

WORTHINGTON INDUSTRIES INC  
Form 10-Q  
January 09, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended November 30, 2014

OR

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

Commission File Number 001-08399

**WORTHINGTON INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of incorporation or organization)

31-1189815  
(I.R.S. Employer Identification No.)

200 Old Wilson Bridge Road, Columbus, Ohio  
(Address of principal executive offices)

43085  
(Zip Code)

(614) 438-3210  
(Registrant's telephone number, including area code)

Not applicable  
(Former name, former address and former fiscal year, if changed since last report)

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.

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YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date. On December 31, 2014, the number of Common Shares, without par value, issued and outstanding was 68,029,037.

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**SAFE HARBOR STATEMENT**

*Selected statements contained in this Quarterly Report on Form 10-Q, including, without limitation, in PART I Item 2. 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 Company and customer inventories, jobs and orders;*  
*expectations for the economy and markets or improvements therein;*  
*expected benefits from transformation plans, cost reduction efforts and other new initiatives;*  
*expectations for increasing volatility or improving and sustaining earnings, earnings potential, margins or shareholder value;*  
*effects of judicial rulings; and*  
*other non-historical matters.*

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

*the effect of national, regional and worldwide economic conditions generally and within major product markets, including a 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, construction and other industries in which we participate;*  
*failure to maintain appropriate levels of inventories;*  
*financial difficulties (including bankruptcy filings) of original equipment manufacturers, end-users and customers, suppliers, joint venture partners and others with whom we do business;*  
*the ability to realize targeted expense reductions from headcount reductions, facility closures and other cost reduction efforts;*  
*the ability to realize other cost savings and operational, sales and sourcing improvements and efficiencies, and other expected benefits from transformation initiatives, on a timely basis;*  
*the overall success of, and the ability to integrate, newly-acquired businesses and joint ventures, maintain and develop their customers, and achieve synergies and other expected benefits and cost savings therefrom;*

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*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 new 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 the outcome 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 consolidated financial results and operations; and*  
*other risks described from time to time in our filings with the United States Securities and Exchange Commission, including those described in PART I Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended May 31, 2014.*

*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 Quarterly Report on Form 10-Q are based on current information as of the date of this Quarterly Report on Form 10-Q, and we assume no obligation to correct or update any such statements in the future, except as required by applicable law.*

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

|   | <b>November 30,<br/>2014</b> | <b>May 31,<br/>2014</b> |
|---|------------------------------|-------------------------|
| <b>Assets</b>   |                              |                         |
| Current assets:   |                              |                         |
| Cash and cash equivalents   | \$ 96,537                    | \$ 190,079              |
| Receivables, less allowances of \$2,997 and \$3,043 at November 30, 2014 and May 31, 2014, respectively                 | 491,687                      | 493,127                 |
| Inventories:  |                              |                         |
| Raw materials   | 236,126                      | 213,173                 |
| Work in process   | 118,796                      | 105,872                 |
| Finished products   | 99,853                       | 90,957                  |
| Total inventories   | 454,775                      | 410,002                 |
| Income taxes receivable   | 13,757                       | 5,438                   |
| Assets held for sale  | 28,264                       | 32,235                  |
| Deferred income taxes   | 23,064                       | 24,272                  |
| Prepaid expenses and other current assets   | 46,310                       | 43,769                  |
| Total current assets  | 1,154,394                    | 1,198,922               |
| Investments in unconsolidated affiliates  | 194,686                      | 179,113                 |
| Goodwill  | 283,418                      | 251,093                 |
| Other intangible assets, net of accumulated amortization of \$45,500 and \$35,506 at November 30, 2014 and May 31, 2014 | 150,534                      | 145,993                 |
| Other assets  | 22,450                       | 22,399                  |
| Property, plant & equipment:  |                              |                         |
| Land  | 15,238                       | 15,260                  |
| Buildings and improvements  | 218,801                      | 213,848                 |
| Machinery and equipment   | 853,219                      | 848,889                 |
| Construction in progress  | 43,115                       | 32,135                  |
| Total property, plant & equipment   | 1,130,373                    | 1,110,132               |
| Less: accumulated depreciation  | 628,464                      | 611,271                 |
| Property, plant and equipment, net  | 501,909                      | 498,861                 |
| <b>Total assets</b>   | <b>\$ 2,307,391</b>          | <b>\$ 2,296,381</b>     |
| <b>Liabilities and equity</b>   |                              |                         |
| Current liabilities:  |                              |                         |
| Accounts payable  | \$ 324,886                   | \$ 333,744              |
| Short-term borrowings   | 10,769                       | 10,362                  |

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|   |                     |                     |
|---|---------------------|---------------------|
| Accrued compensation, contributions to employee benefit plans and related taxes | 62,985              | 78,514              |
| Dividends payable   | 13,010              | 11,044              |
| Other accrued items   | 60,961              | 49,873              |
| Income taxes payable  | 4,396               | 4,953               |
| Current maturities of long-term debt  | 101,140             | 101,173             |
| <b>Total current liabilities</b>  | <b>578,147</b>      | <b>589,663</b>      |
| Other liabilities   | 62,297              | 76,426              |
| Distributions in excess of investment in unconsolidated affiliate               | 59,576              | 59,287              |
| Long-term debt  | 573,734             | 554,790             |
| Deferred income taxes   | 62,629              | 71,333              |
| <b>Total liabilities</b>  | <b>1,336,383</b>    | <b>1,351,499</b>    |
| Shareholders' equity - controlling interest                                     | 872,502             | 850,812             |
| Noncontrolling interest   | 98,506              | 94,070              |
| <b>Total equity</b>   | <b>971,008</b>      | <b>944,882</b>      |
| <b>Total liabilities and equity</b>   | <b>\$ 2,307,391</b> | <b>\$ 2,296,381</b> |

See notes to consolidated financial statements.

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

|  | <b>Three Months Ended<br/>November 30,</b> |                  | <b>Six Months Ended<br/>November 30,</b> |                  |
|--|--|------------------|--|------------------|
|  | <b>2014</b>                                | <b>2013</b>      | <b>2014</b>                              | <b>2013</b>      |
| Net sales  | \$ 871,012                                 | \$ 769,900       | \$ 1,733,426                             | \$ 1,462,191     |
| Cost of goods sold   | 745,789                                    | 641,668          | 1,478,696                                | 1,222,995        |
| Gross margin   | 125,223                                    | 128,232          | 254,730                                  | 239,196          |
| Selling, general and administrative expense                    | 77,308                                     | 78,395           | 152,563                                  | 149,935          |
| Impairment of long-lived assets                                | 14,235                                     | 30,734           | 16,185                                   | 35,375           |
| Restructuring and other expense (income)                       | 405  | (1,182)          | 398                                      | (5,179)          |
| Joint venture transactions                                     | 83   | 786              | 190                                      | 928              |
| Operating income   | 33,192                                     | 19,499           | 85,394                                   | 58,137           |
| Other income (expense):  |  |                  |  |                  |
| Miscellaneous income   | 1,220                                      | 2,472            | 1,543                                    | 13,409           |
| Interest expense   | (9,676)                                    | (6,258)          | (19,192)                                 | (12,498)         |
| Equity in net income of unconsolidated affiliates              | 22,319                                     | 21,086           | 50,243                                   | 48,037           |
| Earnings before income taxes                                   | 47,055                                     | 36,799           | 117,988                                  | 107,085          |
| Income tax expense   | 15,600                                     | 8,459            | 37,713                                   | 22,392           |
| <b>Net earnings</b>  | <b>31,455</b>                              | <b>28,340</b>    | <b>80,275</b>                            | <b>84,693</b>    |
| Net earnings attributable to noncontrolling interest           | 1,993                                      | 5,363            | 6,645                                    | 7,159            |
| <b>Net earnings attributable to controlling interest</b>       | <b>\$ 29,462</b>                           | <b>\$ 22,977</b> | <b>\$ 73,630</b>                         | <b>\$ 77,534</b> |
| <b>Basic</b>   |  |                  |  |                  |
| Average common shares outstanding                              | 67,105                                     | 69,304           | 67,337                                   | 69,454           |
| <b>Earnings per share attributable to controlling interest</b> | <b>\$ 0.44</b>                             | <b>\$ 0.33</b>   | <b>\$ 1.09</b>                           | <b>\$ 1.12</b>   |
| <b>Diluted</b>   |  |                  |  |                  |
| Average common shares outstanding                              | 69,181                                     | 71,826           | 69,780                                   | 72,089           |
| <b>Earnings per share attributable to controlling interest</b> | <b>\$ 0.43</b>                             | <b>\$ 0.32</b>   | <b>\$ 1.06</b>                           | <b>\$ 1.08</b>   |
| Common shares outstanding at end of period                     | 66,912                                     | 69,138           | 66,912                                   | 69,138           |
| Cash dividends declared per share                              | \$ 0.18                                    | \$ 0.15          | \$ 0.36                                  | \$ 0.30          |

See notes to consolidated financial statements.





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## WORTHINGTON INDUSTRIES, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

|  | Three Months Ended<br>November 30, |           | Six Months Ended<br>November 30, |           |
|--|------------------------------------|-----------|----------------------------------|-----------|
|  | 2014                               | 2013      | 2014                             | 2013      |
| Net earnings   | \$ 31,455                          | \$ 28,340 | \$ 80,275                        | \$ 84,693 |
| Other comprehensive income (loss):                               |                                    |           |                                  |           |
| Foreign currency translation                                     | (7,270)                            | 3,037     | (16,862)                         | 2,551     |
| Cash flow hedges, net of tax                                     | (1,881)                            | 353       | (920)                            | 3,704     |
| Other comprehensive income (loss)                                | (9,151)                            | 3,390     | (17,782)                         | 6,255     |
| <b>Comprehensive income</b>                                      | 22,304                             | 31,730    | 62,493                           | 90,948    |
| Comprehensive income attributable to noncontrolling interest     | 1,559                              | 5,679     | 5,031                            | 6,458     |
| <b>Comprehensive income attributable to controlling interest</b> | \$ 20,745                          | \$ 26,051 | \$ 57,462                        | \$ 84,490 |

See notes to consolidated financial statements.

**Table of Contents****WORTHINGTON INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

|   | <b>Three Months Ended<br/>November 30,</b> |                 | <b>Six Months Ended<br/>November 30,</b> |                  |
|---|--|-----------------|--|------------------|
|   | <b>2014</b>                                | <b>2013</b>     | <b>2014</b>                              | <b>2013</b>      |
| <b>Operating activities</b>   |  |                 |  |                  |
| Net earnings  | \$ 31,455                                  | \$ 28,340       | \$ 80,275                                | \$ 84,693        |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |  |                 |  |                  |
| Depreciation and amortization   | 21,200                                     | 20,095          | 41,567                                   | 39,555           |
| Impairment of long-lived assets   | 14,235                                     | 30,734          | 16,185                                   | 35,375           |
| Provision for deferred income taxes   | (5,492)                                    | (13,110)        | (6,027)                                  | (21,534)         |
| Bad debt expense (income)   | 143  | 185             | (60)                                     | (296)            |
| Equity in net income of unconsolidated affiliates, net of distributions             | (813)                                      | (3,506)         | (7,803)                                  | (9,421)          |
| Net loss (gain) on sale of assets and insurance                                     | 2,370                                      | (7,188)         | (460)                                    | (11,850)         |
| Stock-based compensation  | 4,498                                      | 4,722           | 8,853                                    | 8,502            |
| Excess tax benefits - stock-based compensation                                      | (621)                                      | (1,534)         | (5,753)                                  | (5,832)          |
| Gain on previously held interest in TWB   | -  | -               | -  | (11,000)         |
| Changes in assets and liabilities, net of impact of acquisitions:                   |  |                 |  |                  |
| Receivables   | (6,916)                                    | 7,574           | 5,836                                    | 15,229           |
| Inventories   | 16,087                                     | (21,838)        | (35,130)                                 | (21,323)         |
| Prepaid expenses and other current assets   | (5,232)                                    | 4,072           | (8,104)                                  | 1,707            |
| Other assets  | 3,095                                      | 139             | 3,216                                    | 575              |
| Accounts payable and accrued expenses   | (72,095)                                   | (23,922)        | (30,205)                                 | 16,700           |
| Other liabilities   | (505)                                      | 4,556           | (6,496)                                  | 2,703            |
| <b>Net cash provided by operating activities</b>                                    | <b>1,409</b>                               | <b>29,319</b>   | <b>55,894</b>                            | <b>123,783</b>   |
| <b>Investing activities</b>   |  |                 |  |                  |
| Investment in property, plant and equipment   | (23,273)                                   | (17,060)        | (47,146)                                 | (30,414)         |
| Investment in notes receivable  | (2,300)                                    | -               | (7,300)                                  | -                |
| Acquisitions, net of cash acquired  | (14,543)                                   | 276             | (51,093)                                 | 53,233           |
| Distributions from (investments in) unconsolidated affiliates                       | 129  | 3,668           | (3,671)                                  | 9,223            |
| Proceeds from sale of assets and insurance  | 921  | 16,086          | 1,186                                    | 23,733           |
| <b>Net cash provided (used) by investing activities</b>                             | <b>(39,066)</b>                            | <b>2,970</b>    | <b>(108,024)</b>                         | <b>55,775</b>    |
| <b>Financing activities</b>   |  |                 |  |                  |
| Net proceeds from (repayments of) short-term borrowings                             | (196)                                      | (18,736)        | 359                                      | (70,277)         |
| Proceeds from long-term debt  | 20,480                                     | -               | 20,480                                   | -                |
| Principal payments on long-term debt  | (511)                                      | (285)           | (813)                                    | (569)            |
| Proceeds from (payments for) issuance of common shares                              | 566  | 4,286           | (454)                                    | 6,487            |
| Excess tax benefits - stock-based compensation                                      | 621  | 1,534           | 5,753                                    | 5,832            |
| Payments to noncontrolling interest   | -  | (875)           | (2,867)                                  | (2,638)          |
| Repurchase of common shares   | (21,549)                                   | (19,800)        | (41,620)                                 | (50,316)         |
| Dividends paid  | (12,138)                                   | (10,407)        | (22,250)                                 | (10,407)         |
| <b>Net cash used by financing activities</b>  | <b>(12,727)</b>                            | <b>(44,283)</b> | <b>(41,412)</b>                          | <b>(121,888)</b> |

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|   |                  |                   |                  |                   |
|---|------------------|-------------------|------------------|-------------------|
| Increase (decrease) in cash and cash equivalents  | (50,384)         | (11,994)          | (93,542)         | 57,670            |
| Cash and cash equivalents at beginning of period  | 146,921          | 121,049           | 190,079          | 51,385            |
| <b>Cash and cash equivalents at end of period</b> | <b>\$ 96,537</b> | <b>\$ 109,055</b> | <b>\$ 96,537</b> | <b>\$ 109,055</b> |

See notes to consolidated financial statements.

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**WORTHINGTON INDUSTRIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE A Basis of Presentation**

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

dHybrid Systems, LLC ( dHybrid ), Spartan Steel Coating, LLC ( Spartan ), TWB Company, L.L.C. ( TWB ), Worthington Arıtış Basınçlı Kapı Sanayi ( Worthington Arıtış ), Worthington Energy Innovations, LLC ( WEI ), and Worthington Nitin Cylinders Limited ( Worthington Nitin Cylinders ) in which we own controlling interests of 79.59%, 52%, 55%, 75%, 75%, and 60%, respectively, are consolidated with the equity owned by the other joint venture members shown as noncontrolling interest in our consolidated balance sheets, and the other joint venture members' portions of net earnings and other comprehensive income (loss) shown as net earnings or comprehensive income attributable to noncontrolling interest in our consolidated statements of earnings and consolidated statements of comprehensive income, respectively.

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ( SEC ). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, which are of a normal and recurring nature, except those which have been disclosed elsewhere in this Quarterly Report on Form 10-Q, necessary for a fair presentation of the results of operations of these interim periods, have been included. Operating results for the three and six months ended November 30, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2015 ( fiscal 2015 ). For further information, refer to the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended May 31, 2014 ( fiscal 2014 ) of Worthington Industries, Inc. (the 2014 Form 10-K ).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Recently Issued Accounting Standards**

In March 2013, amended accounting guidance was issued regarding the accounting for cumulative translation adjustment. The amended guidance specifies that a cumulative translation adjustment should be released from earnings when an entity ceases to have a controlling financial interest in a subsidiary or a group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For sales of an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment attributable to the investment would be recognized in earnings upon sale of the investment. The amended guidance is effective prospectively for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2013. Early adoption is permitted. The adoption of this amended accounting guidance on June 1, 2014 did not have a material impact on our consolidated financial position or results of operations.

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

**Table of Contents****NOTE B Investments in Unconsolidated Affiliates**

Our investments in affiliated companies that we do not control, either through majority ownership or otherwise, are accounted for using the equity method. These include ArtiFlex Manufacturing, LLC ( ArtiFlex ) (50%), Clarkwestern Dietrich Building Systems LLC ( ClarkDietrich ) (25%), Samuel Steel Pickling Company (31.25%), Serviacerro Planos, S. de R. L. de C.V. ( Serviacerro ) (50%), Worthington Armstrong Venture ( WAVE ) (50%), Worthington Specialty Processing ( WSP ) (51%), and Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. (10%). WSP is considered to be jointly controlled and not consolidated due to substantive participating rights of the minority partner.

We received distributions from unconsolidated affiliates totaling \$42,569,000 during the six months ended November 30, 2014. We have received cumulative distributions from WAVE in excess of our investment balance totaling \$59,576,000 at November 30, 2014. In accordance with the applicable accounting guidance, these excess distributions are reclassified to the liabilities section of our consolidated balance sheet. We will continue to record our equity in the net income of WAVE as a debit to the investment account, and if it becomes positive, it will again be shown as an asset on our consolidated balance sheet. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), we will recognize any balance classified as a liability as income immediately.

We use the cumulative earnings approach for determining cash flow presentation of distributions from our unconsolidated joint ventures. Distributions received are included in our consolidated statements of cash flows as operating activities, unless the cumulative distributions exceed our portion of the cumulative equity in the net earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in our consolidated statements of cash flows. During the six months ended November 30, 2014, we received excess distributions from ClarkDietrich of \$129,000.

Combined financial information for our unconsolidated affiliates is summarized as follows:

| (in thousands)                       | November 30,<br>2014 | May 31,<br>2014   |
|--------------------------------------|----------------------|-------------------|
| Cash                                 | \$ 53,333            | \$ 52,997         |
| Receivable from member (1)           | 8,635                | 12,717            |
| Other current assets                 | 470,266              | 454,417           |
| Noncurrent assets                    | 290,261              | 294,001           |
| <b>Total assets</b>                  | <b>\$ 822,495</b>    | <b>\$ 814,132</b> |
| Current liabilities                  | \$ 156,959           | \$ 128,595        |
| Short-term borrowings                | 16,178               | 40,992            |
| Current maturities of long-term debt | 4,460                | 4,510             |
| Long-term debt                       | 266,107              | 268,350           |
| Other noncurrent liabilities         | 18,664               | 20,217            |
| Equity                               | 360,127              | 351,468           |
| <b>Total liabilities and equity</b>  | <b>\$ 822,495</b>    | <b>\$ 814,132</b> |

| (in thousands)                | Three Months Ended<br>November 30, |            | Six Months Ended<br>November 30, |            |
|-------------------------------|------------------------------------|------------|----------------------------------|------------|
|                               | 2014                               | 2013       | 2014                             | 2013       |
| Net sales                     | \$ 388,712                         | \$ 357,236 | \$ 781,262                       | \$ 780,717 |
| Gross margin                  | 76,193                             | 76,068     | 164,945                          | 165,882    |
| Operating income              | 49,864                             | 51,532     | 113,343                          | 116,072    |
| Depreciation and amortization | 8,983                              | 9,104      | 18,105                           | 19,441     |
| Interest expense              | 2,173                              | 2,233      | 4,335                            | 4,456      |
| Income tax expense            | 2,799                              | 2,862      | 5,552                            | 5,892      |
| Net earnings                  | 44,490                             | 46,149     | 103,930                          | 105,783    |

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

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The financial results of TWB have been included in the amounts presented in the tables above through July 31, 2013. On July 31, 2013, we completed the acquisition of an additional 10% interest in TWB. As a result, TWB's results have been consolidated within Steel Processing since that date with the minority member's portion of earnings eliminated within earnings attributable to noncontrolling interest.

**NOTE C Impairment of Long-Lived Assets**

During the second quarter of fiscal 2015, we determined that indicators of impairment were present at the Company's aluminum high-pressure cylinder business in New Albany, Mississippi, due to current and projected operating losses. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value, resulting in an impairment charge of \$3,221,000 during the three months ended November 30, 2014.

During the second quarter of fiscal 2015, management committed to a plan to sell certain non-core Engineered Cabs assets. As all of the criteria for classification as assets held for sale were met, the net assets of the business have been presented separately as assets held for sale in our consolidated balance sheet as of November 30, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell, resulting in an impairment charge of \$2,389,000 during the three months ended November 30, 2014.

During the second quarter of fiscal 2015, we determined that indicators of impairment were present at the Company's military construction business. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value, resulting in an impairment charge of \$1,179,000 during the three months ended November 30, 2014, which represents the remaining book value of the asset group.

During the fourth quarter of fiscal 2014, management committed to a plan to sell the Company's 60%-owned consolidated joint venture in India, Worthington Nitin Cylinders. As all of the criteria for classification as assets held for sale were met, the net assets of the business were presented separately as assets held for sale in our consolidated balance sheet as of May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell as of May 31, 2014. As a result of changes in facts and circumstances related to the planned sale of Worthington Nitin Cylinders during the second quarter of fiscal 2015, the Company reassessed the fair value of the business and determined that the remaining book value should be written off resulting in an impairment charge of \$6,346,000 during the three months ended November 30, 2014.

During the fourth quarter of fiscal 2014, management committed to a plan to sell certain non-core Steel Processing assets. As all of the criteria for classification as assets held for sale were met, the net assets of the business have been presented separately as assets held for sale in our consolidated balance sheets as of November 30, 2014 and May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell as of May 31, 2014. As a result of changes in facts and circumstances related to the planned sale, the Company reassessed the fair value of the business resulting in additional impairment charges totaling \$3,050,000 during the six months ended November 30, 2014.

**NOTE D Restructuring and Other Expense**

In fiscal 2008, we initiated a Transformation Plan (the "Transformation Plan") with the overall goal to improve our sustainable earnings potential, asset utilization and operational performance. The Transformation Plan focuses on cost reduction, margin expansion and organizational capability improvements and, in the process, seeks to drive excellence in three core competencies: sales; operations; and supply chain management. The Transformation Plan is comprehensive in scope and includes aggressive diagnostic and implementation phases. When this process began, we retained a consulting firm to assist in the development and implementation of the Transformation Plan. As the Transformation Plan progressed, we formed internal teams dedicated to this effort, and they ultimately assumed full responsibility for executing the Transformation Plan. Although the consulting firm was again engaged as we rolled out the Transformation Plan in our Pressure Cylinders operating segment, most of the work is now being done by



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our internal teams. These internal teams are now an integral part of our business. The Transformation teams will continue to monitor performance metrics and new processes instituted across our transformed operations and drive continuous improvements in all areas of our operations. The expenses related to these teams have been included in selling, general and administrative ( SG&A ) expense since the beginning of fiscal 2013.

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

A progression of the liabilities associated with our restructuring activities, combined with a reconciliation to the restructuring and other expense financial statement caption in our consolidated statement of earnings for the six months ended November 30, 2014 is summarized as follows:

| (in thousands)                   | Beginning<br>Balance | Expense<br>(Income) | Payments   | Adjustments | Ending<br>Balance |
|----------------------------------|----------------------|---------------------|------------|-------------|-------------------|
| Early retirement and severance   | \$ 6,495             | \$ (30)             | \$ (3,852) | \$ 30       | \$ 2,643          |
| Facility exit and other costs    | 534                  | 618                 | (932)      | 210         | 430               |
|                                  | \$ 7,029             | 588                 | \$ (4,784) | \$ 240      | \$ 3,073          |
| Less: joint venture transactions |                      | (190)               |            |             |                   |
| Restructuring and other expense  |                      | \$ 398              |            |             |                   |

Approximately \$2,753,000 of the total liability as of November 30, 2014 is expected to be paid in the next twelve months. The remaining liability, which consists of lease termination costs and certain severance benefits, will be paid through September 2016.

**NOTE E Contingent Liabilities**

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

**Insurance Recoveries**

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

During the second quarter of fiscal 2015, the Company received proceeds of \$1,089,000, representing advance payments for the replacement value of damaged equipment. These proceeds were in excess of the \$243,000 remaining book value of the assets, resulting in a gain of \$846,000 within miscellaneous income in our consolidated statement of earnings for the six months ended November 30, 2014.

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

| (in thousands)         |          |
|------------------------|----------|
| Property and equipment | \$ 6,780 |
| Business interruption  | 3,940    |

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|                          |           |
|--------------------------|-----------|
| Other expenses           | 1,001     |
| Total insurance proceeds | \$ 11,721 |

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The proceeds for business interruption relate to the loss of profits since the date of the fire and have been recorded as a reduction of manufacturing expense, including \$1,072,000 during the six months ended November 30, 2014. The proceeds for other expenses represent reimbursement for incremental expenses related to the fire and were recorded as an offset to manufacturing expense, including \$256,000 during the six months ended November 30, 2014.

**NOTE F Guarantees**

We do not have guarantees that we believe are reasonably likely to have a material current or future effect on our consolidated financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of November 30, 2014, we were party to an operating lease for an aircraft in which we have guaranteed a residual value at the termination of the lease. The maximum obligation under the terms of this guarantee was approximately \$12,395,000 at November 30, 2014. We have also guaranteed the repayment of a \$2,500,000 term loan entered into by one of our unconsolidated affiliates, ArtiFlex. Based on current facts and circumstances, we have estimated the likelihood of payment pursuant to these guarantees, and determined that the fair value of our obligation under each guarantee based on those likely outcomes is not material and, therefore, no amounts have been recognized in our consolidated financial statements.

**NOTE G Debt and Receivables Securitization**

On September 26, 2014, our consolidated joint venture in Turkey, Worthington Aritas, executed a \$32,344,000 five-year term loan credit facility denominated in Euros. As of November 30, 2014, we had borrowed \$19,745,000 against the facility, leaving \$12,599,000 available for future borrowings. The facility bears interest at a variable rate based on EURIBOR. The applicable variable rate was 1.582% at November 30, 2014. On October 15, 2014, we entered into an interest rate swap to fix the interest rate on \$19,406,000 of borrowings under this facility at 2.015% starting on December 26, 2014 thru September 26, 2019. Borrowings against the facility will be used for the construction of a new cryogenics manufacturing facility in Turkey.

We have a \$425,000,000 multi-year revolving credit facility (the Credit Facility) with a group of lenders that matures in May 2017. There were no borrowings outstanding under the Credit Facility at November 30, 2014. However, we provided \$13,998,000 in stand-by letters of credit for third-party beneficiaries as of November 30, 2014. While not drawn against, certain of these letters of credit totaling \$11,732,000 are issued against availability under the Credit Facility, leaving \$413,268,000 available at November 30, 2014.

Borrowings under the Credit Facility have maturities of less than one year. However, we can extend the term of amounts borrowed by renewing these borrowings for the term of the Credit Facility. We have the option to borrow at rates equal to an applicable margin over the LIBOR, Prime or Fed Funds rates. The applicable margin is determined by our credit rating.

We also maintain a \$100,000,000 revolving trade accounts receivable securitization facility (the AR Facility). The AR Facility has been available throughout fiscal 2015 to date, and was available throughout fiscal 2014. The AR Facility expires in January 2015; however, we are currently in the process of renewing this agreement and expect to renew this facility prior to its expiration. Pursuant to the terms of the AR Facility, certain of our subsidiaries sell their accounts receivable without recourse, on a revolving basis, to Worthington Receivables Corporation (WRC), a wholly-owned, consolidated, bankruptcy-remote subsidiary. In turn, WRC may sell without recourse, on a revolving basis, up to \$100,000,000 of undivided ownership interests in this pool of accounts receivable to a multi-seller, asset-backed commercial paper conduit (the Conduit). Purchases by the Conduit are financed with the sale of A1/P1 commercial paper. We retain an undivided interest in this pool and are subject to risk of loss based on the collectability of the receivables from this retained interest. Because the amount eligible to be sold excludes receivables more than 90 days past due, receivables offset by an allowance for doubtful accounts due to bankruptcy or other cause, concentrations over certain limits with specific customers and certain reserve amounts, we believe additional risk of loss is minimal. The book value of the retained portion of the pool of accounts receivable approximates fair value. As of November 30, 2014, the pool of eligible accounts receivable exceeded the \$100,000,000 limit; however, no ownership interests in this pool had been sold.

Short-term borrowings at November 30, 2014 consisted of \$4,095,000 outstanding under a credit facility maintained by our consolidated affiliate, Worthington Aritas, that matures in March 2015 and bears interest at a fixed rate of 5.60%, and \$6,674,000 outstanding under a \$9,500,000 credit facility maintained by our consolidated affiliate, Worthington Nitin Cylinders, that matured in November 2014 and bears interest at a variable rate. The applicable variable rate was 8.54% at November 30, 2014. The borrowings outstanding under the Nitin credit facility are currently in default. However, the lender has not called the note.

**Table of Contents****NOTE H Comprehensive Income**

The following table summarizes the tax effects on each component of other comprehensive income (loss) for the three months ended November 30, 2014 and 2013:

| (in thousands)                           | 2014                 |                 |                      | 2013                 |                 |                      |
|--|----------------------|-----------------|----------------------|----------------------|-----------------|----------------------|
|  | Before-Tax<br>Amount | Tax Benefit     | Net-of-Tax<br>Amount | Before-Tax<br>Amount | Tax Expense     | Net-of-Tax<br>Amount |
| Foreign currency translation             | \$ (7,270)           | \$ -            | \$ (7,270)           | \$ 3,037             | -               | \$ 3,037             |
| Cash flow hedges                         | (2,973)              | 1,092           | (1,881)              | 661                  | (308)           | 353                  |
| <b>Other comprehensive income (loss)</b> | <b>\$ (10,243)</b>   | <b>\$ 1,092</b> | <b>\$ (9,151)</b>    | <b>\$ 3,698</b>      | <b>\$ (308)</b> | <b>\$ 3,390</b>      |

The following table summarizes the tax effects on each component of other comprehensive income (loss) for the six months ended November 30, 2014 and 2013:

| (in thousands)                           | 2014                 |               |                      | 2013                 |                   |                      |
|--|----------------------|---------------|----------------------|----------------------|-------------------|----------------------|
|  | Before-Tax<br>Amount | Tax Benefit   | Net-of-Tax<br>Amount | Before-Tax<br>Amount | Tax Expense       | Net-of-Tax<br>Amount |
| Foreign currency translation             | \$ (16,862)          | \$ -          | \$ (16,862)          | \$ 2,551             | \$ -              | \$ 2,551             |
| Cash flow hedges                         | (1,430)              | 510           | (920)                | 5,481                | (1,777)           | 3,704                |
| <b>Other comprehensive income (loss)</b> | <b>\$ (18,292)</b>   | <b>\$ 510</b> | <b>\$ (17,782)</b>   | <b>\$ 8,032</b>      | <b>\$ (1,777)</b> | <b>\$ 6,255</b>      |

**Table of Contents****NOTE I Changes in Equity**

The following table provides a summary of the changes in total equity, shareholders' equity attributable to controlling interest, and equity attributable to noncontrolling interest for the six months ended November 30, 2014:

| (in thousands)                               | Additional<br>Paid-in<br>Capital | Controlling Interest<br>Cumulative<br>Other<br>Comprehensive |                      | Total      | Non-<br>controlling<br>Interest | Total      |
|--|----------------------------------|--|----------------------|------------|---------------------------------|------------|
|  |                                  | Loss,<br>Net of Tax  | Retained<br>Earnings |            |                                 |            |
| <b>Balance at May 31, 2014</b>               | \$ 262,610                       | \$ (3,581)   | \$ 591,783           | \$ 850,812 | \$ 94,070                       | \$ 944,882 |
| Net earnings                                 | -                                | -  | 73,630               | 73,630     | 6,645                           | 80,275     |
| Other comprehensive loss                     | -                                | (16,168)   | -                    | (16,168)   | (1,614)                         | (17,782)   |
| Common shares issued, net of withholding tax | (454)                            | -  | -                    | (454)      | -                               | (454)      |
| Common shares in NQ plans                    | 14,227                           | -  | -                    | 14,227     | -                               | 14,227     |
| Stock-based compensation                     | 16,628                           | -  | -                    | 16,628     | -                               | 16,628     |
| Purchases and retirement of common shares    | (4,350)                          | -  | (37,270)             | (41,620)   | -                               | (41,620)   |
| Cash dividends declared                      | -                                | -  | (24,553)             | (24,553)   | -                               | (24,553)   |
| Acquisition of dHybrid Systems, LLC          | -                                | -  | -                    | -          | 4,082                           | 4,082      |
| Dividend to noncontrolling interest          | -                                | -  | -                    | -          | (4,677)                         | (4,677)    |
| <b>Balance at November 30, 2014</b>          | \$ 288,661                       | \$ (19,749)  | \$ 603,590           | \$ 872,502 | \$ 98,506                       | \$ 971,008 |

The components of the changes in other comprehensive income (loss) were as follows:

| (in thousands)                                    | Foreign<br>Currency<br>Translation | Pension<br>Liability<br>Adjustment | Cash<br>Flow<br>Hedges | Accumulated<br>Other<br>Comprehensive<br>Loss |
|---|------------------------------------|------------------------------------|------------------------|---|
|   |                                    |                                    |                        |   |
| Balance as of May 31, 2014                        | \$ 11,015                          | \$ (11,265)                        | \$ (3,331)             | \$ (3,581)                                    |
| Other comprehensive loss before reclassifications | (15,237)                           | -                                  | (4,878)                | (20,115)                                      |
| Reclassification adjustments to income (a)        | -                                  | -                                  | 3,437                  | 3,437   |
| Income taxes                                      | -                                  | -                                  | 510                    | 510   |
| <b>Balance as of November 30, 2014</b>            | \$ (4,222)                         | \$ (11,265)                        | \$ (4,262)             | \$ (19,749)                                   |

(a) The statement of earnings classification of amounts reclassified to income for cash flow hedges is disclosed in NOTE O Derivative Instruments and Hedging Activities.

**NOTE J Stock-Based Compensation****Non-Qualified Stock Options**

During the six months ended November 30, 2014, we granted non-qualified stock options covering a total of 96,200 common shares under our stock-based compensation plans. The option price of \$43.04 per share was equal to the market price of the underlying common shares at the grant date. The fair value of these stock options, based on the Black-Scholes option-pricing model, calculated at the grant date, was \$17.96 per share. The calculated pre-tax stock-based compensation expense for these stock options, after an estimate for forfeitures, is \$1,538,000 and will be recognized on a straight-line basis over the three-year vesting period. The following assumptions were used to value these stock options:

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|                         |        |
|-------------------------|--------|
| Dividend yield          | 1.88%  |
| Expected volatility     | 50.92% |
| Risk-free interest rate | 1.88%  |
| Expected term (years)   | 6.0    |

Expected volatility is based on the historical volatility of our common shares and the risk-free interest rate is based on the United States Treasury strip rate for the expected term of the stock options. The expected term was developed using historical exercise experience.

**Table of Contents****Service-Based Restricted Common Shares**

During the six months ended November 30, 2014, we granted an aggregate of 231,515 service-based restricted common shares under our stock-based compensation plans. The fair values of these restricted common shares were equal to the weighted average closing market prices of the underlying common shares on the respective dates of grant, or \$40.40 per share. The calculated pre-tax stock-based compensation expense for these restricted common shares, after an estimate for forfeitures, is \$8,415,000 and will be recognized on a straight-line basis over the three-year service-based vesting period.

**Market-Based Restricted Common Shares**

During the six months ended November 30, 2014, we granted an aggregate of 50,000 restricted common shares to two key employees under one of our stock-based compensation plans. Vesting of these restricted common share awards is contingent upon the price of our common shares reaching \$60.00 per share and remaining at or above that price for 30 consecutive days during the five-year period following the date of grant and the completion of a five-year service vesting period. The grant-date fair value of these restricted common shares, as determined by a Monte Carlo simulation model, was \$32.06 per share. The Monte Carlo simulation model is a statistical technique that incorporates multiple assumptions to determine the probability that the market condition will be achieved. The following assumptions were used to determine the grant-date fair value and the derived service period for these restricted common shares:

|                         |        |
|-------------------------|--------|
| Dividend yield          | 1.60%  |
| Expected volatility     | 44.00% |
| Risk-free interest rate | 1.70%  |

The calculated pre-tax stock-based compensation expense for these restricted common shares is \$1,603,000 and will be recognized on a straight-line basis over the five-year service vesting period.

**Performance Share Awards**

We have awarded performance shares to certain key employees that are earned based on the level of achievement with respect to corporate targets for cumulative corporate economic value added, earnings per share growth and, in the case of business unit executives, business unit operating income targets for the three-year periods ending May 31, 2015, 2016 and 2017. These performance share awards will be paid, to the extent earned, in common shares of the Company in the fiscal quarter following the end of the applicable three-year performance period. The fair value of our performance shares is determined by the closing market prices of the underlying common shares at their respective grant dates and the pre-tax stock-based compensation expense is based on our periodic assessment of the probability of the targets being achieved and our estimate of the number of common shares that will ultimately be issued. During the six months ended November 30, 2014, we granted performance share awards covering an aggregate of 62,000 common shares (at target levels). The calculated pre-tax stock-based compensation expense for these performance shares is \$2,648,000 and will be recognized over the three-year performance period.

**NOTE K Income Taxes**

Income tax expense for the six months ended November 30, 2014 and November 30, 2013 reflected estimated annual effective income tax rates of 33.5% and 27.8%, respectively. The annual effective income tax rates exclude any impact from the inclusion of net earnings attributable to noncontrolling interests in our consolidated statements of earnings. Net earnings attributable to noncontrolling interest is a result of our Spartan, TWB, Worthington Aritas, WEI, dHybrid, and Worthington Nitin Cylinders consolidated joint ventures. The earnings attributable to the noncontrolling interest in Spartan, WEI, dHybrid and TWB's U.S. operations do not generate tax expense to Worthington since the investors in Spartan, WEI, dHybrid, and TWB's U.S. operations are taxed directly based on the earnings attributable to them. All of the tax expense of Worthington Aritas and Worthington Nitin Cylinders, both foreign corporations, is reported in our consolidated tax expense. Since the consolidation of TWB on July 31, 2013, all of the tax expense of TWB's wholly-owned foreign corporations has been reported in our consolidated tax expense. Management is required to estimate the annual effective income tax rate based upon its forecast of annual pre-tax income for domestic and foreign operations. Our actual effective income tax rate for fiscal 2015 could be materially different from the forecasted rate as of November 30, 2014.

**Table of Contents****NOTE L Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share attributable to controlling interest for the three and six months ended November 30, 2014 and 2013:

| (in thousands, except per share amounts)  | Three Months Ended<br>November 30, |           | Six Months Ended<br>November 30, |           |
|---|------------------------------------|-----------|----------------------------------|-----------|
|   | 2014                               | 2013      | 2014                             | 2013      |
| <b>Numerator (basic &amp; diluted):</b>   |                                    |           |                                  |           |
| Net earnings attributable to controlling interest income available to common shareholders                               | \$ 29,462                          | \$ 22,977 | \$ 73,630                        | \$ 77,534 |
| <b>Denominator:</b>   |                                    |           |                                  |           |
| Denominator for basic earnings per share attributable to controlling interest weighted average common shares            | 67,105                             | 69,304    | 67,337                           | 69,454    |
| Effect of dilutive securities   | 2,076                              | 2,522     | 2,443                            | 2,635     |
| Denominator for diluted earnings per share attributable to controlling interest adjusted weighted average common shares | 69,181                             | 71,826    | 69,780                           | 72,089    |
| Basic earnings per share attributable to controlling interest   | \$ 0.44                            | \$ 0.33   | \$ 1.09                          | \$ 1.12   |
| Diluted earnings per share attributable to controlling interest   | \$ 0.43                            | \$ 0.32   | \$ 1.06                          | \$ 1.08   |

Stock options covering 147,859 and 396 common shares for the three months ended November 30, 2014 and 2013, respectively, and 113,744 and 197 common shares for the six months ended November 30, 2014 and 2013, respectively, have been excluded from the computation of diluted earnings per share because the effect would have been anti-dilutive, as the exercise price of the stock options was greater than the average market price of the common shares during the respective periods.



**Table of Contents****NOTE M Segment Operations**

Summarized financial information for our reportable segments is shown in the following table:

| (in thousands)   | Three Months Ended<br>November 30, |                         | Six Months Ended<br>November 30, |                     |
|--|------------------------------------|-------------------------|----------------------------------|---------------------|
|  | 2014                               | 2013                    | 2014                             | 2013                |
| <b>Net sales</b>   |                                    |                         |                                  |                     |
| Steel Processing   | \$ 552,756                         | \$ 492,134              | \$ 1,105,087                     | \$ 894,575          |
| Pressure Cylinders   | 252,744                            | 214,022                 | 501,703                          | 430,922             |
| Engineered Cabs  | 51,540                             | 47,868                  | 101,094                          | 96,329              |
| Other  | 13,972                             | 15,876                  | 25,542                           | 40,365              |
| <b>Consolidated net sales</b>                                | <b>\$ 871,012</b>                  | <b>\$ 769,900</b>       | <b>\$ 1,733,426</b>              | <b>\$ 1,462,191</b> |
| <b>Operating income (loss)</b>                               |                                    |                         |                                  |                     |
| Steel Processing   | \$ 33,877                          | \$ 34,786               | \$ 69,746                        | \$ 57,449           |
| Pressure Cylinders   | 9,580                              | 8,275                   | 29,186                           | 27,729              |
| Engineered Cabs  | (5,609)                            | (20,892)                | (7,754)                          | (21,196)            |
| Other  | (4,656)                            | (2,670)                 | (5,784)                          | (5,845)             |
| <b>Consolidated operating income</b>                         | <b>\$ 33,192</b>                   | <b>\$ 19,499</b>        | <b>\$ 85,394</b>                 | <b>\$ 58,137</b>    |
| <b>Restructuring and other expense (income)</b>              |                                    |                         |                                  |                     |
| Steel Processing   | \$ -                               | \$ -                    | \$ (30)                          | \$ (4,762)          |
| Pressure Cylinders   | 405                                | (1,849)                 | 428                              | (1,447)             |
| Engineered Cabs  | -                                  | -                       | -                                | -                   |
| Other  | -                                  | 667                     | -                                | 1,030               |
| <b>Consolidated restructuring and other expense (income)</b> | <b>\$ 405</b>                      | <b>\$ (1,182)</b>       | <b>\$ 398</b>                    | <b>\$ (5,179)</b>   |
| <b>Impairment of long-lived assets</b>                       |                                    |                         |                                  |                     |
| Steel Processing   | \$ 1,100                           | \$ -                    | \$ 3,050                         | \$ 4,641            |
| Pressure Cylinders   | 9,567                              | 11,634                  | 9,567                            | 11,634              |
| Engineered Cabs  | 2,389                              | 19,100                  | 2,389                            | 19,100              |
| Other  | 1,179                              | -                       | 1,179                            | -                   |
| <b>Consolidated impairment of long-lived assets</b>          | <b>\$ 14,235</b>                   | <b>\$ 30,734</b>        | <b>\$ 16,185</b>                 | <b>\$ 35,375</b>    |
| <b>Joint venture transactions</b>                            |                                    |                         |                                  |                     |
| Steel Processing   | \$ -                               | \$ -                    | \$ -                             | \$ -                |
| Pressure Cylinders   | -                                  | -                       | -                                | -                   |
| Engineered Cabs  | -                                  | -                       | -                                | -                   |
| Other  | 83                                 | 786                     | 190                              | 928                 |
| <b>Consolidated joint venture transactions</b>               | <b>\$ 83</b>                       | <b>\$ 786</b>           | <b>\$ 190</b>                    | <b>\$ 928</b>       |
| <b>Total assets</b>  |                                    |                         |                                  |                     |
| (in thousands)   | <b>November 30,<br/>2014</b>       | <b>May 31,<br/>2014</b> |                                  |                     |

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|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| Steel Processing                 | \$ 875,269          | \$ 850,748          |
| Pressure Cylinders               | 870,789             | 818,720             |
| Engineered Cabs                  | 178,761             | 181,251             |
| Other                            | 382,572             | 445,662             |
| <b>Consolidated total assets</b> | <b>\$ 2,307,391</b> | <b>\$ 2,296,381</b> |

**Table of Contents****NOTE N Acquisitions****dHybrid Systems, LLC**

On October 20, 2014, we acquired a 79.59% ownership interest in dHybrid, a leader in compressed natural gas ( CNG ) systems for large trucks. The remaining 20.41% was retained by a founding member. The total purchase price was \$15,918,000, which includes contingent consideration with an estimated fair value of \$3,979,000. The acquired business became part of our Pressure Cylinders operating segment upon closing.

The contingent consideration arrangement requires the Company to pay \$3,979,000 of additional consideration when cumulative net sales beginning January 1, 2013 reach \$20,000,000 plus 50% of gross margin above certain thresholds in each of the five twelve-month periods following the closing date. We determined the acquisition-date fair value of the contingent consideration obligation using a probability weighted cash flow approach based on management's projections of future sales and gross margin. Refer to Note P Fair Value Measurements for additional information regarding the fair value measurement of the contingent consideration obligation.

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

| <b>Category</b>                               | <b>(in thousands)</b> | <b>Amount</b> | <b>Useful Life<br/>(Years)</b> |
|---|-----------------------|---------------|--------------------------------|
| Technological know-how                        |                       | \$ 3,100      | 10                             |
| Customer relationships                        |                       | 600           | 7                              |
| Backlog                                       |                       | 88            | Less than 1                    |
| Total acquired identifiable intangible assets |                       | \$ 3,788      |                                |

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

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The following table summarizes the consideration transferred for our 79.59% interest in dHybrid and the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

| (in thousands)  |               |
|---|---------------|
| <b>Consideration Transferred:</b>                                       |               |
| Cash consideration  | \$ 11,939     |
| Fair value of contingent consideration                                  | 3,979         |
| <br>Total consideration   | <br>\$ 15,918 |
| <b>Estimated Fair Value of Assets Acquired and Liabilities Assumed:</b> |               |
| Cash and cash equivalents   | \$ 795        |
| Accounts receivable   | 1,459         |
| Inventories   | 3,300         |
| Prepaid expenses and other current assets                               | 38            |
| Intangible assets   | 3,788         |
| Property, plant and equipment   | 396           |
| <br>Total identifiable assets   | <br>9,776     |
| Accounts payable  | (1,163)       |
| Accrued liabilities   | (160)         |
| Long-term debt  | (5,000)       |
| <br>Net identifiable assets   | <br>3,453     |
| Goodwill  | 16,547        |
| <br>Net assets  | <br>20,000    |
| Noncontrolling interest   | (4,082)       |
| <br>Total consideration   | <br>\$ 15,918 |

Operating results of the acquired business have been included in our consolidated statements of earnings for the three and six months ended November 30, 2014 from the acquisition date, forward. Pro forma results, including the acquired business since the beginning of fiscal 2014, would not be materially different than reported results.

**Midstream Equipment Fabrication, LLC**

On August 1, 2014, we acquired the net assets of Midstream Equipment Fabrication LLC ( MEF ) for cash consideration of \$35,232,000 and the assumption of certain liabilities. MEF manufactures patented horizontal heated and high pressure separators used to separate oilfield fluids and gas for customers drilling in the Eagle Ford Shale and is well-situated to serve customers in the Permian Basin. The acquired net assets became part of our Pressure Cylinders operating segment upon closing.

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

| Category               | (in thousands) |       | Useful Life<br>(Years) |
|------------------------|----------------|-------|------------------------|
|                        | Amount         |       |                        |
| Technological know-how | \$             | 5,100 | 10                     |
| Customer relationships |                | 4,300 | 7                      |
| Non-compete agreements |                | 2,400 | 4                      |

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|         |       |             |
|---------|-------|-------------|
| Backlog | 1,800 | Less than 1 |
|---------|-------|-------------|

|   |           |
|---|-----------|
| Total acquired identifiable intangible assets | \$ 13,600 |
|---|-----------|

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

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

| (in thousands)                         |                  |
|--|------------------|
| Accounts receivable                    | \$ 3,329         |
| Inventories                            | 3,550            |
| Intangible assets                      | 13,600           |
| Property, plant and equipment          | 166              |
| <b>Total identifiable assets</b>       | <b>20,645</b>    |
| Accounts payable                       | (555)            |
| Other accrued items                    | (92)             |
| Deferred revenue                       | (4,808)          |
| <b>Net assets</b>                      | <b>15,190</b>    |
| Goodwill                               | 23,202           |
| <b>Purchase price</b>                  | <b>38,392</b>    |
| Less: estimated excess working capital | 3,160            |
| <b>Cash paid at closing</b>            | <b>\$ 35,232</b> |

During the second quarter of fiscal 2015, the Company paid \$3,399,000 to settle the final working capital. The Company incurred \$273,000 of acquisition-related costs that were expensed within SG&A expense during the six months ended November 30, 2014. Operating results of the acquired business have been included in our consolidated statements of earnings for the three and six months ended November 30, 2014 from the acquisition date, forward. Pro forma results, including the acquired business since the beginning of fiscal 2014, would not be materially different than reported results.

**James Russell Engineering Works, Inc.**

On July 31, 2014, we acquired the net assets of James Russell Engineering Works, Inc. ( JRE ) for cash consideration of \$1,571,000. JRE manufactures aluminum and stainless steel cryogenic transport trailers used for hauling liquid oxygen, nitrogen, argon, hydrogen and liquefied natural gas ( LNG ) for producers and distributors of industrial gases and LNG. The acquired net assets became part of our Pressure Cylinders operating segment upon closing.

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

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

| (in thousands)                           |          |
|--|----------|
| Cash                                     | \$ 253   |
| Accounts receivable                      | 509      |
| Inventories                              | 2,793    |
| Prepaid expense and other current assets | 40       |
| Property, plant and equipment            | 250      |
| <br>                                     |          |
| Total identifiable assets                | 3,845    |
| Accounts payable                         | (514)    |
| Other accrued items                      | (2,160)  |
| <br>                                     |          |
| Net identifiable assets                  | 1,171    |
| Goodwill                                 | 400      |
| <br>                                     |          |
| Total cash consideration                 | \$ 1,571 |

Operating results of the acquired business have been included in our consolidated statements of earnings for the three and six months ended November 30, 2014 from the acquisition date, forward. Pro forma results, including the acquired business since the beginning of fiscal 2014, would not be materially different than reported results.

**NOTE O Derivative Instruments and Hedging Activities**

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk and commodity price risk. While certain of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments and therefore do not qualify for hedge accounting. These derivative instruments are adjusted to current fair value through earnings at the end of each period.

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

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

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

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

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





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The following table summarizes the fair value of our derivative instruments and the respective financial statement caption in which they were recorded in our consolidated balance sheet at November 30, 2014:

| (in thousands)  | Asset Derivatives      |            | Liability Derivatives  |            |
|---|------------------------|------------|------------------------|------------|
|   | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| <b>Derivatives designated as hedging instruments:</b>     |                        |            |                        |            |
| Interest rate contracts                                   | Receivables            | \$ -       | Accounts payable       | \$ 2,102   |
|   | Other assets           | -          | Other liabilities      | 183        |
|   |                        | -          |                        | 2,285      |
| Foreign exchange contracts                                | Receivables            | 106        | Accounts payable       | -          |
| Commodity contracts                                       | Receivables            | -          | Accounts payable       | 3,444      |
| Totals  |                        | \$ 106     |                        | \$ 5,729   |
| <b>Derivatives not designated as hedging instruments:</b> |                        |            |                        |            |
| Commodity contracts                                       | Receivables            | \$ 231     | Accounts payable       | \$ 595     |
| Totals  |                        | \$ 231     |                        | \$ 595     |
| Total Derivative Instruments                              |                        | \$ 337     |                        | \$ 6,324   |

The amounts in the table above reflect the fair value of the Company's derivative contracts on a net basis. Had these amounts been recognized on a gross basis, the impact would have been a \$324,000 increase in receivables with a corresponding increase in accounts payable.

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

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

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

### **Cash Flow Hedges**

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are

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designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income ( OCI ) and reclassified into earnings in the same financial statement caption associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in earnings immediately.

The following table summarizes our cash flow hedges outstanding at November 30, 2014:

| (in thousands)             | Notional<br>Amount | Maturity Date                  |
|----------------------------|--------------------|--------------------------------|
| Commodity contracts        | \$ 57,368          | December 2014 - July 2016      |
| Interest rate contracts    | 120,000            | December 2014 - September 2019 |
| Foreign currency contracts | 11,168             | December 2014 - June 2015      |

The following table summarizes the gain (loss) recognized in OCI and the gain (loss) reclassified from accumulated OCI into earnings for derivative instruments designated as cash flow hedges during the three months ended November 30, 2014 and 2013:

| (in thousands)                                | Gain (Loss)<br>Recognized<br>in OCI<br>(Effective<br>Portion) | Location of<br>Gain (Loss)<br>Reclassified<br>from<br>Accumulated<br>OCI<br>(Effective<br>Portion) | Gain<br>(Loss)<br>Reclassified<br>from<br>Accumulated<br>OCI<br>(Effective<br>Portion) | Location of<br>Gain (Loss)<br>(Ineffective<br>Portion)<br>and Excluded<br>from<br>Effectiveness<br>Testing | Gain<br>(Loss)<br>(Ineffective<br>Portion)<br>and Excluded<br>from<br>Effectiveness<br>Testing |
|---|---|--|--|--|--|
| For the three months ended November 30, 2014: |   |  |  |  |  |
| Interest rate contracts                       | \$ -  | Interest expense   | \$ (1,137)   | Interest expense   | \$ -   |
| Commodity contracts                           | (4,362)   | Cost of goods sold   | (356)  | Cost of goods sold   | -  |
| Foreign currency contracts                    | (103)   | Miscellaneous income   | -  | Miscellaneous income   | -  |
| <b>Totals</b>                                 | <b>\$ (4,465)</b>   |  | <b>\$ (1,493)</b>  |  | <b>\$ -</b>  |
| For the three months ended November 30, 2013: |   |  |  |  |  |
| Interest rate contracts                       | \$ (181)  | Interest expense   | \$ (1,057)   | Interest expense   | \$ -   |
| Commodity contracts                           | (1,047)   | Cost of goods sold   | (812)  | Cost of goods sold   | -  |
| <b>Totals</b>                                 | <b>\$ (1,228)</b>   |  | <b>\$ (1,869)</b>  |  | <b>\$ -</b>  |

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The following table summarizes the gain (loss) recognized in OCI and the gain (loss) reclassified from accumulated OCI into earnings for derivative instruments designated as cash flow hedges during the six months ended November 30, 2014 and 2013:

| (in thousands)                              | Gain (Loss)<br>Recognized<br>in OCI<br>(Effective<br>Portion) | Location of<br>Gain (Loss)<br>Reclassified<br>from<br>Accumulated<br>OCI<br>(Effective<br>Portion) | Gain<br>(Loss)<br>Reclassified<br>from<br>Accumulated<br>OCI<br>(Effective<br>Portion) | Location of<br>Gain (Loss)<br>(Ineffective<br>Portion)<br>and Excluded<br>from<br>Effectiveness<br>Testing | Gain<br>(Loss)<br>(Ineffective<br>Portion)<br>and Excluded<br>from<br>Effectiveness<br>Testing |
|---|---|--|--|--|--|
| For the six months ended November 30, 2014: |   |  |  |  |  |
| Interest rate contracts                     | \$ -  | Interest expense   | \$ (2,285)   | Interest expense   | \$ -   |
| Commodity contracts                         | (4,775)   | Cost of goods sold   | (1,152)  | Cost of goods sold   | -  |
| Foreign currency contracts                  | (103)   | Miscellaneous income   | -  | Miscellaneous income   | -  |
| <b>Totals</b>                               | <b>\$ (4,878)</b>   |  | <b>\$ (3,437)</b>  |  | <b>\$ -</b>  |
| For the six months ended November 30, 2013: |   |  |  |  |  |
| Interest rate contracts                     | \$ (384)  | Interest expense   | \$ (2,120)   | Interest expense   | \$ -   |
| Commodity contracts                         | 2,617   | Cost of goods sold   | (1,128)  | Cost of goods sold   | -  |
| <b>Totals</b>                               | <b>\$ 2,233</b>   |  | <b>\$ (3,248)</b>  |  | <b>\$ -</b>  |

The estimated net amount of the losses recognized in accumulated OCI at November 30, 2014 expected to be reclassified into net earnings within the succeeding twelve months is \$2,118,000 (net of tax of \$1,251,000). This amount was computed using the fair value of the cash flow hedges at November 30, 2014, and will change before actual reclassification from OCI to net earnings during the fiscal years ending May 31, 2015 and 2016.

**Economic (Non-designated) Hedges**

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

The following table summarizes our economic (non-designated) derivative instruments outstanding at November 30, 2014:

| (in thousands)      | Notional<br>Amount | Maturity Date(s)          |
|---------------------|--------------------|---------------------------|
| Commodity contracts | \$ 57,607          | December 2014 - June 2016 |

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The following table summarizes the loss recognized in earnings for economic (non-designated) derivative financial instruments during the three months ended November 30, 2014 and 2013:

| (in thousands)             | Location of Loss<br>Recognized in Earnings | Loss Recognized<br>in Earnings for the<br>Three Months Ended<br>November 30, |                 |
|----------------------------|--|--|-----------------|
|                            |  | 2014   | 2013            |
| Commodity contracts        | Cost of goods sold                         | \$ (2,360)   | \$ (394)        |
| Foreign currency contracts | Miscellaneous income (expense)             | (218)  | -               |
| <b>Total</b>               |  | <b>\$ (2,578)</b>  | <b>\$ (394)</b> |

The following table summarizes the gain (loss) recognized in earnings for economic (non-designated) derivative financial instruments during the six months ended November 30, 2014 and 2013:

| (in thousands)             | Location of Gain (Loss)<br>Recognized in Earnings | Gain (Loss) Recognized<br>in Earnings for the<br>Six Months Ended<br>November 30, |               |
|----------------------------|---|---|---------------|
|                            |   | 2014  | 2013          |
| Commodity contracts        | Cost of goods sold                                | \$ (2,417)  | \$ 282        |
| Foreign currency contracts | Miscellaneous income (expense)                    | 43  | (5)           |
| <b>Total</b>               |   | <b>\$ (2,374)</b>   | <b>\$ 277</b> |

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

**NOTE P Fair Value**

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

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

**Table of Contents****Recurring Fair Value Measurements**

At November 30, 2014, our financial assets and liabilities measured at fair value on a recurring basis were as follows:

| (in thousands)                          | Quoted Prices<br>in Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Totals           |
|---|--|---|--|------------------|
| <b>Assets</b>                           |  |   |  |                  |
| Derivative contracts (1)                | \$ -   | \$ 337  | \$ -   | \$ 337           |
| <b>Total assets</b>                     | <b>\$ -</b>  | <b>\$ 337</b>   | <b>\$ -</b>  | <b>\$ 337</b>    |
| <b>Liabilities</b>                      |  |   |  |                  |
| Derivative contracts (1)                | \$ -   | \$ 6,324  | \$ -   | \$ 6,324         |
| Contingent consideration obligation (2) | -  | -   | 3,979  | 3,979            |
| <b>Total liabilities</b>                | <b>\$ -</b>  | <b>\$ 6,324</b>   | <b>\$ 3,979</b>                                    | <b>\$ 10,303</b> |

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

| (in thousands)                          | Quoted Prices<br>in Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Totals          |
|---|--|---|--|-----------------|
| <b>Assets</b>                           |  |   |  |                 |
| Derivative contracts (1)                | \$ -   | \$ 1,284  | \$ -   | \$ 1,284        |
| <b>Total assets</b>                     | <b>\$ -</b>  | <b>\$ 1,284</b>   | <b>\$ -</b>  | <b>\$ 1,284</b> |
| <b>Liabilities</b>                      |  |   |  |                 |
| Derivative contracts (1)                | \$ -   | \$ 4,475  | \$ -   | \$ 4,475        |
| Contingent consideration obligation (2) | -  | -   | 404  | 404             |
| <b>Total liabilities</b>                | <b>\$ -</b>  | <b>\$ 4,475</b>   | <b>\$ 404</b>                                      | <b>\$ 4,879</b> |

(1) The fair value of our derivative contracts is based on the present value of the expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Market observable, Level 2 inputs are used to determine the present value of the expected future cash flows. Refer to Note O Derivative Instruments and Hedging Activities for additional information regarding our use of derivative instruments.

(2) The fair value of the Company's contingent consideration obligations is determined using a probability weighted cash flow approach based on management's projections of future cash flows of the acquired businesses. The fair value measurements are based on significant inputs not observable in the market and thus represent Level 3 measurements.



**Table of Contents****Non-Recurring Fair Value Measurements**

At November 30, 2014, our financial assets and liabilities measured at fair value on a non-recurring basis were as follows:

| (in thousands)                      | Quoted Prices<br>in Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Totals    |
|-------------------------------------|--|---|--|-----------|
| <b>Assets</b>                       |  |   |  |           |
| Long-lived assets held for sale (1) | \$ -   | \$ 21,821   | \$ -   | \$ 21,821 |
| Long-lived assets held and used (2) | -  | 3,750   | -  | 3,750     |
| Total assets                        | \$ -   | \$ 25,571   | \$ -   | \$ 25,571 |

(1) During the fourth quarter of fiscal 2014, management committed to a plan to sell certain non-core Steel Processing assets. As all of the criteria for classification as assets held for sale were met, the net assets of this business, which consist of net working capital and property, plant and equipment, have been presented separately as assets held for sale in our consolidated balance sheets as of November 30, 2014 and May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell as of May 31, 2014. As a result of changes in facts and circumstances related to the planned sale during fiscal 2015, the Company reassessed the fair value of this business and determined that additional impairment charges of \$3,050,000 were required for the six months ended November 30, 2014. Fair value of \$19,402,000 was determined based on market prices for similar assets.

During the second quarter of fiscal 2015, management committed to a plan to sell certain non-core Engineered Cabs assets. As all of the criteria for classification as assets held for sale were met, the net assets of the business have been presented separately as assets held for sale in our consolidated balance sheets as of November 30, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell, resulting in an impairment charge of \$2,389,000 during the three months ended November 30, 2014. Fair value of \$2,419,000 was determined based on market prices for similar assets.

(2) During the second quarter of fiscal 2015, we determined that indicators of impairment were present at the Company's aluminum high-pressure cylinder business in New Albany, Mississippi, due to current and projected operating losses. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value of \$3,750,000, resulting in an impairment charge of \$3,221,000 during the three months ended November 30, 2014.

During the second quarter of fiscal 2015, we determined that indicators of impairment were present at the Company's military construction business. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value, resulting in an impairment charge of \$1,179,000 during the three months ended November 30, 2014, which represents the remaining book value of the asset group.



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During the fourth quarter of fiscal 2014, management committed to a plan to sell the Company's 60%-owned consolidated joint venture in India, Worthington Nitin Cylinders. As all of the criteria for classification as assets held for sale were met, the net assets of the business were presented separately as assets held for sale in our consolidated balance sheet as of May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell as of May 31, 2014. As a result of changes in facts and circumstances related to the planned sale of Worthington Nitin Cylinders during the second quarter of fiscal 2015, the Company reassessed the fair value of the business and determined that the remaining book value should be written off resulting in an impairment charge of \$6,346,000.

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

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

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

During the fourth quarter of fiscal 2014, management committed to plans to sell certain non-core Steel Processing assets. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. As the fair value of the asset group, or \$19,115,000, was lower than its net book value, an impairment charge of \$7,141,000 was recognized within impairment of long-lived assets in our fiscal 2014 consolidated statement of earnings.

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

The fair value of non-derivative financial instruments included in the carrying amounts of cash and cash equivalents, receivables, notes receivable, income taxes receivable, other assets, accounts payable, short-term borrowings, accrued compensation, contributions to employee benefit plans and related taxes, other accrued items, income taxes payable and other liabilities approximate carrying value due to their short-term nature. The fair value of long-term debt, including current maturities, based upon models utilizing market observable (Level 2) inputs and credit risk, was \$711,589,000 and \$674,488,000 at November 30, 2014 and May 31, 2014, respectively. The carrying amount of long-term debt, including current maturities, was \$674,874,000 and \$655,963,000 at November 30, 2014 and May 31, 2014, respectively.

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**NOTE Q Subsequent Events**

At November 30, 2014, we had \$100,000,000 aggregate amount of unsecured floating rate senior notes outstanding due on December 17, 2014. We repaid these notes during December 2014 using a combination of cash on hand and borrowings available under our revolving credit facilities.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Selected statements contained in this Item 2. 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 Quarterly Report on Form 10-Q and Part I - Item 1A. - Risk Factors of our Annual Report on Form 10-K for the fiscal year ended May 31, 2014.*

***Introduction***

The following discussion and analysis of market and industry trends, business developments, and the results of operations and financial position of Worthington Industries, Inc., together with its subsidiaries (collectively, we, our, Worthington, or our Company), should be read in conjunction with our consolidated financial statements and notes thereto included in Item 1. Financial Statements of this Quarterly Report on Form 10-Q. Our Annual Report on Form 10-K for the fiscal year ended May 31, 2014 (fiscal 2014) includes additional information about Worthington, our operations and our consolidated financial position and should be read in conjunction with this Quarterly Report on Form 10-Q.

We are primarily a diversified metals manufacturing company, focused on value-added steel processing and manufactured metal products. As of November 30, 2014, excluding our joint ventures, we operated 34 manufacturing facilities worldwide, principally in three operating segments, which correspond with our reportable business segments: Steel Processing, Pressure Cylinders and Engineered Cabs. Our remaining operating segments, which do not meet the applicable aggregation criteria or quantitative thresholds for separate disclosure, are combined and reported in the Other category. These include the Construction Services and Worthington Energy Innovations operating segments.

We also held equity positions in 13 active joint ventures, which operated 48 manufacturing facilities worldwide, as of November 30, 2014. Six of these joint ventures are consolidated with the equity owned by the other joint venture member(s) shown as noncontrolling interest in our consolidated balance sheets, and the other joint venture member(s) portion of net earnings and other comprehensive income shown as net earnings or comprehensive income attributable to noncontrolling interest in our consolidated statements of earnings and consolidated statements of comprehensive income, respectively. The remaining seven of these joint ventures are accounted for using the equity method.

***Overview***

The Company delivered strong sales growth during the second quarter of fiscal 2015, as compared to the same quarter of fiscal 2014, however, higher than expected manufacturing costs in a few isolated plants combined with the unfavorable impact of inventory holding losses in Steel Processing in the current quarter, compared to inventory holding gains in the prior year quarter limited earnings growth. Demand was generally good in most of our key end markets with the exception of agriculture, but excessive costs related to bringing new capacity online in the oil and gas equipment business in Pressure Cylinders and the ramp up of new products at our Florence, South Carolina plant in Engineered Cabs negatively impacted earnings during the quarter.

Equity in net income of unconsolidated affiliates (equity income) for the quarter was up \$1.2 million, or 6%, over the prior year period. The overall increase was driven by WAVE and ArtiFlex where our equity portion of income increased by \$2.2 million and \$1.3 million, respectively. However, equity income from ClarkDietrich decreased \$1.9 million on lower margins. We received \$21.6 million in cash distributions from our unconsolidated affiliates during the quarter.

The Company continues its strategy of optimizing existing operations through the Transformation Plan, pursuing growth opportunities that add to our current businesses, and developing new products through innovation. Our transformation efforts within Pressure Cylinders, which were initiated in the first quarter of fiscal 2012, continue to gain traction and increase in scope. We initiated the Transformation Plan in our Engineered Cabs operating segment during the first quarter of fiscal 2013, and these efforts are progressing through each facility.

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

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

On August 1, 2014, the Company acquired the net assets of Midstream Equipment Fabrication LLC ( MEF ) for cash consideration of \$35.2 million and the assumption of certain liabilities. MEF manufactures patented horizontal heated and high pressure separators used to separate oilfield fluids and gas for customers drilling in the Eagle Ford Shale and is well-situated to serve customers in the Permian Basin. The acquired net 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 leader in compressed natural gas ( CNG ) 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 tailor welded blanking joint venture, TWB, opened a new facility in Cambridge, Ontario. The facility will initially operate one laser welding line with the capacity to produce 2 million tailor welded blanks per year.

On December 17, 2014, the Board of Directors of Worthington Industries, Inc. (the Board ) declared a quarterly dividend of \$0.18 per share payable on March 27, 2015 to shareholders of record on March 13, 2015.

During the quarter, the Company repurchased a total of 600,000 common shares for \$21.5 million at an average price of \$35.91.

### ***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 the second quarter of fiscal 2015 and the second quarter of 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.

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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.

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

|  | Three Months Ended<br>November 30, |         |                | Six Months Ended<br>November 30, |         |                |
|--|------------------------------------|---------|----------------|----------------------------------|---------|----------------|
|  | 2014                               | 2013    | Inc /<br>(Dec) | 2014                             | 2013    | Inc /<br>(Dec) |
| U.S. GDP (% growth year-over-year) <sup>1</sup>            | 2.4%                               | 1.8%    | 0.6%           | 2.6%                             | 1.7%    | 0.9%           |
| Hot-Rolled Steel (\$ per ton) <sup>2</sup>                 | \$ 651                             | \$ 651  | \$ 0           | \$ 662                           | \$ 639  | \$ 23          |
| Detroit Three Auto Build (000 s vehicles) <sup>3</sup>     | 2,316                              | 2,455   | (139)          | 4,561                            | 4,555   | 6              |
| No. America Auto Build (000 s vehicles) <sup>3</sup>       | 4,438                              | 4,350   | 88             | 8,618                            | 8,213   | 405            |
| Zinc (\$ per pound) <sup>4</sup>                           | \$ 1.04                            | \$ 0.85 | \$ 0.19        | \$ 1.01                          | \$ 0.85 | \$ 0.16        |
| Natural Gas (\$ per mcf) <sup>5</sup>                      | \$ 3.98                            | \$ 3.63 | \$ 0.35        | \$ 4.30                          | \$ 3.63 | \$ 0.67        |
| On-Highway Diesel Fuel Prices (\$ per gallon) <sup>6</sup> | \$ 3.71                            | \$ 3.89 | (\$ 0.18)      | \$ 3.80                          | \$ 3.88 | (\$ 0.09)      |

<sup>1</sup> 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, 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.

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The following table provides the average quarterly market price per ton of hot-rolled steel during fiscal 2015 (first and second quarters), fiscal 2014 and fiscal 2013:

(Dollars per ton <sup>1</sup>)

|             | Fiscal Year |        |        | Increase / (Decrease) |               |       |       |
|-------------|-------------|--------|--------|-----------------------|---------------|-------|-------|
|             | 2015        | 2014   | 2013   | 2015 vs. 2014         | 2014 vs. 2013 |       |       |
| 1st Quarter | \$ 673      | \$ 627 | \$ 616 | \$ 46                 | 7.3%          | \$ 11 | 1.8%  |
| 2nd Quarter | \$ 651      | \$ 651 | \$ 622 | \$ 0                  | 0.0%          | \$ 29 | 4.7%  |
| 3rd Quarter | N/A         | \$ 669 | \$ 629 | N/A                   | N/A           | \$ 40 | 6.4%  |
| 4th Quarter | N/A         | \$ 655 | \$ 595 | N/A                   | N/A           | \$ 60 | 10.1% |
| Annual Avg. | N/A         | \$ 651 | \$ 616 | N/A                   | N/A           | \$ 35 | 5.7%  |

<sup>1</sup> CRU Hot-Rolled Index, period average

No single customer contributed more than 10% of our consolidated net sales during the second quarter of 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 the second quarter of fiscal 2015, vehicle production for the Detroit Three automakers was down 6% from the comparable period in the prior year. However, North American vehicle production as a whole during the second quarter of fiscal 2015 increased 2% over the comparable period in the prior year.

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.

**Results of Operations****Second Quarter Fiscal 2015 Compared to Fiscal 2014****Consolidated Operations**

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

| (Dollars in millions)                             | 2014     | Three Months Ended November 30, |                   | 2013   | Increase/<br>(Decrease) |
|---|----------|---------------------------------|-------------------|--------|-------------------------|
|   |          | % of<br>Net sales               | % of<br>Net sales |        |                         |
| Net sales   | \$ 871.0 | 100.0%                          | \$ 769.9          | 100.0% | \$ 101.1                |
| Cost of goods sold                                | 745.8    | 85.6%                           | 641.7             | 83.3%  | 104.1                   |
| <b>Gross margin</b>                               | 125.2    | 14.4%                           | 128.2             | 16.7%  | (3.0)                   |
| Selling, general and administrative expense       | 77.3     | 8.9%                            | 78.4              | 10.2%  | (1.1)                   |
| Impairment of long-lived assets                   | 14.2     | 1.6%                            | 30.7              | 4.0%   | (16.5)                  |
| Restructuring and other expense (income)          | 0.4      | 0.0%                            | (1.2)             | -0.2%  | 1.6                     |
| Joint venture transactions                        | 0.1      | 0.0%                            | 0.8               | 0.1%   | (0.7)                   |
| <b>Operating income</b>                           | 33.2     | 3.8%                            | 19.5              | 2.5%   | 13.7                    |
| Miscellaneous income                              | 1.2      | 0.1%                            | 2.5               | 0.3%   | (1.3)                   |
| Interest expense                                  | (9.7)    | -1.1%                           | (6.3)             | -0.8%  | 3.4                     |
| Equity in net income of unconsolidated affiliates | 22.3     | 2.6%                            | 21.1              | 2.7%   | 1.2                     |
| Income tax expense                                | (15.6)   | -1.8%                           | (8.5)             | -1.1%  | 7.1                     |

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|  |                |             |                |             |               |
|--|----------------|-------------|----------------|-------------|---------------|
| <b>Net earnings</b>                                      | 31.4           | 3.6%        | 28.3           | 3.7%        | 3.1           |
| Net earnings attributable to noncontrolling interest     | 1.9            | 0.2%        | 5.3            | 0.7%        | 3.4           |
| <b>Net earnings attributable to controlling interest</b> | <b>\$ 29.5</b> | <b>3.4%</b> | <b>\$ 23.0</b> | <b>3.0%</b> | <b>\$ 6.5</b> |

Net earnings attributable to controlling interest for the three months ended November 30, 2014 increased \$6.5 million from the comparable period in the prior year. Net sales and operating highlights were as follows:

Net sales increased \$101.1 million over the comparable period in the prior year. Higher overall volume favorably impacted net sales by \$76.6 million driven by higher volume in Steel Processing and the impact of recent acquisitions in Pressure Cylinders.

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Gross margin decreased \$3.0 million from the comparable period in the prior year to \$125.2 million. Higher manufacturing expenses combined with the unfavorable impact of inventory holding losses in Steel Processing in the current quarter, compared to inventory holding gains in the prior year quarter, more than offset the impact of higher volume.

SG&A expense decreased \$1.1 million from the comparable period in the prior year driven by lower profit sharing and bonus expense.

Impairment charges of \$14.2 million include \$6.3 million related to the Company's 60%-owned consolidated joint venture in India, \$3.2 million related to the Company's aluminum high-pressure cylinder business in New Albany, Mississippi, \$2.4 million related to certain non-core Engineered Cabs assets, \$1.2 million related to the military construction business and \$1.1 million related to certain non-core Steel Processing assets. Impairment charges in the comparable period in the prior year consisted of \$30.7 million related to the write-off of certain trade name intangible assets in connection with a branding initiative committed to during the second quarter of fiscal 2014. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q.

Interest expense of \$9.7 million was \$3.4 million higher than the comparable period in the prior year. The increase was due to the impact of higher average debt levels resulting from the issuance of \$250.0 million of notes in April 2014.

Equity income increased \$1.2 million over the prior year quarter to \$22.3 million on net sales of \$388.7 million. The overall increase was driven by WAVE and ArtiFlex where our equity portion of income increased by \$2.2 million and \$1.3 million, respectively. However, equity income from ClarkDietrich decreased \$1.9 million on lower volumes. For additional financial information regarding our unconsolidated affiliates, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE B Investments in Unconsolidated Affiliates of this Quarterly Report on Form 10-Q.

Income tax expense increased \$7.1 million from the comparable period in the prior year due to higher earnings, primarily resulting from the impact of trade name impairment charges recorded in the prior year quarter. The current quarter expense of \$15.6 million was calculated using an estimated annual effective income tax rate of 33.5% versus 27.8% in the prior year quarter. Refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE K Income Taxes of this Quarterly Report on Form 10-Q for more information on our tax rates.

**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)                       | Three Months Ended November 30, |                   |          |                   |                         |
|---|---------------------------------|-------------------|----------|-------------------|-------------------------|
|   | 2014                            | % of<br>Net sales | 2013     | % of<br>Net sales | Increase/<br>(Decrease) |
| Net sales                                   | \$ 552.8                        | 100.0%            | \$ 492.1 | 100.0%            | \$ 60.7                 |
| Cost of goods sold                          | 487.6                           | 88.2%             | 422.7    | 85.9%             | 64.9                    |
| <b>Gross margin</b>                         | 65.2                            | 11.8%             | 69.4     | 14.1%             | (4.2)                   |
| Selling, general and administrative expense | 30.2                            | 5.5%              | 34.6     | 7.0%              | (4.4)                   |
| Impairment of long-lived assets             | 1.1                             | 0.2%              | -        | 0.0%              | 1.1                     |
| <b>Operating income</b>                     | \$ 33.9                         | 6.1%              | \$ 34.8  | 7.1%              | \$ (0.9)                |



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|                             |          |          |         |
|-----------------------------|----------|----------|---------|
| Material cost               | \$ 400.7 | \$ 349.8 | \$ 50.9 |
| Tons shipped (in thousands) | 899      | 817      | 82      |

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Net sales and operating highlights were as follows:

Net sales increased \$60.7 million over the comparable period in the prior year to \$552.8 million due to the combined impact of higher volume and higher average selling prices. Overall volume was up 10% and the mix of direct versus toll tons was 60% to 40% versus a mix of 62% to 38% in the comparable period in the prior year.

Operating income decreased slightly from the prior year quarter to \$33.9 million due to higher manufacturing expenses and the unfavorable impact of inventory holding losses in the current quarter compared to inventory holding gains in the prior year quarter. The change between the inventory holding gains and losses more than offset the impact of higher volume. Operating income in the current period included an impairment charge of \$1.1 million related to certain non-core Steel Processing assets. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q.

**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)                         | Three Months Ended November 30, |                   | Three Months Ended November 30, |                   | Increase/<br>(Decrease) |
|---|---------------------------------|-------------------|---------------------------------|-------------------|-------------------------|
|   | 2014                            | % of<br>Net sales | 2013                            | % of<br>Net sales |                         |
| Net sales                                     | \$ 252.7                        | 100.0%            | \$ 214.0                        | 100.0%            | \$ 38.7                 |
| Cost of goods sold                            | 197.2                           | 78.0%             | 163.3                           | 76.3%             | 33.9                    |
| <b>Gross margin</b>                           | 55.5                            | 22.0%             | 50.7                            | 23.7%             | 4.8                     |
| Selling, general and administrative expense   | 35.9                            | 14.2%             | 32.6                            | 15.2%             | 3.3                     |
| Impairment of long-lived assets               | 9.6                             | 3.8%              | 11.6                            | 5.4%              | (2.0)                   |
| Restructuring and other expense (income)      | 0.4                             | 0.1%              | (1.8)                           | -0.9%             | 2.2                     |
| <b>Operating income</b>                       | \$ 9.6                          | 3.8%              | \$ 8.3                          | 3.9%              | \$ 1.3                  |
| Material cost                                 | \$ 115.8                        |                   | \$ 95.2                         |                   | \$ 20.6                 |
| Net sales by principal class of products:     |                                 |                   |                                 |                   |                         |
| Consumer Products                             | \$ 63.2                         |                   | \$ 55.1                         |                   | \$ 8.1                  |
| Industrial Products                           | 98.9                            |                   | 105.7                           |                   | (6.8)                   |
| Alternative Fuels                             | 17.4                            |                   | 16.9                            |                   | 0.5                     |
| Oil and Gas Equipment                         | 66.9                            |                   | 36.3                            |                   | 30.6                    |
| Cryogenics                                    | 6.3                             |                   | -                               |                   | 6.3                     |
| <b>Total Pressure Cylinders</b>               | \$ 252.7                        |                   | \$ 214.0                        |                   | \$ 38.7                 |
| Units shipped by principal class of products: |                                 |                   |                                 |                   |                         |
| Consumer Products                             | 13,397,701                      |                   | 11,175,806                      |                   | 2,221,895               |
| Industrial Products                           | 5,601,385                       |                   | 6,026,615                       |                   | (425,230)               |
| Alternative Fuels                             | 87,785                          |                   | 86,701                          |                   | 1,084                   |
| Oil and Gas Equipment                         | 3,010                           |                   | 1,859                           |                   | 1,151                   |
| Cryogenics                                    | 162                             |                   | -                               |                   | 162                     |
| <b>Total Pressure Cylinders</b>               | 19,090,043                      |                   | 17,290,981                      |                   | 1,799,062               |

Net sales by principal class of product presented in the table above differ from the amounts reported in our earnings release dated December 17, 2014 as miscellaneous sales such as rebates, discounts and freight income have been reclassified from industrial products to various other classes of products. As a result, net sales for industrial products have decreased by \$5.0 million from what was included in the earnings release and net sales for oil and gas equipment, consumer products and alternative fuels have increased by \$3.7 million, \$1.0 million and \$0.3 million, respectively. Total net sales have not changed.

Net sales and operating highlights were as follows:

Net sales increased \$38.7 million over the comparable period in the prior year to \$252.7 million on higher volume driven by the impact of recent acquisitions.

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Operating income increased \$1.3 million over the prior year quarter to \$9.6 million as contributions from recent acquisitions were largely offset by higher manufacturing and SG&A expense driven by higher than expected costs associated with bringing new capacity online in the oil and gas equipment business. Impairment charges in the current quarter consisted of \$6.3 million related to the Company's 60%-owned consolidated joint venture in India and \$3.2 million related to the Company's aluminum high-pressure cylinder business in New Albany, Mississippi. Impairment charges in the comparable period in the prior year consisted of \$11.6 million related to the write-off of certain trade name intangible assets in connection with a branding initiative committed to during the second quarter of fiscal 2014. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q.

**Table of Contents****Engineered Cabs**

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

| (Dollars in millions)                       | Three Months Ended November 30, |                   |           |                   |                         |
|---|---------------------------------|-------------------|-----------|-------------------|-------------------------|
|   | 2014                            | % of<br>Net sales | 2013      | % of<br>Net sales | Increase/<br>(Decrease) |
| Net sales                                   | \$ 51.5                         | 100.0%            | \$ 47.9   | 100.0%            | \$ 3.6                  |
| Cost of goods sold                          | 47.6                            | 92.4%             | 41.6      | 86.8%             | 6.0                     |
| <b>Gross margin</b>                         | 3.9                             | 7.6%              | 6.3       | 13.2%             | (2.4)                   |
| Selling, general and administrative expense | 7.1                             | 13.8%             | 8.1       | 16.9%             | (1.0)                   |
| Impairment of long-lived assets             | 2.4                             | 4.7%              | 19.1      | 39.9%             | (16.7)                  |
| <b>Operating loss</b>                       | \$ (5.6)                        | -10.9%            | \$ (20.9) | -43.6%            | \$ 15.3                 |
| Material cost                               | \$ 23.7                         |                   | \$ 21.5   |                   | \$ 2.2                  |

Net sales and operating highlights were as follows:

Net sales increased \$3.6 million over the comparable period in the prior year on higher volumes.

Operating loss in the current quarter decreased \$15.3 million to \$5.6 million due to lower impairment charges, which were down \$16.7 million from the prior year quarter. Excluding the impact of the impairment charges, operating income was down \$1.4 million largely due to startup costs related to new product launches in our Florence, South Carolina facility. Impairment charges in the current quarter consisted of \$2.4 million related to certain non-core Engineered Cabs assets. Impairment charges in the comparable period in the prior year consisted of \$19.1 million related to the write-off of certain trade name intangible assets in connection with a branding initiative committed to during the second quarter of fiscal 2014. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q.

**Other**

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

| (Dollars in millions)                       | Three Months Ended November 30, |                   |         |                   |                         |
|---|---------------------------------|-------------------|---------|-------------------|-------------------------|
|   | 2014                            | % of<br>Net sales | 2013    | % of<br>Net sales | Increase/<br>(Decrease) |
| Net sales                                   | \$ 14.0                         | 100.0%            | \$ 15.9 | 100.0%            | \$ (1.9)                |
| Cost of goods sold                          | 13.4                            | 95.7%             | 14.1    | 88.7%             | (0.7)                   |
| <b>Gross margin</b>                         | 0.6                             | 4.3%              | 1.8     | 11.3%             | (1.2)                   |
| Selling, general and administrative expense | 4.0                             | 28.6%             | 3.0     | 18.9%             | 1.0                     |
| Impairment of long-lived assets             | 1.2                             | 8.6%              | -       | 0.0%              | 1.2                     |
| Restructuring and other expense             | -                               | 0.0%              | 0.7     | 4.4%              | (0.7)                   |
| Joint venture transactions                  | 0.1                             | 0.7%              | 0.8     | 5.0%              | (0.7)                   |

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|                       |          |        |          |        |          |
|-----------------------|----------|--------|----------|--------|----------|
| <b>Operating loss</b> | \$ (4.7) | -33.6% | \$ (2.7) | -17.0% | \$ (2.0) |
|-----------------------|----------|--------|----------|--------|----------|

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Net sales and operating highlights were as follows:

Net sales decreased \$1.9 million from the comparable period in the prior year, mostly due to reductions at Worthington Energy Innovations.

Operating loss increased \$2.0 million to \$4.7 million. The increase was driven by losses within Construction Services, which included a \$1.2 million impairment charge related to the military construction business.

**Six Months Year-to-Date Fiscal 2015 Compared to Fiscal 2014****Consolidated Operations**

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

| (Dollars in millions)                                    | Six Months Ended November 30, |                   | Six Months Ended November 30, |                   | Increase/<br>(Decrease) |
|--|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------|
|  | 2014                          | % of<br>Net sales | 2013                          | % of<br>Net sales |                         |
| Net sales  | \$ 1,733.4                    | 100.0%            | \$ 1,462.2                    | 100.0%            | \$ 271.2                |
| Cost of goods sold                                       | 1,478.7                       | 85.3%             | 1,223.0                       | 83.6%             | 255.7                   |
| <b>Gross margin</b>                                      | 254.7                         | 14.7%             | 239.2                         | 16.4%             | 15.5                    |
| Selling, general and administrative expense              | 152.6                         | 8.8%              | 149.9                         | 10.3%             | 2.7                     |
| Impairment of long-lived assets                          | 16.2                          | 0.9%              | 35.4                          | -                 | (19.2)                  |
| Restructuring and other expense (income)                 | 0.3                           | 0.0%              | (5.1)                         | -0.3%             | 5.4                     |
| Joint venture transactions                               | 0.2                           | 0.0%              | 0.9                           | 0.1%              | (0.7)                   |
| <b>Operating income</b>                                  | 85.4                          | 4.9%              | 58.1                          | 4.0%              | 27.3                    |
| Miscellaneous income                                     | 1.5                           | 0.1%              | 13.4                          | 0.9%              | (11.9)                  |
| Interest expense   | (19.2)                        | -1.1%             | (12.5)                        | -0.9%             | 6.7                     |
| Equity in net income of unconsolidated affiliates        | 50.2                          | 2.9%              | 48.0                          | 3.3%              | 2.2                     |
| Income tax expense                                       | (37.7)                        | -2.2%             | (22.4)                        | -1.5%             | 15.3                    |
| <b>Net earnings</b>                                      | 80.2                          | 4.6%              | 84.6                          | 5.8%              | (4.4)                   |
| Net earnings attributable to noncontrolling interest     | (6.6)                         | -0.4%             | (7.1)                         | -0.5%             | (0.5)                   |
| <b>Net earnings attributable to controlling interest</b> | \$ 73.6                       | 4.2%              | \$ 77.5                       | 5.3%              | \$ (3.9)                |

Net earnings attributable to controlling interest for the six months ended November 30, 2014 decreased \$3.9 million from the comparable period in the prior year. Net sales and operating highlights were as follows:

Net sales increased \$271.2 million from the comparable period in the prior year. The increase was driven largely by higher volume in Steel Processing and the impact of recent acquisitions in Pressure Cylinders.

Gross margin increased \$15.5 million from the comparable period in the prior year due to the increase in volumes. Higher manufacturing expenses combined with the unfavorable impact of lower inventory holding gains in Steel Processing partially offset the impact of higher volume.

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SG&A expense increased \$2.7 million from the comparable period in the prior year due primarily to the impact of acquisitions offset by lower profit sharing and bonus expense.

Impairment charges of \$16.2 million consisted of \$6.3 million related to the Company's 60%-owned consolidated joint venture in India, \$3.2 million related to the Company's aluminum high-pressure cylinder business in New Albany, Mississippi, \$3.1 million related to certain non-core Steel Processing assets, \$2.4 million related to certain non-core Engineered Cabs assets, and \$1.2 million related to the military construction business. Impairment charges in the comparable period in the prior year consisted of \$30.7 million related to the write-off of certain trade name intangible assets in connection with a branding initiative committed to during the second quarter of fiscal 2014 and \$4.7 million related to certain non-core assets within Steel Processing. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q.

Miscellaneous income decreased \$11.9 million from the comparable period in the prior year due to an \$11.0 million non-cash gain in the prior year period related to the acquisition of an additional 10% interest in the TWB joint venture.



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Interest expense of \$19.2 million was \$6.7 million higher than the comparable period in the prior year. The increase was due to the impact of higher average debt levels resulting from the issuance of \$250.0 million of notes in April 2014.

Equity income increased \$2.2 million over the prior year period to \$50.2 million on net sales of \$781.3 million. The equity portion of income from WAVE, Serviacero and ArtiFlex exceeded the prior year period by \$3.4 million, \$1.9 million and \$1.5 million, respectively. However, equity income from ClarkDietrich decreased \$2.8 million on lower volumes. Additionally, TWB contributed equity income of \$1.8 million in the prior year, prior to its consolidation in July of 2013. For additional financial information regarding our unconsolidated affiliates, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE B Investments in Unconsolidated Affiliates of this Quarterly Report on Form 10-Q.

Income tax expense increased \$15.3 million from the comparable period in the prior year due to (i) higher earnings, primarily resulting from the impact of trade name impairment charges recorded in the prior year, and (ii) an approximately \$7.2 million favorable tax impact associated with the acquisition of an additional 10% interest in TWB recorded in the prior year (the TWB acquisition adjustment). The TWB acquisition adjustment related primarily to the estimated U.S. deferred tax liability associated with the unremitted earnings of TWB's wholly-owned foreign corporations. Tax expense of \$37.7 million for the six months ended November 30, 2014 was calculated using an estimated annual effective rate of 33.5% versus 27.8% in the prior year comparable period. See Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE K Income Taxes of this Quarterly Report on Form 10-Q for more information on our tax rates.

**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)                       | Six Months Ended November 30, |                   |          |                   |                         |
|---|-------------------------------|-------------------|----------|-------------------|-------------------------|
|   | 2014                          | % of<br>Net sales | 2013     | % of<br>Net sales | Increase/<br>(Decrease) |
| Net sales                                   | \$ 1,105.1                    | 100.0%            | \$ 894.6 | 100.0%            | \$ 210.5                |
| Cost of goods sold                          | 970.2                         | 87.8%             | 773.8    | 86.5%             | 196.4                   |
| <b>Gross margin</b>                         | 134.9                         | 12.2%             | 120.8    | 13.5%             | 14.1                    |
| Selling, general and administrative expense | 62.2                          | 5.6%              | 63.5     | 7.1%              | (1.3)                   |
| Impairment of long-lived assets             | 3.1                           | 0.3%              | 4.6      | 0.5%              | (1.5)                   |
| Restructuring and other income              | (0.1)                         | 0.0%              | (4.7)    | -0.5%             | 4.6                     |
| <b>Operating income</b>                     | \$ 69.7                       | 6.3%              | \$ 57.4  | 6.4%              | \$ 12.3                 |
| Material cost                               | \$ 795.6                      |                   | \$ 637.6 |                   | \$ 158.0                |
| Tons shipped (in thousands)                 | 1,804                         |                   | 1,536    |                   | 268                     |

Net sales and operating highlights were as follows:

Net sales increased \$210.5 million from the comparable period in the prior year on higher volume resulting from the consolidation of TWB and increased sales in the automotive and construction markets. Excluding the impact of TWB, overall volumes were up 13% and the mix of direct versus toll tons processed was 55% to 45%, compared to 57% to 43% in the comparable prior year period.

Operating income increased \$12.3 million from the comparable period in the prior year. Higher manufacturing expenses combined with the unfavorable impact of lower inventory holding gains in the current year partially offset the impact of higher volume.

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Operating income in the current period included an impairment charge of \$3.1 million related to certain non-core Steel Processing assets. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q.

**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)                         | Six Months Ended November 30, |                   |            |                   |                         |  |
|---|-------------------------------|-------------------|------------|-------------------|-------------------------|--|
|   | 2014                          | % of<br>Net sales | 2013       | % of<br>Net sales | Increase/<br>(Decrease) |  |
| Net sales                                     | \$ 501.7                      | 100.0%            | \$ 430.9   | 100.0%            | \$ 70.8                 |  |
| Cost of goods sold                            | 391.6                         | 78.1%             | 329.7      | 76.5%             | 61.9                    |  |
| <b>Gross margin</b>                           | 110.1                         | 21.9%             | 101.2      | 23.5%             | 8.9                     |  |
| Selling, general and administrative expense   | 70.9                          | 14.1%             | 63.3       | 14.7%             | 7.6                     |  |
| Impairment of long-lived assets               | 9.6                           | 1.9%              | 11.6       | -                 | (2.0)                   |  |
| Restructuring and other expense (income)      | 0.4                           | 0.1%              | (1.4)      | -                 | 1.8                     |  |
| <b>Operating income</b>                       | \$ 29.2                       | 5.8%              | \$ 27.7    | 6.4%              | \$ 1.5                  |  |
| Material cost                                 | \$ 234.3                      |                   | \$ 196.8   |                   | \$ 37.5                 |  |
| Net sales by principal class of products:     |                               |                   |            |                   |                         |  |
| Consumer Products                             | \$ 133.4                      |                   | \$ 120.3   |                   | \$ 13.1                 |  |
| Industrial Products                           | 198.6                         |                   | 204.8      |                   | (6.2)                   |  |
| Alternative Fuels                             | 34.1                          |                   | 34.8       |                   | (0.7)                   |  |
| Oil and Gas Equipment                         | 124.2                         |                   | 71.0       |                   | 53.2                    |  |
| Cryogenics                                    | 11.4                          |                   | -          |                   | 11.4                    |  |
| <b>Total Pressure Cylinders</b>               | \$ 501.7                      |                   | \$ 430.9   |                   | \$ 70.8                 |  |
| Units shipped by principal class of products: |                               |                   |            |                   |                         |  |
| Consumer Products                             | 27,869,926                    |                   | 25,508,633 |                   | 2,361,293               |  |
| Industrial Products                           | 11,412,772                    |                   | 12,026,772 |                   | (614,000)               |  |
| Alternative Fuels                             | 171,384                       |                   | 167,318    |                   | 4,066                   |  |
| Oil and Gas Equipment                         | 5,991                         |                   | 3,547      |                   | 2,444                   |  |
| Cryogenics                                    | 348                           |                   | -          |                   | 348                     |  |
| <b>Total Pressure Cylinders</b>               | 39,460,421                    |                   | 37,706,270 |                   | 1,754,151               |  |

Net sales by principal class of product presented in the table above differ from the amounts reported in our earnings release dated December 17, 2014 as miscellaneous sales such as rebates, discounts and freight income have been reclassified from industrial products to various other classes of products. As a result, net sales for industrial products have decreased by \$11.6 million from what was included in the earnings release and net sales for oil and gas equipment, consumer products and alternative fuels have increased by \$6.5 million, \$3.6 million and \$1.5 million, respectively. Total net sales have not changed.

Net sales and operating highlights were as follows:

Net sales increased \$70.8 million over the comparable period in the prior year on higher volume driven by the impact of recent acquisitions.

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Operating income increased \$1.5 million from prior year as contributions from recent acquisitions were largely offset by higher manufacturing and SG&A expense driven by higher than expected costs associated with bringing new capacity online in the oil and gas equipment business. Impairment charges in the current period consisted of \$6.3 million related to the Company's 60%-owned consolidated joint venture in India and \$3.2 million related to the Company's aluminum high-pressure cylinder business in New Albany, Mississippi. Impairment charges in the comparable period in the prior year consisted of \$11.6 million related to the write-off of certain trade name intangible assets in connection with a branding initiative committed to during the second quarter of fiscal 2014. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q.

**Table of Contents****Engineered Cabs**

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

| (Dollars in millions)                       | Six Months Ended November 30, |                   | Six Months Ended November 30, |                   | Increase/<br>(Decrease) |
|---|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------|
|   | 2014                          | % of<br>Net sales | 2013                          | % of<br>Net sales |                         |
| Net sales                                   | \$ 101.1                      | 100.0%            | \$ 96.3                       | 100.0%            | \$ 4.8                  |
| Cost of goods sold                          | 92.6                          | 91.6%             | 83.4                          | 86.6%             | 9.2                     |
| <b>Gross margin</b>                         | 8.5                           | 8.4%              | 12.9                          | 13.4%             | (4.4)                   |
| Selling, general and administrative expense | 13.9                          | 13.7%             | 15.0                          | 15.6%             | (1.1)                   |
| Impairment of long-lived assets             | 2.4                           | 2.4%              | 19.1                          | 19.8%             | (16.7)                  |
| <b>Operating loss</b>                       | \$ (7.8)                      | -7.7%             | \$ (21.2)                     | -22.0%            | \$ 13.4                 |
| Material cost                               | \$ 45.7                       |                   | \$ 43.6                       |                   | \$ 2.1                  |

Net sales and operating highlights were as follows:

Net sales increased \$4.8 million over the comparable period in the prior year on higher volumes.

Operating loss decreased \$13.4 million to \$7.8 million due to the favorable impact of lower impairment charges, which were down \$16.7 million from the prior year period. Excluding the impact of the impairment charges, operating income was down \$3.3 million largely due to startup costs related to new product launches in our Florence, South Carolina facility. Impairment charges in the current period consisted of \$2.4 million related to certain non-core Engineered Cabs assets. Impairment charges in the comparable period in the prior year consisted of \$19.1 million related to the write-off of certain trade name intangible assets in connection with a branding initiative committed to during the second quarter of fiscal 2014. For additional information, refer to Item 1. Financial Statements Notes to Consolidated Financial Statements NOTE C Impairment of Long-Lived Assets of this Quarterly Report on Form 10-Q.

**Other**

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

| (Dollars in millions)                       | Six Months Ended November 30, |                   | Six Months Ended November 30, |                   | Increase/<br>(Decrease) |
|---|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------|
|   | 2014                          | % of<br>Net sales | 2013                          | % of<br>Net sales |                         |
| Net sales                                   | \$ 25.5                       | 100.0%            | \$ 40.4                       | 100.0%            | \$ (14.9)               |
| Cost of goods sold                          | 24.4                          | 95.7%             | 36.1                          | 89.4%             | (11.7)                  |
| <b>Gross margin</b>                         | \$ 1.1                        | 4.3%              | \$ 4.3                        | 10.6%             | (3.2)                   |
| Selling, general and administrative expense | 5.5                           | 21.6%             | 8.2                           | 20.3%             | (2.7)                   |
| Impairment of long-lived assets             | 1.2                           | 4.7%              | -                             | 0.0%              | 1.2                     |
| Restructuring and other expense             | -                             | 0.0%              | 1.0                           | 2.5%              | (1.0)                   |
| Joint venture transactions                  | 0.2                           | 0.8%              | 0.9                           | 2.2%              | (0.7)                   |

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|                       |          |        |          |        |      |
|-----------------------|----------|--------|----------|--------|------|
| <b>Operating loss</b> | \$ (5.8) | -22.7% | \$ (5.8) | -14.4% | \$ - |
|-----------------------|----------|--------|----------|--------|------|

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Net sales and operating highlights were as follows:

Net sales decreased \$14.9 million from the comparable period in the prior year on lower volume.

Operating loss of \$5.8 million was flat versus the comparable period in the prior year as the impact of lower volume was largely offset by a decrease in SG&A expense. Impairment charges in the current period consisted of \$1.2 million related to the military construction business.

**Liquidity and Capital Resources**

During the six months ended November 30, 2014, we generated \$56.8 million of cash from operating activities, spent \$51.1 million on acquisitions and invested \$47.1 million in property, plant and equipment. Additionally, we repurchased 1,090,800 of our common shares for \$41.6 million and paid \$22.3 million of dividends. The following table summarizes our consolidated cash flows for the six months ended November 30, 2014 and 2013:

|   | <b>Six Months Ended</b> |                 |
|---|-------------------------|-----------------|
|   | <b>November 30,</b>     |                 |
| (in millions)                                     | <b>2014</b>             | <b>2013</b>     |
| Net cash provided by operating activities         | \$ 55.9                 | \$ 123.8        |
| Net cash provided (used) by investing activities  | (108.0)                 | 55.8            |
| Net cash used by financing activities             | (41.4)                  | (121.9)         |
| Increase (decrease) in cash and cash equivalents  | (93.5)                  | 57.7            |
| Cash and cash equivalents at beginning of period  | 190.1                   | 51.4            |
| <b>Cash and cash equivalents at end of period</b> | <b>\$ 96.6</b>          | <b>\$ 109.1</b> |

We believe we have access to adequate resources to meet our needs for normal operating costs, mandatory capital expenditures and debt redemptions, dividend payments and working capital for our existing businesses. These resources include cash and cash equivalents, cash provided by operating activities and unused lines of credit. We also believe that we have adequate access to the financial markets to allow us to be in a position to sell long-term debt or equity securities. However, given the uncertainty and volatility in the financial markets, our ability to access capital, and the terms under which we can do so, may change.

The cash and cash equivalents balance at November 30, 2014 included \$8.2 million of cash held by subsidiaries outside of the United States that the Company intends to indefinitely reinvest. Although the majority of this cash is available for repatriation, bringing the money into the United States could trigger federal, state and local income tax obligations. We do not have any intention to repatriate this cash.

**Operating Activities**

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

Net cash provided by operating activities was \$55.9 million during the six months ended November 30, 2014 compared to \$123.8 million in the comparable period of fiscal 2014. The difference was driven largely by changes in working capital needs and a decrease in the provision for deferred income taxes.

**Investing Activities**

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Net cash used by investing activities was \$108.0 million during the six months ended November 30, 2014 compared to net cash provided by investing activities of \$55.8 million in the comparable period of fiscal 2014. During the first six months of fiscal 2015, we spent a combined \$51.1 million, net of cash acquired, for the net assets of MEF and JRE and our 79.59% interest in dHybrid and incurred capital expenditures of \$47.1 million. The net cash provided by investing activities in the prior year period was driven by the consolidation of TWB in July 2013, as the cash balance at the time of acquisition exceeded the amount paid for our additional 10% interest in the entity by \$53.0 million.



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

### ***Financing Activities***

Net cash used by financing activities was \$41.4 million during the six months ended November 30, 2014. During the first six months of fiscal 2015, we paid \$41.6 million to repurchase 1,090,800 of our common shares and paid dividends of \$22.3 million on our common shares. Additionally, we received proceeds of \$20.5 million related primarily to borrowings against a \$32.3 million five-year term loan credit facility entered into by our consolidated joint venture in Turkey on September 26, 2014. The facility, which is denominated in Euros, bears interest at a variable rate based on EURIBOR. The applicable variable rate was 1.582% at November 30, 2014. Borrowings against the facility will be used for the construction of a new cryogenics manufacturing facility in Turkey.

As of November 30, 2014, we were in compliance with our short-term and long-term debt covenants. These debt agreements do not include credit rating triggers or material adverse change provisions. Our credit ratings at November 30, 2014 were unchanged from those reported as of May 31, 2014.

At November 30, 2014, we had \$100.0 million aggregate amount of unsecured floating rate senior notes outstanding due on December 17, 2014. We repaid these notes during December 2014 using a combination of cash on hand and borrowings available under our revolving credit facilities.

*Common shares* The Board declared a quarterly dividend of \$0.18 per common share during the first and second quarters of fiscal 2015 compared to \$0.15 per common share during the comparable periods of fiscal 2014. Dividends paid on our common shares totaled \$22.3 million and \$10.4 million during the six months ended November 30, 2014 and 2013, respectively. The increase was due to an accelerated cash dividend for the third and fourth quarters of fiscal 2013 totaling \$0.26 per common share. The dividend was paid on December 28, 2012 to shareholders of record as of December 21, 2012. As a result, no dividends were paid on our common shares during the first quarter of fiscal 2014.

On June 29, 2011, the Board authorized the repurchase of up to 10,000,000 of our outstanding common shares of which 631,532 remained available for repurchase at November 30, 2014. During the first six months of fiscal 2015, 1,090,800 common shares were repurchased under this authorization.

On June 25, 2014, the Board authorized the repurchase of up to an additional 10,000,000 of our outstanding common shares, increasing the total number of common shares available for repurchase at November 30, 2014 to 10,631,532.

The common shares available for repurchase under the June 29, 2011 and June 25, 2014 authorizations may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other relevant considerations. Repurchases may be made on the open market or through privately negotiated transactions.

### ***Dividend Policy***

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

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### ***Contractual Cash Obligations and Other Commercial Commitments***

Our contractual cash obligations and other commercial commitments have not changed significantly from those disclosed in Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Cash Obligations and Other Commercial Commitments of our 2014 Form 10-K, other than the changes in borrowings, as described in Part I - Item 1. Financial Statements - NOTE G Debt and Receivables Securitization of this Quarterly Report on Form 10-Q.

### ***Off-Balance Sheet Arrangements***

We do not have guarantees or other off-balance sheet financing arrangements that we believe are reasonably likely to have a material current or future effect on our consolidated financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of November 30, 2014, we were party to an operating lease for an aircraft in which we have guaranteed a residual value at the termination of the lease. The maximum obligation under the terms of this guarantee was approximately \$12.4 million at November 30, 2014. We have also guaranteed the repayment of a \$2.5 million term loan entered into by ArtiFlex, one of our unconsolidated joint ventures. In addition, we had in place \$14.0 million of outstanding stand-by letters of credit for third-party beneficiaries as of November 30, 2014. These letters of credit were issued to third-party service providers and customers and had no amounts drawn against them at November 30, 2014. Based on current facts and circumstances, we have estimated the likelihood of payment pursuant to these guarantees, and determined that the fair value of our obligation under each guarantee based on those likely outcomes is not material.

### ***Recently Issued Accounting Standards***

In March 2013, amended accounting guidance was issued regarding the accounting for cumulative translation adjustment. The amended guidance specifies that a cumulative translation adjustment should be released from earnings when an entity ceases to have a controlling financial interest in a subsidiary or a group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For sales of an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment attributable to the investment would be recognized in earnings upon sale of the investment. The amended guidance is effective prospectively for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2013. Early adoption is permitted. The adoption of this amended accounting guidance on June 1, 2014 did not have a material impact on our consolidated financial position or results of operations.

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

### ***Critical Accounting Policies***

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. We continually evaluate our estimates, including those related to our valuation of receivables, intangible assets, accrued liabilities, income and other tax accruals, and contingencies and litigation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily obtained from other sources. Critical accounting policies are defined as those that require our significant judgments and involve uncertainties that could potentially result in materially different results under different assumptions and conditions. Although actual results historically have not deviated significantly from those determined using our estimates, our financial position or results of operations could be materially different if we were to report under different conditions or to use different assumptions in the application of such policies. Our critical accounting policies have not significantly changed from those discussed in Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies of our 2014 Form 10-K.



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We review our receivables on an ongoing basis to ensure they are properly valued. Based on this review, we believe our reserve for doubtful accounts is adequate. However, if the economic environment and market conditions deteriorate, particularly in the automotive and construction markets where our exposure is greatest, additional reserves may be required. We recognize revenue upon transfer of title and risk of loss provided evidence of an arrangement exists, pricing is fixed and determinable, and the ability to collect is probable. In circumstances where the collection of payment is not probable at the time of shipment, we defer recognition of revenue until payment is collected.

We review the carrying value of our long-lived assets, including intangible assets with finite useful lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable.

Impairment testing involves a comparison of the sum of the undiscounted future cash flows of the asset or asset group to its respective carrying amount. If the sum of the undiscounted future cash flows exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the sum of the undiscounted future cash flows, then a second step is performed to determine the amount of impairment, which would be recorded as an impairment charge in our consolidated statements of earnings.

During the second quarter of fiscal 2015, we determined that indicators of impairment were present at the Company's aluminum high-pressure cylinder business in New Albany, Mississippi, due to current and projected operating losses. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group resulting in an impairment charge of \$3.2 million during the three months ended November 30, 2014.

During the second quarter of fiscal 2015, management committed to a plan to sell certain non-core Engineered Cabs assets. As all of the criteria for classification as assets held for sale were met, the net assets of the business have been presented separately as assets held for sale in our consolidated balance sheets as of November 30, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell, resulting in an impairment charge of \$2.4 million during the three months ended November 30, 2014.

During the second quarter of fiscal 2015, we determined that indicators of impairment were present at the Company's military construction business. Recoverability of the identified asset group was tested using future cash flow projections based on management's long-range estimates of market conditions. The sum of these undiscounted future cash flows was less than the net book value of the asset group. In accordance with the applicable accounting guidance, the net assets were written down to their fair value, resulting in an impairment charge of \$1.2 million during the three months ended November 30, 2014.

During the fourth quarter of fiscal 2014, management committed to a plan to sell the Company's 60%-owned consolidated joint venture in India, Worthington Nitin Cylinders. As all of the criteria for classification as assets held for sale were met, the net assets of the business were presented separately as assets held for sale in our consolidated balance sheet as of May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell as of May 31, 2014. As a result of changes in facts and circumstances related to the planned sale of Worthington Nitin Cylinders during the second quarter of fiscal 2015, the Company reassessed the fair value of the business and determined that the remaining book value should be written off resulting in an impairment charge of \$6.3 million during the three months ended November 30, 2014.

During the fourth quarter of fiscal 2014, management committed to a plan to sell certain non-core Steel Processing assets. As all of the criteria for classification as assets held for sale were met, the net assets of the business have been presented separately as assets held for sale in our consolidated balance sheets as of November 30, 2014 and May 31, 2014. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell as of May 31, 2014. As a result of changes in facts and circumstances related to the planned sale, the Company reassessed the fair value of the business resulting in additional impairment charges totaling \$3.1 million during the six months ended November 30, 2014.

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

The goodwill impairment test consists of comparing the fair value of each operating segment, determined using discounted cash flows, to each operating segment's respective carrying value. If the estimated fair value of an operating segment exceeds its carrying value, there is no impairment. If the carrying amount of the operating segment exceeds its estimated fair value, a goodwill impairment is indicated. The amount of the impairment is determined by comparing the fair value of the net assets of the operating segment, excluding goodwill, to its estimated fair value, with the difference representing the implied fair value of the goodwill. If the implied fair value of the goodwill is lower than its carrying value, the difference is recorded as an impairment charge in the applicable consolidated statement of earnings. We performed our annual impairment evaluation of goodwill and other indefinite-lived intangible assets during the fourth quarter of fiscal 2014 and concluded that the fair value of each operating segment exceeded its carrying value; therefore, no impairment charges were recognized. As expected, however, the estimated fair value of the Engineered Cabs operating segment, which was acquired in fiscal 2012, exceeded its carrying value by less than 10%. The key assumptions that drive the fair value calculation are projected cash flows and the discount rate. Changes in these assumptions could lead to a step 2 calculation to quantify a potential impairment. Engineered Cabs has been negatively affected by softness in the mining and agricultural markets and by increased manufacturing costs related to the rollout of new programs. If markets don't return and we are unable to reduce expenses, it will have a negative impact on the projected cash flows and the associated valuation of the business. The Engineered Cabs operating segment had goodwill totaling \$44.9 million at November 30, 2014. No impairment indicators were present with regard to our goodwill or intangible assets with indefinite useful lives during the six months ended November 30, 2014.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risks have not changed significantly from those disclosed in Part II - Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our 2014 Form 10-K.

**Item 4. Controls and Procedures*****Evaluation of Disclosure Controls and Procedures***

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

Management, with the participation of our principal executive officer and our principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q (the fiscal quarter ended November 30, 2014). Based on that evaluation, our principal executive officer and our principal financial officer have concluded that such disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this Quarterly Report on Form 10-Q.

**Table of Contents****Changes in Internal Control Over Financial Reporting**

There were no changes that occurred during the period covered by this Quarterly Report on Form 10-Q (the fiscal quarter ended November 30, 2014) in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Various legal actions, which generally have arisen in the ordinary course of business, are pending against the Company. None of this pending litigation, individually or collectively, is expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

**Item 1A. Risk Factors**

There are certain risks and uncertainties in our business that could cause our actual results to differ materially from those anticipated. In PART I Item 1A. -- Risk Factors of the Annual Report on Form 10-K of Worthington Industries, Inc. for the fiscal year ended May 31, 2014 (the 2014 Form 10-K ), as filed with the Securities and Exchange Commission on July 30, 2014, and available at [www.sec.gov](http://www.sec.gov) or at [www.worthingtonindustries.com](http://www.worthingtonindustries.com), we included a detailed discussion of our risk factors. Other than as noted below, our risk factors have not changed significantly from those disclosed in our 2014 Form 10-K. These risk factors should be read carefully in connection with evaluating our business and in connection with the forward-looking statements and other information contained in this Quarterly Report on Form 10-Q. Any of the risks described in our 2014 Form 10-K could materially affect our business, consolidated financial condition or future results and the actual outcome of matters as to which forward-looking statements are made. The risk factors described in our 2014 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may materially adversely affect our business, financial condition and/or future results.

*If the price of natural gas declines 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 declines, affects the spending patterns of our customers within the oil and gas equipment business and may result in the drilling of fewer wells or lower production spending on existing wells. This, in turn, could result in lower demand for our oil and gas equipment products and negatively impact our results of operations and financial condition.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information about purchases made by, or on behalf of, Worthington Industries, Inc. or any affiliated purchaser (as defined in Rule 10b-18(a) (3) under the Exchange Act, as amended) of common shares of Worthington Industries, Inc. during each month of the fiscal quarter ended November 30, 2014:

| Period               | Total Number of Common Shares Purchased | Average Price Paid per Common Share | Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Common Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|----------------------|---|-------------------------------------|---|---|
| September 1-30, 2014 | 100,000                                 | \$ 36.85                            | 100,000   | 11,131,532  |
| October 1-31, 2014   | 500,000                                 | \$ 35.73                            | 500,000   | 10,631,532  |
| November 1-30, 2014  | -                                       | -                                   | -   | 10,631,532  |
| Total                | 600,000                                 | \$ 35.91                            | 600,000   |   |

- (1) On June 29, 2011, Worthington Industries, Inc. announced that the Board authorized the repurchase of up to 10,000,000 of our outstanding common shares. At November 30, 2014, 631,532 common shares remained available for repurchase under this authorization. On June 25, 2014, the Board authorized the repurchase of up to an additional 10,000,000 of Worthington Industries' outstanding common shares, increasing the total number of common shares available for repurchase to 10,631,532. The common shares available for repurchase under these authorizations may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations and general economic conditions. Repurchases may be made on the open market or through privately negotiated transactions.

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**Item 3. Defaults Upon Senior Securities**

Not applicable

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information**

Not applicable



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**Item 6. Exhibits**

|         |   |
|---------|---|
| 10.1    | Second Amendment to the Worthington Industries, Inc. Non-Qualified Deferred Compensation Plan (Second Amendment effective as of October 1, 2014) (incorporated herein by reference to Exhibit 10.3 to the Annual Report on Form 10-K of Worthington Industries, Inc. for the fiscal year ended May 31, 2014 (SEC File No. 1-8399))                            |
| 10.2    | Second Amendment to the Worthington Industries, Inc. Amended and Restated 2005 Non-Qualified Deferred Compensation Plan (Second Amendment effective as of October 1, 2014) (incorporated herein by reference to Exhibit 10.6 to the Annual Report on Form 10-K of Worthington Industries, Inc. for the fiscal year ended May 31, 2014 (SEC File No. 1-8399))  |
| 10.3    | Second Amendment to the Worthington Industries, Inc. Deferred Compensation Plan for Directors, as Amended and Restated (Second Amendment effective as of October 1, 2014) (incorporated herein by reference to Exhibit 10.9 to the Annual Report on Form 10-K of Worthington Industries, Inc. for the fiscal year ended May 31, 2014 (SEC File No. 1-8399))   |
| 10.4    | Second Amendment to the Worthington Industries, Inc. Amended and Restated 2005 Deferred Compensation Plan for Directors (Second Amendment effective as of October 1, 2014) (incorporated herein by reference to Exhibit 10.12 to the Annual Report on Form 10-K of Worthington Industries, Inc. for the fiscal year ended May 31, 2014 (SEC File No. 1-8399)) |
| 10.5    | Summary of Annual Base Salaries Approved for Named Executive Officers of Worthington Industries, Inc. (effective September 2014) (incorporated herein by reference to Exhibit 10.66 to the Annual Report on Form 10-K of Worthington Industries, Inc. for the fiscal year ended May 31, 2014 (SEC File No. 1-8399))   |
| 31.1    | Rule 13a - 14(a) / 15d - 14(a) Certifications (Principal Executive Officer) *   |
| 31.2    | Rule 13a - 14(a) / 15d - 14(a) Certifications (Principal Financial Officer) *   |
| 32.1    | Certifications of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  |
| 32.2    | Certifications of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  |
| 101.INS | XBRL Instance Document #  |
| 101.SCH | XBRL Taxonomy Extension Schema Document #   |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document #  |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document #   |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document #   |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document #  |

\* Filed herewith.

\*\* Furnished herewith.

# Attached as Exhibit 101 to this Quarterly Report on Form 10-Q of Worthington Industries, Inc. are the following documents formatted in XBRL (Extensible Business Reporting Language):

- (i) Consolidated Balance Sheets at November 30, 2014 and May 31, 2014;
- (ii) Consolidated Statements of Earnings for the three and six months ended November 30, 2014 and November 30, 2013;

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- (iii) Consolidated Statements of Comprehensive Income for the three and six months ended November 30, 2014 and November 30, 2013;
- (iv) Consolidated Statements of Cash Flows for the three and six months ended November 30, 2014 and November 30, 2013; and
- (v) Notes to Consolidated Financial Statements.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**WORTHINGTON INDUSTRIES, INC.**

Date: January 9, 2015

By: /s/ B. Andrew Rose  
B. Andrew Rose,

Executive Vice President and Chief Financial Officer

(On behalf of the Registrant and as Principal

Financial Officer)

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| <b>Exhibit No.</b> | <b>Description</b>   | <b>Location</b>  |
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- (v) Notes to Consolidated Financial Statements.