CLARCOR INC.
Form 10-K
January 26, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 29, 2014
OR

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________
Commission File Number 1-11024

CLARCOR Inc.
(Exact name of registrant as specified in its charter)

DELAWARE	36-0922490
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
840 Crescent Centre Drive, Suite 600, Franklin, TN	37067
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	615-771-3100

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No R

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R 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 during the preceding 12 months. Yes R No £

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10-K. þ

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. (Check one):

Large accelerated filer R Accelerated filer £ Non-accelerated filer £ Smaller reporting company £
(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Stock held by non-affiliates computed by reference to the price at which the Common Stock was last sold as of the last business day of registrant’s most recently completed second fiscal quarter was $2,938,211,151.

There were 50,213,428 shares of Common Stock outstanding as of January 20, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant’s Proxy Statement for the 2015 Annual Meeting of Shareholders (“Proxy Statement”), currently anticipated to be held on March 24, 2015, are incorporated by reference in Part III of this Annual Report on Form 10-K. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the registrant’s fiscal year ended November 29, 2014.

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PART I

Item 1. Business.

(a) General Development of Business

CLARCOR Inc. (“CLARCOR”) was organized in 1904 as an Illinois corporation and in 1969 was reincorporated in the State of Delaware. As used herein, the “Company” and terms such as “we,” “us” or “our” refers to CLARCOR and its subsidiaries unless the context otherwise requires.

The Company’s fiscal year ends on the Saturday closest to November 30. For fiscal year 2014, the year ended on November 29, 2014 and included 52 weeks. For fiscal year 2013, the year ended on November 30, 2013 and included 52 weeks. For fiscal year 2012, the year ended on December 1, 2012 and included 52 weeks. In this 2014 Annual Report on Form 10-K (“2014 Form 10-K”), all references to fiscal years are shown to begin on December 1 and end on November 30 for clarity of presentation. Unless otherwise indicated, dollar amounts, other than per share data, are in thousands.

Certain Significant Developments

Acquisitions

On December 3, 2013, the Company acquired from NV Bekaert SA, 100% of the outstanding shares of Bekaert Advanced Filtration SA (Belgium), 100% of the outstanding shares of PT Bekaert Advanced Filtration (Indonesia) and certain other assets in India, China and the U.S. (collectively, the “Bekaert Business”). The purchase price for this business was approximately $7.3 million in cash. The Bekaert Business is headquartered in Belgium and has manufacturing facilities located in Belgium and Indonesia. Its results are included as part of the Company’s Industrial/Environmental Filtration segment.

On December 16, 2013, the Company completed its acquisition of the Air Filtration business of General Electric Company's ("GE") Power and Water division through the acquisition of certain assets and the assumption of certain liabilities, as well as the acquisition of the stock of a subsidiary of GE. The purchase price for this business was approximately $260.3 million in cash. This business now operates as "CLARCOR Industrial Air" and is headquartered in Overland Park, Kansas, with manufacturing facilities located in Missouri and the United Kingdom. Its results are included as part of the Company’s Industrial/Environmental Filtration segment.

On May 1, 2014, the Company acquired Stanadyne Corporation's diesel fuel filtration business (the “Stanadyne Business”) through the acquisition of the stock of Stanadyne Holdings, Inc. The purchase price for the Stanadyne Business was approximately $327.7 million in cash. The business now operates as “CLARCOR Engine Mobile Solutions” and is headquartered in Windsor, Connecticut, with a manufacturing facility in North Carolina. Its results are included as part of the Company’s Engine/Mobile Filtration segment.

On December 17, 2014, the Company acquired 100% of the outstanding shares of Filter Resources, Inc., Filtration, Inc. and Fabrication Specialties, Inc. (collectively, "Filter Resources"). The purchase price for Filter Resources was approximately $21.9 million, and is subject to post-closing adjustments based on the working capital of the business as of the closing and the completion of certain capital equipment projects. The operations of Filter Resources are being merged into the Company's PECOFacet group of companies, headquartered in Mineral Wells, Texas, and its results will be included as part of the Company's Industrial/Environmental Filtration segment. Results of operations for Filter Resources are not included in this 2014 Form 10-K, due to the fact that this acquisition was completed in fiscal 2015.

New Borrowings

On May 1, 2014, the Company entered into a credit agreement amendment to include an additional $315.0 million to its existing term loan facility, and then borrowed $315.0 million under the term loan facility to fund a portion of the purchase price with respect to our acquisition of the Stanadyne Business. Further information regarding these new borrowings is included in Note H to our Consolidated Financial Statements.

(b) Financial Information About Industry Segments

During fiscal year 2014, the Company conducted business in three principal industry segments: (1) Engine/Mobile Filtration, (2) Industrial/Environmental Filtration and (3) Packaging. These segments are discussed in greater detail below. Financial

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information for each of the Company's reportable segments for the fiscal years 2012 through 2014 is included in Note O to our Consolidated Financial Statements.

(c) Narrative Description of Business

Engine/Mobile Filtration

The Company's Engine/Mobile Filtration segment manufactures and sells filtration products for on-road and off-road mobile and stationary applications, including trucks, agricultural machinery, construction and mining equipment, power generation, marine, automobiles, transit buses, locomotives and other industrial and specialty applications. The segment's filtration products are manufactured and sold throughout the world, primarily in the aftermarket, but also to first-fit original equipment manufacturers ("OEMs") and through original equipment suppliers and wholesale distribution channels.

The products manufactured and sold in the Engine/Mobile Filtration segment include both "first-fit" filtration systems as well as replacement products such as oil, air, fuel, coolant, transmission and hydraulic filters that are used in a wide variety of applications and in processes where filtration efficiency, capacity and reliability are critical. Most of these applications involve a process through which impurities in an air or fluid stream are removed by engineered filtration media such as semi-porous paper, corrugated paper, cotton, synthetic, chemical or membrane filter media with varying filtration efficiency characteristics. The impurities captured by the media are generally disposed of when the filter is changed.

Industrial/Environmental Filtration

The Company's Industrial/Environmental Filtration segment manufactures and sells filtration products used in industrial and commercial processes, and in buildings and infrastructures of various types. The segment's products are sold throughout the world, and include liquid process, natural gas and air filtration products and systems used to protect critical equipment, to support the processing and transportation of fuels and feedstocks, to maintain high interior air quality and to control exterior pollution.

The segment's liquid process filtration products include specialty industrial process liquid filters; filters for pharmaceutical processes and beverages; filtration systems, filters and coalescers for the oil and natural gas industry; filtration systems for aircraft refueling, anti-pollution, sewage treatment and water recycling; bilge water separators; sand control filters for oil and gas drilling; and woven wire and metallic products for filtration of plastics and polymer fibers. These filters use a variety of string wound, meltblown, porous and sintered and non-sintered metal media, woven wire and absorbent media.

The segment's air filtration products represent air filters and systems, including advanced medias and treatments and high efficiency first-fit systems. These products are used in gas turbine power generation systems, heavy industrial manufacturing processes, thermal power plants, commercial buildings, hospitals, general factories, residential buildings, residences, paint spray booths, medical devices and facilities, motor vehicle systems, aircraft cabins, clean rooms, compressors and compressor stations.

Packaging

The Company's Packaging segment is conducted by a wholly-owned subsidiary, J.L. Clark, Inc. ("J.L. Clark").

J.L. Clark manufactures a wide variety of different types and sizes of containers and packaging specialties. Metal, plastic and combination metal/plastic containers and closures manufactured by the Company are used in packaging a wide variety of dry and paste form products, such as food specialties (e.g., tea, coffee, spices, mints and other confections); smokeless tobacco products; lip balms; ointments; and consumer healthcare products. Other packaging products include shells for dry cell batteries, canisters for film and candles, spools for insulated and fine wire, and custom decorated flat metal sheets.

Containers and packaging specialties are usually manufactured only upon orders received from customers, and individualized containers and packaging specialties are designed and manufactured, usually with distinctive decoration, to meet each customer’s marketing and packaging requirements and specifications.

Distribution

Products in both the Engine/Mobile Filtration and Industrial/Environmental Filtration segments are sold primarily through a combination of independent distributors, OEMs and their dealer networks, retail stores and directly to end-use customers such as truck and equipment fleet users, manufacturing companies and contractors. In addition, both segments manufacture and distribute products worldwide through their respective foreign subsidiaries and through export sales from the United States to independent

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distributors and end-use customers. In the Packaging segment, J.L. Clark uses an internal sales force and sells its products directly to customers for containers and packaging specialties.

Financial information related to the geographic areas in which the Company operates and sells its products is included in Note O to our Consolidated Financial Statements.

Class of Products

No class of similar products accounted for 10% or more of the total sales of the Company in any of the Company's last three fiscal years.

Raw Materials

The primary raw materials the Company uses to manufacture and package its products include various types of steel, adhesives, petrochemical-based materials, wood based products and filter medias made from materials such as wood pulps, metals, polyester, polypropylene, fiberglass and other synthetic fibers. All of these are purchased and are available from a variety of sources. The Company experienced price volatility in fiscal year 2014 with raw material prices trending higher in most significant spend categories. The Company was able to procure adequate supplies of raw materials throughout fiscal year 2014 and does not anticipate procurement problems in 2015, although the Company does believe that prices will generally continue to rise over the long term.

Patents, Trademarks and Trade names

Certain features of some of the Company's products are covered by domestic and, in some cases, foreign patents or patent applications. While these patents are valuable and important for certain products, the Company does not believe that its competitive position is dependent upon patent protection, although as discussed under the heading of "Risk Factors," the Company believes that patent-related litigation may become more commonplace across all of its business segments, particularly with respect to its engine aftermarket business.

With respect to trademarks and trade names, the Company believes that the trademarks and trade names it uses in connection with certain products (such as "Baldwin," "Purolator," "PecoFacet," "Fuel Manager," "Altair" and "BHA") are valu and significant to its business.

Seasonality

In general, the Company's products and service offerings are not seasonal in nature, although certain of our operating companies in all our segments experience modest seasonal increases and decreases with respect to products and services supplied to particular end-use customers or industries. These shifts are normally not material to the Company on a consolidated basis.

Customers

The 10 largest customers of the Engine/Mobile Filtration segment accounted for approximately 29% of the $603.8 million of fiscal year 2014 segment sales.

The 10 largest customers of the Industrial/Environmental Filtration segment accounted for approximately 15% of the $833.1 million of fiscal year 2014 segment sales.

The 10 largest customers of the Packaging segment accounted for approximately 77% of the $75.9 million of fiscal year 2014 segment sales.

No single customer accounted for 10% or more of the Company's consolidated fiscal year 2014 sales.

Backlog

At November 30, 2014, the Company had a backlog of open orders for products of approximately $224.8 million. The backlog figure for November 30, 2013 was approximately $150.4 million. The increase in backlog at November 30, 2014 compared to November 30, 2013 was primarily due to our acquisitions of CLARCOR Industrial Air, the Stanadyne Business and the Bekaert Business, as well as growth in orders for filtration vessels in the natural gas market served by our Industrial/Environmental Filtration segment. Substantially all of the orders on hand at November 30, 2014 are expected to be filled during fiscal year 2015. The

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Company does not view its backlog as being insufficient, excessive or problematic, or a significant indication of fiscal year 2015 sales.

Competition

The Company encounters strong competition in the sale of all of its products. The Company competes in a number of filtration markets against a variety of competitors. The Company is unable to state its relative competitive position in all of these markets due to a lack of reliable industry-wide data. However, in the replacement market for heavy-duty liquid and air filters used in internal combustion engines, the Company believes that it is among the top five companies worldwide measured by annual sales. In addition, the Company believes that it is a leading manufacturer of liquid and air filters for diesel locomotives. The Company believes that for industrial and environmental filtration products, it is among the top ten companies worldwide measured by annual sales, and is a market leader with respect to filtration products used in the oil and gas industries.

In the Packaging segment, the Company’s principal competitors include several manufacturers that often compete on a regional basis only and whose specialty packaging segments are smaller than the Company’s. Strong competition is also presented by manufacturers of paper, plastic and glass containers. The Company’s competitors generally manufacture and sell a wide variety of products in addition to packaging products of the type produced by the Company and do not publish separate sales figures relative to these competitive products. Consequently, the Company is unable to state its relative competitive position in those markets.

The Company believes that it is able to maintain its competitive position because of the quality and breadth of its products and services and the broad geographic scope of its operations. The Company’s products primarily compete on the basis of price, performance, speed of delivery, quality and customer support.

Product Development

The Company develops products on its own and in consultation or partnership with its customers. In addition to product testing and development that occurs at the Company’s various subsidiaries, the Company has historically maintained the CLARCOR Filtration Research Center, a standalone research and development center in Forest Park, Ohio (“CFRC”). During fiscal year 2014, the Company began to transition the personnel and assets at the CFRC to a new facility - the CLARCOR Innovation Center - in Columbia, Tennessee (“CIC”). The CIC will house research scientists and engineers, will serve as the Company's central research and development ("R&D") center in support of the Company's operating subsidiaries, and is anticipated to fully replace the CFRC in fiscal year 2015.

The Company’s laboratories, including the CFRC and the CIC, test product components and completed products to ensure high-quality manufacturing results, evaluate competitive products, aid suppliers in the development of product components, and conduct controlled tests of newly designed filters and filtration systems for particular uses. Product development is concerned with the improvement and creation of new filters and filtration media and filtration systems in order to increase their performance characteristics, broaden their respective uses and counteract obsolescence.

In fiscal year 2014, the Company employed approximately 157 professional employees on either a full-time or part-time basis to conduct research activities relating to the development of new products or the improvement or redesign of its existing products. During this period, the Company spent approximately $18.1 million on such activities as compared with $11.3 million for fiscal year 2013 and $11.8 million for fiscal year 2012.

Environmental Factors

The Company is not aware of any facts which would cause it to believe that it is in material violation of existing applicable standards with respect to emissions to the atmosphere, discharges to waters, or treatment, storage and disposal of solid or hazardous wastes.

The Company is party to various proceedings relating to environmental issues. The U.S. Environmental Protection Agency and/or other responsible state agencies have designated the Company as a potentially responsible party, along with other companies, in remedial activities for the cleanup of waste sites under the Comprehensive Environmental Response, Compensation, and Liability Act (commonly referred to as the federal Superfund statute). Additionally, the North Carolina Department of Environmental Protection has identified the property on which one of the Company's subsidiaries, CLARCOR Engine Mobile Solutions, currently operates as having concentrations of certain chemicals in groundwater that are above regulatory action levels.

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Although it is not certain what future environmental claims, if any, may be asserted in connection with these known environmental matters, the Company currently believes that its potential liability for known environmental matters is not material and that it has adequately reserved for any associated liabilities based on the information available to the Company. However, environmental and related remediation costs are difficult to quantify for a number of reasons, including the number of parties involved, the difficulty in determining the nature and extent of the contamination at issue, the length of time remediation may require, the complexity of the environmental regulation, the continuing advancement of remediation technology, and the potential imposition of joint and several liability on each potentially responsible party for the cleanup.

The Company does anticipate, however, that it may be required to install additional pollution control equipment to augment or replace existing equipment in the future in order to meet applicable environmental standards. The Company is presently unable to predict the timing or the cost of any project of this nature and cannot give any assurance that the cost of such projects may not have a material adverse effect on earnings. However, the Company is not aware, at this time, of any other additional significant current or pending requirements to install such equipment at any of its facilities.

Employees

As of November 30, 2014, the Company had approximately 6,015 employees.

(d) Financial Information About Geographic Areas

Financial information relating to export sales and the Company's operations in the United States and other countries is included in Note O to our Consolidated Financial Statements. As noted therein, total international sales for the Company in fiscal years 2014, 2013 and 2012 were $485.8 million, $351.8 million and $342.0 million, respectively. In addition, see "Item 1A — Risk Factors" below for a discussion of certain risks of foreign operations.

(e) Available Information

Pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company files electronically with the Securities and Exchange Commission ("SEC") required current reports on Form 8-K, quarterly reports on Form 10-Q and annual reports on Form 10-K; proxy materials; ownership reports for insiders as required by Section 16 of the Exchange Act; and registration statements on Form S-8, as necessary; and any other form or report as required.

Our corporate headquarters are located at 840 Crescent Centre Drive, Suite 600, Franklin, TN 37067, and our telephone number is (615) 771-3100. The Company's corporate Internet site is www.clarcor.com. The Company makes available on that site, free of charge, its Form 10-Ks, Form 10-Qs, Form 8-Ks and amendments to such reports, as soon as reasonably practicable after such forms are electronically filed with, or furnished to, the SEC. The information contained on the Company's website is not incorporated herein or otherwise considered to be a part of this 2014 Form 10-K.

The public may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. Information regarding the SEC's Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site (www.sec.gov) that contains reports, proxy information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Our business faces a variety of risks. These risks include those described below and may include additional risks and uncertainties not presently known to us or that we currently deem immaterial. If any of the events or circumstances described in the following risk factors occur, our business, financial condition or results of operations could be materially and adversely affected, and the trading price of our Common Stock could decline. These risk factors should be read in conjunction with the other information in this 2014 Form 10-K.

Our business is affected by the health of the markets we serve, including the oil and gas market.

Our financial performance depends, in large part, on varying conditions in the markets that we serve, particularly the general industrial market, the trucking market, and the oil and gas market. Demand in these markets fluctuates in response to overall economic conditions, although the replacement nature of our aftermarket products helps mitigate the effects of these changes, particularly in our Engine/Mobile Filtration segment. In addition, a general economic downturn may have an adverse effect on sales of more expensive filtration systems and products, such as capital equipment sold by our PECOFacet division (which may

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be affected by, among other things, a decrease in the cost of oil and natural gas), CLARCOR Engine Mobile Solutions (which may be affected by, among other things, a decrease in the OEM market for heavy-duty engines, particularly in the agricultural sector) and CLARCOR Industrial Air (which may be affected by, among other things, decrease in gas turbine system sales). An economic downturn in the markets we serve may result in reductions in sales and pricing of our products, which could have a material adverse effect on our potential earnings and future results of operations.

Additionally, a prolonged depression in the price of oil and natural gas would likely negatively impact several of our key business units, including our PECOFacet division and certain of our other subsidiaries that sell products used in the exploration, extraction, storage and transmission of oil and natural gas. Depending on the length and extent of such depression, this could have a material adverse effect on our potential earnings and future results of operations.

Adverse U.S. and global economic conditions could materially and negatively affect our revenues, profitability and results of operations.

Our business depends on the strength of economies in various parts of the world, primarily in North America, but increasingly in Europe and China, and any deterioration in these economies could adversely impact our earnings.

Although the U.S. economy has improved, the U.S. continues to face near term challenges such as excessive federal and state government debt and regulatory uncertainty.

Global macroeconomic conditions and the rate of economic recovery have stabilized to an extent. However, declining or relatively flat growth persists in certain economic regions in which we conduct substantial operations, including in various member-states of the European Union. The continued effects of the global economic downturn and the rate of recovery may have an adverse effect on our business, results of operations and financial condition, and on the general economic activity in many of the industries and markets in which we and our distributors, customers and suppliers operate. We cannot predict changes in worldwide or regional economic conditions, as such conditions are highly volatile and beyond our control. If these conditions deteriorate or do not return to previous levels, however, our business, results of operations and financial condition could be materially adversely affected.

While our current China sales are significantly less than either our U.S. or European sales, we anticipate China becoming more economically and strategically important to our business over time. If China experiences slowed or even negative economic growth, this would adversely impact our business there, as most of the sales we make in China are for domestic Chinese consumption and not for export. In addition, if adverse economic conditions in China were to cause a reduction of the level of infrastructure projects and lower diesel engine manufacturing volume in the country, this would likely have a negative effect on our Engine/Mobile Filtration segment sales there. This is because most of our current Engine/Mobile Filtration sales in China are to OEMs that make large diesel engines for heavy-duty equipment which is used in such infrastructure projects.

We face customer concentration issues in certain geographic locations and/or in respect of certain of our businesses.

Although we serve a diverse customer base across the totality of our business, we do face customer concentration in certain geographic locations and in certain end-markets. For example, the majority of our Engine/Mobile Filtration segment sales in China are predominantly to a relatively small number of OEMs, including most notably Weichai Power Co. Ltd., a large Chinese diesel engine and truck manufacturer (“Weichai”). Our growth in China, a strategically important and potentially high growth market, currently depends in part on our ability to maintain a good and growing commercial relationship with Weichai and the other OEMs. If we are unsuccessful in this regard, this could have a material adverse effect on our potential earnings and future results of operations, and could significantly diminish the opportunities and growth in China for our Engine/Mobile Filtration segment.

Similarly, a significant percentage of the sales of CLARCOR Engine Mobile Solutions, the division of our Engine/Mobile Filtration segment that focuses on OEM customers, are to a relatively small number of OEMs, including John Deere and JCB, or to other filter companies servicing the OEM market, such as Wix Filtration, and a significant percentage of the sales of gas turbine inlet systems and filters by our Clarcor Industrial Air division, which is part of our Industrial/Environmental Filtration segment, are to divisions of General Electric Company. The success of these businesses currently depends in part on our ability to maintain a good and growing commercial relationship with the aforementioned customers. If we are unsuccessful in this regard, this could have a material adverse effect on our potential earnings and future results of operations.

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We face heightened legal challenges from our competitors with respect to intellectual property, particularly in the area of patents.

We face increasing exposure to claims by others for infringement of intellectual property rights, particularly with respect to patents, which claims could result in significant costs or losses. This is especially important with respect to our Engine/Mobile Filtration segment, where many of our competitors are suppliers of ‘‘first-fit’’ products to OEMs and seek to control or at least gain an advantage in the aftermarket through aggressive and comprehensive patent strategies, sometimes in conjunction with the OEMs. These strategies may involve attempting to obtain as many patents as possible, including particularly with respect to the systems for attaching or sealing filters to their respective housings, deliberately delaying the final issuance of patents so as to be able to modify them in response to competitive product designs, and seeking multiple ‘‘continuations’’ of their patents in an attempt to have their patents more clearly apply to competitive product designs.

This increased exposure to patent claims is also becoming more relevant to our Industrial/Environmental Filtration segment, where we face sophisticated competitors that are larger and better financed than we are and that have complex patent portfolios that present potential obstacles to our growth.

While we spend (and intend to continue to spend) significant resources to combat these risks, including by understanding the patent landscape applicable to our operating companies, creating alternative products and product designs that fall outside of our competitors’ claimed patent rights, challenging patents which we believe to be invalid and attempting to build our own patent portfolio, there can be no guaranty that we will be successful. Any such failure could have a material adverse effect on the financial condition, results of operations, or prospects of the Company.

We face heightened legal challenges with respect to protecting our own intellectual property, particularly overseas.

We have developed and actively pursue developing proprietary technology in the industries in which we operate, and rely on intellectual property laws and a number of patents to protect such technology. In doing so, we incur ongoing costs to enforce and defend our intellectual property. Despite our efforts in this regard, we may face situations where our own intellectual property rights are ignored, invalidated or circumvented, to our material detriment. This is of particular concern in China, where we anticipate the market for our products to develop substantially, and, with it, the incentive of third parties to infringe or challenge our intellectual property rights.

We could be adversely impacted by environmental matters and climate change and energy legislation and regulation.

Our operations are subject to U.S. and non-U.S. environmental laws and regulations governing emissions to air; discharges to water; the generation, handling, storage, transportation, treatment and disposal of waste materials; and the cleanup of contaminated properties. In this regard, the U.S. Environmental Protection Agency and/or other responsible state agencies have designated us as a potentially responsible party, along with other companies, in remedial activities for the cleanup of waste sites under the federal Superfund statute. Additionally, the North Carolina Department of Environmental Protection has identified the property on which one of our subsidiaries currently operates as having concentrations of certain chemicals in groundwater that are above regulatory action levels. Currently, we believe that any potential environmental liabilities with respect to our former or existing operations are not material, but there is no assurance that we will not be adversely impacted by such liabilities, costs or claims in the future, either under present laws and regulations or those that may be adopted or imposed in the future. In addition, environmental and related remediation costs are difficult to quantify for a number of reasons, including the number of parties involved, the difficulty in determining the nature and extent of the contamination at issue, the length of time remediation may require, the complexity of the environmental regulation, the continuing advancement of remediation technology, and the potential imposition of joint and several liability on each potentially responsible party for the cleanup.

Foreign, federal, state and local regulatory and legislative bodies have proposed various legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies. Due to the uncertainty in the regulatory and legislative processes, as well as the scope of such requirements and initiatives, we cannot currently determine the effect such legislation and regulation may have on our operations.

The potential physical impacts of climate change on our operations are also highly uncertain and would vary depending on type of physical impact and geographic location. Climate change physical impacts could include changing temperatures, water shortages, changes in weather and rainfall patterns, and changing storm patterns and intensities. The occurrence of one or more natural disasters, whether due to climate change or naturally occurring, such as tornadoes, hurricanes, earthquakes and other forms of severe weather in the U.S. or in a country in which we operate or in which our suppliers or customers are located could adversely impact our operations and financial performance. Such events could result in:

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- physical damage to and complete or partial closure of one or more of our manufacturing facilities;
- temporary or long-term disruption in the supply of raw materials from our suppliers;
- disruption in the transport of our products to customers and end users; and/or
- delay in the delivery of our products to our customers.

Our operations outside of the United States are subject to political, investment and local business risks.

Approximately 32% of our fiscal 2014 sales resulted from exports to countries outside of the United States and from sales by our foreign business units. As part of our business strategy, we expect to expand our international operations through internal growth and acquisitions. Sales and operations outside of the United States, particularly in emerging markets, are subject to a variety of risks which are different from or additional to the risks the Company faces within the United States. Among others, these risks include:

- local economic, political and social conditions, including potential hyper-inflationary conditions and political instability in certain countries;
- imposition of limitations on the remittance of dividends and payments by foreign subsidiaries;
- adverse currency exchange rate fluctuations, including significant devaluations of currencies;
- tax-related risks, including the imposition of taxes and the lack of beneficial treaties, that result in a higher effective tax rate for the Company;
- difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- domestic and foreign customs, tariffs and quotas or other trade barriers;
- increased costs for transportation and shipping;
- difficulties in protecting intellectual property;
- increased risk of corruption, self-dealing or other unethical practices that may be difficult to detect or remedy;
- risk of nationalization of private enterprises by foreign governments;
- managing and obtaining support and distribution channels for overseas operations;
- hiring and retaining qualified management personnel for our overseas operations;
- imposition or increase of restrictions on investment; and
- required compliance with a variety of local laws and regulations which may be materially different than those to which we are subject in the United States.

The occurrence of one or more of the foregoing factors could have a material adverse effect on our international operations or on our financial condition and results of operations.

We face significant competition in the markets we serve.

The markets in which we operate are highly competitive and highly fragmented. We compete worldwide with a number of other manufacturers and distributors that produce and sell similar products. Our products primarily compete on the basis of price, performance, speed of delivery, quality and customer support. Some of our competitors are companies, or divisions or operating units of companies, that have greater financial and other resources than we do. Any failure by us to compete effectively in the markets we serve could have a material adverse effect on our business, results of operations and financial condition.

Increasing costs for manufactured components, raw materials, transportation, energy and health care prices may adversely affect our profitability.

We use a broad range of manufactured components and raw materials in our products, including steel, steel-related components, filtration media, adhesives, plastics, paper and packaging materials. Components and materials comprise the largest component of our costs. Increases in the price of these items could further materially increase our operating costs and materially and adversely affect our profit margins. Similarly, transportation, energy and health care costs have risen steadily over the past few years and represent an increasingly important burden for the Company. Although we try to contain these costs wherever possible, and although we have historically been able to pass most increased costs in the form of price increases to our customers, we may be unsuccessful in doing so for competitive reasons, and even when successful, the timing of such price increases may lag significantly behind our incurrence of higher costs.

Our manufacturing operations are dependent upon third-party suppliers.

We obtain materials and manufactured components from third-party suppliers. Although the majority of these materials and components can be obtained from multiple sources, and while we historically have not suffered any significant limitations on our ability to procure them, any delay in our suppliers' abilities to provide us with necessary materials and components may affect

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our capabilities at a number of our manufacturing locations. Delays in obtaining supplies may result from a number of factors affecting our suppliers, including capacity constraints, labor disputes, the impaired financial condition of a particular supplier, suppliers' allocations to other purchasers, weather emergencies or acts of war or terrorism. Any delay in receiving supplies could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, results of operations and financial condition.

Our success depends in part on our development of new and improved products, and we may fail to meet the needs of customers on a timely or cost-effective basis.

Our continued success depends on our ability to maintain technological capabilities, machinery and knowledge necessary to adapt to changing market demands as well as to develop and commercialize innovative products, such as innovative filtration media and higher efficiency filtration systems. We may not be able to develop new products as successfully as in the past or be able to keep pace with technological developments by our competitors and the industry generally. In addition, we may develop specific technologies and capabilities in anticipation of customers' demands for new innovations and technologies. If such demand does not materialize, we may be unable to recover the costs incurred in such programs. If we are unable to recover these costs or if any such programs do not progress as expected, our business, financial condition or results of operations could be materially adversely affected.

The introduction of new and improved products and services could reduce our future sales.

Substantial changes or technological developments in the industries in which our products are used could reduce sales if these changes negatively impact the need for our products. For example, improvements in engine technology may reduce the need to make periodic filter changes and thus negatively impact our aftermarket filter sales for such engines.

Our ability to operate effectively could be impaired if we fail to attract and retain key personnel.

Our ability to operate our business and implement our strategies depends, in part, on the efforts of our executive officers and other key employees. Our management philosophy of cost-control means that we operate what we consider to be a very lean company with respect to personnel, and our commitment to a less centralized organization (discussed further below) also places greater emphasis on the strength of local management. Our future success will depend on, among other factors, our ability to attract and retain other qualified personnel, particularly management, research and development engineers and technical sales professionals. The loss of the services of any of our executive officers or other key employees or the failure to attract or retain other qualified personnel, domestically or abroad, could have a material adverse effect on our business or business prospects.

Our acquisition strategy may be unsuccessful.

As part of our growth strategy, we plan to continue to pursue acquisitions of other companies, assets and product lines that either complement or expand our existing business. We may be unable, however, to find or consummate future acquisitions at acceptable prices and terms. We continually evaluate potential acquisition opportunities in the ordinary course of business, including those that could be material in size and scope. Acquisitions, including our acquisitions of the Bekaert Business, CLARCOR Industrial Air, the Stanadyne Business and our acquisition of Filter Resources during fiscal 2015, involve a number of special risks and factors, such as:

- the focus of management's attention to the assimilation of the acquired companies and their employees and on the management of expanding operations;
- the incorporation of acquired products into our product line;
- the increasing demands on our operational and information technology systems;

- potentially insufficient internal controls over financial activities or financial reporting at an acquired company that could impact us on a consolidated basis;
- the failure to realize expected synergies;
- the potential loss of customers and other material business relations as a result of changes in control;
- the possibility that we have acquired substantial contingent or unanticipated legal liabilities; and
- the loss of key employees of the acquired businesses.

Although we conduct what we believe to be a prudent level of investigation regarding the operating and financial condition of the businesses we purchase, an unavoidable level of risk remains regarding the actual operating condition of these businesses. Until we actually assume operating control of these business assets and their operations, we may not be able to fully ascertain the actual value or understand the potential liabilities of the acquired entities and their operations. This is particularly true with respect to non-U.S. acquisitions.

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We compete for potential acquisitions based on a number of factors, including price, terms and conditions, size and ability to offer cash, stock or other forms of consideration. In pursuing acquisitions, we compete against other strategic and financial buyers, some of which are larger than we are and have greater financial and other resources than we have. Increased competition for acquisition candidates could result in fewer acquisition opportunities for us and higher acquisition prices. In addition, the negotiation of potential acquisitions may require members of management to divert their time and resources away from our operations.

We are a decentralized company, which presents certain risks.

The Company is relatively decentralized in comparison with its peers. While we believe this practice has catalyzed our growth and enabled us to remain responsive to opportunities and to our customers' needs, it necessarily places significant control and decision-making powers in the hands of local management. This presents various risks, including the risk that we may be slower or less able to identify or react to problems affecting a key business than we would in a more centralized environment. In addition, it means that we may be slower to detect compliance related problems (e.g., a rogue employee undertaking activities that are prohibited by applicable law or by our internal policies) and that "company-wide" business initiatives, such as the integration of disparate information technology systems, are often more challenging and costly to implement, and their risk of failure higher, than they would be in a more centralized environment. Depending on the nature of the problem or initiative in question, such failure could materially adversely affect our business, financial condition or results of operations.

Our business operations may be adversely affected by information systems interruptions or intrusions.

We are dependent on various information technologies throughout our company to administer, store and support multiple business activities. If these systems are damaged, cease to function properly, or are subject to cyber-security attacks, such as those involving unauthorized access, malicious software and/or other intrusions, we could experience production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation. While we attempt to mitigate these risks by employing a number of measures, including technical security controls, employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems, our systems, networks, products and services remain potentially vulnerable to known or unknown threats, any of which could have a material adverse affect on our business, financial condition or results of operations.

We may be subject to product liability risks.

The Company's businesses expose it to potential product liability risks that are inherent in the design, manufacture and sale of its products and the products of third-party vendors that the Company uses or resells. Significant product liability claims could have a material adverse effect on the Company's financial condition, liquidity and results of operations. Although the Company currently maintains what it believes to be suitable and adequate product liability insurance, there can be no assurance that the Company will be able to maintain its insurance on acceptable terms or that its insurance will provide adequate protection against all potential liabilities.

Our global operations are subject to laws and regulations that impose significant compliance costs and create reputational and legal risk.

Due to the international scope of our operations, we are subject to a complex system of commercial and trade regulations around the world, and our foreign operations are governed by laws, rules and business practices that often differ from those of the U.S. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted, which could have a material and negative impact on our business and our results of operation. For example, recent years have seen an increase in the development and enforcement of laws regarding trade compliance and anti-corruption, such as the U.S. Foreign Corrupt Practices Act and similar laws in other countries. While we maintain a variety of internal policies and controls and take steps, including periodic training and internal audits, that we believe are reasonably calculated to discourage, prevent and detect violations of such laws, we cannot guarantee that such actions will be effective or sufficient or that individual employees will not engage in inappropriate behavior in contravention of our policies and instructions. Such conduct, or even the allegation thereof, could result in costly investigations and the imposition of severe criminal or civil sanctions, could disrupt our business, and could materially and adversely affect our reputation, business and results of operations or financial condition.

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The Company may be subject to risks relating to changes in its tax rates or exposure to additional income tax liabilities.

The Company is subject to income taxes in the United States and various non-U.S. jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. The Company’s effective tax rate could be affected by changes in the mix of earnings among countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets or changes in tax laws or regulations. The amount of income taxes paid is subject to regular audits by United States federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in assessments different from amounts reserved, future financial results may include unfavorable adjustments to the Company’s tax liabilities, which could have an adverse effect on the Company’s results of operations and liquidity.

We face certain risks associated with potential labor disruptions.

Some of our employees around the world are covered by collective bargaining agreements and/or are represented by unions or workers' councils. While we believe that our relations with our employees are generally good, we cannot provide assurances that the Company will be completely free of labor disruptions such as work stoppages, work slowdowns, union organizing campaigns, strikes, lockouts or that any existing labor disruption will be favorably resolved. We could incur additional costs and/or experience work stoppages that could adversely affect our business operations through a loss of revenue and strained relationships with customers.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The various properties owned and leased by the Company and its operating units as of November 30, 2014, are considered by it to be in generally good repair and well maintained. Plant asset additions in fiscal year 2015 are estimated to be between $75 and $95 million for land, buildings, furniture, production equipment and machinery, and computer and communications equipment.

The following is a description of the real property owned or leased by the Company or its affiliated entities as of November 30, 2014, broken down by business segment. All acreage and square foot measurements are approximate.

Corporate Headquarters

The Company’s corporate headquarters are located in Franklin, Tennessee, and housed in 26,084 square feet of office space under lease to the Company. The Company also owns a parcel of undeveloped land in Rockford, Illinois totaling 6 acres. The Company also leases approximately 14,400 square feet of space in Forest Park, Ohio, which is occupied by the CFRC, and approximately 62,500 square feet of space in Columbia, Tennessee, which is occupied by the CIC.

Engine/Mobile Filtration Segment
United States Facilities

Location	Approximate Size	Owned or Leased

Gothenburg, NE	19 acre site with 100,000 sq ft of manufacturing space.	Owned
Kearney, NE	42 acre site with 982,500 sq ft of manufacturing and warehousing space, 25,000 sq ft of research and development space and 53,000 sq ft of office space.	Owned
Kearney, NE	244,696 sq ft of warehousing space.	Leased
Kearney, NE	10,250 sq ft of warehousing space.	Leased
Lancaster, PA	11.4 acre site with 168,000 sq ft of manufacturing and office space.	Owned
Yankton, SD	286,000 sq ft of manufacturing space.	Owned
Washington, NC	185,000 sq ft of manufacturing and office space.	Owned
Windsor, CT	26,000 sq ft of office and R&D space.	Leased

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International Facilities

Location	Approximate Size	Owned or Leased
Shanghai, People's Republic of China	8,282 sq ft of office space.	Leased
Warrington, Cheshire, England	51,000 sq feet for manufacturing, warehousing and office space.	Leased
Runcorn, Cheshire, England	150,000 sq ft of manufacturing, warehousing and office space.	Owned
Capetown, South Africa	127,000 sq ft of manufacturing, warehousing and office space.	Owned
Weifang, People's Republic of China	14 buildings, constituting 348,000 sq ft of manufacturing, warehousing and office space.	Leased
Weifang, People's Republic of China	24,415 sq ft of manufacturing, warehousing and office space.	Leased
Queretaro, Mexico	3 acre site with 78,000 sq ft of manufacturing, warehousing and office space.	Owned
Casablanca, Morocco	4 acre site with 95,000 sq ft of manufacturing, warehousing and office space.	Owned

In addition to the above properties, the Engine/Mobile Filtration segment leases and operates smaller facilities in Australia, Belgium, South Africa and the United Kingdom in order to manufacture and/or distribute filtration products.

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Industrial/Environmental Filtration Segment

United States Facilities

Location	Approximate Size	Owned or Leased
Auburn Hills, MI	55,278 sq ft of warehousing and office space.	Leased
Birmingham, AL	10,000 sq ft of warehouse space.	Owned
Blue Ash, OH	17 acre site with 157,000 sq ft of manufacturing and office space.	Owned
Campbellsville, KY	100 acre site with 250,401 sq ft of manufacturing and office space.	Owned
Corona, CA	179,790 sq feet of manufacturing, warehousing and office space.	Leased
Dallas, TX	144,824 sq feet of manufacturing, warehousing and office space.	Leased
Greensboro, NC	21 acre site with 75,000 sq ft of manufacturing, warehousing and office space.	Owned
Greensboro, NC	100,000 sq ft of manufacturing, warehousing and office space.	Owned
Goodlettsville, TN	35,000 sq ft of warehouse space.	Owned
Houston, TX	80,000 sq ft of manufacturing, warehousing and office space.	Leased
Houston, TX	11,000 sq ft of warehouse space.	Leased
Houston, TX	4,000 sq ft of warehousing and office space.	Leased
Jeffersonville, IN	607,500 sq feet of manufacturing, warehousing and office space.	Leased
Lenexa, KS	18,000 sq feet of warehousing and office space.	Leased
Mineral Wells, TX	46 acre site with 308,947 sq feet of manufacturing, warehousing and office space.	Owned
Mineral Wells, TX	30,000 sq ft of warehousing space.	Owned
Mineral Wells, TX	19,950 sq ft of warehousing space	Leased
Mineral Wells, TX	16,500 sq ft of manufacturing and warehousing space.	Owned
Ottawa, KS	41,000 sq ft of manufacturing and office space.	Owned
Ottawa, KS	22,500 sq ft of warehousing space.	Leased
Pittston, PA	250,000 sq feet of manufacturing, warehousing and office space.	Leased
Stilwell, OK	11 acre site with 75,000 sq feet of manufacturing, warehousing and office space.	Leased
Sacramento, CA	36,000 sq feet of manufacturing, warehousing and office space.	Owned
Shelby, NC	48,000 sq ft of manufacturing, warehousing and office space.	Owned
Tulsa, OK	16 acre site with 142,000 sq ft of manufacturing and office space.	Owned
Vineland, NJ	48,100 sq ft of manufacturing, warehousing and office space.	Leased
Slater, MO	55,000 sq ft of manufacturing, warehousing and office space.	Owned
Slater, MO	217,000 sq ft of manufacturing, warehousing and office space.	Owned
Lee's Summit, MO	49,500 sq ft of manufacturing, warehousing and office space.	Owned
Overland Park, KS	39,000 sq ft of office space.	Leased
Salisbury, MO	53,000 sq ft of warehousing space.	Owned

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International Facilities

Location	Approximate Size	Owned or Leased
Calgary, Alberta, Canada	25,000 sq feet of manufacturing, warehousing and office space.	Owned
St. Catharines, Ontario, Canada	25,000 sq ft of warehouse space.	Leased
La Coruña, Spain	4 acre site with 64,583 sq ft of manufacturing and office space.	Owned
Pujiang City, People's Republic of China	54,000 sq ft of manufacturing, warehousing and office space.	Leased
Queretaro, Mexico	5 acre site with 108,000 sq ft of manufacturing, warehousing and office space.	Owned
Quzhou, People's Republic of China	215,278 sq ft of manufacturing, warehousing and office space.	Leased
Henderson, Australia	47,598 sq ft of manufacturing and office space.	Leased
Spirimont, Belgium	48,500 sq ft of manufacturing, warehousing and office space.	Owned
Karawang, Indonesia	47,360 sq ft of manufacturing, warehousing and office space.	Owned
Alton, United Kingdom	59,000 sq ft of manufacturing, warehousing and office space.	Owned/Leased

In addition to the above properties, the Industrial/Environmental Filtration segment leases and operates smaller facilities in the following locations in order to manufacture, distribute and/or service filtration products: United States: Atlanta, GA; Auburn, WA; Evansville, WY; Chantilly, VA; Charleston, SC; Columbus, OH; Denver, CO; Carrollton, TX; Dalton, GA; Farmington, NM; Fresno, CA; Hayward, CA; Kansas City, MO; Louisville, KY; Shakopee, MN; Phoenix, AZ; Portland, OR; Ontario, CA; Vernal, UT; Wichita, KS; Williston, ND. International: Brazil; China; France; Germany; Italy; Malaysia; Netherlands; Singapore; United Arab Emirates; United Kingdom; Japan; Mexico.

Packaging Segment

Location	Approximate Size	Owned or Leased
Rockford, IL	34 acre site with buildings totaling 405,000 sq ft of manufacturing, warehousing and office space.	Owned
Lancaster, PA	11 acre site with 243,500 sq ft of manufacturing and office space.	Owned

Item 3. Legal Proceedings.

From time to time, the Company is subject to lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of its business, including matters relating to commercial transactions, product liability, intellectual property and other matters. The Company recognizes a liability for any contingency that is probable of occurrence and reasonably estimable. The Company continually assesses the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. Included in these matters are the following:

TransWeb/3M

On May 21, 2010, 3M Company and 3M Innovative Properties ("3M") brought a lawsuit against TransWeb, LLC ("TransWeb") in the United States District Court for the District of Minnesota, alleging that certain TransWeb products infringe multiple claims of certain 3M patents. Shortly after receiving service of process in this litigation, TransWeb filed its own complaint against 3M in the United States District Court for the District of New Jersey, seeking a declaratory judgment that the asserted patents are invalid and that the products in question do not infringe. 3M withdrew its Minnesota action, and the parties litigated the matter in New Jersey. The litigation in question was filed and underway before the Company acquired TransWeb in December 2010, but the Company assumed the risk of this litigation as a result of the acquisition.

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During the litigation TransWeb sought judgment that (i) the asserted 3M patents are invalid, the TransWeb products in question do not infringe, and the 3M patents are unenforceable due to inequitable conduct by 3M in obtaining the patents, and (ii) 3M violated U.S. federal antitrust laws under theories of Walker Process fraud and sham litigation. Following a 2012 trial in which a six-member jury unanimously found in TransWeb's favor on all counts other than sham litigation, on April 21, 2014 the U.S. District Court for the District of New Jersey issued a ruling in favor of TransWeb and awarded TransWeb approximately $26,147 in damages.

3M timely exercised its automatic right to appeal the court's judgment to the U.S. Court of Appeals for the Federal Circuit, and the matter is currently under active appeal before such tribunal.

Other

The Company is party to various proceedings relating to environmental issues. The U.S. Environmental Protection Agency and/or other responsible state agencies have designated the Company as a potentially responsible party, along with other companies, in remedial activities for the cleanup of waste sites under the Comprehensive Environmental Response, Compensation, and Liability Act (commonly referred to as the federal Superfund statute). Additionally, the North Carolina Department of Environmental Protection has identified the property on which one of the Company's subsidiaries, CLARCOR Engine Mobile Solutions, LLC, currently operates as having concentrations of certain chemicals in groundwater that are above regulatory action levels.

Although it is not certain what future environmental claims, if any, may be asserted in connection with these known environmental matters, the Company currently believes that its potential liability for known environmental matters is not material and that it has adequately reserved for any associated liabilities based on the information available to the Company. However, environmental and related remediation costs are difficult to quantify for a number of reasons, including the number of parties involved, the difficulty in determining the nature and extent of the contamination at issue, the length of time remediation may require, the complexity of the environmental regulation, the continuing advancement of remediation technology, and the potential imposition of joint and several liability on each potentially responsible party for the cleanup.

In addition to the matters cited above, the Company is involved in legal actions arising in the normal course of business. The Company records provisions with respect to identified claims or lawsuits when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Claims and lawsuits are reviewed quarterly and provisions are taken or adjusted to reflect the status of a particular matter.

Item 4. Mine Safety Disclosures.

Not applicable.

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ADDITIONAL ITEM: Executive Officers of the Registrant

The following individuals are the executive officers of the Company as of January 23, 2015:

Name	Age at 11/30/2014	Year Elected to Office
Christopher L. Conway	59	2010
Chairman of the Board, President and Chief Executive Officer. Mr. Conway has been employed by the Company or its affiliates since 2006, when he was named Vice President of Manufacturing of Baldwin Filters, Inc. In September 2007, Mr. Conway was promoted to the position of President of Facet USA, Inc., another affiliate of the Company. He was then named President of the Company's PECOFacet division in December 2007 and continued in that role until being named as President and Chief Operating Officer of the Company in May 2010. On December 13, 2011, Mr. Conway assumed the position of President and Chief Executive Officer. Prior to joining the Company or its affiliates, Mr. Conway served for two years as the Chief Operating Officer of Cortron Corporation, Inc., a small manufacturing start-up based in Minneapolis, Minnesota.		
Sam Ferrise	58	2003
President-CLARCOR Engine/Mobile Filtration Group. Mr. Ferrise was appointed President of Baldwin Filters, Inc. in 2000 and held that position until 2014, when he was named President-CLARCOR Engine/Mobile Filtration Group. He became an executive officer of the Company in 2003.		
David J. Fallon	44	2010
Vice President-Finance & Chief Financial Officer. Mr. Fallon has been employed by the Company since 2009, when he was elected Vice President-Finance. He was elected Chief Financial Officer in 2010. Prior to joining the Company, Mr. Fallon held various positions for Noble International, Ltd. and its affiliates, including the position of Chief Financial Officer of Noble International, Ltd. immediately prior to his employment with the Company.		
David J. Lindsay	59	1995
Vice President-Administration and Chief Administrative Officer. Mr. Lindsay has been employed by the Company in various administrative positions since 1987. He was elected Vice President-Group Services in 1991, Vice President-Administration in 1994 and Vice President-Administration and Chief Administrative Officer in 1995.		
Richard M. Wolfson	48	2006
Vice President-General Counsel and Secretary. Mr. Wolfson was employed by the Company and elected Vice President, General Counsel and Secretary in 2006. Prior to joining the Company, he was a principal of the InterAmerican Group, an advisory services and private equity firm, from 2001 until 2006.		
Keith White	43	2014
President-CLARCOR Industrial Air Filtration Group. Mr. White has been employed by the Company since 2013, when he was elected President-CLARCOR Industrial Air. He was elected President-CLARCOR Industrial Air Filtration Group in 2014. Prior to joining the Company, Mr. White held various positions for General Electric Company and its affiliates from 2001 to December 2013. He was most recently with GE Power & Water - Filtration beginning in 2011, where he was General Manager and then President. GE Power & Water - Air Filtration supported GE Oil and Gas, GE Power Generation and other GE business segments. It had annual sales of approximately $270 million and had approximately 800 employees.		

Each executive officer of the Company is elected by the Board of Directors for a term of one year which begins at the Board of Directors Meeting at which he or she is elected, typically held at the time of the Annual Meeting of Shareholders, and ends on the date of the next Annual Meeting of Shareholders or upon their earlier death, resignation or removal in accordance with the Company's By-Laws.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, Issuer Purchase of Equity Securities and Five-Year Performance of the Company.

The Company's Common Stock is listed on the New York Stock Exchange; it is traded under the symbol CLC. The following table sets forth the high and low market prices as quoted during the relevant periods on the New York Stock Exchange and dividends per share paid for each quarter of the last two fiscal years.

	Market Price		
Quarter Ended	High	Low	Dividends
March 1, 2014	$65.08	$52.70	$0.1700
May 31, 2014	$59.15	$54.16	$0.1700
August 30, 2014	$64.11	$57.79	$0.1700
November 29, 2014	$67.60	$58.55	$0.2000
Total Dividends			$0.7100

	Market Price		
Quarter Ended	High	Low	Dividends
March 2, 2013	$52.63	$45.02	$0.1350
June 1, 2013	$55.84	$47.99	$0.1350
August 31, 2013	$57.31	$50.92	$0.1350
November 30, 2013	$61.34	$52.29	$0.1700
Total Dividends			$0.5750

As set forth above, the quarterly dividend rate was increased in fiscal year 2014, and the Company currently expects to continue making dividend payments to shareholders. The Company's ability to make dividend payments is subject to restrictions contained in the credit agreement to which the Company is a party. The Company has never been prevented from making dividend payments under its past credit agreements or its current credit agreement and does not anticipate being so restricted in the foreseeable future.

The approximate number of holders of record of the Company's Common Stock at January 20, 2015 was 916.

On June 25, 2013, the Company's Board of Directors approved a three-year, $250 million stock repurchase program. Pursuant to the authorization, the Company may purchase shares from time to time in the open market or through privately negotiated transactions through June 25, 2016. The Company has no obligation to repurchase shares under the authorization, and the timing, actual number and values of shares to be purchased will depend on our stock price, general economic and market conditions, and other factors.

The Company repurchased 535,703 shares of its common stock, at an average price of $61.27 per share, and an aggregate cost of approximately $32.8 million, during the fiscal year 2014. As set forth in the following table, the Company repurchased 173,201 shares of its common stock during the fourth quarter of fiscal year 2014. The average price per share for the shares repurchased in the fourth quarter was $62.71 with an aggregate cost of approximately $10.9 million. The Company had remaining authorization of approximately $208.5 million to repurchase shares as of November 30, 2014 under its stock repurchase program.

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COMPANY PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of the Company's publicly announced plan	(d) Maximum approximate dollar value of shares that may yet be purchased under the Plan
August 31, 2014 through October 4, 2014	48,000	$63.72	48,000	$216,263,705
October 5, 2014 through November 1, 2014	87,201	$60.51	87,201	$210,986,946
November 2, 2014 through November 29, 2014	38,000	$66.50	38,000	$208,459,947
Total	173,201		173,201	

5-Year Performance of the Company

The following Performance Graph compares the Company’s cumulative total return on its Common Stock for a five-year period (December 1, 2009 to November 29, 2014) with the cumulative total return of the S&P SmallCap 600 Index and the S&P 500 Industrial Machinery Index.

TOTAL RETURN TO SHAREHOLDERS
Comparison of Five-Year Cumulative Total Return Among the Company, S&P SmallCap 600 Index and S&P 500 Industrial Machinery Index - Assumes Initial Investment of $100 and Reinvestment of All Dividends

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Item 6. Selected Financial Data.

The information required hereunder is included as Exhibit 13 to this 2014 Form 10-K.

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

The information presented in this discussion should be read in conjunction with other financial information provided in the Consolidated Financial Statements and Notes thereto. The analysis of operating results focuses on the Company's three reportable business segments: Engine/Mobile Filtration, Industrial/Environmental Filtration and Packaging. Except as otherwise set forth herein, references to particular years refer to the applicable fiscal year of the Company.

EXECUTIVE SUMMARY

Management Discussion Snapshot
(In thousands except per share data)

	2014	2013	2012	2014 vs 2013 $ Change	% Change
Net sales	$1,512,854	$1,130,770	$1,121,765	$382,084	34%
Cost of sales	1,015,819	760,561	741,433	255,258	34%
Gross profit	497,035	370,209	380,332	126,826	34%
Selling and administrative expenses	286,607	195,593	197,618	91,014	47%
Operating profit	210,428	174,616	182,714	35,812	21%
Other income (expense)	1,135	(316)	283	1,451	
Provision for income taxes	67,380	55,950	59,657	11,430	20%
Net earnings attributable to CLARCOR	$144,084	$118,076	$122,986	$26,008	22%
Weighted average diluted shares	50,871	50,539	50,882	332	1%
Diluted earnings per common share attributable to CLARCOR	$2.83	$2.34	$2.42	$0.49	21%
Percentages:					
Gross margin	32.9%	32.7%	33.9%		0.2 pt
Selling and administrative percentage	18.9%	17.3%	17.6%		1.6 pt
Operating margin	13.9%	15.4%	16.3%		(1.5) pt
Effective tax rate	31.8%	32.1%	32.6%		(0.3) pt
Net earnings margin	9.5%	10.4%	11.0%		(0.9) pt

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2014 versus 2013

Net Sales

Net sales increased $382.1 million, or 34%, in 2014 compared to 2013. The increase in net sales in 2014 primarily reflects increased net sales from business acquisitions, increased sales volume at our Industrial/Environmental Filtration and Engine/Mobile Filtration segments and increased selling prices, partly offset by unfavorable changes in foreign currency exchange rates. Components of the $382.1 million increase in net sales are as follows:

(Dollars in millions)	Net Sales
Business acquisitions	$306.3
Industrial/Environmental Filtration segment volume	42.9
Engine/Mobile Filtration segment volume	28.6
Pricing	8.5
Packaging segment volume	1.0
Foreign exchange	(5.2)
Increase in consolidated net sales	$382.1

The increase in net sales in 2014 compared to 2013 was driven primarily by the following factors:

- Increased net sales of $226.7 million due to the December 2013 acquisition of GE's air filtration business (now operated as CLARCOR Industrial Air), which is included in the Company's Industrial/Environmental Filtration segment from the date of acquisition. Net sales for this business, from the date of acquisition (December 16, 2013), increased approximately 9% in comparison to the prior year period in which the business was owned by GE, reflecting approximately 16% growth in sales of replacement filters for gas turbine air intake systems and industrial air filtration applications, partly offset by approximately 1% growth in sales of gas turbine air intake filtration systems and a decline in sales of membrane and performance fabric products.

- Increased net sales of $65.7 million due to the May 2014 acquisition of the Stanadyne Business (now operated as CLARCOR Engine Mobile Solutions), which is included in the Company's Engine/Mobile Filtration segment from the date of acquisition (May 1, 2014). Net sales for this business, from the date of acquisition, increased approximately 2% in comparison to the prior year period in which the business was owned by Stanadyne, reflecting approximately 5% growth in sales of replacement filter elements, partially offset by approximately 6% lower sales of first-fit fuel filter assemblies due to lower demand from OEM customers.

- Increased organic net sales of $42.9 million, or 8%, at our Industrial/Environmental Filtration segment in 2014 compared to 2013, excluding the effects of changes in foreign currency exchange rates, changes in pricing, and acquisitions. This 8% increase was primarily driven by an increase in sales of filter systems, housings and aftermarket elements for oil and natural gas applications, higher sales of dust collector systems and air pollution control products, higher HVAC air filter sales and increased filter sales through our TFS distribution business.

- Increased organic net sales of $28.6 million, or 6%, at our Engine/Mobile Filtration segment in 2014 compared to 2013, excluding the effects of changes in foreign currency exchange rates, changes in pricing, and acquisitions. This 6% increase was primarily driven by a 10% increase in sales of heavy-duty engine filters to the U.S. aftermarket, as well as an 12% increase in sales of locomotive filters in the U.S. and increased export sales of heavy-duty engine filters to Canada, Southeast Asia and South America, partly offset by a 3% decline in heavy-duty engine filter sales volume in Europe and a 5% decline in heavy-duty engine filter sales volume in Australia.

- Changes in product pricing favorably impacted net sales by approximately $8.5 million, primarily due to selling price increases implemented on certain of our air filtration products and heavy-duty engine filtration products in 2014.

- Net sales volume in our Packaging segment increased approximately $1.0 million, or 1%, in 2014 compared to 2013, excluding the effect of changes in pricing. This 1% increase was primarily driven by increased sales of decorated flat sheet metal packaging products and smokeless tobacco packaging products, partly offset by lower sales of packaging products for spice, battery and film markets.

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Changes in the average exchange rates for foreign currencies versus the U.S. Dollar unfavorably impacted our translated U.S. Dollar value of net sales by $5.2 million in 2014 compared to 2013, due to the strengthening of the U.S. Dollar compared to several foreign currencies in 2014.

Cost of Sales

Cost of sales increased $255.3 million, or 34%, in 2014 compared to 2013. This approximately 34% increase in cost of sales was slightly less than the approximately 34% increase in net sales. As a result, our gross margin increased to 32.9% in 2014 from 32.7% in 2013. This 0.2 percentage point increase in gross margin percentage was primarily the result of a 0.6 percentage point increase from changes in product pricing, a 0.3 percentage point increase due to a $4.6 million loss on disposal of equipment at our air filtration operations in 2013 that did not recur in 2014, and benefits from our ongoing cost reduction and continuous improvement initiatives across each of our businesses. These impacts were partly offset by a 0.4 percentage point reduction in gross margin due to the fiscal 2014 acquisitions of GE's air filtration business, the Stanadyne Business and the Bekaert Business, due primarily to approximately $6.0 million of increased cost of sales related to the step-up of inventory values as of each acquisition's purchase date to reflect their estimated fair values, as well as a 0.3 percentage point reduction in gross margin due to investments in manufacturing capacity and other infrastructure to support anticipated future growth in our heavy duty engine filter business.

Selling and Administrative Expenses

Selling and administrative expenses increased $91.0 million, or 47%, in 2014 compared to 2013. This increase was primarily the result of a $56.0 million increase due to the December 2013 acquisition of GE's air filtration business (including $8.4 million of intangible asset amortization and $4.0 million of legal, investment advisory, consulting and other professional services related to the acquisition execution and integration), a $16.0 million increase due to the May 2014 acquisition of the Stanadyne Business (including $6.7 million of intangible asset amortization and $3.0 million of legal, investment advisory and other professional services costs related to the acquisition), and a $4.2 million increase due to the December 2013 acquisition of the Bekaert Business (including $0.3 million of intangible asset amortization and $0.1 million of legal and professional services costs related to the acquisition). The remaining increase in selling and administrative expenses of $14.8 million, or 8%, in 2014 compared to 2013 resulted primarily from $7.1 million of increased employee salaries and related benefits (including new headcount related to strategic growth initiatives), $6.5 million of increased compensation related to our company-wide profit sharing plan, a $2.3 million increase in expense related to our stock-based compensation plans and $2.0 million of other increases (including increased sales commissions driven by higher sales). This was partially offset by a $3.1 million pension settlement loss recorded in 2013 which did not recur in 2014. Since selling and administrative expenses increased 47% while net sales increased 34%, our selling and administrative expenses as a percentage of net sales increased to 18.9% in 2014 from 17.3% in 2013. Of this 1.6 percentage point increase, approximately 1.0 percentage points was driven by a $15.3 million increase in intangible asset amortization related to the three businesses acquired in fiscal 2014 and approximately 0.5 percentage points was driven by $7.2 million of deal and integration costs related to the three businesses acquired in fiscal 2014.

2013 versus 2012

Net Sales

Net sales increased $9.0 million, or 1%, in 2013 compared to 2012. The increase in net sales in 2013 primarily reflects increased sales volume at our Industrial/Environmental Filtration and Engine/Mobile Filtration segments, increased selling prices and increased sales from business acquisitions, partly offset by a decline in sales volume at our Packaging segment and unfavorable changes in foreign currency exchange rates. Components of the $9.0 million increase in net sales are as follows:

(Dollars in millions)	Net Sales
Filtration segments combined volume	$9.9
Pricing	2.3
Acquisitions	2.2
Packaging segment volume	(3.8)
Foreign exchange	(1.6)
Increase in consolidated net sales	$9.0

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- Net sales volume in our Industrial/Environmental and Engine/Mobile Filtration segments increased $9.9 million, or 1%, on a combined basis in 2013 compared to 2012, excluding the effects of changes in foreign currency exchange rates, changes in pricing, and acquisitions. This 1% increase was primarily driven by an increase in sales of filter systems, housings and aftermarket elements for oil and natural gas applications, increased sales of aviation vessels and aftermarket filters due to increased commercial aerospace demand, and increased sales of heavy-duty engine filters to the U.S. aftermarket.

- Changes in product pricing favorably impacted net sales by approximately $2.3 million, primarily due to selling price increases implemented on certain of our air filtration products and packaging products in 2013.

- Net sales increased approximately $2.2 million in 2013 compared to 2012 due to business acquisitions, reflecting our acquisition of Modular Engineering Pty Ltd in the second quarter of 2012.

- Net sales volume in our Packaging segment declined approximately $3.8 million, or 4%, in 2013 compared to 2012, excluding the effect of changes in pricing. This 4% decrease was primarily driven by lower sales of metal lithography film cannisters due to lower film industry demand for analog-based products, lower sales of confection packaging products due to the loss of a significant customer, and lower sales of decorated flat sheet metal packaging products.

- Changes in the average exchange rates for foreign currencies versus the U.S. dollar unfavorably impacted our translated U.S. Dollar value of net sales by $1.6 million in 2013 compared to 2012, primarily due to the strengthening of the U.S. Dollar compared to the South African Rand, Brazilian Real, Australian Dollar and Canadian Dollar in 2013, partly offset by the weakening of the U.S. Dollar compared to the Euro and Mexican Peso in 2013.

Cost of Sales

Cost of sales increased $19.1 million, or 3%, in 2013 compared to 2012. This 3% increase in cost of sales was greater than the 1% increase in net sales. As a result, our gross margin decreased to 32.7% in 2013 from 33.9% in 2012. This 1.2 percentage point decrease in gross margin percentage was primarily the result of a $4.6 million loss on disposal of equipment at our air filtration operations in 2013 and lower absorption of fixed overhead costs in 2013 compared to 2012. Lower absorption of fixed overhead costs in 2013 was primarily the result of lower volume at certain of our businesses—including our TransWeb filtration media business, our Packaging business and our air filtration business—as well as investments in manufacturing capacity and other infrastructure to support anticipated future growth in our heavy duty engine filter business and our oil and natural gas filtration business. These impacts were partly offset by benefits from our ongoing cost reduction and continuous improvement initiatives across each of our businesses. Raw material costs as a percentage of net sales increased approximately 0.6 percentage points in 2013, as we experienced higher input costs for certain commodities as well as an increase in the mix of our sales towards products with higher material content, including oil and natural gas filtration vessels.

Selling and Administrative Expenses

Selling and administrative expenses decreased $2.0 million, or 1%, in 2013 compared to 2012. This decrease was primarily driven by a $4.9 million decline in annual expense related to our pension and postretirement benefit plans, a $2.0 million decline in compensation related to our company-wide profit sharing program, a $1.5 million decline in expense related to our stock-based compensation plans and $1.4 million of lower expense related to a change in the estimated contingent liability for a potential earn-out payment to one of the former owners of our TransWeb subsidiary. This was partially offset by a $3.1 million settlement loss recorded in 2013 related to the scheduled payment of pension benefits under our U.S. combined nonqualified pension plan to our former Executive Chairman, who retired from the Company at the end of 2012, approximately $2.7 million of legal, investment advisory and other professional services costs incurred in 2013 related to our acquisitions of CLARCOR Industrial Air and the Bekaert

Business, both of which were completed in December 2013, as well as higher legal expenses related to the TransWeb/3M litigation. Since selling and administrative expenses decreased 1% while net sales increased 1%, our selling and administrative expenses as a percentage of net sales decreased to 17.3% in 2013 from 17.6% in 2012.

Other Items

Other significant items impacting the comparison between the years presented are as follows:

- Significant acquisitions

On December 3, 2013 the Company acquired from NV Bekaert SA, 100% of the outstanding shares of Bekaert Advanced Filtration SA (Belgium), 100% of the outstanding shares of PT Bekaert Advanced Filtration (Indonesia) and certain other

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assets in India, China and the U.S. (collectively, the "Bekaert Business"). The impact of including the Bekaert Business's results, which are reported within our Industrial/Environmental Filtration segment, from the date of acquisition increased our 2014 net sales by $13.9 million and did not have a material impact on our 2014 operating profit.

On December 16, 2013 the Company acquired GE's air filtration business, which is now operated as CLARCOR Industrial Air. The impact of including CLARCOR Industrial Air's results, which are reported within our Industrial/Environmental Filtration segment, from the date of acquisition increased our 2014 net sales and operating profit by $226.7 million and $14.0 million, respectively. Operating profit of $14.0 million for this business in 2014, from the date of acquisition, reflects approximately $4.3 million of cost of sales related to the recording of inventory acquired in the transaction at estimated acquisition date fair values, which are included in Cost of sales in the Consolidated Statements of Earnings, as well as approximately $4.0 million of costs related to the acquisition and integration of the business, which are included in Selling and administrative expenses in the Consolidated Statements of Earnings.

On May 1, 2014 the Company acquired Stanadyne Corporation's diesel fuel filtration business, which is now operated as CLARCOR Engine Mobile Solutions. The impact of including CLARCOR Engine Mobile Solutions' results, which are reported within our Engine/Mobile Filtration segment, from the date of acquisition increased our 2014 net sales and operating profit by $65.7 million and $11.6 million, respectively. Operating profit of $11.6 million for this business in 2014, from the date of acquisition, reflects approximately $1.4 million of cost of sales related to the recording of inventory acquired in the transaction at estimated acquisition date fair values, which are included in Cost of sales in the Consolidated Statements of Earnings, as well as approximately $3.0 million of costs related to the acquisition and integration of the business, which are included in Selling and administrative expenses in the Consolidated Statements of Earnings.

• Foreign exchange

The average exchange rate for foreign currencies versus the U.S. dollar unfavorably impacted our translated U.S. dollar value of net sales and operating profit in 2014 and 2013 as follows:

(Dollars in thousands)	2014	2013
Net sales	$(5,242)	$(1,585)
Operating profit	(1,549)	(828)

• Other income (expense)

Interest expense

Interest expense was $3.6 million in 2014 and $0.6 million in 2013. Net interest expense in 2014 was driven by $3.0 million of interest expense related to borrowings on the Term Loan Facility and on the Credit Facility, which borrowings were undertaken to fund a portion of the purchase price of the Company's acquisitions of the GE Air Filtration business and the Stanadyne Business. At November 30, 2014 we had $395.0 million outstanding on the Term Loan Facility — including $315.0 million outstanding in connection with the Stanadyne Business acquisition and $80.0 million outstanding in connection with the GE Air Filtration acquisition — and we did not have any borrowings outstanding on the Credit Facility.

Foreign currency gains and losses

Changes in foreign currency transaction gains and losses favorably impacted other income (expense) by $1.8 million in 2014 versus 2013. We recognized foreign currency gains of $1.3 million in 2014 and foreign currency losses of $0.5 million in 2013 primarily from the translation of inter-company loans — in cases where such loans are expected to be settled in cash at some point in the future — and from the translation of cash accounts at certain foreign subsidiaries denominated in currencies other than their functional currency, primarily driven by foreign holdings of U.S. dollars.

Changes in foreign currency transaction gains and losses favorably impacted other income (expense) by $0.3 million in 2013 versus 2012. We recognized foreign currency losses of $0.5 million in 2013 and $0.8 million in 2012 from the translation of cash accounts at certain foreign subsidiaries denominated in currencies other than their functional currency, primarily driven by foreign holdings of U.S. dollars.

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• Provision for income taxes

Our effective tax rate in 2014 was 31.8% compared with 32.1% in 2013. The lower effective tax rate in 2014 was primarily due to an increase in earnings in jurisdictions with lower tax rates and a higher domestic production activities deduction, partly offset by a $1.0 million benefit in 2013 related to the extension of the research and development tax credit in December 2012, which did not recur for 2014.

Our effective tax rate in 2013 was 32.1% compared with 32.6% in 2012. The lower effective tax rate in 2013 was primarily due to a $1.0 million benefit in 2013 related to the extension of the research and development tax credit in December 2012.

• Shares outstanding

Average diluted shares outstanding increased by approximately 0.3 million shares in 2014 as compared to 2013, as the number of incremental dilutive shares related to the exercise of stock options and the issuance of stock awards and restricted shares exceeded the number of shares repurchased and retired pursuant to our stock repurchase program. Average diluted shares outstanding decreased by approximately 0.3 million shares in 2013 as compared to 2012, as the number of shares repurchased and retired pursuant to our stock repurchase program exceeded the incremental dilutive shares related to the exercise of stock options and the issuance of restricted shares.

SEGMENT ANALYSIS

	2014			2013			2012		
(Dollars in thousands)	2014	% Total		2013	% Total		2012	% Total	
Net sales:									
Engine/Mobile Filtration	$603,805	40	%	$507,024	45	%	$503,607	45	%
Industrial/Environmental Filtration	833,100	55	%	549,746	49	%	541,364	48	%
Packaging	75,949	5	%	74,000	6	%	76,794	7	%
	$1,512,854	100	%	$1,130,770	100	%	$1,121,765	100	%
Gross profit:									
Engine/Mobile Filtration	$214,146	43	%	$177,815	48	%	$185,419	49	%
Industrial/Environmental Filtration	270,446	54	%	178,388	48	%	180,402	47	%
Packaging	12,443	3	%	14,006	4	%	14,511	4	%
	$497,035	100	%	$370,209	100	%	$380,332	100	%
Operating profit:									
Engine/Mobile Filtration	$122,365	58	%	$106,345	61	%	$111,653	61	%
Industrial/Environmental Filtration	83,351	40	%	61,996	36	%	64,766	35	%
Packaging	4,712	2	%	6,275	3	%	6,295	4	%
	$210,428	100	%	$174,616	100	%	$182,714	100	%
Gross margin:									
Engine/Mobile Filtration	35.5	%		35.1	%		36.8	%	
Industrial/Environmental Filtration	32.5	%		32.4	%		33.3	%	
Packaging	16.4	%		18.9	%		18.9	%	
	32.9	%		32.7	%		33.9	%	
Operating margin:									
Engine/Mobile Filtration	20.3	%		21.0	%		22.2	%	

Industrial/Environmental Filtration	10.0	%	11.3	%	12.0	%
Packaging	6.2	%	8.5	%	8.2	%
	13.9	%	15.4	%	16.3	%

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Engine/Mobile Filtration Segment

(Dollars in thousands)	2014	2013	2012	2014 v 2013 $ Change	2014 v 2013 % Change	2013 v 2012 $ Change	2013 v 2012 % Change
Net sales	$603,805	$507,024	$503,607	$96,781	19 %	$3,417	1 %
Cost of sales	389,659	329,209	318,188	60,450	18 %	11,021	3 %
Gross profit	214,146	177,815	185,419	36,331	20 %	(7,604)	(4)%
Selling and administrative expenses	91,781	71,470	73,766	20,311	28 %	(2,296)	(3)%
Operating profit	$122,365	$106,345	$111,653	$16,020	15 %	$(5,308)	(5)%
Gross margin	35.5 %	35.1 %	36.8 %		0.4 pt		(1.7) pt
Selling and administrative percentage	15.2 %	14.1 %	14.6 %		1.1 pt		(0.5) pt
Operating margin	20.3 %	21.0 %	22.2 %		(0.7) pt		(1.2) pt

Our Engine/Mobile Filtration segment primarily sells original equipment and aftermarket filters for heavy-duty trucks and off-highway vehicles, locomotives and automobiles. The largest market in this segment includes heavy-duty engine truck filters produced at our Baldwin and CLARCOR Engine Mobile Solutions business units.

2014 versus 2013

Net Sales

The $96.8 million, or 19%, increase in net sales for our Engine/Mobile Filtration segment in 2014 from 2013 is detailed in the following tables:

Stanadyne Business acquisition	13 %
Organic volume	6 %
Pricing	1 %
Foreign exchange	(1)%
	19 %

(Dollars in millions)	Net Sales
2013	$507.0
U.S. net sales	62.4
Foreign net sales (including export)	37.1
Foreign exchange	(2.7)
Net increase	96.8
2014	$603.8

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The net increase in U.S. net sales for the Engine/Mobile Filtration segment in 2014 from 2013 is detailed as follows:

(Dollars in millions)	Net Sales
Stanadyne Business acquisition	$37.6
Heavy-duty engine filters	19.2
Locomotive filters	2.9
Other	2.7
Increase in U.S. net sales	$62.4

Our U.S. net sales increased approximately 19% in 2014 compared with 2013. The acquisition of Stanadyne's diesel fuel filtration business (now operated as CLARCOR Engine Mobile Solutions) in May 2014 resulted in $37.6 million of increased U.S. net sales in 2014, primarily reflecting sales of original equipment and replacement fuel filtration products for heavy-duty diesel engines used in off-road, agricultural and construction applications. The remaining increase in U.S. net sales of $24.8 million, or 8%, in 2014 compared to 2013 was primarily the result of a 10% increase in heavy-duty engine filter aftermarket sales, which was driven by improved year-over-year demand from our U.S. national distribution and fleet services customers and by new customer growth within those markets. We believe this growth reflects our initiatives to gain new customers and extend our product line, and was also positively impacted by the 4% year-over-year increase in heavy-duty truck tonnage for the twelve months ended August 2014 as measured by the American Trucking Associations, which we believe is usually a leading indicator of heavy-duty engine filter aftermarket demand in the U.S. We also experienced growth of approximately 12% in locomotive filter sales in 2014 compared to 2013, which we believe reflects the impact of our new products and increased rail activity in the U.S. leading to increased replacement filter sales.

The net increase in foreign net sales (including export sales and adjusted for changes in foreign currencies) for our Engine/Mobile Filtration segment in 2014 from 2013 is detailed as follows:

(Dollars in millions)	Net Sales
Stanadyne Business acquisition	$28.1
Export sales primarily to Canada, the Middle East, Southeast Asia and Latin America	11.3
Heavy-duty engine filter sales in Europe	(1.2)
Other	(1.1)
Increase in foreign net sales	$37.1

Net sales outside the U.S. increased approximately $37.1 million, or 20%, in 2014 compared to 2013, adjusted for changes in foreign currencies. The acquisition of Stanadyne's diesel fuel filtration business (now operated as CLARCOR Engine Mobile Solutions) in May 2014 resulted in $28.1 million of increased foreign net sales in 2014. The remaining increase in foreign net sales of $9.0 million primarily reflects increased export sales of heavy-duty engine filters to Canada, the Middle East, Southeast Asia and Latin America, partly offset by declines in Europe and Australia primarily due to weak economic conditions in those markets and a resulting decline in trucking volume and filter replacement activity.

Cost of Sales

Cost of sales increased $60.5 million, or 18%, in 2014 from 2013. This 18% increase in cost of sales was less than the 19% increase in net sales. As a result, our gross margin increased to 35.5% in 2014 from 35.1% in 2013. This 0.4 percentage point increase in gross margin primarily reflects a 0.9 percentage point increase in gross margin resulting from a customer price increase that we executed at the end of the first quarter of 2014 and a 0.7 percentage point increase due to the Stanadyne Business acquisition (including $1.4 million of increased cost of sales related to the step-up of inventory values as of the acquisition's purchase date to reflect their estimated fair values). Those favorable impacts were partly offset by a 0.8 percentage point decrease resulting from increased growth-related costs (including costs related to new customers, new products and expanded capacity brought into service to support expected future growth) and a 0.4 percentage point decrease in gross margin resulting from higher material costs (including higher media and steel pricing).

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Selling and Administrative Expenses

Selling and administrative expenses increased $20.3 million, or 28%, in 2014 from 2013. This increase was primarily the result of $16.0 million of selling and administrative expenses at our CLARCOR Engine Mobile Solutions business, including approximately $6.7 million of intangible asset amortization and $3.0 million of costs related to the acquisition transaction and subsequent integration of the acquired business. The remaining increase of approximately $4.3 million, or 6%, in selling and administrative costs in 2014 from 2013 was primarily the result of $2.3 million of higher allocated corporate costs -- including costs related to research and development, information technology and other strategic growth initiatives -- and $2.0 million of higher compensation expense related to our company-wide profit sharing program. With selling and administrative expenses in this segment increasing 28% while segment net sales increased 19%, selling and administrative expenses as a percentage of net sales in this segment increased to 15.2% in 2014 from 14.1% in 2013.

2013 versus 2012

Net Sales

The $3.4 million, or 1%, increase in net sales for our Engine/Mobile Filtration segment in 2013 from 2012 is detailed in the following tables:

Volume	1	%
Pricing	—	%
Foreign exchange	—	%
	1	%

(Dollars in millions)	Net Sales	
2012	$503.6	
U.S. net sales	7.2	
Foreign net sales (including export)	(2.5	)
Foreign exchange	(1.3	)
Net increase	3.4	
2013	$507.0	

The net increase in U.S. net sales for the Engine/Mobile Filtration segment in 2013 from 2012 is detailed as follows:

(Dollars in millions)	Net Sales
Heavy-duty engine filters	$4.0
Locomotive filters	2.1
Other	1.1
Increase in U.S. net sales	$7.2

Our U.S. net sales increased approximately $7.2 million, or 2%, in 2013 compared with 2012, primarily reflecting a $4.0 million, or 2%, increase in heavy-duty engine filter aftermarket sales, which was driven by growth at certain national accounts and fleet services customers. This growth was largely consistent with the 3% year-over-year increase in heavy-duty truck tonnage for the twelve months ended August 2013 as measured by the American Trucking Associations. We believe that the year-over-year change in heavy-duty truck tonnage, as measured by the American Trucking Associations, is a leading indicator of heavy-duty engine filter aftermarket demand in the U.S., after incorporating a three month time lag (i.e. U.S. truck tonnage activity in a given quarter is generally predictive of U.S. filter aftermarket demand in the following quarter). In addition, U.S. sales of locomotive filters increased approximately $2.1 million, or 9%, in 2013 compared with 2012 as U.S. rail activity expanded.

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The net decrease in foreign net sales (including export sales and adjusted for changes in foreign currencies) for our Engine/Mobile Filtration segment in 2013 from 2012 is detailed as follows:

(Dollars in millions)	Net Sales
Heavy-duty engine filter sales in Europe	$(4.0)
Heavy-duty engine filter sales in China	3.0
Other	(1.5)
Decrease in foreign net sales	$(2.5)

The decrease in net sales outside the U.S. of approximately $2.5 million, or 1%, in 2013 compared to 2012 was primarily the result of decreased sales in Europe, where our sales of heavy-duty engine filters declined 9% in 2013 compared to 2012, which we believe was primarily driven by lingering adverse macroeconomic conditions in Europe and a resultant decline in trucking activity, as well as lower sales in Australia and South Africa. These lower sales in Europe were partially offset by an increase of $3.0 million, or 9%, of sales of heavy-duty engine filters in China in 2013 compared to 2012.

Cost of Sales

Cost of sales increased $11.0 million, or 3%, in 2013 from 2012. This 3% increase in cost of sales was greater than the 1% increase in net sales. As a result, our gross margin decreased to 35.1% in 2013 from 36.8% in 2012. This decrease in gross margin was primarily due to increased manufacturing overhead, reflecting lower absorption of fixed manufacturing costs due to the impact of additional capacity brought into service to support expected future growth as well as a reduction in inventory levels at this segment, in line with our routine production planning practices. This was partially offset by improved material costs in 2013 compared to 2012, as we experienced material cost decreases related to changes in product mix and were able to generate cost savings from our continuous cost reduction activities. Some of these decreased costs were utilized to support price reduction programs to drive sales development in 2013.

Selling and Administrative Expenses

Selling and administrative expenses decreased $2.3 million, or 3%, in 2013 from 2012. This decrease was primarily the result of $1.5 million lower employee costs related to stock-based compensation and pension and postretirement benefits, $1.2 million lower health care and self-insured employee medical costs, $0.7 million lower litigation expenses and a $0.3 million decline in compensation related to our profit sharing program, partially offset by $1.2 million higher legal, investment advisory and other professional services costs incurred in 2013 and a $0.3 million net increase in all other selling and administrative costs. With selling and administrative expenses decreasing 3% while our net sales increased 1%, we reduced our selling and administrative expenses as a percentage of net sales to 14.1% in 2013 from 14.6% in 2012.

Industrial/Environmental Filtration Segment

	2014	2013	2012	2014 v 2013		2013 v 2012	
(Dollars in thousands)	2014	2013	2012	$ Change	% Change	$ Change	% Change
Net sales	$833,100	$549,746	$541,364	$283,354	52 %	$8,382	2 %
Cost of sales	562,654	371,358	360,962	191,296	52 %	10,396	3 %
Gross profit	270,446	178,388	180,402	92,058	52 %	(2,014)	(1)%
Selling and administrative	187,095	116,392	115,636	70,703	61 %	756	1 %

expenses						
Operating profit	$83,351	$61,996	$64,766	$21,355	34%	$(2,770)	(4)%
Gross margin	32.5%	32.4%	33.3%		0.1 pt		(0.9) pt
Selling and administrative percentage	22.5%	21.2%	21.4%		1.3 pt		(0.2) pt
Operating margin	10.0%	11.3%	12.0%		(1.3) pt		(0.7) pt

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Our Industrial/Environmental Filtration segment sells a large variety of filtration products to various end-markets. Included in these markets are heating, ventilation and air conditioning ("HVAC") filters, natural gas filtration vessels and aftermarket filters, aviation fuel filters and filter systems, filtration systems and replacement filters for gas turbine air intake applications, industrial air filters, and filtration products for other markets including oil drilling, aerospace, fibers and resins and dust collector systems.

2014 versus 2013

Net sales

The $283.4 million, or 52%, increase in net sales for our Industrial/Environmental Filtration segment in 2014 compared to 2013 is detailed in the following tables:

GE Air Filtration acquisition	41	%
Organic volume	8	%
Bekaert Business acquisition	3	%
Pricing	—	%
Foreign exchange	—	%
	52	%

(Dollars in millions)	Net Sales	
2013	$549.7	
U.S. net sales	154.4	
Foreign net sales (including export)	131.5	
Foreign exchange	(2.5	)
Net increase	283.4	
2014	$833.1	

The net increase in U.S. net sales for our Industrial/Environmental Filtration segment in 2014 from 2013 is detailed as follows:

(Dollars in millions)	Net Sales
GE Air Filtration acquisition	$117.1
Natural gas filtration vessels and aftermarket filters	18.5
HVAC and other industrial air filtration products	5.9
Filter sales through Total Filtration Services ("TFS")	5.2
Dust collector systems	3.8
Aerospace filters	2.0
All other, net	1.9
Increase in U.S. net sales	$154.4

- The acquisition of GE's Air Filtration business, now operated as CLARCOR Industrial Air, in December 2013 resulted in $117.1 million of increased U.S. net sales in 2014 compared to 2013, primarily reflecting sales of filtration systems and aftermarket filters for gas turbine air intake applications as well as sales of pleated filters, bag filters and other industrial air filters.

- Higher sales of filtration vessel and aftermarket filter products in the natural gas market in 2014 compared to 2013 were driven by an increase in extraction, transportation and processing of natural gas and natural gas liquids (such as ethane, propane and butane) throughout the U.S., including at various shale gas basins.

- Higher sales of HVAC and other industrial air filtration products in 2014 compared to 2013 was primarily the result of increased sales of heating, ventilation and air conditioning filters to various wholesale customers.

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- Increased sales through our TFS distribution subsidiary in 2014 compared to 2013 was primarily the result of higher liquid and air filter sales to a variety of customers, including those in the general industrial, food and beverage and chemical markets.

- Increased sales of dust collector systems in 2014 compared to 2013 primarily resulted from higher sales by our United Air Specialists subsidiary of Smog Hog® oil mist collector products and Dust Hog® industrial dust and fume collector products to several original equipment customers.

- Increased aerospace filtration sales in 2014 compared to 2013 primarily resulted from higher sales of hydraulic, air and auxiliary aerospace filters to commercial customers, for use in fixed-wing and rotary applications, partly offset by lower aerospace filtration sales to military customers.

The net increase in foreign net sales (including export sales and adjusted for changes in foreign currency exchange rates) for the Industrial/Environmental Filtration segment in 2014 from 2013 is detailed as follows:

(Dollars in millions)	Net Sales
GE Air Filtration acquisition	$109.6
Bekaert Business acquisition	13.9
Dust collector systems	5.5
Natural gas filtration vessels and aftermarket filters	1.8
All other, net	0.7
Increase in foreign net sales	$131.5

- The acquisition of GE's Air Filtration business, now operated as CLARCOR Industrial Air, in December 2013 resulted in $109.6 million of increased foreign net sales in 2014 compared to 2013, reflecting sales of filtration systems and aftermarket filters for gas turbine air intake applications, sales of pleated filters, bag filters and other industrial air filters, and sales of membrane and performance fabric products, primarily in Europe, Asia, the Middle East and Latin America.

- The acquisition of the Bekaert Business in December 2013 resulted in $13.9 million of increased foreign net sales in 2014 compared to 2013, reflecting sales of engineered metal filters and systems used primarily in the polymer fiber and plastics industry, sold primarily in Europe and Southeast Asia.

- Foreign net sales of dust collector systems increased approximately $5.5 million in 2014 compared to 2013, primarily reflecting increased sales of industrial dust, fume and oil mist collectors in China and Europe.

- Higher foreign net sales of natural gas vessels and aftermarket filters in 2014 compared to 2013 reflects global growth in the extraction, transportation and processing of natural gas and natural gas liquids (such as ethane, propane and butane), which was partly offset by lower sales in Europe and Latin America due to certain large filtration vessel orders in 2013 that did not recur in 2014.

Cost of Sales

Cost of sales increased $191.3 million, or approximately 52%, in 2014 compared to 2013. This increase was slightly less than the approximately 52% increase in net sales. As a result, our gross margin increased to 32.5% in 2014 from 32.4% in 2013. This 0.1 percentage point increase in gross margin primarily reflects a 0.6 percentage point increase in gross margin due to the impact of a $4.6 million loss on disposal of equipment at our air filtration business in 2013 which did not recur in 2014, a 0.5 percentage point increase in gross margin due to reductions in material and labor costs through our continuous improvement initiatives and a 0.3 percentage point increase in gross margin resulting from customer price increases. These favorable impacts were partly offset by a 0.7 percentage point decrease in gross margin due to lower absorption of fixed manufacturing overhead and unfavorable sales mix in our HVAC air filtration business, and a 0.5 percentage point reduction in gross margin due to the fiscal 2014 acquisitions of GE's Air Filtration business and the Bekaert Business, due primarily to approximately $4.6 million of increased cost of sales related to the step-up of inventory values as of each acquisition's purchase date to reflect their estimated fair values.

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Selling and Administrative Expenses

Selling and administrative expenses increased $70.7 million, or 61%, in 2014 compared to 2013. This increase was primarily the result of $56.0 million of selling and administrative expenses at the CLARCOR Industrial Air business, including approximately $8.4 million of intangible asset amortization and approximately $4.0 million of costs related to the acquisition transaction and subsequent integration of the acquired business as well as $4.2 million of selling and administrative expenses at the Bekaert Business, including approximately $0.3 million of intangible asset amortization. The remaining increase of approximately $10.5 million, or 9%, in selling and administrative costs in 2014 from 2013 was primarily the result of $3.5 million of higher allocated corporate costs — including costs related to research and development, information technology and other strategic growth initiatives — as well as $2.5 million of higher employee costs and $1.2 million of higher compensation expense related to our company-wide profit sharing program. With selling and administrative expenses in this segment increasing 61% while segment net sales increased 52%, our selling and administrative expenses as a percentage of net sales in this segment increased to 22.5% in 2014 from 21.2% in 2013.

2013 versus 2012

Net sales

The $8.4 million, or 2%, increase in net sales for our Industrial/Environmental Filtration segment in 2013 compared to 2012 is detailed in the following tables:

Volume	1	%
Pricing	—	%
Acquisitions	1	%
Foreign exchange	—	%
	2	%

(Dollars in millions)	Net Sales	
2012	$541.3	
Foreign net sales (including export)	14.0	
U.S. net sales	(5.3	)
Foreign exchange	(0.3	)
Net increase	8.4	
2013	$549.7	

The increase in foreign net sales (including export sales and adjusted for changes in foreign currency exchange rates) for the Industrial/Environmental Filtration segment in 2013 from 2012 is detailed as follows:

(Dollars in millions)	Net Sales	
Latin America - natural gas vessels and aftermarket filters	$14.5	
Australia - acquisition of Modular Engineering Pty Ltd.	2.2	
Europe - dust collector systems	(1.9	)
Europe, Middle East & Africa - aviation and marine filters	(0.5	)
All other, net	(0.3	)
Increase in foreign net sales	$14.0	

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Sales of natural gas vessels and aftermarket filters in Latin America, primarily Brazil, increased by $14.5 million, or over 250%, in 2013 compared to 2012 due to filtration system sales for several large onshore and off-shore oil and gas installations and strong growth in aftermarket filtration sales by our PECOFacet subsidiary.

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- The increase in sales in Australia in 2013 was driven by our acquisition of Modular Engineering Pty Ltd. in the second quarter of fiscal 2012.

- Lower dust collection system sales in 2013 compared to 2012 were primarily the result of lower sales of Dust Hog® weld fume collection systems and Smog Hog® industrial mist collection systems by our United Air Specialists subsidiary, which we believe resulted from lower general industrial activity in Europe due to weak macroeconomic conditions.

The decrease in U.S. net sales for the Industrial/Environmental Filtration segment in 2013 from 2012 is detailed as follows:

(Dollars in millions)	Net Sales
Air filters	$(7.4)
Oil drilling and other industrial filters	(4.0)
Filtration media sales through TransWeb	(3.0)
Dust collector systems	(1.5)
Natural gas vessels and aftermarket filters	3.9
Aviation vessels and aftermarket filters	3.6
Aerospace filters	2.0
Filter sales through Total Filtration Services ("TFS")	1.8
All other, net	(0.7)
Decrease in U.S. net sales	$(5.3)

- Lower sales of air filtration products in 2013 compared to 2012 was due to lower sales of heating, ventilation and air conditioning filters to various commercial and industrial customers and lower swine filtration sales to agricultural customers.

- The decrease in sales to the oil drilling and other industrial filter markets in 2013 was primarily due to lower sales of sand control screen filters to the oil and gas drilling industry and lower sales of sintered metal filtration products for industrial fluid processing and power applications.

- Lower sales of filtration media at TransWeb was primarily the result of lost business from a significant customer, which we believe selected an alternate primary source of supply.

- Lower dust collection system sales in 2013 were the result of lower sales of Smog Hog® oil mist collector products and Dust Hog® industrial dust and fume collector products by our United Air Specialists subsidiary.

- Higher sales to the natural gas market in 2013 were driven by an increase in natural gas vessel and replacement filter element sales arising from increased natural gas extraction and transportation activity throughout the U.S., including at various shale gas basins.

- Higher sales in the aviation market in 2013 compared to 2012 resulted from increased sales of commercial and military aviation filtration products, including filter separators, coalescers and replacement cartridges used at various filtration points related to the storage, transportation and dispensing of aviation fuel.

- The increase in aerospace filtration sales in 2013 was driven by higher sales of hydraulic, air, waste tank and other aerospace filters to commercial and military customers.

- Higher sales at our TFS distribution subsidiary in 2013 compared to 2012 were primarily the result of higher liquid and air filter sales to a variety of customers, including those in the automotive, heavy equipment and food & beverage industries.

Cost of Sales

Cost of sales increased $10.4 million, or 3%, in 2013 compared to 2012. This increase was greater than the 2% increase in net sales. As a result, our gross margin decreased to 32.4% in 2013 from 33.3% in 2012. This decrease in gross margin in 2013 was primarily due to a $4.6 million loss on disposal of equipment at our air filtration business in 2013. Other major components of cost of sales, including raw material, direct labor and manufacturing overhead, remained relatively flat as a percentage of net

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sales in 2013 compared to 2012. Although we realized some reductions in material and labor costs through our continuous improvement initiatives, and we raised selling prices in certain of our markets including HVAC air filters, we also experienced increased material costs due to an increase in the sales mix of natural gas vessels—which carry higher material content in comparison to filter elements and other replacement filters—and lower absorption of fixed manufacturing overhead due to lower sales of air filtration products and lower sales of filtration media.

Selling and Administrative Expenses

Selling and administrative expenses increased $0.8 million, or 1%, in 2013 compared to 2012. This increase was primarily the result of $1.4 million higher various expenses to support our domestic and international growth, $1.3 million higher legal, investment advisory and other professional services costs, $0.9 million higher employee costs and $0.9 million higher bad debt expenses, partially offset by $1.7 million lower employee costs related to stock-based compensation and pension and postretirement benefits, a $1.4 million decline in compensation related to our profit sharing program and lower health care and self-insured employee medical costs. With selling and administrative expenses increasing 1% while our net sales increased 2%, we reduced our selling and administrative expenses as a percentage of net sales to 21.2% in 2013 from 21.4% in 2012.

Packaging Segment

	2014	2013	2012	2014 v 2013		2013 v 2012	
(Dollars in thousands)	2014	2013	2012	$ Change	% Change	$ Change	% Change
Net sales	$75,949	$74,000	$76,794	$1,949	3 %	$(2,794)	(4)%
Cost of sales	63,506	59,994	62,283	3,512	6 %	(2,289)	(4)%
Gross profit	12,443	14,006	14,511	(1,563)	(11)%	(505)	(3)%
Selling and administrative expenses	7,731	7,731	8,216	—	— %	(485)	(6)%
Operating profit	$4,712	$6,275	$6,295	$(1,563)	(25)%	$(20)	— %
Gross margin	16.4 %	18.9 %	18.9 %		(2.5) pt		— pt
Selling and administrative percentage	10.2 %	10.4 %	10.7 %		(0.2) pt		(0.3) pt
Operating margin	6.2 %	8.5 %	8.2 %		(2.3) pt		0.3 pt

Our Packaging segment manufactures and markets consumer and industrial packaging products.

2014 versus 2013

Net Sales

The $1.9 million, or 3%, increase in net sales for our Packaging segment in 2014 compared to 2013 is detailed in the following tables:

Volume	2	%
Pricing	1	%
	3	%

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(Dollars in millions)	Net Sales
Decorated flat sheet metal products	$6.1
Smokeless tobacco packaging	1.0
Film packaging	(1.0)
Battery jackets	(1.1)
Spice packaging	(2.3)
All other, net	(0.8)
Increase in net sales	$1.9

The 3% increase in net sales at our Packaging segment in 2014 compared to 2013 primarily resulted from increased sales of decorated flat sheet metal products, which was driven by new business opportunities including coating and printing services for metal packaging used on various food and promotional products. This was partly offset by lower sales of spice packaging, battery jackets and film packaging due to lower customer demand.

Cost of Sales

Cost of sales in this segment increased $3.5 million, or 6%, in 2014 compared to 2013. This increase was greater than the 3% increase in segment net sales. As a result, gross margin in this segment declined to 16.4% in 2014 from 18.9% in 2013. This 2.5 percentage point decline in gross margin was primarily driven by increased variable manufacturing expenses, including higher utility costs, lower absorption of fixed manufacturing overhead due to lower production volumes, and unfavorable sales mix related to higher sales of decorated flat sheet metal products, which generally have lower profit margins than other packaging products with higher lithography and metal fabrication content.

Selling and Administrative Expenses

Selling and administrative expenses were $7.7 million in both 2014 and 2013, respectively. This flat year-over-year comparison included an increase of $0.3 million due to higher allocated corporate costs — including costs related to research and development, information technology and other strategic growth initiatives — offset by $0.3 million of lower compensation related to our company-wide profit sharing program in 2014 compared to 2013. With flat selling and administrative expenses in this segment while segment net sales increased 3%, our selling and administrative expenses as a percentage of net sales in this segment decreased to 10.2% in 2014 from 10.4% in 2013.

2013 versus 2012

Net Sales

The $2.8 million, or 4%, decrease in net sales for our Packaging segment in 2013 compared to 2012 is detailed in the following tables:

Volume	(5)%
Pricing	1%
	(4)%

(Dollars in millions)	Net Sales
Film packaging	$(2.0)
Confection packaging	(1.9)
Decorated flat sheet metal products	(1.4)
Spice packaging	2.7
All other, net	(0.2)
Decrease in net sales	$(2.8)

The decline in net sales at our Packaging segment in 2013 compared to 2012 was primarily driven by lower sales of film packaging, confection packaging and decorated flat sheet metal products, partially offset by increased sales of spice packaging containers. Lower sales of film packaging products in 2013 was caused by lower sales of metal lithography film cannisters due to a continued migration within the film industry from analog to digital technologies, which we anticipate will continue to drive sales in this product category lower going forward. Lower sales of confection packaging products in 2013 were primarily due to the loss of a significant customer. Lower sales of decorated flat sheet metal products included lower holiday promotion sales. The increase in spice packaging sales in 2013 compared to 2012 was due to increased order volume from both branded and private label customers.

Cost of Sales

Cost of sales declined $2.3 million, or 4%, in 2013 compared to 2012. This decline was primarily the result of the 4% decline in net sales. Gross margin remained flat at 18.9% in 2013 and 18.9% in 2012.

Selling and Administrative Expenses

Selling and administrative expenses declined $0.5 million, or 6%, in 2013 compared to 2012. This reduction was primarily the result of $0.3 million lower professional services costs, $0.3 million lower bad debt expenses and $0.2 million lower employee costs related to stock-based compensation and pension and postretirement benefits, partially offset by $0.3 million higher compensation related to our profit-sharing program in 2013.

FINANCIAL CONDITION

Liquidity and Capital Resources

We believe that our operations will continue to generate cash and that sufficient cash, cash equivalents and borrowings under our credit agreement, including our five-year multicurrency revolving credit facility ("Credit Facility"), will be available to fund operating needs, pay dividends, invest in the development of new products and filter media, fund planned capital expenditures, including the expansion of facilities, provide for interest and principal payments related to debt agreements, fund pension contributions and repurchase our common stock. We completed two acquisitions in December 2013, the acquisitions of the GE Air Filtration business and the Bekaert Advanced Filtration business, we acquired Stanadyne Corporation's diesel fuel filtration business in May 2014, and we acquired Filter Resources in December 2014, and we intend to continue to assess acquisition opportunities in related filtration businesses. Any such acquisitions could affect operating cash flows and require changes in our debt and capitalization. In addition, capital market disruptions may affect the cost or availability of future borrowings.

Cash, cash equivalents and restricted cash decreased $318.2 million to $94.1 million at the end of 2014 from $412.3 million at the end of 2013. This decrease was primarily due to the use of cash on hand to partially fund our acquisition of GE's Air Filtration business (now operated as CLARCOR Industrial Air), which we completed on December 16, 2013 for a purchase price of approximately $260.3 million. Of the $94.1 million of cash at the end of 2014, approximately $71.4 million was held at entities outside of the U.S. Although we plan to use this cash at our non-U.S. entities, if we repatriated this cash to the U.S., we could incur significant tax expense since most of this cash is considered permanently invested for U.S. tax purposes. Cash and cash equivalents are held by financial institutions throughout the world. We regularly review the credit worthiness of these institutions and believe our funds are not at significant risk.

Our current ratio of 3.2 at the end of 2014 was lower than the current ratio of 4.3 at the end of 2013. This decrease was primarily the result of a $163.2 million decrease in total current assets, due mainly to a $318.2 million decrease in cash, cash equivalents and restricted cash as described above. This was partially offset by an increase of $80.8 million in accounts receivable and an increase of $55.9 million in inventories at the end of 2014 compared to the end of 2013, both of which were primarily due to the acquisition of GE's Air Filtration business, now operated as CLARCOR Industrial Air, and the acquisition of Stanadyne Corporation's diesel fuel filtration business, now operated as CLARCOR Engine Mobile Solutions.

We entered into the Credit Facility in April 2012, under which we may borrow up to $150.0 million under a selection of currencies and rate formulas. The Credit Facility also includes a $10.0 million swing line sub-facility and a $50.0 million letter of credit sub-facility, as well as an accordion feature that allows the Company to increase the Credit Facility by a total of up to $100.0 million, subject to securing additional commitments from existing lenders or new lending institutions. In November 2013, we entered into a credit agreement amendment to include a $100.0 million term loan facility (the "Term Loan Facility") and in May 2014, we entered into a second credit agreement amendment to include an additional $315.0 million to the Term Loan Facility, whose maturity date is April 2017. We believe the financial institutions that are party to this agreement have adequate capital resources and will be able to fund future borrowings under the Credit Facility and Term Loan Facility. At our election, the interest rate under the Credit Facility and Term Loan Facility is based upon either a defined base rate or LIBOR plus an applicable margin. Commitment fees and letter of credit fees are also payable under the Credit Facility. Borrowings under the Credit Facility and Term Loan Facility are unsecured, but are guaranteed by substantially all of the Company's material domestic subsidiaries. The Credit Facility and Term Loan Facility also contain certain covenants customary to such agreements, as well as customary events of default.

At the end of 2014, we had $395.0 million outstanding on the the Term Loan Facility with a weighted average interest rate including margin of approximately 1.05%. We borrowed $100.0 million under the Term Loan Facility in November 2013 to fund a portion of the cost of the acquisition of the GE Air Filtration business, now operated as CLARCOR Industrial Air, of which $80.0 million was outstanding at the end of 2014. We borrowed $315.0 million under the Term Loan Facility in April 2014 to fund the majority of the purchase price of the acquisition of Stanadyne Corporation's diesel fuel filtration business, now operated as CLARCOR Engine Mobile Solutions, of which $315.0 million was outstanding at the end of the 2014. At November 30, 2014, we also had approximately $16.0 million outstanding on the $50.0 million letter of credit sub-facility. Accordingly, we had approximately $134.0 million available for further borrowing at the end of 2014. Our Term Loan Facility expires in April 2017.

Total long-term debt of $411.6 million at the end of 2014 included $395.0 million outstanding on the Term Loan Facility, $15.8 million outstanding on industrial revenue bonds and $0.7 million of other long-term debt. At the end of 2014 we were in compliance with all financial covenants as included in our Credit Facility and Term Loan Facility. The ratio of total debt to total capitalization (defined as long-term debt plus total shareholders’ equity) was 27.1% at the end of 2014 compared to 13.9% at the end of 2013, with the increase attributable to the $315.0 million Term Loan entered into pursuant to the acquisition of Stanadyne Corporation's diesel fuel filtration business.

We had 50.2 million shares of common stock outstanding at the end of 2014 compared with 50.4 million at the end of 2013. This 0.2 million decrease was due to the repurchase of 0.5 million shares during 2014, offset in part by our issuance of 0.3 million shares in conjunction with stock-based incentive plans during 2014. Shareholders’ equity increased to $1,105.1 million at the end of 2014 from $1,032.9 million at the end of 2013. This $72.2 million increase was driven by net earnings of $144.3 million and stock issued and stock compensation expense pursuant to incentive plans of $21.0 million, partly offset by dividend payments of $36.0 million, our repurchase of common stock of $32.8 million, currency translation adjustments of $16.5 million and pension and other postretirement benefits adjustments of $7.8 million.

Cash Flow 2014 versus 2013

Net cash provided by operating activities increased $21.1 million in 2014 to $156.3 million from $135.2 million in 2013. This increase was primarily attributable to a $25.8 million increase in net earnings, an $18.5 million increase in non-cash provisions primarily due to an $18.2 million increase in depreciation and amortization expense in 2014 compared to 2013, and a $24.1 million decline in pension and postretirement benefit plan contributions. This was partly offset by a $24.9 million increase in taxes paid and a $17.7 million increase in accounts receivable.

Net cash used in investing activities increased $622.2 million in 2014 to $664.3 million from $42.1 million in 2013, primarily due to a $595.3 million increase in payments related to business acquisitions, including $327.7 million net cash paid for the acquisition of Stanadyne Corporation's diesel fuel filtration business (now operated as CLARCOR Engine Mobile Solutions), $260.3 million net cash paid for the acquisition of the GE Air Filtration business (now operated as CLARCOR Industrial Air) and $7.3 million net cash paid for the acquisition of the Bekaert Business. In 2014 we also had a $25.0 million increase in capital expenditures compared to 2013, primarily due to approximately $25.1 million expended in 2014 related to the construction of a new warehouse and distribution center adjacent to our Engine/Mobile filtration manufacturing facility in Kearney, Nebraska.

Net cash provided by financing activities increased $56.1 million to $188.7 million in 2014 from $132.6 million in 2013. This increase was primarily due to $315.0 million of borrowings in 2014 under the Term Loan Facility to fund the majority of the cost of the acquisition of Stanadyne Corporation's diesel fuel filtration business, now operated as CLARCOR Engine Mobile Solutions. This was partly offset by $50.0 million of cash used to repay outstanding borrowings on the Credit Facility and $20.0 million of cash used to repay outstanding borrowings on the Term Loan Facility, as well as a $23.0 million decrease in proceeds received from the issuance of common stock pursuant to employee incentive plans — due primarily to a decrease in the amount of stock options exercised in 2014 compared to 2013 — and a $7.1 million increase in cash dividends paid, which increased to $35.8 million in 2014 from $28.7 million in 2013. Payments for our repurchase of common stock increased by $5.1 million to $32.8 million in 2014 from $27.7 million in 2013.

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Cash Flow 2013 versus 2012

Net cash provided by operating activities decreased $0.6 million in 2013 to $135.2 million from $135.8 million in 2012. This decrease was primarily due to a $5.0 million decrease in net earnings, a $7.3 million increase in the decline in pension and postretirement healthcare benefit plan liabilities and a $3.4 million increase in cash required for accounts receivable, partly offset by a $14.0 million decline in cash required for accounts payable. Our pension and postretirement healthcare benefit plan contributions in 2013 included $21.2 million of contributions related to pension benefits paid in 2013 under our U.S. combined nonqualified pension plan to our former Executive Chairman, who retired from the Company at the end of 2012.

Net cash used in investing activities was $42.1 million in 2013 and $42.1 million in 2012. In 2013 we had an $8.2 million increase in capital expenditures compared to 2012, primarily due to approximately $10.3 million expended in 2013 related to the construction of a new oil & gas filtration research and manufacturing center for our Industrial/Environmental filtration business in Mineral Wells, Texas and $8.5 million to acquire a new manufacturing, warehousing and office facility for our Engine/Mobile filtration business in Runcorn, Chesire, England. This increase in capital expenditures was offset by a $5.4 million decline in payments related to business acquisitions and a $2.8 million increase in proceeds from the disposition of plant assets in 2013.

Net cash provided by financing activities increased $197.5 million to $132.6 million of net cash provided in 2013 from $64.9 million of net cash used in 2012. This increase was primarily due to $150 million of borrowings in 2013 under our revolving credit and term loan facilities to fund a portion of our December 2013 acquisition of GE's Air Filtration business (now operated as CLARCOR Industrial Air). We also experienced an increase of $28.6 million in proceeds received from the issuance of common stock pursuant to employee incentive plans and an increase in excess tax benefits from stock-based compensation of $6.5 million in 2013 compared to 2012, both of which were driven by an increase in the amount of stock options exercised in 2013 compared to 2012. Payments for our repurchase of common stock also decreased by $9.6 million to $27.7 million in 2013 from $37.3 million in 2012. We also had a $6.5 million decline in payments made for business acquisition-related seller financing. These effects were partially offset by a $3.8 million increase in cash dividends paid, which increased to $28.7 million in 2013 from $24.9 million in 2012.

Fiscal Year 2015

In December 2014 we acquired 100% of the outstanding shares of Filter Resources, Inc., Filtration, Inc. and Fabrication Specialties, Inc. (collectively, "Filter Resources") for approximately $21.9 million, approximately $20.9 million of which was paid in cash at closing, which we funded with cash on hand.

In 2011 we announced that we intended to invest approximately $28.0 million to expand our manufacturing facility in Yankton, South Dakota to add capacity to produce heavy-duty engine filters. This additional capacity will support sales growth in the U.S. and for export. Through the end of 2014 we had invested approximately $17.1 million in this facility, which additional capacity became operational in 2013. We anticipate that additional equipment investments of approximately $10.9 million will be added to this facility through 2017.

In January 2013 we announced that we intend to invest approximately $40.0 million in our Engine/Mobile Filtration segment to build a new warehouse and distribution center adjacent to our manufacturing facility in Kearney, Nebraska. Through the end of 2014 we had incurred approximately $26.1 million in costs related to this project. The project is anticipated to be completed in 2015.

We expect to incur incremental costs of $4.0 million to $5.0 million in 2015 for planning and implementation of strategic information technology projects, including the expected implementation of an enterprise resource planning

("ERP") system at our Engine/Mobile Filtration segment global operating units. We view these incremental costs as investments for the future to facilitate the execution of our long-term strategic growth initiatives.

We have no material long-term purchase commitments.

We will continue to assess repurchases of our common stock. In June 2013, our Board of Directors authorized a $250.0 million stock repurchase program of our common stock in the open market and through private transactions over a three-year period. During 2014, we repurchased and retired 0.5 million shares of our common stock for $32.8 million at an average price of $61.27 per share. During 2013, we repurchased and retired 0.5 million shares of our common stock for $27.7 million at an average price of $51.88 per share. At the end of 2014, there was approximately $208.5 million available for repurchase under the current authorization. Future repurchases of our common stock may be made after considering cash flow requirements for internal growth, debt repayments, capital expenditures, acquisitions, interest rates and the market price of our common stock.

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The following table summarizes our current fixed cash obligations as of the end of fiscal year 2014 for the years indicated:

	Payments Due by Period as of November 30, 2014				
(Dollars in millions)	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Pension plan and other post-retirement contributions	$15.2	$0.7	$0.5	$6.5	$7.5
Operating leases	39.4	12.6	14.6	5.7	6.5
Open purchase orders	158.4	150.4	6.8	1.2	—
Long-term debt	411.6	0.2	403.8	0.1	7.5
Interest on long-term debt	17.8	5.4	12.1	—	0.3
Total	$642.4	$169.3	$437.8	$13.5	$21.8

Anticipated payments pursuant to our pension plans and for other post-retirement benefits as reflected in the table above are based upon the assumption that we make the minimum required contributions and also make additional contributions to maintain a funded percentage of at least 80% for each plan. Future estimates of our pension plan contributions may change significantly depending upon the actual rate of return on plan assets, discount rates and regulatory requirements.

Interest payments on our variable rate debt as reflected in the table above are determined based upon current interest rates and for the Credit Facility are based on projected future interest rates and assume that no additional borrowings or payments will be made on our Credit Facility during the periods presented.

At the end of fiscal year 2014, our gross liability for uncertain income tax provisions was $2.5 million including interest and penalties. Due to the high degree of uncertainty regarding the timing of potential future cash outflows associated with these liabilities, we were unable to make a reasonably reliable estimate of the amount and period in which these remaining liabilities might be paid.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements relate to various operating leases as discussed in Note I to the Consolidated Financial Statements. We had no variable interest entity or special purpose entity agreements during 2014 or 2013.

OTHER MATTERS

Critical Accounting Policies and Estimates

Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the Notes to the Consolidated Financial Statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition, depreciation lives, inventory valuation, asset impairment recognition, business combination accounting, income taxes and pension and postretirement benefits.

While the estimates and judgments associated with the application of these critical accounting policies may be affected by different assumptions or conditions, we believe the estimates and judgments associated with the reported amounts are appropriate in the circumstances.

The following lists the most critical accounting estimates used in preparing the Consolidated Financial Statements which require us to use significant judgment and estimates of amounts that are inherently uncertain:

- Goodwill and Indefinite-lived Intangible Assets – At November 30, 2014 we had $584.1 million of goodwill and indefinite-lived intangible assets, representing 31% of our total assets. At November 30, 2013 we had $284.0 million of goodwill and indefinite-lived intangible assets, representing 20% of our total assets. We review goodwill for impairment annually during the fourth quarter and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. These reviews of fair value involve judgment and

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estimates of discount rates, terminal values, transaction multiples and future cash flows for the reporting units that may be impacted by future sales and operating results for the reporting units, market conditions and worldwide economic conditions. All goodwill is allocated to a reporting unit component at the time of acquisition. We have determined that the reporting unit components meet the criteria for aggregation into five reporting units. These reporting units are aggregated based upon similar economic characteristics, nature of products and services, nature of production processes, type of customers and distribution methods. In performing our impairment reviews, we estimated the fair values of the aggregated reporting units using a present value method that discounted future cash flows using market participant based assumptions. We further analyzed various discount rates, transaction and capital market multiples and cash flows for aggregated reporting units to assess the reasonableness of our estimates and assumptions. Using the relief-from-royalty method, we assess our trademarks and trade names for impairment on an annual basis during the fourth quarter or more often if an event occurs or changes in circumstances indicate that the carrying amount of indefinite-lived intangible assets may not be recoverable. These reviews of fair value involve judgment and estimates, including projected revenues, royalty rates and discount rates. We believe our valuation techniques and assumptions are reasonable for this purpose. We have not materially changed our methodology for valuing goodwill and indefinite-lived intangible assets. The results of our analysis performed as of November 30, 2014 indicated that the estimated fair value of each reporting unit and indefinite-lived intangible asset was substantially in excess of its carrying value and, accordingly, no impairment existed. There were no goodwill or indefinite-lived intangible asset impairment charges recorded in fiscal years 2014, 2013 or 2012.

- Definite-lived Intangible Assets – At November 30, 2014 we had $270.6 million of definite-lived intangible assets, net of accumulated amortization, representing 14% of our total assets. At November 30, 2013 we had $47.2 million of definite-lived intangible assets, net of accumulated amortization, representing 3% of our total assets. We review definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the definite-lived intangible assets may not be recoverable. There were no definite-lived intangible asset impairment charges recorded in fiscal years 2014, 2013 or 2012.

- Allowance for Losses on Accounts Receivable – Allowances for losses on customer accounts receivable balances are estimated based on economic conditions in the industries to which we sell and on historical experience by evaluating specific customer accounts for risk of loss, fluctuations in amounts owed and current payment trends. Our concentration of risk is also monitored and at the end of 2014, the largest outstanding customer account balance was $18.5 million and the five largest account balances totaled $43.2 million. The allowances provided are estimates that may be impacted by economic and market conditions which could have an effect on future allowance requirements and results of operations.

- Pensions – Our pension net periodic benefit expense and related obligations are determined using a number of significant actuarial assumptions, including those related to discount rates, long-term rates of return on pension plan assets and rates of compensation increases. The discount rate assumption is intended to reflect the rate at which the pension benefit obligations could be effectively settled on the measurement date, taking into account the nature and duration of the benefit obligations of the plans. The discount rates used for each plan were based on the Citigroup Pension Discount Curve. The projected benefit payments in each year were discounted using the appropriate spot rate from the curve. For each plan, a single discount rate was determined that produced the same total discounted value. That rate, rounded to 25 basis points, was the discount rate selected for the plan. At November 30, 2014 the 3.75% discount rate used for the qualified plans for U.S. employees and the 3.0% discount rate used for the non-qualified plans for U.S. employees were selected as the best estimates of the rates at which the benefit obligations could be effectively settled on the measurement date taking into account the nature and duration of the benefit obligations of the plans using high-quality fixed-income investments currently available (rated Aa or better) and expected to be available during the period to maturity of the benefits. The 7.0% expected return on plan assets was determined based on historical long-term investment returns as well as future expectations given target investment asset allocations and current economic conditions. The 4.0% rate of compensation increase represents the long-term assumption for expected increases in salaries among continuing active participants accruing benefits under the qualified plan. The mortality table for the qualified plans is determined based on the actuarial table that is most reflective of the expected mortality of the plan participants. The mortality table adopted (RP 2014 blend with MP-2014 mortality table) was developed for pension plans by a Society of Actuaries study. The mortality table used for the nonqualified pension plan is specified by the plan agreement. The assumptions are similarly determined for each pension obligation. Actual results and future obligations will vary based on changes in interest rates, stock and bond market valuations and employee compensation.

In 2015, a 0.25% reduction in the discount rate would result in additional expense of approximately $0.3 million and a 0.25% reduction in the expected return on plan assets would result in additional expense of approximately $0.4 million for our qualified defined benefit pension plans for U.S. covered employees. Interest rates and pension plan valuations may vary significantly based on worldwide economic conditions and asset investment decisions. The unrecognized net

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actuarial loss of $61.1 million at year-end 2014 is due primarily to changes in assumptions related to discount rates and expected asset returns compared to actual asset returns. This actuarial loss will be recognized as pension expense in the future over the average remaining service period of the employees in the plans. See Note J to the Consolidated Financial Statements.

- Income Taxes – We are required to estimate and record income taxes payable for each of the U.S. and international jurisdictions in which we operate. This process involves estimating actual current tax expense and assessing temporary differences resulting from differing accounting treatment between tax and book which result in deferred tax assets and liabilities. In addition, accruals are also estimated for federal, state and international tax transactions for which deductibility is subject to interpretation. Taxes payable and the related deferred tax differences may be impacted by changes to tax laws, changes in tax rates and changes in taxable profits and losses. Reserves are also estimated for uncertain tax positions that are currently unresolved. We routinely monitor the potential impact of such situations and believe that we are properly reserved, where appropriate.

Environmental Matters and Climate Change and Energy Legislation Regulation

Our operations are subject to U.S. and non-U.S. environmental laws and regulations governing emissions to air; discharges to water; the generation, handling, storage, transportation, treatment and disposal of waste materials; and the cleanup of contaminated properties. Currently, we believe that any potential environmental liabilities with respect to our former or existing operations are not material, but there is no assurance that we will not be adversely impacted by such liabilities, costs or claims in the future, either under present laws and regulations or those that may be adopted or imposed in the future.

Foreign, federal, state and local regulatory and legislative bodies have proposed various legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies. Due to the uncertainty in the regulatory and legislative processes, as well as the scope of such requirements and initiatives, we cannot currently determine the effect such legislation and regulation may have on our operations.

The potential physical impacts of climate change on our operations are also highly uncertain and would vary depending on type of physical impact and geographic location. Climate change physical impacts could include changing temperatures, water shortages, changes in weather and rainfall patterns, and changing storm patterns and intensities. The occurrence of one or more natural disasters, whether due to climate change or naturally occurring, such as tornadoes, hurricanes, earthquakes and other forms of severe weather in the U.S. or in a country in which we operate or in which our suppliers or customers are located could adversely impact our operations and financial performance. Such events could result in:

- physical damage to and complete or partial closure of one or more of our manufacturing facilities
- temporary or long-term disruption in the supply of raw materials from our suppliers
- disruption in the transport of our products to customers and end users
- delay in the delivery of our products to our customers

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued guidance to improve the reporting of reclassifications out of accumulated other comprehensive income ("AOCI"). The amendments do not change the current requirement for reporting net income or other comprehensive income in financial statements; however, the amendments require an entity to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The guidance is effective for annual and interim periods beginning after December 15, 2012, although early adoption is permitted. The adoption of this guidance on the first day of fiscal year 2014 did not have a material impact on the Company's Consolidated Financial Statements.

In April 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-08, "Presentation of Financial Statements and Property, Plant and Equipment; Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 modifies the requirements for reporting discontinued operations. Under the amendments in ASU 2014-08, the definition of discontinued operation has been modified to only include those disposals of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. ASU 2014-08 also expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about

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disposals of individually significant components that do not meet the definition of discontinued operations. ASU 2014-08 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2014 (fiscal year 2016 for the Company). The Company does not expect the adoption of this guidance on the first day of fiscal year 2016 to have a material impact on its Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2016 (fiscal year 2018 for the Company) and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Company has not yet determined the potential effects of the adoption of ASU 2014-09 on its Consolidated Financial Statements.

Forward Looking Statements

This 2014 Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements made in this 2014 Form 10-K, other than statements of historical fact, are forward-looking statements. You can identify these statements from use of the words “may,” “should,” “could,” “potential,” “continue,” “plan,” “forecast,” “estimate,” “project,” “ “intent,” “anticipate,” “expect,” “target,” “is likely,” “will,” or the negative of these terms, and similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include, among other things:

- statements and assumptions relating to anticipated future growth, earnings, earnings per share, future cash flows and other financial performance measures;
- statements regarding management's short-term and long-term performance goals;
- statements regarding anticipated order patterns from our customers and our backlog or the anticipated economic conditions of the industries and markets that we serve;
- statements related to the performance of the U.S., European and other economies generally;
- statements relating to the anticipated effects on results of operations or financial condition from recent and expected developments or events, including the acquisitions of Filter Resources, the Stanadyne Business, the GE Air Filtration business and the Bekaert Business and potential future acquisition opportunities;
- statements regarding our current cost structure positions and ability to capitalize on anticipated growth initiatives, including the expansion of facilities;
- statements related to future dividends or repurchases of our common stock;
- statements related to tax positions and unrecognized tax benefits;
- statements related to our cash resources and borrowing capacity under the Credit Facility and the Term Loan Facility;
- statements regarding anticipated payments pursuant to our pension plans and for other post-retirement benefits;
- statements related to potential liability for environmental matters;
- statements related to pending claims or litigation, including the anticipated outcome of the 3M lawsuit referenced in Note L;
- statements relating to the availability of raw materials and other supplies; and
- any other statements or assumptions that are not historical facts.

We believe that our expectations are based on reasonable assumptions. However, these forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from our expectations of future results, performance or achievements expressed or implied by these forward-looking statements. These factors include, but are not only limited to, risks associated with: (1) world economic factors and the ongoing economic uncertainty impacting many regions of the world, (2) reductions in sales volume and orders, (3) our customers' financial condition, (4) the health of the markets we serve, including the oil & gas market, (5) customer concentration issues in certain geographic locations and in respect of certain of our businesses, (6) our ability to integrate the businesses we have acquired, (7) currency fluctuations, particularly increases or decreases in the U.S. dollar against other currencies, (8) commodity price increases and/or limited availability of raw materials and component products, including steel, (9) compliance costs associated with environmental laws and regulations, (10) political factors, (11) our international operations, (12) highly competitive markets, (13) governmental laws and regulations, (14) potential information systems interruptions and intrusions, (15) potential global events resulting in instability and unpredictability in the world's markets, including financial bailouts of sovereign nations, political changes, military and terrorist activities, health outbreaks and other factors, (16) changes in accounting standards or adoption of new accounting standards, (17) adverse effects of natural disasters, (18) legal challenges, including with respect to intellectual property, (19) product liability exposure, (20) changes in tax rates or exposure to additional income tax liabilities, (21) potential labor disruptions, and (22) other factors described in more detail in the "Risk Factors" section of this 2014 Form 10-K. In addition, our past results of operations do not necessarily indicate our future results. Our future results may differ materially from our past results as a result of various risks and uncertainties, including these and other risk factors detailed from time to time in our filings with the Securities and Exchange Commission.

You should not place undue reliance on any forward-looking statements. These statements speak only as of the date of this 2014 Form 10-K. Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements or the risks described in this 2014 Form 10-K, whether as a result of new information, future events, changed circumstances or any other reason after the date of this 2014 Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Our market risk is primarily related to the potential loss arising from adverse changes in interest rates and foreign currency fluctuations. In the normal course of business, we may also be exposed to various market risks that arise from transactions entered into in the normal course of business related to items such as the cost of raw materials and changes in inflation. Certain contractual relationships with customers and vendors mitigate risks from changes in raw material costs and currency exchange rate changes that arise from normal purchasing and normal sales activities.

Interest Rates

We are exposed to changes in interest rates, primarily due to our financing and cash management activities, which include long and short-term debt as well as cash, cash equivalents and certain short-term, highly liquid investments. Interest rate fluctuations could affect earnings, cash flows or the fair value of our financial liabilities. Our debt obligations are primarily at variable rates and are denominated in U.S. dollars. To minimize the long-term costs of borrowing, we manage our interest rate risk by monitoring trends in rates as a basis for determining whether to enter into fixed rate or variable rate agreements and the duration of such agreements. From time-to-time, we have also made use of derivative financial instruments to manage certain interest rate risks, although we did not utilize any such derivative financial instruments in 2014 or 2013. The $395.0 million of long-term debt outstanding on our Term Loan Facility at November 30, 2014 bears interest at a variable interest rate that fluctuates with market rates. In 2015, a hypothetical 1% increase in the interest rates that apply to the average borrowings on our Term Loan Facility could cause our annual interest expense to increase by approximately $4.0 million. Our return on cash and cash equivalents is also subject to interest rate risk. Based upon the $94.1 million in cash and cash equivalents at the end of 2014, a hypothetical 0.25% change in interest rates could impact annual interest income by approximately $0.2 million. These hypothetical changes in interest expense and interest income would increase or decrease as cash and cash equivalents increase or decrease.

Foreign Currency

Since we operate through subsidiaries in several countries around the world, our reported financial results of operations, including the reported value of assets and liabilities, are exposed to foreign currency exchange rate risk when the financial statements of our subsidiaries, as stated in their functional currencies, are translated into the U.S. Dollar. The assets and liabilities of subsidiaries outside the U.S. are translated at period end rates of exchange for each reporting period. Earnings and cash flows are translated at weighted-average rates of exchange. Although these translation changes have no immediate cash impact, the translation changes may impact the overall value of net assets.

When we acquired CLARCOR Industrial Air, approximately $50.0 million of the $260.3 million purchase price was paid through a U.K. subsidiary of the Company, using funds advanced from one of our U.S. subsidiaries through a European holding company. We intend to settle the underlying inter-company advances in cash. Therefore, we are exposed to translation risk from changes in foreign currency rates on the inter-company advances. In 2014 we made use of foreign currency forward contracts to manage this translational foreign exchange risk. From time to time, we also use foreign currency forward contracts to hedge against changes in foreign currency exchange rates on certain unrecognized firm sales commitments expected to be settled at future dates. Market risk arises from the potential adverse effects on the value of derivative instruments that result from a change in foreign currency exchange rates. We mitigate this market risk by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. We enter into derivative instruments for risk management purposes only. We do not hold or issue derivatives for trading or speculative purposes. For more information on derivative instruments and hedging activities, see Note F in the Notes to Consolidated Financial Statements.

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We are also exposed to transaction risk from changes in foreign currency rates through sales and purchasing transactions when we sell products in functional currencies different from the currency in which product and manufacturing costs were incurred. The functional currencies of our worldwide facilities primarily include U.S. Dollar, Euro, British Pound Sterling, Canadian Dollar, Chinese Yuan Renminbi, Australian Dollar, Malaysian Ringgit, Mexican Peso, Brazilian Real, Moroccan Dirham and South African Rand. As these currencies fluctuate against each other, and other currencies, we are exposed to foreign currency transaction risk on sales and purchasing transactions. Foreign currency exchange rate risk is reduced through the maintenance of local production facilities in several markets that we serve, which we believe creates a natural hedge to our foreign currency exchange rate risk. In 2014, the percentages of our net sales denominated in a currency other than the U.S. Dollar were as follows:

	Percentage of 2014 Net Sales	
Functional currency:		
Euro	6	%
British Pound	5	%
Chinese Yuan	3	%
Canadian Dollar	3	%
All other foreign currencies	5	%
	22	%

Currency exchange rates vary daily and often one currency strengthens against the U.S. Dollar while another currency weakens. Because of the complex interrelationship of the worldwide supply chains and distribution channels, it is difficult to quantify the impact of a particular change in exchange rates. However, if the U.S. Dollar strengthened or weakened 10% relative to the currencies where our foreign income and cash flows are derived, the estimated effect on the consolidated results of operations would be $0.06 per diluted share based upon 2014 results. The effect of changes in the average foreign currency translation rates in 2014 compared to 2013 unfavorably impacted our operating profit by approximately $1.5 million in 2014.

Commodity Prices

We are exposed to changing commodity prices, including but not limited to, steel, filter media, resins and other chemicals. Historically, since a large majority of our business units deal with aftermarket customers (as opposed to first-fit or OEM customers) where we have greater control of pricing, we have generally been able to successfully pass significant commodity price increases onto our customers. In addition, due to the nature of our aftermarket filtration products, we believe our customer demand is rather inelastic, meaning reasonable price increases do not significantly impact customer demand. In addition, our business units which manufacture filtration vessels or systems are typically able to time customer price quotations with steel purchases and are able to base quotations on actual steel costs. If we were not able to pass through commodity price increases to our customers, we estimate a 1% increase/decrease in the price of all the commodities we purchase would increase/decrease cost of sales and decrease/increase operating profit by approximately $6.1 million based upon 2014 results.

Item 8. Financial Statements and Supplementary Data.

The Consolidated Financial Statements, the Notes thereto and the report thereon of PricewaterhouseCoopers LLP, an independent registered public accounting firm, required hereunder with respect to the Company and its consolidated subsidiaries are included in this 2014 Form 10-K beginning on page F-1.

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

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of November 29, 2014, the end of the period covered by this 2014 Form 10-K.

Management’s Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f), for the Company. Under the supervision and with the participation of management, including the Company’s Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Company’s internal control over financial reporting was conducted based on the framework in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company’s management concluded that the Company’s internal control over financial reporting was effective as of November 29, 2014.

There have been no changes in our internal control over financial reporting during the fourth quarter of the fiscal year ended November 29, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On December 16, 2013, the Company acquired the Air Filtration business of General Electric Company's Power & Water division (now operated as "CLARCOR Industrial Air") and on May 1, 2014, the Company acquired the Stanadyne Business (now operated as "CLARCOR Engine Mobile Solutions"), each of which was a material business combination, as discussed in Note B in the Notes to Consolidated Financial Statements included in Part IV, Item 15(a)(1) of this 2014 Form 10-K. We considered the results of our pre-acquisition due diligence activities, the continuation by CLARCOR Industrial Air and CLARCOR Engine Mobile Solutions of their respective established internal controls over financial reporting, and preliminary additional internal controls over financial reporting put in place at such businesses by the Company on or prior to November 29, 2014. The objectives of the established internal controls over financial reporting at CLARCOR Industrial Air and CLARCOR Engine Mobile Solutions are consistent, in all material respects, with the Company's objectives. The Company is in the process of completing a more comprehensive review of internal controls over financial reporting at CLARCOR Industrial Air and CLARCOR Engine Mobile Solutions, respectively, and will be implementing changes to further align such reporting and internal controls with the rest of the Company. As a result of the timing of the acquisitions and the changes that are anticipated to be made, the Company has excluded CLARCOR Industrial Air and CLARCOR Engine Mobile Solutions from management's assessment of the Company's internal control over financial reporting as of November 29, 2014. CLARCOR Industrial Air's total assets and total revenues represent 17% and 15%, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended November 29, 2014. CLARCOR Engine Mobile Solution's total assets and total revenues represent 21% and 4%, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended November 29, 2014.

The effectiveness of the Company's internal control over financial reporting as of November 29, 2014, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page F-2 of this 2014 Form 10-K.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Certain information required hereunder is set forth in the Proxy Statement under the captions “Election of Directors — Information Concerning Nominees and Directors” and “Corporate Governance — Committees of the Board”, and is incorporated herein by reference. Additional information required hereunder is set forth in the Proxy Statement under the caption “Beneficial Ownership of the Company’s Common Stock — Section 16(a) Beneficial Ownership Reporting Compliance” and is incorporated herein by reference.

The Company has adopted a Code of Ethics for Senior Financial Officers applicable to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Vice President - Internal Audit, and any other person performing the duties of such officials. The Code of Ethics for Senior Financial Officers is available in the Corporate Governance section of the Company's website at www.clarcor.com. A copy of the Code of Ethics for Senior Financial Officers can also be obtained, free of charge, upon written request to the Corporate Secretary, CLARCOR Inc., 840 Crescent Centre Drive, Suite 600, Franklin, TN 37067. The Company intends to post amendments to or waivers, if any, from its Code of Ethics for Senior Financial Officer at this location on its website.

Item 11. Executive Compensation.

The information required hereunder is set forth in the Proxy Statement under the captions “Compensation of Executive Officers and Other Information”, “Corporate Governance — Compensation Committee Interlocks and Insider Participation” and “Corporate Governance — Meetings and Fees” and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required hereunder is set forth in the Proxy Statement under the caption “Equity Compensation Plan Information” and under the captions “Beneficial Ownership of the Company’s Common Stock — Certain Beneficial Owners” and "Beneficial Ownership of the Company's Common Stock — Directors and Executive Officers" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required hereunder is set forth in the Proxy Statement under the captions “Corporate Governance — Certain Transactions” and “Corporate Governance — Independence” and under the caption “Corporate Governance — Committees of the Board” and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required hereunder is set forth in the Proxy Statement under the captions “Ratification of Appointment of Independent Registered Accounting Firm — Amounts Paid to PricewaterhouseCoopers LLP” and "Ratification of Appointment of Independent Registered Accounting Firm — Audit Committee Pre-Approval Process" and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements

Financial statements and schedules other than those listed above are omitted for the reason that they are not applicable, are not required, or the information is included in the financial statements or the footnotes therein.

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(a)(3) Exhibits

2.2	Purchase Agreement, dated as of November 5, 2013, by and between the Company and General Electric Company. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed November 5, 2013.
2.2(a)	Amendment to Purchase Agreement, dated as of December 14, 2013, by and between the Company and General Electric Company. Incorporated by reference to Exhibit 2.2(a) to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2013.
2.3	Stock Purchase Agreement, dated as of April 28, 2014, by and among the Company, Clean Seller, LLC, Stanadyne Holdings, Inc. and Stanadyne Corporation. Incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K filed April 28, 2014.
3.1	The registrant’s Second Restated Certificate of Incorporation. Incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 1, 2007.
3.2	The registrant’s By-Laws, as amended. Incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed December 19, 2007.
3.3	Certificate of Designation of Series B Junior Participating Preferred Stock of CLARCOR as filed with the Secretary of State of the State of Delaware on April 2, 1996. Incorporated by reference to Exhibit 4.5 to the Registration Statement on Form 8-A filed April 3, 1996.
4.1	Certain instruments defining the rights of holders of long-term debt securities of CLARCOR and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. CLARCOR hereby agrees to furnish copies of these instruments to the SEC upon request.
10.1	The registrant’s Amended and Restated Deferred Compensation Plan for Directors of CLARCOR dated January 1, 2008. Incorporated by reference to Exhibit 10.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended November 28, 2009. +
10.2	The registrant’s Amended and Restated CLARCOR Deferred Compensation Plan dated January 1, 2008. Incorporated by reference to Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the fiscal year ended November 28, 2009. +
10.2(a)	The registrant’s Supplemental Retirement Plan. Incorporated by reference to Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 1984. +
10.2(b)	The registrant’s Amended and Restated Executive Retirement Plan dated December 20, 1999 (the “Grandfathered Plan”). Incorporated by reference to Exhibit 10.2(b) to the Company’s Annual Report on Form 10-K for the fiscal year ended November 28, 2009. +
10.2(c)	The registrant’s Amended and Restated CLARCOR Executive Retirement Plan dated January 1, 2009 (the “Later ERP”). Incorporated by reference to Exhibit 10.2(c) to the Company’s Annual Report on Form 10-K for the fiscal year ended November 28, 2009. +
10.2(d)	Amendment No. 1 to the Grandfathered Plan effective as of December 14, 2009. Incorporated by reference to Exhibit 10.2(d) to the Company’s Annual Report on Form 10-K for the fiscal year ended November 28, 2009. +
10.2(e)	Amendment No.1 to the Later ERP dated and effective as of December 14, 2009. Incorporated by reference to Exhibit 10.1 to the Company’s Current Report filed on Form 8-K on December 17, 2009. +
10.2(f)	The registrant’s Amended and Restated CLARCOR Supplemental Pension Plan dated January 1, 2008. Incorporated by reference to Exhibit 10.2(f) to the Company’s Annual Report on Form 10-K for the fiscal year ended November 28, 2009. +
10.2(g)	The registrant’s Supplemental Retirement Plan (as amended and restated effective December 1, 1994). Incorporated by reference to Exhibit 10.2(c) to the Company’s Annual Report on Form 10-K for the fiscal year ended December 3, 1994. +
10.4	Form of Change in Control Agreement with each of the Company's executive officers and other Company executives. Incorporated by reference to Exhibit 10.1 to the Company’s Current Report filed on Form 8-K on December 30, 2008 (the “2008 8-K”). +
10.4(a)	

	Trust Agreement dated December 1, 1997. Incorporated by reference to Exhibit 10.4(d) to the Company's Annual Report on Form 10-K for the fiscal year ended November 29, 1997 (the "1997 10-K"). +
10.4(b)	Executive Benefit Trust Agreement dated December 22, 1997. Incorporated by reference to Exhibit 10.4(e) to the 1997 10-K. +
10.5	The registrant's 1994 Incentive Plan (the "1994 Plan") as amended through June 30, 2000. Incorporated by reference to Exhibit 10.5 to the 2000 10-K. +
10.5(a)	Amendment to the 1994 Plan adopted December 18, 2000. Incorporated by reference to Exhibit 10.5(a) to the 2000 10-K. +
10.5(b)	The registrant's 2004 Incentive Plan (the "2004 Plan"). Incorporated by reference to Exhibit A to the Company's Proxy Statement dated February 20, 2003 for the Annual Meeting of Shareholders held on March 24, 2003. +
10.5(c)	Amendment to the 1994 Plan and to the 2004 Plan. Incorporated by reference to Exhibit 10.5(c) to the Company's Annual Report for the fiscal year ended November 29, 2003. +

10.6(a)	Credit Agreement, dated as of April 5, 2012, by and among the Company, the lenders party thereto and Bank of America, N.A., as administrative agent, as swing line lender and as a letter of credit issuer. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 6, 2012.
10.6(b)	Amendment No. 1 to Credit Agreement and Amendment No. 1 to Subsidiary Guaranty, dated as of November 22, 2013, by and among the Company, the lenders party thereto and Bank of America, N. A., as administrative agent, as swing line lender and as a letter of credit issuer. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 22, 2013.
10.6(c)	Amendment No. 2 to Credit Agreement and Amendment No. 2 to Subsidiary Guaranty, dated as of May 1, 2014, by and among the Company, the lenders party thereto and Bank of America, N. A., as administrative agent, as swing line lender and as a letter of credit issuer. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 1, 2014.
10.7	Form of Stock Option Agreement used by Company for all employees receiving stock option awards, including grants to executive officers, made under the 2004 Plan. Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 2, 2006 (the "2006 10-K"). +
10.7(a)	Form of Stock Option Agreement used by Company for certain executive officers and certain other senior members of Company management receiving stock option awards made under the 2004 Plan. Incorporated by reference to Exhibit 10.7(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 1, 2007. +
10.7(b)	Form of Agreement for the Issuance of Restricted Stock Units used by Company for all employees receiving restricted stock units, including executive officers, made under the 2004 Plan. Incorporated by reference to Exhibit 10.7(b) to the Company's Annual Report on Form 10-K for the fiscal year ended November 28, 2009. +
10.7(c)	Form of Stock Option Agreement used by Company for all employees receiving stock option awards, including grants to executive officers, made under the 2009 Plan. Incorporated by reference to Exhibit 10.7(c) to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2013. +
10.7(d)	Form of Agreement for the Issuance of Restricted Stock Units used by Company for all employees receiving restricted stock units, including executive officers, made under the 2009 Plan. Incorporated by reference to Exhibit 10.7(d) to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2013. +
10.8	CLARCOR Value Added Incentive Plan. Incorporated by reference to Exhibit A to the Company's Proxy Statement dated February 9, 2007 for the Annual Meeting of Shareholders held on March 26, 2007. +
10.9	CLARCOR Inc. 2009 Incentive Plan (the "2009 Plan"). Incorporated by reference to Appendix A to the Company's Proxy Statement dated February 13, 2009 for the Annual Meeting of Shareholders held on March 23, 2009. +
*10.10	Summary of Compensation Paid to Non-Employee Directors and Named Executive Officers. +
10.11	CLARCOR Inc. 2014 Incentive Plan (the "2014 Plan"). Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 26, 2014. +
*12.1	Statement Re Computation of Certain Ratios.
*13	The "11-Year Financial Review."
*21	Subsidiaries of the Registrant.
*23	Consent of Independent Registered Public Accounting Firm.
*31.1	Certification of Christopher L. Conway, President and Chief Executive Officer of the Company, pursuant to Rule13a-14(a) of the Exchange Act.
*31.2	Certification of David J. Fallon, Chief Financial Officer and Chief Accounting Officer of the Company, pursuant to Rule 13a-14(a) of the Exchange Act.
*32.1	Certification of Christopher L. Conway, President and Chief Executive Officer of the Company, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

*32.2	Certification of David J. Fallon, Chief Financial Officer and Chief Accounting Officer of the Company, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase
**101.LAB	XBRL Taxonomy Extension Label Linkbase
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase
**101.DEF	XBRL Taxonomy Extension Definition Linkbase

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* Filed or furnished herewith.

** Submitted electronically with this 2014 Annual Report on Form 10-K

\+ Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: January 23, 2015

CLARCOR Inc.
(Registrant)
By: /s/ CHRISTOPHER L. CONWAY
Christopher L. Conway
Chairman of the Board, President & Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: January 23, 2015	By: /s/ CHRISTOPHER L. CONWAY Christopher L. Conway Chairman of the Board, President & Chief Executive Officer
Date: January 23, 2015	By: /s/ DAVID J. FALLON David J. Fallon Chief Financial Officer & Chief Accounting Officer
Date: January 23, 2015	By: /s/ JAMES W. BRADFORD, JR. James W. Bradford, Jr. Director
Date: January 23, 2015	By: /s/ ROBERT J. BURGSTAHLER Robert J. Burgstahler Director
Date: January 23, 2015	By: /s/ WESLEY M. CLARK Wesley M. Clark Director
Date: January 23, 2015	By: /s/ PAUL DONOVAN Paul Donovan Director
Date: January 23, 2015	By: /s/ MARK A. EMKES Mark A. Emkes Director
Date: January 23, 2015	By: /s/ ROBERT H. JENKINS

		Robert H. Jenkins Director
Date: January 23, 2015	By:	/s/ PHILLIP R. LOCHNER, JR. Phillip R. Lochner, Jr. Director
Date: January 23, 2015	By:	/s/ JAMES L. PACKARD James L. Packard Director

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CLARCOR Inc.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended November 30,
2014, 2013 and 2012

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of CLARCOR Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of CLARCOR Inc. and its subsidiaries (the "Company") at November 29, 2014 and November 30, 2013 and the results of their operations and their cash flows for each of the three years in the period ended November 29, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 29, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded CLARCOR Industrial Air and CLARCOR Engine Mobile Solutions from its assessment of internal control over financial reporting as of November 29, 2014 because these businesses were acquired by the Company in fiscal year 2014. We have also excluded these two businesses from our audit of internal control over financial reporting. CLARCOR Industrial Air is a subsidiary whose assets and revenues represent 17% and 15%, respectively, of the related consolidated financial statement amounts as of and for the year ended November 29, 2014. CLARCOR Engine Mobile Solutions is a subsidiary whose assets and revenues represent 21% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended November 29, 2014.

/s/ PricewaterhouseCoopers LLP
Nashville, TN
January 23, 2015

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CLARCOR Inc.
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended November 30, 2014, 2013 and 2012
(Dollars in thousands except share data)

	2014	2013	2012
Net sales	$1,512,854	$1,130,770	$1,121,765
Cost of sales	1,015,819	760,561	741,433
Gross profit	497,035	370,209	380,332
Selling and administrative expenses	286,607	195,593	197,618
Operating profit	210,428	174,616	182,714
Other income (expense):			
Interest expense	(3,700)	(615)	(527)
Interest income	420	690	600
Other, net	4,415	(391)	210
	1,135	(316)	283
Earnings before income taxes	211,563	174,300	182,997
Provision for income taxes	67,380	55,950	59,657
Net earnings	144,183	118,350	123,340