

CLARCOR INC.
Form 10-K
January 25, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended December 1, 2012

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

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

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 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 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.

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

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company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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 \$2,396,337,260.

There were 49,614,725 shares of Common Stock outstanding as of January 21, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant’s Proxy Statement for the 2013 Annual Meeting of Shareholders (“Proxy Statement”), currently anticipated to be held on March 26, 2013, 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 December 1, 2012 .

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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 2012, the year ended on December 1, 2012 and included 52 weeks. For fiscal year 2011, the year ended on December 3, 2011 and included 53 weeks. For fiscal year 2010, the year ended on November 27, 2010 and included 52 weeks. In this 2012 Annual Report on Form 10-K ("2012 Form 10-K"), all references to fiscal years are shown to begin on December 1 and end on November 30 for clarity of presentation.

Certain Significant Developments

Acquisitions

On May 9, 2012, the Company acquired 100% of the shares in Modular Engineering Company Pty Ltd. ("Modular") for \$7,875. An initial payment of \$5,237 was made at closing and the remaining purchase price will be made in equal annual installments on the first and second anniversaries of the closing date. Modular, a manufacturer of pressure vessels, process and storage tanks and other natural gas filtration products and a distributor of aftermarket elements, is located in Henderson, Western Australia. The acquisition of Modular gives the Company first-fit manufacturing capabilities in Western Australia, as well as a platform for aftermarket growth throughout the region. Modular has been combined into an existing Company subsidiary and Modular's results are included in the Company's Industrial/Environmental Filtration segment from the date of acquisition.

(b) Financial Information About Industry Segments

During fiscal year 2012, 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 information for each of the Company's reportable segments for the fiscal years 2010 through 2012 is included in Note Q to our Consolidated Financial Statements.

(c) Narrative Description of the Business

Engine/Mobile Filtration

The Company's Engine/Mobile Filtration segment sells filtration products for engines used in stationary power generation and for engines in mobile equipment applications, including trucks, automobiles, buses and locomotives, and marine, construction, industrial, mining and agricultural equipment. The segment's filters are sold throughout the world, primarily in the aftermarket. In addition, "first-fit" filters are sold to original equipment manufacturers. At one of the Engine/Mobile Filtration segment plants, the Company also manufactures dust collection cartridges, including cartridges incorporating the Company's Protura® nanofiber filtration media. These cartridges are used in environmental filtration applications.

The products in the Engine/Mobile Filtration segment include oil, air, fuel, coolant, transmission and hydraulic fluid filters which are used in a wide variety of applications and in processes where filter efficiency, capacity and reliability are essential. Most of these applications involve a process where impure air or fluid flows through semi-porous paper, corrugated paper, cotton, synthetic, chemical or membrane filter media with varying filtration efficiency characteristics. The impurities captured by the media are disposed of when the filter is changed.

Industrial/Environmental Filtration

The Company's Industrial/Environmental Filtration segment centers around the manufacturing and marketing of 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 filtration products and air filtration products and systems used to maintain high interior air quality and to control exterior pollution.

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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 cleaners, including antimicrobial treated filters and high efficiency electronic air cleaners. These products are used in commercial buildings, hospitals, factories, residential buildings, residences, paint spray booths, gas turbine systems, medical facilities, motor vehicle cabins, aircraft cabins, clean rooms, compressors and dust collector systems.

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 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, dealers for original equipment manufacturers, retail stores and directly to end-use customers such as truck and equipment fleet users, manufacturing companies and contractors. In addition, both segments distribute products worldwide through their respective foreign subsidiaries and through export sales from the United States to independent 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 its products include various types of steel, adhesives, petrochemical-based materials and paper products and filter medias made from materials such as wood pulps, metals,

polyester, polypropylene and other synthetic fibers, fiberglass and cotton. All of these are purchased and are available from a variety of sources. The Company experienced price volatility in fiscal year 2012 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 2012 and does not anticipate procurement problems in 2013, although the Company does believe that prices will generally continue to rise.

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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," "Peco," "Facet" and "TransWeb") are valuable 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 27% of the \$503.6 million of fiscal year 2012 segment sales.

The 10 largest customers of the Industrial/Environmental Filtration segment accounted for approximately 12% of the \$541.4 million of fiscal year 2012 segment sales.

The 10 largest customers of the Packaging segment accounted for approximately 73% of the \$76.8 million of fiscal year 2012 segment sales.

No single customer accounted for 10% or more of the Company's consolidated fiscal year 2012 sales.

Backlog

At November 30, 2012, the Company had a backlog of open orders for products of approximately \$135.0 million. The backlog figure for November 30, 2011 was approximately \$125.0 million. Substantially all of the orders on hand at November 30, 2012 are expected to be filled during fiscal year 2013. The Company does not view its backlog as being insufficient, excessive or problematic, or a significant indication of fiscal year 2013 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.

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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 maintains the CLARCOR Filtration Research Center, a standalone research and development center in Forrest Park, Ohio ("CFRC"). The Company's laboratories, including the CFRC, test product components and completed products to insure high-quality manufacturing results, evaluate competitive products, aid suppliers in the development of product components, and conduct controlled tests of newly designed filters, filtration systems and packaging products for particular uses. Product development is concerned with the improvement and creation of new filters and filtration media, filtration systems, containers and packaging products in order to increase their performance characteristics, broaden their respective uses and counteract obsolescence.

In fiscal year 2012, the Company employed approximately 144 professional employees on either a full-time or part-time basis on 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 \$11.8 million on such activities as compared with \$11.0 million for fiscal year 2011 and \$9.8 million for fiscal year 2010.

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 ("PRP"), along with other companies, in remedial activities for the cleanup of waste sites under the Comprehensive Environmental Response, Compensation, and Liability Act ("the federal Superfund statute").

Although it is not certain what future environmental claims, if any, may be asserted, the Company currently believes that its potential liability for known environmental matters does not exceed its present accrual of \$0.1 million. 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 extent, if any, of the contamination, the length of time remediation may require, the complexity of environmental regulation and the continuing advancement of remediation technology. Applicable federal law may impose joint and several liability on each PRP for the cleanup of a contaminated site.

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, 2012, the Company had approximately 5,417 employees.

(d) Financial Information About Foreign and Domestic Operations and Export Sales

Financial information relating to export sales and the Company's operations in the United States and other countries is included in Note Q to our Consolidated Financial Statements. As noted therein, total international sales for the Company in fiscal year 2012 were \$342.0 million. 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, annual reports on Form 10-K and Form 11-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.

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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 2012 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 may suffer, and the trading price of our Common Stock could decline. These risk factors should be read in conjunction with the other information in this 2012 Form 10-K.

Our business is affected by the health of the markets we serve.

Our financial performance depends, in large part, on varying conditions in the markets that we serve, particularly the general industrial and trucking markets. Demand in these markets fluctuates in response to overall economic conditions and is particularly sensitive to changes in fuel costs, although the replacement nature of our products helps mitigate the effects of these changes. 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 be affected by a decrease in the cost of oil and natural gas), United Air Specialists and our Facet companies. An economic downturn in the markets we serve may result in reductions in sales and pricing of our products, which could materially reduce future earnings and cash flow.

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

U.S. and global economic conditions remain uncertain. Because our business depends on the strength of economies in various parts of the world, primarily in North America, but increasingly in Europe and China, any deterioration in these economies could adversely impact our earnings.

Although improved from 2008 levels, the U.S. economy continues to show only weak to moderate growth, and the U.S. faces near term challenges such as excessive federal and state government debt, the cost and distraction of global military engagements, and the political uncertainties that are created by election cycles.

In Europe, the economies of various member-states in the European Union have experienced significant contraction, while unemployment rates, investment, access to capital and other traditional signals of financial health in many European countries are discouraging. European authorities have implemented and are considering a broad variety of governmental action and/or new regulation in the future, but there is no guarantee that any of these measures will have

their desired effect in the foreseeable future, or at all.

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 original equipment manufacturers ("OEMs") that make large diesel engines for heavy duty equipment which is used in such infrastructure projects.

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We face a customer concentration issue in China in our Engine/Mobile Filtration segment.

Unlike in the U.S., where the majority of our Engine/Mobile Filtration segment sales are to a variety of customers in the aftermarket, sales by this segment in China are predominantly to a relatively small number of OEMs. One of these OEM customers, Weichai Power Co. Ltd ("Weichai"), accounted for approximately 29% of our Engine/Mobile segment sales in China during fiscal year 2012. 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 would have a material adverse effect on our potential future results of operations, and could significantly diminish the opportunities and growth in China for our Engine/Mobile Filtration segment.

We face heightened legal challenges from our competitors with respect to intellectual property, particularly in the area of patents, as evidenced by our lawsuits with Donaldson and 3M.

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.

Examples of significant patent disputes that we face are the Donaldson and 3M/TransWeb litigations that are identified in Item 3 of this 2012 Form 10-K and referenced in Note L to our Consolidated Financial Statements. While the Company believes in its positions with respect to these actions and is defending and pursuing them vigorously, doing so has required, and will continue to require, that we expend significant financial and human resources with no guaranty of success.

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.

Our access to borrowing capacity could be affected by the uncertainty impacting credit markets generally.

Some credit markets are relatively tight such that the ability to obtain new capital could be challenging and more expensive in comparison to past years. Although we believe that the banks under our current credit facility have adequate capital and resources, we can provide no assurance that all of these banks will continue to operate as a going concern in the future. If any of the banks in the lending group of our credit facility were to struggle or fail, it is possible that the borrowing capacity under our credit facility would be reduced. In the event that the availability under our credit facility were reduced significantly, we could be required to obtain capital from alternate sources in order to finance our capital needs, which could have a material adverse effect on our consolidated financial position, results of operations, or cash flows. Our options for addressing such capital constraints would include, but not be limited to (i) obtaining commitments from the remaining banks in the lending group or from new banks to fund increased amounts under the terms of our credit facility, (ii) accessing the public capital markets, or (iii) delaying certain of our existing development projects.

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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. 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; 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 31% of our sales result from exports to countries outside of the United States and from sales of 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.

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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 raw steel, steel-related components, filtration media, resins, 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 significantly 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 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.

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Our acquisition strategy may be unsuccessful.

As part of our growth strategy, we plan to pursue the acquisition of other companies, assets and product lines that either complement or expand our existing business. We may be unable 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 involve a number of special risks and factors, including:

- 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 as a result of changes in control;
- the possibility that we have acquired substantial undisclosed 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.

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.

Item 1B. Unresolved Staff Comments.

The Company has no unresolved SEC comments.

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Item 2. Properties.

The various properties owned and leased by the Company and its operating units are considered by it to be in generally good repair and well maintained. Plant asset additions in fiscal year 2013 are estimated to be between \$45 and \$55 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, 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 23,000 sq ft 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 Forrest Park, Ohio, which is occupied by the CFRC.

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 516,000 sq ft of manufacturing and warehousing space, 25,000 sq ft of research and development space and 40,000 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 160,000 sq ft of manufacturing and office space.	Owned
Lancaster, PA	20,000 sq ft of warehousing space.	Leased
Yankton, SD	20 acre site with 170,000 sq ft of manufacturing space.	Owned

International Facilities

Location	Approximate Size	Owned or Leased
Shanghai, People's Republic of China	2,200 sq ft of office space.	Leased
Warrington, Cheshire, England	4 acre site with two facilities totaling 71,000 sq feet for manufacturing, warehousing and office space.	Leased
Weifang, People's Republic of China	14 buildings, constituting 300,000 sq ft of manufacturing, warehousing and office space.	Leased
Weifang, People's Republic of China	105,000 sq ft of manufacturing, warehousing and office space.	Leased
Queretaro, Mexico	3 acre site with 76,000 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 applicable filtration products.

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Industrial/Environmental Filtration Segment

United States Facilities

Location	Approximate Size	Owned or Leased
Auburn Hills, MI	44,222 sq ft of warehousing and office space.	Leased
Blue Ash, OH	17 acre site with 157,000 sq ft of manufacturing and office space.	Owned
Campbellsville, KY	100 acre site with 242,000 sq ft of manufacturing and office space.	Owned
Corona, CA	84,000 sq feet of manufacturing, warehousing and office space.	Leased
Dallas, TX	83,500 sq feet of manufacturing, warehousing and office space.	Leased
Greensboro, NC	21 acre site with 88,000 sq ft of manufacturing, warehousing and office space.	Owned
Greensboro, NC	97,000 sq ft of manufacturing, warehousing and office space.	Owned
Goodlettsville, TN	35,000 sq ft of warehouse space.	Owned
Houston, TX	88,000 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
Jeffersontown, KY	110,000 sq ft of manufacturing, warehousing and office space.	Owned
Jeffersonville, IN	450,000 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 351,000 sq feet of manufacturing, warehousing and office space.	Owned
Mineral Wells, TX	35,000 sq ft of warehousing space.	Leased
Mineral Wells, TX	36,000 sq ft of warehousing space.	Leased
Mineral Wells, TX	22,000 sq ft of manufacturing and warehousing space	Leased
Ottawa, KS	41,000 sq ft of manufacturing and office space.	Owned
Pittston, PA	250,000 sq feet of manufacturing, warehousing and office space.	Leased
Stilwell, OK	11 acre site with 132,000 sq feet of manufacturing, warehousing and office space.	Leased
Sacramento, CA	40,000 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	55,492 sq ft of manufacturing, warehousing and office space.	Owned/Leased

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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. Right to occupy 40,000 sq ft total (15,000 sq ft currently being sublet).	Leased
La Coruña, Spain	4 acre site with 61,000 sq ft of manufacturing and office space.	Owned
Pujiang City, People's Republic of China	53,819 sq ft of manufacturing, warehousing and office space.	Leased
Queretaro, Mexico	5 acre site with 110,000 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	28,900 sq ft of manufacturing and office space.	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 applicable filtration products: United States: Atlanta, GA; Auburn, WA; Birmingham, AL; Evansville, WY; Chantilly, VA; Charleston, SC; Hamilton, OH; Columbus, OH; Commerce City, CO; Carrollton, TX; Dalton, GA; Farmington, NM; Fresno, CA; Hayward, CA; Houston, TX; Jackson, MS; Kansas City, MO; Louisville, KY; Shakopee, MN; Ottawa, KS; Phoenix, AZ; Portland, OR; Ontario, CA; Vernal, UT; Wichita, KS. International: Brazil; Canada; China; France; Germany; Italy; Malaysia; Netherlands; Singapore; United Kingdom.

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, employee matters, worker's compensation claims 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 other matters are the following:

Antitrust

On March 31, 2008, S&E Quick Lube, a filter distributor, filed suit in U.S. District Court for the District of Connecticut alleging that virtually every major North American engine filter manufacturer, including the Company's subsidiary Baldwin, (the "Defendant Group"), engaged in a conspiracy to fix prices, rig bids and allocate U.S. customers for aftermarket filters. The suit is a purported class action on behalf of direct purchasers of filters from the Defendant

Group. Parallel purported class actions, including on behalf of indirect purchasers of filters, were filed by other plaintiffs against the Defendant Group in a variety of jurisdictions in the United States and Canada. All of the U.S cases were consolidated into a single multi-district litigation in the Northern District of Illinois (the "Court"). The Company consistently denied any wrongdoing whatsoever and has vigorously defended the action.

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On October 7, 2011, Baldwin entered into a settlement agreement (the "Settlement Agreement") with the putative plaintiff classes involved in the action. Pursuant to the terms of the Settlement Agreement, Baldwin denied any wrongdoing whatsoever but agreed to pay a total of \$625 to a settlement fund to be divided among the plaintiff classes in exchange for a full and complete release of all claims with prejudice. Two other members of the Defendant Group, Donaldson Company, Inc. ("Donaldson") and Cummins, Inc. , also entered into substantially identical settlement agreements with the putative plaintiff classes at the same time as Baldwin.

The Company entered into the Settlement Agreement to free itself from the expense of ongoing U.S. litigation, which was anticipated to be many times greater than the agreed settlement amount. The Company paid the \$625 settlement during the first quarter of its 2012 fiscal year, ended December 1, 2012. On November 28, 2012, the Court entered a final judgment order approving the Settlement Agreement as to the last of the U.S. plaintiff classes and dismissing the U.S. causes of action against Baldwin with prejudice and without costs. The time for appealing these U.S. actions has expired, and the Company faces no further liability in the United States in connection with this matter. Similarly, the Company does not believe that it faces any material liability in connection with the lone Canadian case that remains pending. The Company believes that the attorneys representing the Canadian plaintiff class have effectively abandoned the action in light of the small U.S. settlements.

Donaldson Patent Litigation

On May 15, 2009, Donaldson filed a lawsuit in the U.S. Federal District Court for the District of Minnesota, alleging that certain "ChannelFlow®" engine/mobile filters manufactured and sold by, Baldwin Filters, Inc., a subsidiary of the Company, infringed one or more patents held by Donaldson. On February 1, 2012, the parties entered into a settlement agreement ending the lawsuit, the terms of which are confidential. Pursuant to the settlement agreement, Baldwin agreed to pay certain present and future amounts to Donaldson in exchange for a license to produce certain existing ChannelFlow® products.

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 are currently litigating 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. On June 3, 2011, TransWeb filed a Second Amended Complaint against 3M, (i) seeking declaratory judgment that 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, (ii) alleging patent infringement by 3M of a patent held by TransWeb, and (iii) alleging antitrust violations by 3M in connection with certain upstream and downstream markets for fluorinated polymeric filtration media under theories of Walker Process fraud and sham litigation. TransWeb later dropped its patent infringement allegations against 3M, but continued to allege and pursue its inequitable conduct and antitrust claims. Prior to trial, 3M voluntarily dismissed with prejudice the majority of the patent claims 3M had originally brought against TransWeb, but continued to allege infringement by TransWeb of two claims of one of the patents in suit.

A jury trial commenced on November 13, 2012. After 10 days of testimony and deliberation, on November 30, 2012, a six-member jury unanimously found that (i) TransWeb does not infringe the asserted claims of the 3M patent in suit,

(ii) the asserted claims of the patent in suit are invalid as being obvious, (iii) 3M violated the antitrust laws in trying to enforce patents obtained through fraud on the United States Patent Office (i.e., Walker Process fraud), (iv) TransWeb is entitled to recoup lost profits of approximately thirty four thousand dollars plus its attorneys' fees as damages, and (v) 3M did not engage in "sham" litigation. The jury also rendered a unanimous advisory verdict, which is not binding on the court, that 3M's asserted patents were obtained through inequitable conduct, and thus unenforceable.

The court has not yet decided whether to accept the jury's verdict on inequitable conduct and has not yet issued a final judgment in the case, pending (i) resolution of various post-trial motions made by 3M to set aside the jury verdicts adverse to 3M, and (ii) a separate procedure before a third party Special Master to quantify and qualify TransWeb's attorneys' fees that may be awarded as damages, including those subject to potential trebling under the antitrust laws. Such procedure is anticipated to take until at least April 2013 to resolve.

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Following the issuance of a final judgment from the court, the parties will each have an automatic right of appeal to the Federal Circuit. If the court issues a judgment in TransWeb's favor by affirming the actual and advisory jury verdicts, the Company anticipates that 3M will appeal.

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 federal Superfund statute. Although it is not certain what future environmental claims, if any, may be asserted, the Company currently believes that its potential liability for known environmental matters is not material. 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 and the continuing advancement of remediation technology. Applicable federal law may impose joint and several liability on each potentially responsible party for the cleanup.

Item 4. Mine Safety Disclosures.

Not applicable.

ADDITIONAL ITEM: Executive Officers of the Registrant

The following individuals are the executive officers of the Company as of January 25, 2013:

Name	Age at 12/1/2012	Year Elected to Office
Christopher L. Conway 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.	57	2010
Sam Ferrise President, Baldwin Filters, Inc. Mr. Ferrise was appointed President of Baldwin Filters, Inc. in 2000. He became an executive officer of the Company in 2003 while retaining the same title with Baldwin Filters, Inc.	56	2003
David J. Fallon 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	42	2010

of Chief Financial Officer of Noble International, Ltd. immediately prior to his employment with the Company.

David J. Lindsay

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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

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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.

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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.

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.

Quarter Ended	Market Price		Dividends
	High	Low	
March 3, 2012	\$54.22	\$47.41	\$0.1200
June 2, 2012	\$52.16	\$45.95	\$0.1200
September 1, 2012	\$51.41	\$45.12	\$0.1200
December 1, 2012	\$50.26	\$42.75	\$0.1350
Total Dividends			\$0.4950

Quarter Ended	Market Price		Dividends
	High	Low	
February 26, 2011	\$45.05	\$40.00	\$0.1050
May 27, 2011	\$45.74	\$40.24	\$0.1050
August 27, 2011	\$48.77	\$39.13	\$0.1050
November 26, 2011	\$49.60	\$39.50	\$0.1200
Total Dividends			\$0.4350

As set forth above, the quarterly dividend rate was increased in fiscal year 2012, 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 21, 2013 was 1,756.

On June 22, 2010, 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 22, 2013. 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 792,881 shares of its common stock, at an average price of \$47.07 per share, and an aggregate cost of approximately \$37.3 million, during the fiscal year 2012. As set forth in the following table, the Company repurchased 455,081 shares of its common stock during the fourth quarter of fiscal year 2012. The average

price per share for the shares repurchased in the fourth quarter was \$45.26 with an aggregate cost of approximately \$20.6 million. The Company had remaining authorization of approximately \$167.1 million to repurchase shares as of December 1, 2012 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
September 2, 2012 through October 6, 2012	48,000	\$47.05	48,000	\$185,423,161
October 7, 2012 through November 3, 2012	317,283	\$45.10	317,283	\$171,114,792
November 4, 2012 through December 1, 2012	89,798	\$44.87	89,798	\$167,085,725
Total	455,081		455,081	

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, 2007 to December 1, 2012) 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 2012 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.

The Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Annual Report on Form 10-K includes certain net sales and operating profit figures (at the consolidated and segment level) and net earnings and diluted earnings per share figures for 2011 fiscal year which exclude the impact of having an additional week in our 2011 fiscal year in comparison to our 2012 fiscal year and 2010 fiscal year. These figures are non-GAAP financial measures. For a reconciliation of these non-GAAP financial measures to GAAP financial measures, along with reasons for the inclusion of these non-GAAP financial measures and the limitations of such non-GAAP financial measures, see "Other Matters - Additional Week in 2011" later in this Management's Discussion and Analysis of Financial Condition and Results of Operations section.

EXECUTIVE SUMMARY

Management Discussion Snapshot
(In thousands except per share data)

	2012 (52 weeks)	2011 (53 weeks)	2010 (52 weeks)	2012 vs 2011		
				\$ Change	% Change	
Net sales	\$1,121,765	\$1,126,601	\$1,011,429	\$(4,836)	—%	
Cost of sales	741,433	743,180	673,022	(1,747)	—%	
Gross profit	380,332	383,421	338,407	(3,089)	(1)%	
Selling and administrative expenses	197,618	202,154	193,758	(4,536)	(2)%	
Operating profit	182,714	181,267	144,649	1,447	1%	
Other income (expense)	283	41	(1,226)) 242		
Provision for income taxes	59,657	56,947	47,072	2,710	5%	
Net earnings attributable to CLARCOR	122,986	124,003	96,081	(1,017)	(1)%	
Weighted average diluted shares	50,882	51,191	51,156	(309)	(1)%	
Diluted earnings per common share attributable to CLARCOR	\$2.42	\$2.42	\$1.88	\$—	—%	
Percentages:						
Gross margin	33.9	% 34.0	% 33.5	%	(0.1)	pt
Selling and administrative percentage	17.6	% 17.9	% 19.2	%	(0.3)	pt
Operating margin	16.3	% 16.1	% 14.3	%	0.2	pt
Effective tax rate	32.6	% 31.4	% 32.8	%	1.2	pt
Net earnings margin	11.0	% 11.0	% 9.5	%	—	pt

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2012 versus 2011

Net Sales

Net sales decreased \$4.8 million, or less than one percent, in 2012 compared to 2011. The decrease in net sales in 2012 primarily reflects the effect of our fiscal year 2012 having one less week than our fiscal year 2011, a decline in sales at our Packaging segment and unfavorable changes in foreign currency exchange rates, partly offset by increased sales volume at our Engine/Mobile Filtration and Industrial/Environmental Filtration segments on a combined basis, increased selling prices and increased sales from business acquisitions. Components of the less than one percent decrease in net sales are as follows:

Additional week in 2011	(2)%
Packaging segment volume	(1)%
Foreign exchange	(1)%
Filtration segments combined volume	2	%
Pricing	1	%
Acquisitions	1	%
	—	%

The effect of our fiscal year 2012 having one less week than our fiscal year 2011 unfavorably impacted net sales by approximately 2%.

Excluding the impact of the additional week in 2011 and changes in pricing, net sales at our Packaging segment were 7% lower in 2012 than in 2011, primarily driven by lower sales of smokeless tobacco and confection packaging products and lower sales of decorated flat sheet metal 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% in 2012 compared to 2011, primarily due to strengthening of the U.S. dollar compared to the Euro during 2012.

Net sales in our Engine/Mobile and Industrial/Environmental Filtration segments increased 2% on a combined basis in 2012 compared to 2011, excluding the effects of the additional week in 2011, changes in foreign currency exchange rates, changes in pricing and acquisitions. This 2% increase was primarily driven by an increase in natural gas vessel and aftermarket sales in the U.S. and internationally, increased domestic sales of commercial and industrial filters through our Total Filtration Services distribution business, and increased sales of dust collection cartridges and systems.

Net sales increased approximately 1% in 2012 compared to 2011 due to business acquisitions, reflecting our acquisitions of Modular Engineering Pty Ltd in the second quarter of 2012 and PDDA Filtration, Inc. in the first quarter of 2012.

Cost of Sales

Cost of sales decreased \$2.0 million, or less than one percent, in 2012 compared to 2011. This less than one percent decrease in cost of sales was primarily the result of the less than one percent decrease in net sales. Our 33.9% gross margin percentage in 2012 was 0.1 percentage points lower than 2011. The decrease in gross margin percentage was primarily the result of lower absorption of fixed overhead costs in our Packaging segment due to an 18% decline in net sales in 2012 compared to 2011, 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 sales remained relatively stable in 2012, as we were able to increase the selling prices of our products by approximately 1% in 2012 to effectively pass through higher commodity costs to our customers. Because the majority of our sales are into the aftermarket where we do not have long-term contracts, we had the ability to pass the impact of commodity cost increases onto our customers in 2012.

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Selling and Administrative Expenses

Selling and administrative expenses decreased \$4.5 million, or 2%, in 2012 compared to 2011. This decrease was primarily driven by a \$5.9 million decline in compensation related to our company-wide profit sharing program and a \$3.2 million decline in legal expenses, partly offset by \$3.1 million higher employee costs to support our long-term growth initiatives and \$1.5 million higher other selling and administrative expenses to support our domestic and international growth initiatives. Our incentive compensation programs are tied to the achievement of objective annual goals, including the amount by which the Company's after-tax earnings exceeds the Company's cost of capital in relation to the assets under management's control. Although our operating profit increased by 1% in 2012 compared to 2011 and our diluted earnings per share was flat in 2012 compared to 2011, our results were below our internal annual goals, resulting in the decrease in incentive compensation in 2012 compared to 2011. The \$3.2 million decline in legal expenses reflects the resolution during 2012 of certain legal matters, including the patent infringement lawsuit filed by Donaldson Company in 2009.

2011 versus 2010

Net Sales

Higher operating profit, net earnings and diluted earnings per share in 2011 compared with 2010 were primarily the result of a \$115.2 million, or 11%, increase in net sales. Components of this 11% increase in net sales are as follows:

Volume	5	%
Pricing	2	%
Additional week in 2011	2	%
Foreign exchange	1	%
TransWeb acquisition	1	%
	11	%

Net sales in our Engine/Mobile Filtration segment were 14% higher in 2011 than 2010 primarily on the strength of higher heavy-duty engine filter sales both in the U.S., where sales grew 12%, and internationally, where sales grew 15%. Net sales in our Industrial/Environmental Filtration segment were 11% higher in 2011 than 2010 primarily based upon higher net sales in the U.S. including sales from our acquisition of TransWeb, which was completed at the end of December 2010. Net sales at our Packaging segment were 1% lower in 2011 than 2010. However, excluding the impact of a no margin tooling and equipment sale to one of our customers in 2010, net sales at our Packaging segment increased \$3.2 million, or 4%, in 2011 compared with 2010. Each of the segment growth rates referenced above include the effect of our fiscal year 2011 having one more week than our fiscal year 2010, which favorably impacted net sales by approximately 2%.

Cost of Sales

Our 2011 cost of sales increased \$70.2 million, or 10%, from 2010. This 10% increase in cost of sales was primarily the result of the 11% increase in net sales. Our 34.0% gross margin percentage in 2011 was 0.5 percentage points higher than 2010. This increase in gross margin percentage was primarily the result of our ability to leverage manufacturing overhead while maintaining relatively stable raw material costs as a percentage of net sales as we were able to increase prices by approximately 2% in 2011 to effectively pass through higher commodity costs to our customers. Because a majority of our sales are into the aftermarket where we do not have long-term contracts, we had the ability to pass the impact of commodity cost increases onto our customers in 2011.

Selling and Administrative Expenses

Selling and administrative expenses increased \$8.4 million, or 4%, in 2011 from 2010. This increase was the result of \$7.9 million higher employee costs and \$4.9 million higher other selling and administrative expenses to support our domestic and international growth. These higher selling and administrative expenses were partially offset by a \$4.4 million decline in compensation related to our company-wide profit sharing program. With selling and administrative expenses growing only 4% while our net sales increased 11%, we reduced our selling and administrative expenses as a percentage of net sales to 17.9% in 2011 from 19.2% in 2010.

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Other Items

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

Additional week in 2011

Fiscal year 2012 and fiscal year 2010 included fifty-two weeks, while fiscal year 2011 included fifty-three weeks. Refer to the "Additional Week in 2011" section within Other Matters for further discussion of the impact of this item on comparisons between the years presented.

Significant acquisitions

On May 9, 2012 we acquired Modular Engineering Company Pty Ltd. This acquisition, which has been integrated into our Industrial/Environmental Filtration segment, increased our 2012 net sales by \$5.3 million and did not have a material impact on our 2012 operating profit.

On December 29, 2010 we acquired TransWeb LLC. The impact of including TransWeb's results, which are reported within our Industrial/Environmental Filtration segment, for twelve months in fiscal 2012 compared to eleven months in fiscal 2011 increased our 2012 net sales by \$0.7 million (excluding \$0.3 million of net sales to other CLARCOR companies) and did not have a material impact on operating profit. The acquisition of TransWeb in the first quarter of 2011 increased our 2011 net sales (excluding \$2.5 million of net sales to other CLARCOR companies) and operating profit by \$13.0 million and \$2.6 million, respectively, as compared to fiscal 2010.

Foreign exchange

The average exchange rate for foreign currencies versus the U.S. dollar (unfavorably) / favorably impacted our translated U.S. dollar value of net sales and operating profit in 2012 and 2011 as follows:

(Dollars in thousands)	2012	2011
Net sales	\$(11,918) \$12,458
Operating profit	(2,004) 2,286

Other income (expense)

Interest expense

Interest expense was \$0.5 million in each of 2012, 2011 and 2010, respectively.

Foreign currency gains and losses

Changes in foreign currency transaction gains and losses unfavorably impacted other income (expense) by \$0.9 million in 2012 versus 2011. We recognized a foreign currency loss of \$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. We recognized a foreign currency gain of \$0.1 million in 2011.

Changes in net foreign currency transaction gains and losses positively impacted other income (expense) by \$0.8 million in 2011 versus 2010. We recognized a foreign currency gain of \$0.1 million in 2011 and a foreign currency loss of \$0.7 million in 2010. The foreign currency loss in 2010 was from the translation of cash accounts at certain

foreign subsidiaries denominated in currencies other than their functional currencies.

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Our effective tax rate in 2012 was 32.6% compared with 31.4% in 2011. The higher effective tax rate in 2012 was primarily driven by the research and development tax credit not being renewed for 2012, a \$1.0 million tax benefit related to the release of a valuation allowance recorded against net operating loss carryovers at one of our foreign subsidiaries in 2011 that did not recur in 2012, and changes in the effect of foreign tax rate differences.

The effective tax rate in 2011 was 31.4% compared with 32.8% in 2010. This lower effective tax rate was primarily due to the renewal of the research and development tax credit in 2011, a higher domestic production activities deduction in 2011 and the recognition of a \$1.0 million tax benefit in 2011 from the release of a valuation allowance recorded against net operating loss carryovers at one of our foreign subsidiaries.

Shares outstanding

Average diluted shares outstanding decreased by approximately 0.3 million shares in 2012 as compared to 2011, 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. Average diluted shares outstanding remained relatively flat in 2011 as compared to 2010 as incremental dilutive shares related to the exercise of stock options and the issuance of restricted shares were offset by our repurchase of common stock.

SEGMENT ANALYSIS

(Dollars in thousands)	2012 (52 weeks)	% Total	2011 (53 weeks)	% Total	2010 (52 weeks)	% Total		
Net sales:								
Engine/Mobile Filtration	\$503,607	45	% \$510,012	45	% \$446,104	44	%	
Industrial/Environmental Filtration	541,364	48	% 523,026	46	% 470,359	47	%	
Packaging	76,794	7	% 93,563	9	% 94,966	9	%	
	\$1,121,765	100	% \$1,126,601	100	% \$1,011,429	100	%	
Gross profit:								
Engine/Mobile Filtration	\$185,419	49	% \$189,511	49	% \$165,384	49	%	
Industrial/Environmental Filtration	180,402	47	% 173,731	45	% 154,098	46	%	
Packaging	14,511	4	% 20,179	6	% 18,925	5	%	
	\$380,332	100	% \$383,421	100	% \$338,407	100	%	
Operating profit:								
Engine/Mobile Filtration	\$111,653	61	% \$112,839	62	% \$92,246	64	%	
Industrial/Environmental Filtration	64,766	35	% 58,028	32	% 43,515	30	%	
Packaging	6,295	4	% 10,400	6	% 8,888	6	%	
	\$182,714	100	% \$181,267	100	% \$144,649	100	%	
Gross margin:								
Engine/Mobile Filtration	36.8%		37.2%		37.1%			
Industrial/Environmental Filtration	33.3%		33.2%		32.8%			
Packaging	18.9%		21.6%		19.9%			
	33.9%		34.0%		33.5%			
Operating margin:								
Engine/Mobile Filtration	22.2%		22.1%		20.7%			
Industrial/Environmental Filtration	12.0%		11.1%		9.3%			

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Packaging	8.2%	11.1%	9.4%
	16.3%	16.1%	14.3%

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Engine/Mobile Filtration Segment

(Dollars in thousands)	2012		2011		2010		2012 v 2011			2011 v 2010		
	(52 weeks)	(53 weeks)	(52 weeks)	(52 weeks)	\$	%	\$	%	\$	%	\$	%
					Change	Change	Change	Change	Change	Change	Change	Change
Net sales	\$503,607	\$510,012	\$446,104		\$(6,405)	(1)%	\$63,908	14%				
Cost of sales	318,188	320,501	280,720		(2,313)	(1)%	39,781	14%				
Gross profit	185,419	189,511	165,384		(4,092)	(2)%	24,127	15%				
Selling and administrative expenses	73,766	76,672	73,138		(2,906)	(4)%	3,534	5%				
Operating profit	111,653	112,839	92,246		(1,186)	(1)%	20,593	22%				
Gross margin	36.8%	37.2%	37.1%		(0.4)	pt			0.1		pt	
Selling and administrative percentage	14.6%	15.0%	16.4%		(0.4)	pt			(1.4)		pt	
Operating margin	22.2%	22.1%	20.7%		0.1	pt			1.4		pt	

Our Engine/Mobile Filtration segment primarily sells 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 business unit.

2012 versus 2011

Net Sales

The \$6.4 million, or 1%, decrease in net sales for our Engine/Mobile Filtration segment in 2012 compared to 2011 is detailed in the following tables:

Additional week in 2011	(2))%
Volume	1	%
Pricing	1	%
Foreign exchange	(1))%
	(1))%

(Dollars in millions)	Net Sales	
2011	\$510.0	
U.S. net sales	1.1	
Foreign net sales (including export)	(2.8))
Foreign exchange	(4.7))
Net decrease	(6.4))
2012	\$503.6	

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The increase in U.S. net sales for the Engine/Mobile Filtration segment in 2012 from 2011 is detailed as follows:

(Dollars in millions)	Net Sales
Heavy-duty engine filters to U.S. aftermarket	\$4.3
Dust collection cartridges	1.5
Locomotive filters	0.6
Additional week in 2011	(6.0)
Other	0.7
Increase in U.S. net sales	\$1.1

Our sales of heavy-duty engine filters to the U.S. aftermarket were influenced by slow growth in U.S. trucking activity in 2012 compared with 2011. In the eleven months-ended November 2012, heavy-duty truck tonnage in the U.S. as measured by the American Trucking Associations had increased, on average, 3% versus the comparable prior year period, which is consistent with the rate of growth in our sales of heavy-duty engine filters to the U.S. aftermarket in 2012 compared to 2011, excluding the effect of the additional week in 2011. The increase in sales of dust collection cartridges in 2012, including those that incorporate the Company's Protura® nanofiber filtration media, was driven by sales of new products and sales to new customers. Our U.S. sales of locomotive filters increased approximately 2% in 2012 compared with 2011 as U.S. rail activity expanded.

The decrease in foreign net sales (including export sales and adjusted for changes in foreign currency exchange rates) for the Engine/Mobile Filtration segment in 2012 from 2011 is detailed as follows:

(Dollars in millions)	Net Sales
Heavy-duty engine filter sales in China	\$(4.6)
Additional week in 2011	(3.9)
Heavy-duty engine filter sales in Europe	0.6
Other	5.1
Decrease in Foreign net sales	\$(2.8)

Net sales (including export sales and adjusted for changes in foreign currency exchange rates) outside the U.S. declined \$2.8 million in 2012 from 2011. This was influenced by a decline of \$4.6 million, or 15%, in sales in China driven by lower sales to OEM engine manufacturers due to lower diesel engine production activity in China, as well as a decline of \$3.9 million due to the additional week in 2011. Excluding the effect of the additional week in 2011 and changes in foreign currency exchange rates, our heavy-duty engine filter sales in Europe increased \$0.6 million, or 1%, in 2012 compared to 2011. All other net sales outside the U.S. increased by \$5.1 million, or 5%, in 2012 compared to 2011 as we increased sales to South America, South Africa and the Middle East primarily of existing products to existing customers.

Cost of Sales

Cost of sales decreased \$2.3 million, or 1%, in 2012 compared to 2011, primarily due to the 1% decrease in net sales. Cost of sales as a percentage of net sales increased to 63.2% in 2012 compared to 62.8% in 2011. Our raw material costs at our manufacturing facilities decreased approximately 2% in 2012 compared to 2011, driven by the 1% decrease in net sales and the benefits of certain cost reduction initiatives throughout our supply chain. Other components of cost of sales including direct labor, freight and manufacturing overhead increased 1%, or 0.6% as a percentage of sales, in 2012 due to annual salary rate and fringe benefit cost increases, higher freight costs as we continue to broaden our sales channels internationally, and lower overhead absorption driven by lower net sales, partially offset by lower compensation cost related to our company-wide profit sharing program.

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Selling and Administrative Expenses

Selling and administrative expenses decreased \$2.9 million, or 4%, in 2012 from 2011. This decrease was driven by a \$2.2 million decline in compensation related to our company-wide profit sharing program and a \$2.5 million decline in legal expenses, partly offset by \$1.3 million higher employee costs and \$0.5 million higher other selling and administrative expenses. With selling and administrative expenses declining 4% while our net sales declined 1%, we reduced our selling and administrative expenses as a percentage of net sales to 14.6% in 2012 compared to 15.0% in 2011.

2011 versus 2010

Net Sales

The \$63.9 million, or 14%, increase in net sales for our Engine/Mobile Filtration segment in 2011 from 2010 is detailed in the following tables:

Volume	9	%
Additional week in 2011	2	%
Pricing	1	%
Foreign exchange	2	%
	14	%

(Dollars in millions)	Net Sales
2010	\$446.1
U.S. net sales	32.3
Foreign net sales (including export)	24.2
Foreign exchange	7.4
Net increase	63.9
2011	\$510.0

The net increase in U.S. sales for the Engine/Mobile Filtration segment in 2011 from 2010 is detailed as follows:

(Dollars in millions)	Net Sales
Heavy-duty engine filters	\$28.2
Locomotive filters	2.4
Other	1.7
Increase in U.S. net sales	\$32.3

Our sales of heavy-duty engine filters in the U.S. were positively influenced by the strength of the U.S. trucking industry compared with 2010. Heavy-duty truck tonnage in the U.S. as measured by the American Trucking Associations was approximately 5% higher in 2011 compared with 2010. Our 2011 sales in the U.S. were also positively influenced by market share gains which we estimate contributed approximately 4% to our sales growth. Our U.S. sales of locomotive filters increased approximately 7% in 2011 compared with 2010 as U.S. rail activity improved.

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The increase in net sales outside the U.S. (including export sales and adjusted for changes in foreign currency) was driven by higher heavy-duty engine filter sales in many geographic locations including China where sales increased \$7.2 million, or 29%, from 2010 primarily from additional sales of new parts to OEM engine manufacturers. Our export sales from the U.S. increased \$11.4 million, or 20%, from 2010 as we increased our sales into South America and the Middle East of existing products to existing customers. Our heavy-duty engine filter sales in Europe increased \$3.2 million, or 7%, from 2010 primarily due to market share gains.

Each of the growth rates referenced above include the effect of our fiscal year 2011 having one more week than our fiscal year 2010, which favorably impacted segment net sales by approximately 2%.

Cost of Sales

Cost of sales increased \$39.8 million, or 14%, in 2011 from 2010, consistent with the 14% increase in net sales. As a result, cost of sales as a percentage of sales remained relatively flat at 62.8% in 2011 compared with 62.9% in 2010. Our raw material costs at our manufacturing facilities increased approximately 3% in 2011 compared with 2010. However, we were able to pass through most of these higher raw material costs to our customers through approximately 1% higher pricing. Accordingly, our raw material cost as a percentage of net sales at our manufacturing facilities increased less than 1.0 percentage point in 2011 compared with 2010. Other components of cost of sales including direct labor and manufacturing overhead increased slightly less than the 14% increase in net sales, reflecting labor efficiencies and overhead absorption benefits driven by higher sales volume.

Selling and Administrative Expenses

Selling and administrative expenses increased \$3.5 million, or 5%, in 2011 from 2010. This increase was the result of \$3.1 million higher employee costs and \$1.7 million higher various other selling and administrative expenses to support our domestic and international growth partially offset by a \$1.3 million decline in compensation related to our profit sharing program. With selling and administrative expenses growing only 5% while our net sales increased 14%, we reduced our selling and administrative expenses as a percentage of net sales to 15.0% in 2011 from 16.4% in 2010.

Industrial/Environmental Filtration Segment

(Dollars in thousands)	2012			2011			2010			2012 v 2011			2011 v 2010		
	(52 weeks)	(53 weeks)	(52 weeks)	(52 weeks)	(53 weeks)	(52 weeks)	\$	%	\$	%	\$	%	\$	%	
Net sales	\$541,364	\$523,026	\$470,359	\$18,338	4	%	\$52,667	11	%						
Cost of sales	360,962	349,295	316,261	11,667	3	%	33,034	10	%						
Gross profit	180,402	173,731	154,098	6,671	4	%	19,633	13	%						
Selling and administrative expenses	115,636	115,703	110,583	(67))	—	%	5,120	5	%					
Operating profit	64,766	58,028	43,515	6,738	12	%	14,513	33	%						
Gross margin	33.3	% 33.2	% 32.8	%	0.1	pt			0.4	pt					
Selling and administrative percentage	21.4	% 22.1	% 23.5	%	(0.7)) pt			(1.4)) pt					
Operating margin	12.0	% 11.1	% 9.3	%	0.9	pt			1.8	pt					

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

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2012 versus 2011

Net sales

The \$18.3 million, or 4%, increase in net sales for our Industrial/Environmental Filtration segment in 2012 compared to 2011 is detailed in the following tables:

Volume	3	%
Pricing	2	%
Acquisitions	2	%
Additional week in 2011	(2))%
Foreign exchange	(1))%
	4	%

(Dollars in millions)	Net Sales	
2011	\$523.0	
Foreign net sales (including export)	15.8	
U.S. net sales	9.7	
Foreign exchange	(7.2))
Net increase	18.3	
2012	\$541.3	

The increase in U.S. net sales for the Industrial/Environmental Filtration segment in 2012 from 2011 is detailed as follows:

(Dollars in millions)	Net Sales	
Filter sales through Total Filtration Services ("TFS")	\$11.7	
Natural gas - vessels and aftermarket filters	7.1	
Aerospace, oil drilling and other industrial filters	4.1	
Dust collection systems	2.9	
Aviation - vessels and aftermarket filters	(3.7))
Filtration media sales through TransWeb	(4.3))
Additional week in 2011	(7.6))
All other, net	(0.5))
Increase in U.S. net sales	\$9.7	

The increase in sales at TFS in 2012 was driven primarily by higher sales of liquid filters (including approximately \$3.3 million in sales arising from the acquisition of PDDA Filtration, Inc.) to a variety of markets including general industrial, automotive, food & beverage and chemical.

Higher sales to the natural gas market in 2012 were driven by an increase in natural gas vessel sales arising from increased natural gas extraction and transportation activity throughout the U.S., including at various shale gas basins.

The increase in sales to the aerospace, oil drilling and other industrial filter markets in 2012 was primarily due to higher sales of sand control screen filters to the oil and gas drilling industry and sintered mesh cartridge filters to the chemical processing industry.

Higher dust collection system sales in 2012 were the result of higher sales of Smog Hog® oil mist collector products and Dust Hog® industrial dust and fume collector products by our United Air Specialists subsidiary.

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The decline in sales of aviation vessels and aftermarket filters in 2012 was driven by declines in commercial and military aviation industry activity.

Lower sales of filtration media at TransWeb was primarily the result of lower order volume from a significant customer due to slower industry demand in the end-markets it serves.

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 2012 from 2011 is detailed as follows:

(Dollars in millions)	Net Sales
Malaysia - natural gas vessels and aftermarket filters	\$10.4
Australia - acquisition of Modular Engineering Pty Ltd.	5.4
Europe - liquid filters for petrochemical applications	3.8
Europe - commercial and military marine	(1.5)
Additional week in 2011	(2.7)
All other, net	0.4
Increase in foreign net sales	\$15.8

The increase in sales in Malaysia in 2012 was due primarily to higher natural gas vessel and aftermarket sales, driven by strength in the global natural gas market.

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

Higher European sales in 2012 compared to 2011 were driven by increased sales of liquid filters for petrochemical applications, partly offset by lower commercial and military marine filter sales.

Cost of Sales

Cost of sales increased \$11.7 million, or 3%, in 2012 compared to 2011. This increase was primarily the result of the 4% increase in net sales. Cost of sales as a percentage of net sales declined to 66.7% in 2012 compared with 66.8% in 2011. Our major components of cost of sales, including raw material, direct labor and manufacturing overhead all remained relatively flat as a percentage of net sales in 2012 compared to 2011. Although raw material costs increased about 3%, we were able to effectively pass these higher raw material costs to our customers through 2% higher pricing.

Selling and Administrative Expenses

Selling and administrative expenses decreased \$0.1 million, or less than one percent, in 2012 compared to 2011. With selling and administrative expenses decreasing less than one percent while our net sales increased 4%, we reduced our selling and administrative expenses as a percentage of net sales to 21.4% in 2012 from 22.1% in 2011.

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2011 versus 2010

Net Sales

The \$52.7 million, or 11%, net sales increase for our Industrial/Environmental Filtration segment in 2011 from 2010 is detailed in the following tables:

Volume	3	%
Additional week in 2011	2	%
Pricing	2	%
TransWeb acquisition	3	%
Foreign exchange	1	%
	11	%

(Dollars in millions)	Net Sales	
2010	\$470.4	
U.S. net sales	50.7	
Foreign net sales (including export)	(3.2)
Foreign exchange	5.1	
Net increase	52.6	
2011	\$523.0	

The net increase in U.S. sales for the Industrial/Environmental Filtration segment in 2011 from 2010 is detailed as follows:

(Dollars in millions)	Net Sales
Air filtration	\$12.3
Natural gas - vessels and aftermarket filters	9.8
TransWeb acquisition	9.5
Filter sales through Total Filtration Services ("TFS")	6.3
Aerospace, oil drilling and other industrial filters	6.0
Aviation - vessels and aftermarket filters	3.8
Dust collector systems	3.0
Increase in U.S. net sales	\$50.7

The increase in sales of air filtration products was due to the introduction of new product offerings including swine farm filters and housings, an increase in market share and a customer price increase in the second quarter of 2011.

Higher sales to the natural gas market in 2011 were due to an increase in natural gas vessel sales arising from additional pipeline construction, while sales of aftermarket filters were relatively flat.

U.S. net sales from TransWeb include only eleven months since the TransWeb acquisition was completed at the end of December 2010. TransWeb also had foreign net sales of \$3.5 million in 2011.

Increased sales at TFS in 2011 was the result of higher filter sales to a variety of markets including aerospace, automotive, chemical and general industrial.

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The increase in sales to the aerospace, oil drilling and other industrial markets in 2011 was primarily due to higher sales to the commercial aerospace market and of wire mesh filters to the fibers and plastics industries offset by lower sales to the oil drilling industry.

The increase in aviation vessels and aftermarket filters in 2011 was due in part to a large new vessel customer and higher order volume of aftermarket filters from existing customers.

Higher dust collector system sales in 2011 were the result of higher sales of kitchen emission systems and Dust Hog® and Smog Hog® products.

The \$3.2 million decline in foreign net sales (adjusted for changes in foreign currency) in 2011 was primarily driven by \$7.8 million lower aviation, marine and petrochemical filter and vessel sales in Europe due to less favorable Euro zone economic conditions and \$6.7 million lower natural gas filter and vessel sales in Malaysia due to several large orders in 2010 that did not repeat in 2011 offset by \$5.9 million higher sales of oil and gas products in Brazil as we entered that geographic market in 2011 and \$3.8 million higher natural gas filter and vessel sales in Canada from the addition of sales resources in that geographic market in 2011.

Each of the growth rates referenced above include the effect of our fiscal year 2011 having one more week than our fiscal year 2010, which favorably impacted segment net sales by approximately 2%.

Cost of Sales

Our 2011 cost of sales increased \$33.0 million, or 10%, from 2010. This increase was primarily the result of the 11% increase in net sales. Since our percentage growth in cost of sales was lower than our percentage growth in net sales, our cost of sales as a percentage of net sales declined to 66.8% in 2011 compared with 67.2% in 2010. Our major components of cost of sales including raw material, direct labor and manufacturing overhead all remained relatively flat as a percentage of net sales compared with 2010. Although raw material costs increased about 4%, we were able to effectively pass through most of these higher raw material costs to our customers through 2% higher pricing.

Selling and Administrative Expenses

Selling and administrative expenses increased \$5.0 million, or 5%, in 2011 from 2010. This increase was the result of \$3.0 million higher employee costs, \$1.8 million higher compensation related to our profit sharing program and \$0.2 million higher other selling and administrative expenses to support our domestic and international growth. With selling and administrative expenses growing only 5% while our net sales increased 11%, we reduced our selling and administrative expenses as a percentage of sales to 22.1% in 2011 from 23.5% in 2010.

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Packaging Segment

(Dollars in thousands)	2012	2011	2010	2012 v 2011		2011 v 2010	
	(52 weeks)	(53 weeks)	(52 weeks)	\$	%	\$	%
				Change	Change	Change	Change
Net sales	\$76,794	\$93,563	\$94,966	\$(16,769)	(18)%	\$(1,403)	(1)%
Cost of sales	62,283	73,384	76,041	(11,101)	(15)%	(2,657)	(3)%
Gross profit	14,511	20,179	18,925	(5,668)	(28)%	1,254	7%
Selling and administrative expenses	8,216	9,779	10,037	(1,563)	(16)%	(258)	(3)%
Operating profit	6,295	10,400	8,888	(4,105)	(39)%	1,512	17%
Gross margin	18.9%	21.6%	19.9%	(2.7)	pt	1.7	pt
Selling and administrative percentage	10.7%	10.5%	10.6%	0.2	pt	(0.1)	pt
Operating margin	8.2%	11.1%	9.4%	(2.9)	pt	1.7	pt

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

2012 versus 2011

Net Sales

The \$16.8 million, or 18%, decrease in net sales for our Packaging segment in 2012 compared to 2011 is detailed in the following table:

Volume	(17))%
Additional week in 2011	(2))%
Pricing	1	%
	(18))%

Net sales at our Packaging segment declined \$16.8 million, or 18%, in 2012 compared to 2011. This was primarily driven by lower sales of decorated flat sheet metal, smokeless tobacco packaging products and confection packaging products. Lower sales of decorated flat sheet metal products included lower holiday promotion sales, and lower smokeless tobacco packaging sales were primarily due to one of our major customers qualifying a second source supplier in accordance with their corporate policy. The effect of our fiscal year 2012 having one less week than our fiscal year 2011 unfavorably impacted net sales by approximately 2%.

Cost of Sales

Cost of sales declined \$11.1 million, or 15%, in 2012 compared to 2011. This decline was primarily the result of the 18% decline in net sales. Our cost of sales as a percentage of net sales increased to 81.1% in 2012 compared with 78.4% in 2011. Our raw material costs as a percentage of net sales remained relatively flat in 2012 compared to 2011. However, our direct labor costs as a percentage of net sales increased, primarily due to a shift in product mix towards custom-fabricated packaging products manufactured in smaller production runs. Our manufacturing overhead costs as a percentage of net sales also increased, primarily resulting from lower overhead absorption due to lower sales volume.

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Selling and Administrative Expenses

Selling and administrative expenses declined \$1.6 million, or 16%, in 2012 compared to 2011. This reduction was primarily the result of \$0.9 million lower compensation related to our profit-sharing program and \$0.4 million lower employee costs as we managed selling and administrative staff levels, primarily through attrition, in response to our declining sales in 2012.

2011 versus 2010

Net Sales

The 1% reduction in net sales at our Packaging segment in 2011 from 2010 is detailed in the following table:

Impact of additional week in 2011	2	%
Volume	(1))%
Pricing	3	%
No-margin tooling and equipment sale in 2010	(5))%
	(1))%

Net sales at our Packaging segment declined \$1.4 million, or 1%, in 2011 from 2010. However, this decline was influenced by a no-margin \$4.6 million tooling and equipment sale to one of our customers in 2010. Excluding the impact of this tooling and equipment sale, net sales increased \$3.2 million, or 4%, from 2010. This sales increase was driven by \$2.2 million higher packaging sales to the confection market and \$1.3 million higher sales to the smokeless tobacco market offset by lower sales to the film industry and of decorated flat sheet metal, including lower holiday promotional sales. These increases include the effect of our fiscal year 2011 having one more week than our fiscal year 2010, which favorably impacted segment net sales by approximately 2%.

Cost of Sales

Cost of sales declined \$2.7 million, or 3%, in 2011 from 2010. However, this decline was influenced by costs for the \$4.6 million no-margin tooling and equipment sale in 2010. All of the following comments and calculations exclude the impact of this tooling and equipment sale:

Cost of sales increased \$1.9 million, or 3%, from 2010. This increase was driven by a 4% increase in net sales. Cost of sales as a percentage of net sales declined slightly in 2011 to 78.4% from 79.1% in 2010. Even though our raw material costs increased approximately 8% in 2011, raw material cost as a percentage of net sales increased only 0.9 percentage point because we were able to pass a portion of these higher raw material costs to our customers through higher pricing. Cost of sales as a percentage of net sales decreased 0.7 percentage points despite the 0.9 percentage point increase in raw material cost primarily due to a 2.2 percentage point reduction in manufacturing overhead offset by a 0.6 percentage point increase in direct labor costs.

Selling and Administrative Expenses

Selling and administrative expenses declined \$0.3 million, or 3%, in 2011 from 2010. This reduction was primarily the result of \$0.3 million lower compensation related to our profit-sharing program.

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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 five-year multicurrency revolving credit agreement ("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 also 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 increased \$29.0 million to \$186.1 million at the end of 2012 from \$157.1 million at the end of 2011. Of the \$186.1 million of cash at the end of 2012, approximately \$91.0 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 3.7 at the end of 2012 was less than the current ratio of 3.8 at the end of 2011. This decrease was primarily the result of a \$16.7 million increase in accounts payable and accrued liabilities resulting mainly from certain pension benefit obligations that become due in fiscal 2013.

We entered into our Credit Facility in April 2012 under which we may borrow up to \$150.0 million under a selection of currencies and rate formulas. Our 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. We believe the financial institutions that are party to this agreement have adequate capital resources and will be able to fund future borrowings under our Credit Facility. At our election, the interest rate under the Credit 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 are unsecured, but are guaranteed by substantially all of the Company's material domestic subsidiaries. The Credit Facility also contains certain covenants customary to such agreements, as well as customary events of default. At the end of 2012, the LIBOR interest rate on our Credit Facility including margin was 0.76%. At the end of 2012, there were no amounts outstanding on the Credit Facility. However, we had \$16.0 million outstanding on the \$50.0 million letter of credit subline. Accordingly, we had approximately \$134.0 million available for further borrowing at the end of 2012. Our Credit Facility expires in April 2017.

Total long-term debt of \$16.6 million at the end of 2012 included \$15.8 million outstanding on industrial revenue bonds and \$0.8 million of other long-term debt. At the end of 2012 we were in compliance with all financial covenants as included in our Credit Facility. At the end of 2011 we were in compliance with all financial covenants as included in our previous credit facility. We expect to be in compliance with these covenants in the foreseeable future. The ratio of total debt to total capitalization (defined as long-term debt plus total shareholders' equity) was 1.8% at the end of 2012 compared to 2.0% at the end of 2011.

We had 49.7 million shares of common stock outstanding at the end of 2012 compared with 50.1 million at the end of 2011. This 0.5 million decrease was due to our repurchase of 0.8 million shares during 2012 offset in part by the

issuance of 0.3 million shares in conjunction with incentive plans. Shareholders' equity increased to \$901.8 million at the end of 2012 from \$835.6 million at the end of 2011. This \$66.3 million increase was driven by net earnings of \$123.3 million, stock issued and stock compensation expense pursuant to incentive plans of \$12.6 million offset by pension and other postretirement benefits adjustments of \$6.2 million, dividend payments of \$24.9 million, our repurchase of common stock of \$37.3 million and currency translation adjustments of \$1.0 million.

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Cash Flow 2012 versus 2011

Net cash provided by operating activities increased \$16.3 million in 2012 to \$135.8 million from \$119.5 million in 2011. This increase was primarily due to a \$15.6 million decrease in cash required for working capital, due to improved accounts receivable, inventory and accounts payable management of \$26.0 million, partly offset by a \$7.4 million increase in pension and postretirement healthcare benefit plan contributions and a \$3.0 million decrease in income taxes payable. Our pension and postretirement healthcare benefit plan contributions in 2012 included \$15.8 million of voluntary contributions made to our qualified U.S. pension plans.

Net cash used in investing activities increased \$12.0 million in 2012 to \$51.2 million from \$39.2 million in 2011. This increase was primarily due to \$14.0 million of increased capital expenditures, including approximately \$13.3 million of investments in our Engine/Mobile filtration manufacturing facility in Yankton, South Dakota, partly offset by a \$2.3 million decline in payments related to business acquisitions.

Net cash used in financing activities increased \$15.9 million to \$55.8 million in 2012 from \$39.9 million in 2011. This increase was primarily due to a \$8.0 million increase in payments for our repurchase of common stock, which increased to \$37.3 million in 2012 from \$29.3 million in 2011, and a \$3.0 million increase in cash dividends paid, which increased to \$24.9 million in 2012 from \$21.9 million in 2011. We also received \$2.0 million less from the issuance of common stock pursuant to employee incentive plans in 2012 compared to 2011, and excess tax benefits from stock-based compensation declined by \$3.1 million in 2012 compared to 2011, both of which were driven by a decline in the amount of stock options exercised in 2012 compared to 2011.

Cash Flow 2011 versus 2010

Net cash provided by operating activities decreased \$23.9 million in 2011 to \$119.5 million from \$143.4 million in 2010. This decrease was primarily due to a \$32.2 million decrease in cash generated from changes in short-term investments and \$19.9 million of additional cash required for working capital to support higher net sales offset by a \$28.0 million increase in net earnings.

Net cash used in investing activities increased \$17.3 million in 2011 from 2010 primarily due to \$16.1 million of cash paid pursuant to the TransWeb acquisition.

Net cash used in financing activities decreased \$22.6 million to \$39.9 million in 2011 from \$62.5 million in 2010. The \$39.9 million cash used in financing activities in 2011 was primarily due to payments of \$29.3 million for our repurchase of common stock and \$22.0 million for the payment of dividends partially offset by \$8.4 million received for the issuance of stock pursuant to employee incentive plans. The \$62.5 million cash used in financing activities in 2010 was primarily due to payments of \$35.0 million on our Credit Facility, \$20.1 million for the payment of dividends and \$16.3 million for our repurchase of common stock partially offset by \$7.3 million received for the issuance of stock pursuant to employee incentive plans.

Fiscal Year 2013

In 2011 we announced that we intend to invest approximately \$28.0 million in 2011 through 2014 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 2012 we had invested approximately \$15.4 million in this facility. This additional capacity became operational in 2012, and we anticipate that additional equipment will be added through 2014.

In 2013 we expect to make contributions to our pension and other post-retirement benefit plans of \$27.9 million. This includes \$21.0 million related to pension benefits payable 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, which is included in accounts payable and accrued liabilities at November 30, 2012.

We have no material long-term purchase commitments.

We will continue to assess repurchases of our common stock. In June 2010, 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 2012, we repurchased and retired 0.8 million shares of our common stock for \$37.3 million at an average price of \$47.07 per share. During 2011, we repurchased and retired 0.7 million shares of our common stock for \$29.3 million at an average price of \$42.88 per share. At the end of 2012, there was approximately \$167.1 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, 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 2012 for the years indicated:

(Dollars in millions)	Payments Due by Period				
	December 1, 2012	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Pension plan and other post-retirement contributions	\$58.5	\$27.9	\$17.6	\$10.4	\$2.6
Operating leases	50.2	12.5	18.5	8.7	10.5
Open purchase orders	70.9	68.6	1.7	0.6	—
Long-term debt (excluding line of credit)	16.5	0.2	0.3	8.6	7.4
Interest on long-term debt (excluding line of credit)	0.9	0.1	0.2	0.1	0.5
Contingent earnout	1.3	—	—	1.3	—
Investment in affiliate	0.2	0.2	—	—	—
Total	\$198.5	\$109.5	\$38.3	\$29.7	\$21.0

Anticipated payments pursuant to our pension plans and for other post-retirement benefits 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 in the table above are determined based upon current interest rates as of the end of 2012 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 2012, our gross liability for uncertain income tax provisions was \$2.2 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 H to the Consolidated Financial Statements. We had no variable interest entity or special purpose entity agreements during 2012 or 2011.

OTHER MATTERS

Additional Week in 2011

In addition to the GAAP results provided throughout this annual report, the Company provides non-GAAP net sales, non-GAAP operating profit, non-GAAP net earnings and non-GAAP diluted earnings per share for fiscal 2011 which exclude the impact of having an additional week in fiscal 2011 in comparison to fiscal 2012 and fiscal 2010. These non-GAAP financial measures are not in accordance with, nor an alternative for, generally accepted accounting principles in the United States. The GAAP measures most directly comparable to these non-GAAP net sales, non-GAAP operating profit, non-GAAP net earnings and non-GAAP diluted earnings per share figures are net sales,

operating profit, net earnings and diluted earnings per share, respectively.

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The fiscal 2011 non-GAAP financial measures shown below exclude the impact of having an additional week in our 2011 fourth quarter and fiscal year. Although the comparison of fiscal year data excluding the additional week in our fiscal 2011 is not a measure of financial performance under GAAP, the Company believes that providing these non-GAAP financial measures better enables readers of this annual report to understand and evaluate the Company's historical and prospective operating performance. Management believes that removing the impact of the additional week in 2011 provides a more comparable measure of the changes in net sales, operating profit, net earnings and diluted earnings per share in 2012 compared to 2011.

(Dollars in thousands)	2012	2011	2010	2012 vs 2011	
	(52 weeks)	(52 weeks)	(52 weeks)	\$ Change	% Change
Net sales	\$1,121,765	\$1,104,635	\$1,011,429	\$17,130	2%
Operating profit	182,714	177,357	144,649	5,357	3%
Net earnings attributable to CLARCOR					