

WORTHINGTON INDUSTRIES INC

Form 10-K

July 30, 2015

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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, 2015

or

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

Commission File Number 1-8399

**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

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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

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 28, 2014, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$1,784,231,417. 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 24, 2015, the number of Common Shares issued and outstanding was 65,408,865.

### **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 24, 2015, 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;*  
*the ability to correct performance issues at operations;*  
*future or expected growth, forward momentum, 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, customer initiatives, new businesses, new products and new markets;*  
*expectations for our and our customers' 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 recurrent slowing 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, oil and gas, construction and other industries in which we participate;*  
*failure to maintain appropriate levels of inventories;*

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*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; helium-filled balloon kits; steel and fiberglass tanks and processing equipment primarily for the oil and gas industry; 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](http://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. Worthington Industries 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, 2015, we, together with our unconsolidated affiliates, operated 83 manufacturing facilities in 26 states and 11 countries. A total of 33 of these facilities are operated by 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 correspond with our reportable business segments: Steel Processing, Pressure Cylinders and Engineered Cabs. The Steel Processing operating segment consists of the Worthington Steel business unit ( Worthington Steel ) which operates 12 main facilities; Precision Specialty Metals, Inc. ( PSM ), a specialty stainless processor located in Los Angeles, California; and Worthington Steelpac Systems, LLC ( SteelPac ), which designs and manufactures recyclable steel packaging solutions for the movement of products; and also includes two consolidated joint ventures: Spartan Steel Coating, LLC ( Spartan ), which operates a cold-rolled hot dipped galvanizing line in Monroe, Michigan; and TWB Company, L.L.C. ( TWB ), which 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 three consolidated joint ventures: India-based Worthington Nitin Cylinders Limited ( Worthington Nitin Cylinders ), a manufacturer of high-pressure, seamless steel cylinders; Turkey-based Worthington Aritaş Basınçlı Kaplar Sanayi ( Worthington Aritas, ), a manufacturer of cryogenic

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pressure vessels for LNG and other gas storage applications; and Utah-based dHybrid Systems, LLC ( dHybrid ), a manufacturer of CNG fuel systems for large trucks. The Engineered Cabs operating segment consists of the Worthington Industries Engineered Cabs business unit ( Engineered Cabs ), formerly Angus Industries, Inc. Engineered Cabs operates 3 main facilities.

Our remaining operating segments include Construction Services and Worthington Energy Innovations ( WEI ), which are 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 Construction Services.

We hold equity positions in 13 active joint ventures, which are further discussed in the *Joint Ventures* section below. Of these, six are consolidated with their operating results reported within our reportable business segments as follows: Spartan and TWB in Steel Processing; dHybrid, Worthington Aritas and Worthington Nitin Cylinders in Pressure Cylinders; and WEI in Other.

During the fiscal year ended May 31, 2015 ( fiscal 2015 ), the Steel Processing, Pressure Cylinders and Engineered Cabs operating segments served approximately 1,000, 4,500, and 100 customers, respectively, located primarily in the United States. Foreign operations accounted for approximately 6% of consolidated net sales during fiscal 2015 and were comprised primarily of sales to customers in Europe. No single customer accounted for over 10% of consolidated net sales in fiscal 2015.

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, 2014, the Company acquired the assets of James Russell Engineering Works, Inc. ( JRE ) for cash consideration of \$1.6 million. The JRE business manufactures aluminum and stainless steel cryogenic transport trailers used for hauling liquid oxygen, nitrogen, argon, hydrogen and LNG for producers and distributors of industrial gases and LNG. The acquired assets became part of our Pressure Cylinder operating segment upon closing.

On August 1, 2014, the Company acquired the assets of Midstream Equipment Fabrication LLC ( MEF ) for cash consideration of \$38.4 million and the assumption of certain liabilities. The MEF business manufactures patented horizontal heated and high pressure separators used to separate oilfield fluids and gas. The acquired assets became part of our Pressure Cylinder operating segment upon closing.

On October 20, 2014, we acquired a 79.59% ownership interest in dHybrid, a manufacturer of CNG systems for large trucks, for total consideration of \$15.9 million, including contingent consideration with an estimated fair value of \$4.0 million, and the assumption of certain liabilities. The remaining 20.41% was retained by a founding member. The acquired business became part of our Pressure Cylinders operating segment upon closing.

On November 13, 2014, the Company's consolidated laser welded blank joint venture, TWB, opened a new facility in Cambridge, Ontario. The facility will initially operate one laser welding line with the capacity to produce two million tailor welded blanks per year.

On January 16, 2015, the Company acquired the assets of Rome Strip Steel Company, Inc. ( Rome Strip Steel ) for cash consideration of \$54.5 million after an adjustment for estimated working capital. Located in Rome, New York, the Rome Strip Steel business manufactures cold rolled steel to extremely tight tolerances. The acquired assets became part of our Steel Processing operating segment upon closing.

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On January 30, 2015, the Company sold the Advanced Component Technologies, Inc. ( ACT ) business within Engineered Cabs located in Northwood, Iowa.

On March 6, 2015, WAVE, Worthington's joint venture with Armstrong World Industries, Inc., acquired the Axiom® and Serpentina® ceiling system manufacturing capabilities from Fry Reglet Corporation.

On March 24, 2015, the Company announced its decision to close its Engineered Cabs facility in Florence, South Carolina, and a workforce reduction in several oil and gas equipment locations due to slowing demand. These decisions led to non-cash impairment charges of \$81.6 million for goodwill and other long-lived assets in Engineered Cabs and a restructuring charge of \$2.2 million for the estimated severance expense covering those affected by the workforce reductions within Pressure Cylinders.

On April 23, 2015, the Company amended its five-year, revolving credit facility, increasing commitments under the facility by \$75.0 million, to a total of \$500.0 million, and extending the maturity by three years to April 2020.

On May 1, 2015, the Company sold the operating assets and real property related to its Pressure Cylinders facility in New Albany, Mississippi, which manufactures impact extruded steel and aluminum components and high pressure aluminum cylinders. These assets were sold to companies affiliated with Thunderbird LLC, for an aggregate sale price of approximately \$8.4 million.

On June 26, 2015, the Company announced the closure of its stainless steel business, PSM. The Company is in the process of winding down operations and expects to complete the exit of the facility by December 2015. The Company estimates that the closure will result in restructuring charges in the range of \$1.0 million to \$1.5 million, primarily due to severance costs.

***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 2015, fiscal 2014, and fiscal 2013, the percentage of consolidated net sales generated by Steel Processing was approximately 63%, 62%, and 61%, 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 21 manufacturing facilities located in Ohio (6), Mexico (4), Alabama (2), Indiana (2), Michigan (2), and one each in California, New York, Pennsylvania, Tennessee and Canada.

Our Steel Processing operating segment serves approximately 1,000 customers, principally in the agricultural, appliance, automotive, construction, hardware, HVAC, lawn and garden, leisure and recreation, office furniture, office equipment, container, and aerospace 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 2015.

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;

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cutting-to-length, which cuts flattened steel sheets to exact lengths;

dry-lubing, the process of coating steel with a dry, soap-based lubricant;

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

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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 three consolidated joint ventures: India-based Worthington Nitin Cylinders, a manufacturer of high-pressure, seamless steel cylinders for CNG and other industrial gas storage applications; Worthington Aritas, one of Europe's leading cryogenic technology companies for LNG and other gas storage applications; and dHybrid, which manufactures CNG fuel systems for large trucks out of a facility in Salt Lake City, Utah. The percentage of consolidated net sales generated by Pressure Cylinders was approximately 30% in each of fiscal 2015, fiscal 2014 and fiscal 2013.

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

**Industrial Products:** This market sector includes high pressure and acetylene cylinders for industrial gases, refrigerant and certain propane gas cylinders, hand torch cylinders and joining products such as solder and brazing rods and other specialty products. Cylinders in these markets are generally sold to gas producers, cylinder exchangers and industrial distributors. Industrial cylinders hold fuel for uses such as cutting, brazing and soldering, semiconductor production, and beverage delivery. Refrigerant gas cylinders are used to hold refrigerant gases for commercial, residential and automotive air conditioning and refrigeration systems. LPG cylinders hold fuel for barbecue grills, 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.

**Consumer Products:** This market sector includes propane-filled cylinders for torches, camping stoves and other applications, hand held torches and accessories, and Balloon Time® helium-filled balloon kits. These products are sold primarily to mass merchandisers and distributors.

**Alternative Fuels:** This market sector includes composite and steel cylinders for containment of CNG and hydrogen for automobiles, buses, and light-duty trucks, propane/autogas cylinders for automobiles and light- and medium-duty trucks, as well as CNG fuel systems for buses, refuse and heavy-duty trucks.

**Oil and Gas Equipment:** This market sector includes steel and fiberglass storage tanks, separation equipment, controls and other products primarily used in the energy markets, including oil and gas and nuclear. This sector also includes 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. This market sector was formed in fiscal 2013 as a result of the acquisition of Westerman, Inc. on September 17, 2012, and also include the assets acquired from Palmer Mfg. & Tank, Inc, Steffes Corporation and MEF.

**Cryogenics:** This market sector includes cryogenic equipment systems, and service for the transportation, storage and use of liquefied gases such as LNG and industrial gases such as liquid nitrogen, oxygen, argon, and hydrogen. Key end markets include LNG storage and transportation, LNG onboard fueling for marine applications, and storage and transportation of industrial gases for manufacturing and healthcare. Pressure Cylinders entered this sector through new product development of industrial gas cryogenic cylinders, its joint venture with Aritas in Istanbul, Turkey which focuses on highly engineered tanks and systems, and the acquisition of cryogenic trailer manufacturer, JRE, based in Boston.

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 2015.

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The Pressure Cylinders operating segment, including the Worthington Nitin Cylinders, Worthington Aritas and dHybrid consolidated joint ventures, operates 20 manufacturing facilities located in California, Kansas (2), Massachusetts, North Carolina, North Dakota, Ohio (5), Oklahoma, Utah, 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 vessels and for both the high-pressure cylinders and the 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*<sup>®</sup> 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; and the registered trademarks *MAP-PR*<sup>®</sup> and *Pro-Max* to market certain hand torch cylinders. 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 those referenced above and 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 approximately \$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 2015, fiscal 2014, and fiscal 2013, the percentage of consolidated net sales generated by Engineered Cabs was approximately 6%, 7%, and 9%, respectively.

Engineered Cabs is headquartered in Columbus, Ohio and operates three primary manufacturing facilities, one in each South Carolina, South Dakota and Tennessee, which are located near key assembly locations of original equipment manufacturers. The Company is in the process of closing its facility in Florence, South Carolina. The majority of the business will be moved to the facility in Greeneville, Tennessee.

Engineered Cabs is a 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

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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 large 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. 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 2015, Engineered Cabs' top three customers represented approximately 78% 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 for this operating segment 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 the Construction Services and WEI operating segments, which do not meet the quantitative thresholds for separate disclosure, as well as other corporate-related entities.

***Construction Services.*** The Company is in the process of winding down its Military Construction business unit, whose operations involve the supply and construction of single family housing, with a focus on military housing.

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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.

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### ***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 2015, our foreign operations represented 6% of consolidated net sales, (2)% of pre-tax earnings attributable to controlling interest and 14% of consolidated net assets. During fiscal 2015, fiscal 2014 and fiscal 2013, we had consolidated operations in Austria, Canada (through February 2014), the Czech Republic (through October 2012), India, Mexico (beginning July 2013), Poland, Portugal, Turkey (beginning January 2014) and the United States. During these same three fiscal years, 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 2015, we purchased approximately 2.2 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 and Engineering Cabs operating segments purchase 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 2015, we purchased steel from the following major suppliers, in alphabetical order: AK Steel Corporation; ArcelorMittal; Essar Steel Algoma Inc.; NLMK USA; North Star BlueScope Steel, LLC; Nucor Corporation; Steel Dynamics, Inc.; and United States Steel Corporation ( U.S. Steel ). Major suppliers of aluminum to the Pressure Cylinders operating segment in fiscal 2015 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 million pounds of zinc were purchased in fiscal 2015. 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 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

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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, 2015, we had approximately 10,500 employees, including those employed by our unconsolidated joint ventures. Approximately 6% 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 six consolidated and seven unconsolidated joint ventures.

### **Consolidated**

The results of the following six consolidated joint ventures have been consolidated with the financial results of the Company since the respective dates on which the Company acquired majority ownership. The equity owned by the minority members is shown as noncontrolling interests on our consolidated balance sheets and their portions of net earnings are included as net earnings attributable to noncontrolling interests in our consolidated statements of earnings.

dHybrid is a 79.59%-owned consolidated joint venture with M&M Residual, LLC that manufactures CNG fuel systems for large trucks out of a facility in Salt Lake City, Utah. dHybrid's financial results are consolidated within Pressure Cylinders.

Spartan is a 52%-owned consolidated joint venture with AK Steel Corporation (as successor to Severstal Dearborn LLC), 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.

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 laser welded blanks, laser welded coils and other laser 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; and Cambridge, Ontario, Canada. TWB's financial results have been consolidated within Steel Processing since July 31, 2013, when we increased our ownership interest from 45% to 55%. 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.

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WEI is a 75%-owned consolidated joint venture with Tom E. Kiser (20%) and Stonehenge Structured Finance Partners, LLC (5%) (together referred to as WEI Partners ), with offices in Fremont and Columbus, Ohio. WEI is an Energy Services Company that develops cost-effective energy solutions for entities in North America and Asia. Once these solutions are implemented, WEI monitors, verifies and guarantees these energy saving solutions. WEI's financial results are reported within the Other category for segment reporting purposes.

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 and other industrial gas storage applications. Worthington Nitin Cylinders' financial results are consolidated within Pressure Cylinders. 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. However, the joint venture is no longer manufacturing cylinders and the investment has been entirely written off.

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.

**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.

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

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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,

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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 Steel Co., Ltd. and Marubeni-Itochu Steel Inc., is based in Pinghu City, Zhejiang, China. The joint venture is constructing 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 and Weakness***

*Our industries are cyclical and weakness or downturns in the economy or certain industries could have an adverse effect on our business.* The overall general economic conditions, both domestically and globally, have improved from the lows reached during the recession, but they are not strong. The automotive market has rebounded, and the construction market is improving. 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, could deteriorate, which could result in a corresponding decrease in demand for our products and negatively impact our results of operations and financial condition.

*If the price of natural gas and/or oil prices remain low or decline further, the demand for products in our oil and gas equipment business could be adversely affected.* Volatility or weakness in oil prices or natural gas prices, or the perception of future price weakness, affects the spending patterns of our customers within the

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oil and gas equipment business. This has resulted and may continue to result in the drilling of fewer wells or lower production spending on existing wells, lowering demand for our oil and gas equipment products and negatively impacting 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 could adversely affect our business.* An overall downturn in the economy, a disruption in capital and credit markets, high unemployment, reduced consumer confidence or other factors could cause reductions in demand from our end markets in general and, in particular, the automotive and construction end markets. If demand for the products we sell to the automotive, construction or other end markets which we supply 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 past years, some customers have experienced and some 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 changes within the markets we serve, including 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 these customers may delay or default on their payment obligations to us. Should the economy or any of our markets decline, the risk of bankruptcy filings by and financial difficulties of our customers may increase. 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 could impact our end markets and 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 may make 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 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 facilities. In addition, restricted access to the credit markets could make it difficult, or in some cases, impossible for 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***

*Our operating results may be adversely affected by declining steel prices.* If steel prices or other raw material 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.

*Our 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

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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.

*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.

### ***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 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

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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, oil and gas, 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.* More than 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 FCA US LLC (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 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 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

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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 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 our 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

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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.

*We depend on third parties for freight services, and increases in costs or the lack of availability of freight services can adversely affect our operations.* We rely primarily on third parties for transportation of our products as well as delivery of our raw materials, primarily by truck. If, due to lack of freight services, raw materials are not delivered to us in a timely manner, we may be unable to manufacture and deliver our products to meet customer demand. Likewise, if due to lack of freight service, we cannot deliver our products in a timely manner, it could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our results of operations.

### ***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.

### ***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

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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 and Weakness*** risk factors 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 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

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five-year period ended May 31, 2015, our total capital expenditures, including acquisitions and investment activity, were approximately \$210.3 million. Additionally, as of May 31, 2015, we were obligated to make aggregate lease payments of \$38.5 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.

### ***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

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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 27% 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 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, 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

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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 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

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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 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.

## ***Seasonality***

*Our operations have been subject to seasonal fluctuations that may impact our cash flows for a particular period.* Historically our sales are generally strongest in the fourth quarter of the fiscal year when all of our business segments are normally operating at seasonal peaks, and 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.

**Table of Contents*****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 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, 2015, we owned or leased a total of approximately 7,900,000 square feet of space for our operations, of which approximately 6,900,000 square feet (7,300,000 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 13 active joint ventures, we operate 33 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.

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### ***Steel Processing***

Our wholly-owned operations within Steel Processing operate a total of twelve manufacturing facilities, nine of which are owned by the Company and contain approximately 2,500,000 square feet, and three of which are leased and contain approximately 300,000 square feet. These facilities are located in Alabama, California, New York, 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 2,000,000 square feet, and two that are leased and contain approximately 200,000 square feet. These facilities are located in California, Kansas (2), Massachusetts, Oklahoma, North Carolina, North Dakota, 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 60,000 square feet, and two leased warehouses, both in Ohio, that contain a total of approximately 150,000 square feet. As noted above, this operating segment's corporate offices are located in Columbus, Ohio.

### ***Engineered Cabs***

Engineered Cabs operates three manufacturing facilities owned by the Company that contain a total of approximately 800,000 square feet. These facilities are located in South Carolina, South Dakota, and Tennessee. This operating segment also has two leased warehouses, one in each of South Carolina and Tennessee, which contain a total of approximately 80,000 square feet. Engineered Cabs' corporate offices are located in Columbus, Ohio.

### ***Other***

The Construction Services operating segment consists of the Military Construction business unit, which we are in the process of exiting. Construction Services operated one leased administrative facility in Tennessee, which contains a total of approximately 4,000 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 50 manufacturing facilities.

#### **Consolidated**

Spartan owns and operates one manufacturing facility in Monroe, Michigan; TWB operates eight manufacturing facilities, one owned facility located in Monroe, Michigan, and seven leased facilities located in Alabama, Tennessee, Canada, and Mexico (4); WEI leases one manufacturing facility in Fremont, Ohio; dHybrid operates one leased manufacturing facility located in Salt Lake City, Utah; 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.

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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 two steel pickling facilities in Ohio.

Serviacero Worthington operates three facilities in Mexico.

WAVE operates ten facilities in five countries, five of which are located in the United States (one each in California; Georgia; Maryland; Michigan; and Nevada). The remaining facilities are located in China, the 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

**Supplemental Item Executive Officers of the Registrant**

The following table lists the names, positions held and ages of the individuals serving as executive officers of the Registrant as of July 30, 2015.

<b>Name</b>	<b>Age</b>	<b>Position(s) with the Registrant</b>	<b>Present Office Held Since</b>
John P. McConnell	61	Chairman of the Board and Chief Executive Officer; a Director	1996
Mark A. Russell	52	President and Chief Operating Officer	2012
B. Andrew Rose	45	Executive Vice President and Chief Financial Officer	2008
Andrew J. Billman	47	President-Worthington Cylinder Corporation	2011
Dale T. Brinkman	62	Vice President-Administration, General Counsel and Secretary	2000
Terrance M. Dyer	48	Vice President-Human Resources	2012
Geoffrey G. Gilmore	43	President-The Worthington Steel Company	2012
Joseph B. Hayek	43	Vice President-Mergers and Acquisitions and Corporate Development	2014
John G. Lamprinakos	57	President-Worthington Industries Engineered Cabs	2013
Catherine M. Lyttle	56	Vice President-Communications and Investor Relations	2009
Richard G. Welch	57	Corporate Controller	2000
Virgil L. Winland	67	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.

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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.

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.

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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 24, 2015, Worthington Industries had 5,772 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 2015 and fiscal 2014, and (ii) the cash dividends per share declared on Worthington Industries' common shares for each quarter of fiscal 2015 and fiscal 2014.

	Market Price			Cash Dividends Declared
	Low	High	Closing	
<b>Fiscal 2015</b>				
<b>Quarter Ended</b>				
August 31, 2014	\$ 38.25	\$ 43.85	\$ 40.44	\$ 0.18
November 30, 2014	\$ 34.06	\$ 40.99	\$ 37.71	\$ 0.18
February 28, 2015	\$ 24.18	\$ 38.36	\$ 27.00	\$ 0.18
May 31, 2015	\$ 25.21	\$ 28.77	\$ 27.21	\$ 0.18
<b>Fiscal 2014</b>				
<b>Quarter Ended</b>				
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

Dividends are declared at the discretion of Worthington Industries' Board of Directors (the "Board"). The Board declared quarterly dividends of \$0.18 per common share in fiscal 2015 and of \$0.15 per common share in fiscal 2014. On June 24, 2015, the Board declared a quarterly dividend of \$0.19 per common share for the first quarter of fiscal 2016, an increase of \$0.01 per common share over the previous quarterly rate. This dividend is payable on September 29, 2015, to shareholders of record as of September 15, 2015.

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, 2010, in Worthington Industries common shares and each index.

\* \$100 invested on 5/31/10 in common shares or index. Assumes reinvestment of dividends when received. Fiscal year ended May 31.

	05/10	05/11	05/12	05/13	05/14	05/15
Worthington Industries, Inc.	\$ 100.00	\$ 151.99	\$ 116.30	\$ 251.98	\$ 298.87	\$ 205.87
S&P Midcap 400 Index	\$ 100.00	\$ 132.96	\$ 124.85	\$ 162.24	\$ 191.52	\$ 215.04
S&P 1500 Steel Composite Index	\$ 100.00	\$ 118.34	\$ 78.32	\$ 83.85	\$ 100.20	\$ 90.12

*Data and graph provided by Zacks Investment Research, Inc. Copyright© 2015, 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, 2015, 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, 2015:

<b>Period</b>	<b>Total Number of Common Shares Purchased</b>	<b>Average Price Paid per Common Share</b>	<b>Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Common Shares that May Yet Be Purchased Under the Plans or Programs (1)</b>
March 1-31, 2015	945,195	\$ 26.42	945,195	7,696,337
April 1-30, 2015	150,192	\$ 27.30	150,192	7,546,145
May 1-31, 2015 (2)	99,999	\$ 27.34	-	7,546,145
<b>Total</b>	<b>1,195,386</b>	<b>\$ 26.61</b>	<b>1,095,387</b>	

- (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 25, 2014, Worthington Industries, Inc. announced that the Board authorized the repurchase of up to 10,000,000 of Worthington Industries' outstanding common shares. A total of 7,546,145 common shares were available under this repurchase authorization at May 31, 2015.

The common shares available for repurchase under this authorization 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) Consists of common shares surrendered in May 2015 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 2015 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,				
	2015	2014	2013	2012	2011
<b>FINANCIAL RESULTS</b>					
Net sales	\$ 3,384,234	\$ 3,126,426	\$ 2,612,244	\$ 2,534,701	\$ 2,442,624
Cost of goods sold	2,920,701	2,633,907	2,215,601	2,201,833	2,086,467
Gross margin	463,533	492,519	396,643	332,868	356,157
Selling, general and administrative expense	295,920	300,396	258,324	225,069	235,198
Impairment of goodwill and long-lived assets	100,129	58,246	6,488	355	4,386
Restructuring and other expense (income)	6,514	(2,912)	3,293	5,984	2,653
Joint venture transactions	413	1,036	(604)	(150)	(10,436)
Operating income	60,557	135,753	129,142	101,610	124,356
Miscellaneous income	795	16,963	1,452	2,319	597
Interest expense	(35,800)	(26,671)	(23,918)	(19,497)	(18,756)
Equity in net income of unconsolidated affiliates	87,476	91,456	94,624	92,825	76,333
Earnings before income taxes	113,028	217,501	201,300	177,257	182,530
Income tax expense	25,772	57,349	64,465	51,904	58,496
Net earnings	87,256	160,152	136,835	125,353	124,034
Net earnings attributable to noncontrolling interests	10,471	8,852	393	9,758	8,968
Net earnings attributable to controlling interest	\$ 76,785	\$ 151,300	\$ 136,442	\$ 115,595	\$ 115,066
Earnings per share diluted:					
Net earnings per share attributable to controlling interest	\$ 1.12	\$ 2.11	\$ 1.91	\$ 1.65	\$ 1.53
Depreciation and amortization	\$ 85,089	\$ 79,730	\$ 66,469	\$ 55,873	\$ 61,058
Capital expenditures (including acquisitions and investments)	210,346	82,855	219,813	272,349	59,891
Cash dividends declared	48,308	41,816	36,471	33,441	29,411
Per common share	\$ 0.72	\$ 0.60	\$ 0.52	\$ 0.48	\$ 0.40
Average common shares outstanding diluted	68,483	71,664	71,314	70,252	75,409
<b>FINANCIAL POSITION</b>					
Total current assets	\$ 992,193	\$ 1,198,922	\$ 866,883	\$ 914,239	\$ 891,635
Total current liabilities	524,392	589,663	448,914	658,263	525,002
Working capital	\$ 467,801	\$ 609,259	\$ 417,969	\$ 255,976	\$ 366,633
Total property, plant and equipment, net	\$ 513,190	\$ 498,861	\$ 459,430	\$ 443,077	\$ 405,334
Total assets	2,085,142	2,296,381	1,950,857	1,877,797	1,667,249
Total debt	670,743	666,325	521,056	533,714	383,210
Total shareholders equity controlling interest	749,112	850,812	830,822	697,174	689,910
Per share	\$ 11.68	\$ 12.62	\$ 11.91	\$ 10.27	\$ 9.62
Common shares outstanding	64,141	67,408	69,752	67,906	71,684

The Company's aluminum high-pressure cylinder business has been excluded since its disposal in May 2015. The Advanced Component Technologies, Inc. business has been excluded since its disposal in January 2015. The acquisition of the assets of Rome Strip Steel Company, Inc. has been reflected since January 2015. The operations of dHybrid Systems, LLC have been reflected since October 2014 when we acquired our 79.59% ownership interest. The acquisition of the assets of Midstream Equipment Fabrication LLC has been reflected



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since August 2014. The acquisition of the assets of James Russell Engineering Works, Inc. has been reflected since July 2014. The operations of the tank manufacturing division of Steffes Corporation have been reflected since their 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, L.L.C. has been reflected since July 2013 when we acquired an additional 10% ownership interest bringing our total to 55%. The acquisition of the 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. Worthington Energy Innovations, 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.

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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; 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, 2015, excluding our joint ventures, we operated 33 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). The Company is in the process of exiting the businesses within Construction Services.

We also held equity positions in 13 active joint ventures, which operated 50 manufacturing facilities worldwide, as of May 31, 2015. Six of these joint ventures are consolidated with the equity owned by the other joint venture member(s) shown as noncontrolling interests in our consolidated balance sheets, and the other joint venture member(s) portion of net earnings and other comprehensive income shown as net earnings or comprehensive income attributable to noncontrolling interests in our consolidated statements of earnings and consolidated statements of comprehensive income, respectively. The remaining seven of these joint ventures are accounted for using the equity method.

#### ***Overview***

Performance was mixed during fiscal 2015. The Company delivered overall sales growth of 8%; however, declining steel and oil prices and higher than expected manufacturing costs as a result of operational issues at certain locations in Engineered Cabs and Pressure Cylinders had a significant adverse impact on results. The falling price of steel resulted in significant inventory holding losses in Steel Processing. The downturn in oil and gas equipment markets depressed demand and combined with declines in industrial products to adversely impact Pressure Cylinders results. Continued operational issues at the Engineered Cabs facility in Florence, South Carolina, led to the decision to close the facility and triggered non-cash impairment charges totaling \$83.9 million within Engineered Cabs, including \$44.9 million for the full write off of goodwill.

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Equity in net income of unconsolidated affiliates ( equity income ) was down 4% in fiscal 2015 to \$87.5 million. The decline was primarily due to a \$4.0 million decrease at Serviacero, which was negatively impacted by the falling price of steel, and a \$4.1 million decrease at ClarkDietrich on lower volumes. Equity income from WAVE and ArtiFlex was higher than the prior year by \$3.5 million and \$3.4 million, respectively. We received cash distributions of \$78.3 million from our unconsolidated affiliates during fiscal 2015.

### ***Recent Business Developments***

On July 31, 2014, the Company acquired the assets of James Russell Engineering Works, Inc. ( JRE ) for cash consideration of \$1.6 million. The JRE business manufactures aluminum and stainless steel cryogenic transport trailers used for hauling liquid oxygen, nitrogen, argon, hydrogen and LNG for producers and distributors of industrial gases and LNG. The acquired assets became part of our Pressure Cylinders operating segment upon closing.

On August 1, 2014, the Company acquired the assets of Midstream Equipment Fabrication LLC ( MEF ) for cash consideration of \$38.4 million and the assumption of certain liabilities. The MEF business manufactures patented horizontal heated and high pressure separators used to separate oilfield fluids and gas. The acquired assets became part of our Pressure Cylinders operating segment upon closing.

On October 20, 2014, we acquired a 79.59% ownership interest in dHybrid Systems, LLC ( dHybrid ), a manufacturer of CNG fuel systems for large trucks. The remaining 20.41% was retained by a founding member. The total purchase price was \$15.9 million, which includes contingent consideration with an estimated fair value of \$4.0 million. The acquired business became part of our Pressure Cylinders operating segment upon closing.

On November 13, 2014, the Company's consolidated laser welded blank joint venture, TWB, opened a new facility in Cambridge, Ontario. The facility operates one laser welding line with the capacity to produce two million tailor welded blanks per year.

On January 16, 2015, the Company acquired the assets of Rome Strip Steel Company, Inc. ( Rome Strip Steel ) for cash consideration of \$54.5 million after an adjustment for estimated working capital. Located in Rome, New York, Rome Strip Steel manufactures cold rolled steel to extremely tight tolerances. The acquired assets became part of our Steel Processing operating segment upon closing.

On January 30, 2015, the Company sold the Advanced Component Technologies, Inc. ( ACT ) business within Engineered Cabs located in Northwood, Iowa.

On March 6, 2015, WAVE, Worthington's joint venture with Armstrong World Industries, acquired the Axioff<sup>®</sup> and Serpentina<sup>®</sup> ceiling system manufacturing capabilities from Fry Reglet Corporation.

On March 24, 2015, the Company announced its decision to close its Engineered Cabs facility in Florence, South Carolina, and a workforce reduction in several oil and gas equipment locations due to slowing demand. These decisions led to non-cash impairment charges of \$81.6 million for goodwill and other long-lived assets in Engineered Cabs and a restructuring charge of \$2.2 million for the estimated severance expense covering those affected by the workforce reductions within Pressure Cylinders.

On April 23, 2015, the Company amended its five-year, revolving credit facility, increasing commitments under the facility by \$75.0 million, to a total of \$500.0 million, and extending the maturity by three years to April 2020.

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On May 1, 2015, the Company completed the sale of its aluminum high-pressure cylinder business in New Albany, Mississippi, for cash proceeds of \$8.4 million. A loss of \$3.3 million was recognized as a result of the transaction, including \$1.9 million of allocated goodwill and a \$664,000 accrual for expected severance costs.

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On June 24, 2015, the Board declared a quarterly dividend of \$0.19 per share, an increase of \$0.01 per share from the previous quarterly rate. The dividend is payable on September 29, 2015 to shareholders of record on September 15, 2015.

On June 26, 2015, the Company announced the closure of its stainless steel business, Precision Specialty Metals, Inc. ( PSM ). The Company is in the process of winding down operations and expects to complete the exit of the facility by December 2015. The Company estimates that the closure will result in restructuring charges in the range of \$1.0 million to \$1.5 million, primarily due to severance costs.

During fiscal 2015, we repurchased a total of 4,176,187 common shares for \$127.4 million at an average price of \$30.50.

### ***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 2015 and fiscal 2014 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 60% 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.

Approximately 10% of the net sales of our Steel Processing operating segment, 60% 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, in the case of ClarkDietrich, trends in the relative price of framing lumber and steel.

Substantially all of the net sales of our Pressure Cylinders operating segment, and approximately 30% and 40% 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, oil and gas equipment, 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:

	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
U.S. GDP (% growth year-over-year) <sup>1</sup>	2.5%	1.7%	2.2%	0.8%	-0.5%
Hot-Rolled Steel (\$ per ton) <sup>2</sup>	\$ 591	\$ 651	\$ 616	(\$ 60)	\$ 35
Detroit Three Auto Build (000 s vehicles) <sup>3</sup>	9,078	9,020	8,557	58	463
No. America Auto Build (000 s vehicles) <sup>3</sup>	17,124	16,381	15,744	743	637
Zinc (\$ per pound) <sup>4</sup>	\$ 0.98	\$ 0.86	\$ 0.90	\$ 0.12	(\$ 0.04)
Natural Gas (\$ per mcf) <sup>5</sup>	\$ 3.66	\$ 4.08	\$ 3.49	(\$ 0.42)	\$ 0.59
On-Highway Diesel Fuel Prices (\$ per gallon) <sup>6</sup>	\$ 3.38	\$ 3.92	\$ 3.96	(\$ 0.54)	(\$ 0.04)

<sup>1</sup> 2014/2013 figures based on revised actuals <sup>2</sup> CRU Hot-Rolled Index; period average <sup>3</sup> IHS Global <sup>4</sup> LME Zinc; period average <sup>5</sup> NYMEX Henry Hub Natural Gas; period average <sup>6</sup> 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, which was the case during fiscal 2015, 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 2015, fiscal 2014, and fiscal 2013:

	(Dollars per ton <sup>1</sup> )		
	2015	2014	2013
1st Quarter	\$ 670	\$ 627	\$ 616
2nd Quarter	\$ 651	\$ 651	\$ 622
3rd Quarter	\$ 578	\$ 669	\$ 629
4th Quarter	\$ 464	\$ 655	\$ 595
Annual Avg.	\$ 591	\$ 651	\$ 616

<sup>1</sup> CRU Hot-Rolled Index

No single customer contributed more than 10% of our consolidated net sales during fiscal 2015. 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 2015, vehicle production for the Detroit Three automakers was up 1% and North American vehicle production as a whole increased 5%.

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.

**Table of Contents****Results of Operations****Fiscal 2015 Compared to Fiscal 2014****Consolidated Operations**

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

(Dollars in millions)	Fiscal Year Ended May 31,				
	2015	% of Net sales	2014	% of Net sales	Increase/ (Decrease)
Net sales	\$ 3,384.2	100.0%	\$ 3,126.4	100.0%	\$ 257.8
Cost of goods sold	2,920.7	86.3%	2,633.9	84.2%	286.8
<b>Gross margin</b>	463.5	13.7%	492.5	15.8%	(29.0)
Selling, general and administrative expense	295.9	8.7%	300.4	9.6%	(4.5)
Impairment of goodwill and long-lived assets	100.1	3.0%	58.2	1.9%	41.9
Restructuring and other expense (income)	6.5	0.2%	(2.9)	-0.1%	9.4
Joint venture transactions	0.4	0.0%	1.0	0.0%	(0.6)
<b>Operating income</b>	60.6	1.8%	135.8	4.3%	(75.2)
Miscellaneous income	0.8	0.0%	16.9	0.5%	(16.1)
Interest expense	(35.8)	-1.1%	(26.7)	-0.9%	9.1
Equity in net income of unconsolidated affiliates	87.5	2.6%	91.5	2.9%	(4.0)
Income tax expense	(25.8)	-0.8%	(57.3)	-1.8%	(31.5)
<b>Net earnings</b>	87.3	2.6%	160.2	5.1%	(72.9)
Net earnings attributable to noncontrolling interests	(10.5)	-0.3%	(8.9)	-0.3%	1.6
<b>Net earnings attributable to controlling interest</b>	\$ 76.8	2.3%	\$ 151.3	4.8%	\$ (74.5)

Fiscal 2015 net earnings attributable to controlling interest decreased \$74.5 million from fiscal 2014. Net sales and operating highlights were as follows:

Net sales increased \$257.8 million over fiscal 2014. The increase was driven by the impact of acquisitions (\$185.6 million) and higher volumes from existing customers (\$123.7 million), partially offset by lower average selling prices (\$51.5 million).

Gross margin decreased \$29.0 million from fiscal 2014. The decrease was driven by declines in the oil and gas equipment and industrial products end markets in Pressure Cylinders, inventory holding losses in Steel Processing and higher manufacturing expenses, partially offset by contributions from recent acquisitions.

SG&A expense decreased \$4.5 million from fiscal 2014 driven by lower profit sharing and bonus expense partially offset by the impact of acquisitions. In addition, the prior year period included a net pre-tax gain of \$4.0 million for the favorable settlement of a legal dispute.

Impairment charges of \$100.1 million consisted primarily of \$83.9 million related to Engineered Cabs, including \$44.9 million for the full write off of goodwill. Impairment charges in the comparable prior year period consisted primarily of \$30.7 million related to

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the write off of certain trade name intangible assets as a result of a re-branding initiative and \$19.0 million related to the Company's 60%-owned consolidated joint venture in India. 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.

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Restructuring expense of \$6.5 million consisted primarily of employee severance related to workforce reductions in our oil and gas equipment businesses (\$2.2 million) and a net loss on the sale of the Company's aluminum high-pressure cylinder business in New Albany, Mississippi (\$3.3 million). 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 \$35.8 million was \$9.1 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 \$4.0 million from fiscal 2014 to \$87.5 million. The decline was due to lower equity income at Serviacero as a result of lower steel prices (\$4.0 million) and lower equity income at ClarkDietrich on lower volumes (\$4.1 million), partially offset by increases at WAVE (\$3.5 million) and ArtiFlex (\$3.4 million). We received \$78.3 million in cash distributions from our unconsolidated affiliates during fiscal 2015. All joint ventures posted positive results, led by WAVE and ArtiFlex, which contributed \$70.6 million and \$7.2 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 \$31.5 million from fiscal 2014 on lower earnings and an approximately \$5.3 million benefit related to foreign tax credits, offset partially by favorable tax adjustments recorded in the prior year including \$7.1 million associated with the acquisition of an additional 10% interest in TWB, \$2.3 million associated with the write off of an investment in a foreign subsidiary, and \$2.2 million of research and development credits.

Fiscal 2015 income tax expense reflects an effective tax rate attributable to controlling interest of 25.1% vs. 27.5% in fiscal 2014. The 25.1% rate is lower than the federal statutory rate of 35% primarily as a result of benefits from the qualified production activities deduction and the benefit related to foreign tax credits, offset partially by state and local income taxes. 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,				
	2015	% of Net sales	2014	% of Net sales	Increase/ (Decrease)
Net sales	\$ 2,145.7	100.0%	\$ 1,936.1	100.0%	\$ 209.6
Cost of goods sold	1,910.5	89.0%	1,683.7	87.0%	226.8
<b>Gross margin</b>	235.2	11.0%	252.4	13.0%	(17.2)
Selling, general and administrative expense	123.4	5.8%	129.7	6.7%	(6.3)
Impairment of long-lived assets	3.1	0.1%	7.1	0.4%	(4.0)
Restructuring and other income	-	0.0%	(3.4)	-0.2%	3.4
<b>Operating income</b>	\$ 108.7	5.1%	\$ 119.0	6.1%	\$ (10.3)
Material cost	\$ 1,567.3		\$ 1,392.0		\$ 175.3
Tons shipped (in thousands)	3,510		3,282		228

Net sales and operating highlights were as follows:

Net sales increased \$209.6 million over fiscal 2014. The increase was driven by the impact of acquisitions (\$109.9 million), higher volumes from existing customers (\$60.5 million) and higher average selling prices due to product mix (\$39.2 million). Excluding the impact of TWB, the mix of direct versus toll tons processed was unchanged from fiscal 2014 at 56% to 44%.

Operating income decreased \$10.3 million from fiscal 2014. Gross margin declined \$17.2 million as a result of lower spreads between average selling prices and material cost due to the declining price of steel. SG&A expense declined \$6.3 million as a result of lower profit sharing and bonus expense and a decrease in depreciation expense partially offset by the impact of acquisitions. Operating income in the current year included an impairment charge of \$3.1 million compared to \$7.1 million in the prior year. Impairment charges in both fiscal 2015 and fiscal 2014 related to the Company's stainless steel business, PSM. 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.

**Table of Contents****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,				
	2015	% of Net sales	2014	% of Net sales	Increase/ (Decrease)
Net sales	\$ 1,001.4	100.0%	\$ 928.4	100.0%	\$ 73.0
Cost of goods sold	783.8	78.3%	716.1	77.1%	67.7
<b>Gross margin</b>	217.6	21.7%	212.3	22.9%	5.3
Selling, general and administrative expense	141.1	14.1%	126.0	13.6%	15.1
Impairment of long-lived assets	11.9	1.2%	32.0	3.4%	(20.1)
Restructuring and other expense (income)	6.4	0.6%	(0.7)	-0.1%	7.1
<b>Operating income</b>	\$ 58.2	5.8%	\$ 55.0	5.9%	\$ 3.2
Material cost	\$ 474.3		\$ 426.9		\$ 47.4
Net sales by principal class of products:					
Industrial Products	\$ 438.0		\$ 455.4		\$ (17.4)
Oil and Gas Equipment	231.1		153.5		77.6
Consumer Products					