity contracts that do not qualify for hedge accounting treatment. Accordingly, these derivative instruments are adjusted to current market value at the end of each period through earnings.

The following table summarizes our economic (non-designated) derivative instruments outstanding at May 31, 2014:

(Dollars in thousands)	Notional Amount	Maturity Date(s)
Commodity contracts	\$ 24,660	June 2014 - December 2015
Foreign currency contracts	\$ 6,830	June 2014

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The following table summarizes the gain (loss) recognized in earnings for economic (non-designated) derivative financial instruments during the fiscal years ended May 31, 2014 and 2013:

(in thousands)	Location of Income (Loss) Recognized in Earnings	Income (Loss) Recognized in Earnings Fiscal Year Ended May 31,	
		2014	2013
Commodity contracts	Cost of goods sold	\$ (1,304)	\$ 8,039
Foreign exchange contracts	Miscellaneous income (expense)	27	536
Total		\$ (1,277)	\$ 8,575

The gain on the foreign currency derivatives significantly offsets the gain on the hedged item.

Note Q Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price concept that assumes an orderly transaction between willing market participants and is required to be based on assumptions that market participants would use in pricing an asset or a liability. Current accounting guidance establishes a three-tier fair value hierarchy as a basis for considering such assumptions and for classifying the inputs used in the valuation methodologies. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are as follows:

- Level 1 Observable prices in active markets for identical assets and liabilities.
- Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Recurring Fair Value Measurements

At May 31, 2014, our financial assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Assets				
Derivative contracts (1)	\$ -	\$ 1,284	\$ -	\$ 1,284
Total assets	\$ -	\$ 1,284	\$ -	\$ 1,284
Liabilities				
Derivative contracts (1)	\$ -	\$ 4,475	\$ -	\$ 4,475
Contingent consideration obligation (2)	-	-	404	404

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Total liabilities	\$	-	\$	4,475	\$	404	\$	4,879
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At May 31, 2013, our financial assets and liabilities measured at fair value on a recurring basis were as follows:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Assets				
Derivative contracts (1)	\$ -	\$ 761	\$ -	\$ 761
Total assets	\$ -	\$ 761	\$ -	\$ 761
Liabilities				
Derivative contracts (1)	\$ -	\$ 9,774	\$ -	\$ 9,774
Total liabilities	\$ -	\$ 9,774	\$ -	\$ 9,774

- (1) The fair value of our derivative contracts is based on the present value of the expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Market observable, Level 2 inputs are used to determine the present value of the expected future cash flows. Refer to Note P Derivative Instruments and Hedging Activities for additional information regarding our use of derivative instruments.
- (2) The fair value of the contingent consideration obligation related to our acquisition of a 75% interest in Worthington Aritas is determined using a Monte Carlo simulation model based on management's projections of future EBITDA levels. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. At each reporting date, we will revalue the contingent consideration obligation to estimated fair value and record changes in fair value as income or expense in our consolidated statement of earnings. Refer to Note O Acquisitions for additional information.

Non-Recurring Fair Value Measurements

At May 31, 2014, our assets measured at fair value on a non-recurring basis were categorized as follows:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Assets				
Long-lived assets held for sale (1)	\$ -	\$ 25,040	\$ -	\$ 25,040
Long-lived assets held and used (2)	-	7,034	-	7,034
Total assets	\$ -	\$ 32,074	\$ -	\$ 32,074

(1)

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During the fourth quarter of fiscal 2014, management committed to a plan to sell the Company's 60%-owned consolidated joint venture in India, Worthington Nitin Cylinders. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group, or \$5,925,000, was lower than its net book value, an impairment charge of \$18,959,000 was recognized within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings. The portion of this impairment loss attributable to the noncontrolling interest, or \$7,583,000, was recorded within net earnings attributable to noncontrolling interest in our fiscal 2014 consolidated statement of earnings.

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During the fourth quarter of fiscal 2014, management committed to plans to sell the Company's stainless steel business, Precision Specialty Metals, Inc. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group, or \$19,115,000, was lower than its net book value, an impairment charge of \$7,141,000 was recognized within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

- (2) During the fourth quarter of fiscal 2014, we determined that indicators of impairment were present at the Company's aluminum high-pressure cylinder business in New Albany, Mississippi, due to current and projected operating losses. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value of \$7,034,000, resulting in an impairment charge of \$1,412,000 within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

At May 31, 2013, our assets measured at fair value on a non-recurring basis were categorized as follows:

(in thousands)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Assets				
Long-lived assets held and used (1)	\$ -	\$ 6,856	\$ -	\$ 6,856
Total assets	\$ -	\$ 6,856	\$ -	\$ 6,856

- (1) During the fourth quarter of fiscal 2013, the long-lived assets of our 60%-owned consolidated joint venture in India, Worthington Nitin Cylinders, were written down to their estimated fair value of \$6,856,000, resulting in an impairment charge of \$4,968,000 within impairment of long-lived assets in our consolidated statement of earnings. The portion of this impairment loss attributable to the noncontrolling interest, or \$1,987,000, was recorded within net earnings attributable to noncontrolling interest in our consolidated statement of earnings. Fair value was determined based on market prices for similar assets.

The non-derivative financial instruments included in the carrying amounts of cash and cash equivalents, receivables, income taxes receivable, other assets, deferred income taxes, accounts payable, short-term borrowings, accrued compensation, contributions to employee benefit plans and related taxes, other accrued expenses, income taxes payable and other liabilities approximate fair value due to their short-term nature. The fair value of long-term debt, including current maturities, based upon models utilizing market observable (Level 2) inputs and credit risk, was \$674,488,000 and \$421,056,000 at May 31, 2014 and 2013, respectively. The carrying amount of long-term debt, including current maturities, was \$655,963,000 and \$407,328,000 at May 31, 2014 and 2013, respectively.

Table of Contents**Note R Operating Leases**

We lease certain property and equipment from third parties under non-cancelable operating lease agreements. Rent expense under operating leases was \$14,677,000, \$13,831,000 and \$14,433,000 in fiscal 2014, fiscal 2013 and fiscal 2012, respectively. Future minimum lease payments for non-cancelable operating leases having an initial or remaining term in excess of one year at May 31, 2014, were as follows:

(in thousands)	
2015	\$ 9,091
2016	7,804
2017	6,668
2018	5,878
2019	4,957
Thereafter	6,793
Total	\$ 41,191

Note S Related Party Transactions

We purchase from, and sell to, affiliated companies certain raw materials and services at prevailing market prices. Net sales to affiliated companies for fiscal 2014, fiscal 2013 and fiscal 2012 totaled \$31,441,000, \$19,568,000, and \$22,006,000, respectively. Purchases from affiliated companies for fiscal 2014, fiscal 2013 and fiscal 2012 totaled \$9,387,000, \$4,930,000, and \$4,313,000, respectively. Accounts receivable from affiliated companies were \$4,124,000 and \$4,466,000 at May 31, 2014 and 2013, respectively. Accounts payable to affiliated companies were \$12,716,000 and \$11,777,000 at May 31, 2014 and 2013, respectively.

Note T Quarterly Results of Operations (Unaudited)

The following table summarizes the unaudited quarterly consolidated results of operations for fiscal 2014 and fiscal 2013:

(in thousands, except per share)	Three Months Ended			
	August 31	November 30	February 28	May 31
Fiscal 2014				
Net sales	\$ 692,291	\$ 769,900	\$ 773,230	\$ 891,005
Gross margin	110,964	128,232	122,487	130,836
Net earnings attributable to controlling interest	54,557	22,977	40,603	33,163
Earnings per share - basic	\$ 0.78	\$ 0.33	\$ 0.59	\$ 0.49
Earnings per share - diluted	0.76	0.32	0.57	0.47
	August	November	February	May 31
Fiscal 2013	31	30	28	
Net sales	\$ 666,035	\$ 622,622	\$ 619,527	\$ 704,060
Gross margin	93,651	94,856	97,026	111,110
Net earnings attributable to controlling interest	33,962	31,826	37,131	33,523
Earnings per share - basic	\$ 0.50	\$ 0.46	\$ 0.53	\$ 0.48
Earnings per share - diluted	0.49	0.45	0.52	0.46

The sum of the quarterly earnings per share data presented in the table may not equal the annual results due to rounding and the impact of dilutive securities on the annual versus the quarterly earnings per share calculations.

Table of Contents**WORTHINGTON INDUSTRIES, INC. AND SUBSIDIARIES****SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**

COL. A. Description	COL. B. Balance at Beginning of Period	COL. C. Additions		COL. D. Deductions Describe (B)	COL. E. Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts Describe (A)		
Year Ended May 31, 2014:					
Deducted from asset accounts:					
Allowance for possible losses on trade accounts receivable	\$ 3,408,000	\$ 32,000	\$ -	\$ 397,000	\$ 3,043,000
Year Ended May 31, 2013:					
Deducted from asset accounts:					
Allowance for possible losses on trade accounts receivable	\$ 3,329,000	\$ 783,000	\$ 26,000	\$ 730,000	\$ 3,408,000
Year Ended May 31, 2012:					
Deducted from asset accounts:					
Allowance for possible losses on trade accounts receivable	\$ 4,150,000	\$ 339,000	\$ 370,000	\$ 1,530,000	\$ 3,329,000

Note A Miscellaneous amounts.

Note B Uncollectable accounts charged to the allowance.

See accompanying Report of Independent Registered Public Accounting Firm.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures [as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)] that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management, with the participation of our principal executive officer and our principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal year covered by this Annual Report on Form 10-K (the fiscal year ended May 31, 2014). Based on that evaluation, our principal executive officer and our principal financial officer have concluded that such disclosure controls and procedures were effective at a reasonable assurance level as of the end of the fiscal year covered by this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred in the last fiscal quarter (the fiscal quarter ended May 31, 2014) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Annual Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Worthington Industries, Inc. and our consolidated subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of Worthington Industries, Inc. and our consolidated subsidiaries are being made only in accordance with authorizations of management and directors of Worthington Industries, Inc. and our consolidated subsidiaries, as appropriate; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of Worthington Industries, Inc. and our consolidated subsidiaries that could have a material effect on the financial statements.

Management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of May 31, 2014, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control - Integrated Framework (1992)* i