FULLER H B CO
Form 10-K
January 27, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 28, 2015

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to _____________

Commission file number: 001-09225

H.B. FULLER COMPANY

(Exact name of registrant as specified in its charter)

Minnesota	**41-0268370**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1200 Willow Lake Boulevard, St. Paul, Minnesota	**55110-5101**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(651) 236-5900**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] 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 (or for such shorter period that the registrant was required to submit and post such files). [X] 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 the Form 10-K. [ ]

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

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

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

The aggregate market value of the Common Stock, par value $1.00 per share, held by non-affiliates of the registrant as of May 30, 2015 was approximately $2,108,178,575 (based on the closing price of such stock as quoted on the New York Stock Exchange of $42.11 on such date).

The number of shares outstanding of the Registrant's Common Stock, par value $1.00 per share, was 50,075,532 as of January 21, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference to portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 7, 2016.

H.B. FULLER COMPANY

2015 Annual Report on Form 10-K

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PART I

Item 1. Business

H.B. Fuller Company was founded in 1887 and incorporated as a Minnesota corporation in 1915. Our stock is traded on the New York Stock Exchange (NYSE) under the ticker symbol FUL. As used herein, "H.B. Fuller", "we", "us", "our", "management" or "company" includes H.B. Fuller and its subsidiaries unless otherwise indicated. Where we refer to 2015, 2014 and 2013 herein, the reference is to our fiscal years ended November 28, 2015, November 29, 2014 and November 30, 2013, respectively.

We are a leading worldwide formulator, manufacturer and marketer of adhesives, sealants and other specialty chemical products. Sales operations span 36 countries in North America, Europe, Latin America, the Asia Pacific region, India, the Middle East and Africa. Industrial adhesives represent our core product offering. Customers use our adhesives products in manufacturing common consumer and industrial goods, including food and beverage containers, disposable diapers, windows, doors, flooring, appliances, sportswear, footwear, multi-wall bags, water filtration products, insulation, textiles and electronics. Our adhesives help improve the performance of our customers' products or improve their manufacturing processes. We also provide our customers with technical support and unique solutions designed to address their specific needs. We have established a variety of product offerings for residential construction markets, such as tile-setting adhesives, grout, sealants and related products, which are sold primarily in our Construction Products operating segment.

Recent Acquisitions

On February 3, 2015 we acquired Continental Products Limited, a provider of industrial adhesives, based in Nairobi, Kenya for $1.6 million. The acquisition supports our growth strategy for emerging markets and delivers specialty adhesive products to key customers in East and Central Africa.

On February 2, 2015 we acquired 95 percent of Tonsan Adhesive, Inc., an independent engineering adhesives provider based in Beijing, China for $215.9 million. The acquisition strengthens our customer relationships in the engineering adhesives markets. Concurrent with the acquisition, we entered into an agreement to acquire the remaining 5 percent of Tonsan's equity beginning February 1, 2019 for 82 million Chinese renminbi or approximately $13.0 million. In addition, the agreement requires us to pay up to 418 million Chinese renminbi, or approximately $66.8 million, in contingent consideration based upon a formula related to Tonsan's gross profit in fiscal 2018. The fair values of the agreement to purchase the remaining equity and the contingent consideration based upon a discounted cash flow model as of the date of acquisition were $11.8 million and $7.7 million, respectively.

Operating Segment Information

Our business is reported in four operating segments - Americas Adhesives, EIMEA (Europe, India, Middle East and Africa), Asia Pacific and Construction Products. In 2015, as a percentage of total net revenue by operating segment, Americas Adhesives was 42 percent, EIMEA 29 percent, Asia Pacific 18 percent and Construction Products 11 percent.

Our Americas Adhesives, EIMEA and Asia Pacific operating segments produce and supply industrial adhesives products for applications in various markets, including durable assembly (appliances, filters, construction, automotive, electronics, windows, doors, wood flooring, textile such as footwear, sportswear), packaging (food and beverage containers, flexible packaging, consumer goods, package integrity and re-enforcement, durable and non-durable goods), converting (corrugation, folding carton, tape and label, paper converting, envelopes, books, multi-wall bags, sacks, tissue and towel) and nonwoven and hygiene (disposable diapers, feminine care and medical garments). Our Construction Products operating segment includes products used for tile setting (adhesives, grouts, mortars, sealers, levelers), flooring, and heating, ventilation and air conditioning and insulation applications (duct sealants, weather barriers and fungicidal coatings, block fillers).

The Americas Adhesives operating segment includes a full range of specialty adhesives such as thermoplastic, thermoset, reactive, water-based and solvent-based products. Sales are made primarily through a direct sales force with a smaller portion of sales through distributors.

The EIMEA operating segment is comprised of an adhesives component with the same range of products as the Americas Adhesives operating segment. EIMEA adhesives sales are made through both a direct sales force and distributors.

The Asia Pacific operating segment is similar to that of the Americas Adhesives operating segment, with one exception. The Asia Pacific operating segment also includes caulks and sealants for the consumer market and professional trade, sold through retailers, primarily in Australia. Other adhesives sales are made through a direct sales force and distributors.

The Construction Products operating segment provides floor preparation, grouts and mortars for tile setting as well as sealants and related products for heating, ventilation and air conditioning installations. Construction Products sales are made primarily through distributors, wholesalers, big box retailers and a direct sales force.

Financial information with respect to our operating segments and geographic areas is set forth in Note 14 to the Consolidated Financial Statements.

Non-U.S. Operations

The principal markets, products and methods of distribution outside the United States vary with each of our regional operations generally maintaining integrated business units that contain dedicated supplier networks, manufacturing, logistics and sales organizations. The vast majority of the products sold within any region are produced within the region, and the respective regions do not import significant amounts of product from other regions. At the end of 2015, we had sales offices and manufacturing plants in 20 countries outside the United States and satellite sales offices in another 15 countries.

We have detailed Code of Conduct policies that we apply across all of our operations around the world. This set of policies represents a set of common values that apply to all employees and all of our business dealings. We have adopted policies and processes, and conduct employee training, all of which are intended to ensure compliance with various economic sanctions and export controls, including the regulations of the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). We do not conduct any business in countries that are subject to U.S. economic sanctions such as Cuba, Iran, North Korea, Sudan and Syria.

Competition

Many of our markets are highly competitive. However, we compete effectively due to the quality and breadth of our adhesives, sealants and specialty chemical portfolio and the experience and expertise of our commercial organizations. Within the adhesives and other specialty chemical markets, we believe few suppliers have comparable global reach and corresponding ability to deliver quality and consistency to multinational customers. Our competition is made up generally of two types of companies: (1) similar multinational suppliers and (2) regional or specialty suppliers that typically compete in only one region or within a narrow geographic area within a region. The multinational competitors typically maintain a broad product offering and range of technology, while regional or specialty companies tend to have limited or more focused product ranges and technology.

Principal competitive factors in the sale of adhesives and other specialty chemicals are product performance, supply assurance, technical service, quality, price and customer service.

Customers

We have cultivated strong, integrated relationships with a diverse set of customers worldwide. Our customers are among the technology and market leaders in consumer goods, construction, and industrial markets. We pride ourselves on long-term, collaborative customer relationships and a diverse portfolio of customers in which no single customer accounted for more than 10 percent of consolidated net revenue.

Our leading customers include manufacturers of food and beverages, hygiene products, clothing, major appliances, electronics, automobiles, filters, construction materials, wood flooring, furniture, cabinetry, windows, doors, tissue and towel, corrugation, tube winding, packaging, labels and tapes.

Our products are delivered directly to customers primarily from our manufacturing plants, with additional deliveries made through distributors and retailers.

Backlog

No significant backlog of unfilled orders existed at November 28, 2015 or November 29, 2014.

Raw Materials

We use several principal raw materials in our manufacturing processes, including tackifying resins, polymers, synthetic rubbers, vinyl acetate monomer and plasticizers. We generally avoid sole source supplier arrangements for raw materials.

The majority of our raw materials are petroleum/natural gas based derivatives. Under normal conditions, raw materials are available on the open market. Prices and availability are subject to supply and demand market mechanisms. Raw material costs are primarily determined by the balance of supply against the aggregate demand from the adhesives industry and other industries that use the same raw material streams. The cost of crude oil and natural gas, the primary feedstocks for our raw materials, can also impact the cost of our raw materials.

Patents, Trademarks and Licenses

Much of the technology we use in our products and manufacturing processes is available in the public domain. For technology not available in the public domain, we rely on trade secrets and patents when appropriate to protect our competitive position. We also license some patented technology from other sources. Our business is not materially dependent upon licenses or similar rights or on any single patent or group of related patents.

We enter into agreements with many employees to protect rights to technology and intellectual property. Confidentiality commitments also are routinely obtained from customers, suppliers and others to safeguard proprietary information.

We own numerous trademarks and service marks in various countries. Trademarks, such as H.B. Fuller®, Swift®, Advantra®, Clarity®, Sesame®, TEC®, Plasticola®, Foster®, Rakoll®, Rapidex®, Full-Care™, Liquamelt®, Thermonex®, Tile-Perfect® and TONSAN® are important in marketing products. Many of our trademarks and service marks are registered. U.S. trademark registrations are for a term of ten years and are renewable every ten years as long as the trademarks are used in the regular course of trade.

Research and Development

Our investment in research and development creates new and innovative adhesive technology platforms, enhances product performance, ensures a competitive cost structure and leverages available raw materials. New product development is a key research and development outcome, providing higher-value solutions to existing customers or meeting new customers’ needs. Projects are developed in local laboratories in each region, where we understand our customer base the best. Platform developments are coordinated globally through our network of laboratories.

Through designing and developing new polymers and new formulations, we expect to continue to grow in our current markets. We also develop new applications for existing products and technologies, and improve manufacturing processes to enhance productivity and product quality. Research and development efforts are closely aligned to customer needs, but we do not engage in customer sponsored activities. We foster open innovation, seek supplier-driven new technology and use relationships with academic and other institutions to enhance our capabilities.

Research and development expenses were $26.2 million, $21.2 million and $24.6 million in 2015, 2014 and 2013, respectively. Research and development costs are included in selling, general and administrative expenses.

Environmental, Health and Safety

We comply with applicable regulations relating to environmental protection and workers' safety. This includes regular review of and upgrades to environmental, health and safety policies, practices and procedures as well as improved production methods to minimize our facilities’ outgoing waste, based on evolving societal standards and increased environmental understanding.

Environmental expenditures to comply with environmental regulations over the next two years are estimated to be approximately $9.9 million, including approximately $1.9 million of capital expenditures. See additional disclosure under Item 3. Legal Proceedings.

Seasonality

Our Americas Adhesives, EIMEA and Construction Products operating segments have historically had lower net revenue in winter months, which is primarily our first fiscal quarter, partially due to the seasonal decline in construction activities. There also are many international holidays in our first quarter, reducing available shipping days.

Employees

We employed approximately 4,400 individuals on November 28, 2015, of which approximately 1,500 were located in the United States.

Executive Officers of the Registrant

The following table shows the name, age and business experience for the past five years of the executive officers as of January 15, 2016. Unless otherwise noted, the positions described are positions with the company or its subsidiaries.

Name	**Age**	**Positions**	**Period Served**
James J. Owens	51	President and Chief Executive Officer Senior Vice President, Americas	November 2010 - Present
		Senior Vice President, North America	January 2010 - November 2010

			September 2008 - January 2010
Heather A. Campe	42	Vice President, Asia Pacific	June 2014 - Present
		Vice President and General Manager, Asia	January 2013 - May 2014
		Director, Business Nonwoven	November 2010 - January 2013
		Director, Business Envelope, Graphic Arts & Tobacco	March 2009 - October 2010
Elin E. Gabriel	52	Vice President, Global Operations	June 2014 - Present
		Chief Operating Officer, Alvogen (a multinational pharmaceuticals company)	2010 - 2013
James R. Giertz	58	Executive Vice President, Chief Financial Officer	October 2013 - Present
		Senior Vice President, Chief Financial Officer	March 2008 - October 2013
Traci L. Jensen	49	Senior Vice President, Americas Adhesives	January 2013 - Present
		Vice President, Americas Adhesives	November 2011 - January 2013
		Vice President, North America	2010 - 2011
Timothy J. Keenan	58	Vice President, General Counsel and Corporate Secretary	December 2006 - Present
Steven Kenny	54	Senior Vice President, Emerging Markets	June 2015 - Present
		Senior Vice President, Europe, India, Middle East and Africa (EIMEA)	October 2009 - June

			2015
Patrick M. Kivits	48	Senior Vice President, EIMEA	September 2015 - Present
		Corporate Vice President and General Manager , Henkel Corporation (global manufacturer of adhesives, sealants and surface treatments)	2013 - September 2015
		Vice President, Henkel AG & Co. KGaA	2011 - 2013
Ann B. Parriott	57	Vice President, Human Resources	January 2006 - Present
Hassan H. Rmaile	38	Vice President, Chief Technology and Innovation Officer	July 2015 - Present
		Chief Technology and Innovation Officer	October 2012 - July 2015
		Global Vice President, Growth Platforms, Ashland Inc. (global manufacturer of specialty chemical products)	2011 – October 2012
Patrick J. Trippel	56	Senior Vice President, Market Development	April 2013 - Present
		Senior Vice President, Construction Materials	April 2011 - April 2013
		Senior Vice President and General Manager, Global General Industries, Henkel Corporation (global manufacturer of adhesives, sealants and surface treatments)	2009 - 2011

The Board of Directors elects the executive officers annually.

Available Information

For more information about us, visit our website at: www.hbfuller.com.

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (SEC) via EDGAR. Our SEC filings are available free of charge to the public at our website as soon as reasonably practicable after they have been filed with or furnished to the SEC.

Item 1A. Risk Factors

As a global manufacturer of adhesives, sealants and other specialty chemical products, we operate in a business environment that is subject to various risks and uncertainties. Below are the most significant factors that could adversely affect our business, financial condition and results of operations.

Adverse conditions in the global economy could negatively impact our customers and therefore our financial results.

An economic downturn in the businesses or geographic areas in which we sell our products could reduce demand for these products and result in a decrease in sales volume that could have a negative impact on our results of operations. Product demand often depends on end-use markets. Economic conditions that reduce consumer confidence or discretionary spending may reduce product demand. Challenging economic conditions may also impair the ability of customers to pay for products they have purchased, and as a result, our reserves for doubtful accounts and write-offs of accounts receivable may increase.

Increases in prices and declines in the availability of raw materials could negatively impact our financial results.

In 2015, raw material costs made up over 75 percent of our cost of sales. Accordingly, changes in the cost of raw materials can significantly impact our earnings. Raw materials needed to manufacture products are obtained from a number of suppliers and many of the raw materials are petroleum and natural gas based derivatives. Under normal market conditions, these raw materials are generally available on the open market from a variety of producers. While alternate supplies of most key raw materials are available, supplier production outages may lead to strained supply-demand situations for certain raw materials. The substitution of key raw materials requires us to identify new supply sources, reformulate, retest and may require seeking re-approval from our customers using those products. From time to time, the prices and availability of these raw materials may fluctuate, which could impair our ability to procure necessary materials, or increase the cost of manufacturing products. If the prices of raw materials increase in a short period of time, we may be unable to pass these increases on to our customers in a timely manner and could experience reductions to our profit margins. Based on 2015 financial results, a hypothetical one percent change in our raw material costs would have resulted in a change in net income of approximately $7.3 million or $0.14 per diluted share.

Uncertainties in foreign social, political and economic conditions and fluctuations in foreign currency may adversely affect our results.

Approximately 57 percent, or $1.2 billion, of our net revenue was generated outside the United States in 2015. International operations could be adversely affected by changes in social, political and economic conditions, especially in the Middle East, Russia, China and other developing or emerging markets where we do business. The Tonsan aquisition significantly increased our net revenue in China, thus increasing our potential exposure to changes in its social, political and economic conditions. In addition, trade protection measures, anti-bribery and anti-corruption regulations, restrictions on repatriation of earnings, differing intellectual property rights and changes in legal and regulatory requirements that restrict the sales of products or increase costs could adversely affect our results of operations.

Fluctuations in exchange rates between the U.S. dollar and other currencies could potentially result in increases or decreases in net revenue, cost of raw materials and earnings and may adversely affect the value of our assets outside the United States. In 2015 the change in foreign currencies negatively impacted our net revenue by approximately $126.0 million. In 2015 we spent approximately $1.2 billion for raw materials worldwide of which approximately $638.8 million was purchased outside the United States. Based on 2015 financial results, a hypothetical one percent change in our cost of sales due to foreign currency rate changes would have resulted in a change in net income of approximately $5.2 million or $0.10 per diluted share. Although we utilize risk management tools, including hedging, as appropriate, to mitigate market fluctuations in foreign currencies, any changes in strategy in regard to risk management tools can also affect sales revenue, expenses and results of operations and there can be no assurance that such measures will result in cost savings or that all market fluctuation exposure will be eliminated.

We experience substantial competition in each of the operating segments and geographic areas in which we operate.

Our wide variety of products are sold in numerous markets, each of which is highly competitive. Our competitive position in markets is, in part, subject to external factors. For example, supply and demand for certain of our products is driven by end-use markets and worldwide capacities which, in turn, impact demand for and pricing of our products. Many of our direct competitors are part of large multinational companies and may have more resources than we do. Any increase in competition may result in lost market share or reduced prices, which could result in reduced profit margins. This may impair the ability to grow or even to maintain current levels of revenues and earnings. While we have an extensive customer base, loss of certain top customers could adversely affect our financial condition and results of operations until such business is replaced, and no assurances can be made that we would be able to regain or replace any lost customers.

Failure to develop new products and protect our intellectual property could negatively impact our future performance and growth.

Ongoing innovation and product development are important factors in our competitiveness. Failure to create new products and generate new ideas could negatively impact our ability to grow and deliver strong financial results. We continually apply for and obtain U.S. and foreign patents to protect the results of our research for use in our operations and licensing. We are party to a substantial number of patent licenses and other technology agreements. We rely on patents, confidentiality agreements and internal security measures to protect our intellectual property. Failure to protect this intellectual property could negatively affect our future performance and growth.

We may be required to record impairment charges on our long-lived assets.

Weak demand may cause underutilization of our manufacturing capacity or elimination of product lines; contract terminations or customer shutdowns may force sale or abandonment of facilities and equipment; or other events associated with weak economic conditions or specific product or customer events may require us to record an impairment on tangible assets, such as facilities and equipment, as well as intangible assets, such as intellectual property or goodwill, which would have a negative impact on our financial results.

We have lawsuits and claims against us with uncertain outcomes.

Our operations from time to time are parties to or targets of lawsuits, claims, investigations and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which are handled and defended in the ordinary course of business. The results of any future litigation or settlement of such lawsuits and claims are inherently unpredictable, but such outcomes could be adverse and material in amount. See Item 3. Legal Proceedings for a discussion of current litigation.

Costs and expenses resulting from compliance with environmental laws and regulations may negatively impact our operations and financial results.

We are subject to numerous environmental laws and regulations that impose various environmental controls on us or otherwise relate to environmental protection, the sale and export of certain chemicals or hazardous materials, and various health and safety matters. The costs of complying with these laws and regulations can be significant and may increase as applicable requirements and their enforcement become more stringent and new rules are implemented. Adverse developments and/or periodic settlements could negatively impact our results of operations and cash flows. See Item 3. Legal Proceedings for a discussion of current environmental matters.

Additional income tax expense or exposure to additional income tax liabilities could have a negative impact on our financial results.

We are subject to income tax laws and regulations in the United States and various foreign jurisdictions. Significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Our income tax liabilities are dependent upon the location of earnings among these different jurisdictions. Our income tax provision and income tax liabilities could be adversely affected by the jurisdictional mix of earnings, changes in valuation of deferred tax assets and liabilities and changes in tax laws and regulations. In the ordinary course of our business, we are also subject to continuous examinations of our income tax returns by tax authorities. Although we believe our tax estimates are reasonable, the final results of any tax examination or related litigation could be materially different from our related historical income tax provisions and accruals. Adverse developments in an audit, examination, litigation related to previously filed tax returns, or in the relevant jurisdiction's tax laws, regulations, administrative practices, principles and interpretations could have a material effect on our results of operations and cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods.

Distressed financial markets may result in dramatic deflation of asset valuations and a general disruption in capital markets.

Adverse equity market conditions and volatility in the credit markets could have a negative impact on the value of our pension trust assets and our future estimated pension liabilities, and other postretirement benefit plans. In addition, we could be required to provide increased pension plan funding. As a result, our financial results could be negatively impacted. Reduced access to capital markets may affect our ability to invest in strategic growth initiatives such as acquisitions. In addition, the reduced credit availability could limit our customers' ability to invest in their businesses, refinance maturing debt obligations, or meet their ongoing working capital needs. If these customers do not have sufficient access to the financial markets, demand for our products may decline.

Catastrophic events could disrupt our operations or the operations of our suppliers or customers, having a negative impact on our financial results.

Unexpected events, including natural disasters and severe weather events, fires or explosions at our facilities or those of our suppliers, acts of war or terrorism, supply disruptions or breaches of security of our information technology systems could increase the cost of doing business or otherwise harm our operations, our customers and our suppliers. Such events could reduce demand for our products or make it difficult or impossible for us to receive raw materials from suppliers and deliver products to our customers.

A failure in our information technology systems could negatively impact our business.

We rely on information technology to record and process transactions, manage our business and maintain the financial accuracy of our records. Our computer systems are subject to damage or interruption from various sources, including power outages, computer and telecommunications failures, computer viruses, security breaches, vandalism, catastrophic events and human error. Interruptions of our computer systems could disrupt our business and could result in the loss of business and cause us to incur additional expense.

Information technology security threats are increasing in frequency and sophistication. Our information technology systems could be breached by unauthorized outside parties or misused by employees or other insiders intent on extracting sensitive information, corrupting information or disrupting business processes. Such unauthorized access could compromise confidential information, disrupt our business, harm our reputation, result in the loss of assets, customer confidence and business and have a negative impact on our financial results.

We are in the process of implementing a global Enterprise Resource Planning (ERP) system, which we refer to as Project ONE, that will upgrade and standardize our information system. The implementation is expected to occur in phases over the next several years. The North America adhesives business went live in 2014, and the implementation process proved to be more difficult than we originally anticipated resulting in disruptions in our manufacturing network, lower productivity and deteriorated customer service levels. By the end of 2014, most of the problems associated with the software implementation had been remediated and the business was stable and running at capacity with productivity levels approaching the levels experienced prior to the new software implementation.

In late 2014, we suspended any further implementation projects in other geographic regions until we complete the optimization of the current platform in North America. We are preparing a revised implementation plan that leverages the experiences of our first go-live event and reduces the risk of significant business interruption. We expect to start subsequent implementations in the second half of 2016 with completion of the second phase expected in early 2017.

Any delays or other failure to achieve our implementation goals may adversely impact our financial results. In addition, the failure to either deliver the application on time or anticipate the necessary readiness and training needs could lead to business disruption and loss of business. Failure or abandonment of any part of the ERP system could result in a write-off of part or all of the costs that have been capitalized on the project.

The inability to attract and retain qualified personnel could adversely impact our business.

Sustaining and growing our business depends on the recruitment, development and retention of qualified employees. The inability to recruit and retain key personnel or the unexpected loss of key personnel may adversely affect our operations.

The inability to make or effectively integrate future acquisitions may affect our results.

As part of our growth strategy, we intend to pursue additional acquisitions of complementary businesses or products and joint ventures. The ability to grow through acquisitions or joint ventures depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions or joint venture arrangements. If we fail to successfully integrate acquisitions into our existing business, our results of operations and our cash flows could be adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Principal executive offices and central research facilities are located in the St. Paul, Minnesota area. These facilities are company-owned and contain 247,630 square feet. Manufacturing operations are carried out at 21 plants located throughout the United States and at 24 plants located in 19 other countries. In addition, numerous sales and service offices are located throughout the world. We believe that the properties owned or leased are suitable and adequate for our business. Operating capacity varies by product line, but additional production capacity is available for most product lines by increasing the number of shifts worked. The following is a list of our manufacturing plants as of November 28, 2015 (each of the listed properties are owned by us, unless otherwise specified):

Region	Manufacturing Sq Ft	Region	Manufacturing Sq Ft
Americas Adhesives		**Asia Pacific**	
California - Roseville	82,202	Australia - Dandenong South, VIC	71,280
Georgia - Covington	73,500	Republic of China - Beijing	78,120
- Norcross[1]	21,755	- Beijing[1]	5,597
- Tucker	69,000	- Guangzhou	36,055
Illinois - Seneca	24,621	- Nanjing	55,224
Kentucky - Paducah	252,500	- Suzhou	73,622
Michigan - Grand Rapids	65,689	- Yantai	23,890
Minnesota - Fridley	15,850	Malaysia - Selongor	21,900
- Vadnais Heights	53,145	Philippines - Manila	9,295
Ohio - Blue Ash	102,000	**Asia Pacific Total**	**374,983**
Texas - Mesquite	25,000		
Washington - Vancouver	35,768	**EIMEA**	
Argentina - Buenos Aires	10,367	Austria - Wels[1, 2]	66,500
Brazil - Sorocaba, SP[2]	7,535	Egypt - 6th of October City	8,525
- Curitiba[1]	9,896	Finland - Espoo	5,575
Chile - Maipu, Santiago	64,099	France - Blois	48,438
Colombia - Rionegro	17,072	- Surbourg	21,743
Americas Adhesives Total	**929,999**	Germany - Lueneburg	64,249
		- Nienburg	139,248
Construction Products		- Pirmasens[2]	48,438
California - La Mirada	15,206	Greece - Lamia	11,560
Florida - Gainesville	6,800	India - Pune	38,782
Georgia - Dalton	72,000	Italy - Borgolavezzaro[2]	24,219
Illinois - Aurora	149,000	- Pianezze	36,500
- Palatine	55,000	Portugal - Mindelo	90,193
New Jersey - Edison	9,780	Spain - Vigo[2]	19,375
Pennsylvania - Fairless Hills	19,229	United Kingdom - Dukinfield	17,465
Texas - Eagle Lake	26,000	**EIMEA Total**	**640,810**
- Houston	11,000		
Construction Products Total	**364,015**		

1 Leased Property
2 Idle Property

Item 3. Legal Proceedings

Environmental Matters. From time to time, we become aware of compliance matters relating to, or receive notices from, federal, state or local entities regarding possible or alleged violations of environmental, health or safety laws and regulations. We review the circumstances of each individual site, considering the number of parties involved, the level of potential liability or our contribution relative to the other parties, the nature and magnitude of the hazardous substances involved, the method and extent of remediation, the estimated legal and consulting expense with respect to each site and the time period over which any costs would likely be incurred. Also, from time to time, we are identified as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and/or similar state laws that impose liability for costs relating to the clean up of contamination resulting from past spills, disposal or other release of hazardous substances. We are also subject to similar laws in some of the countries where current and former facilities are located. Our environmental, health and safety department monitors compliance with applicable laws on a global basis. To the extent we can reasonably estimate the amount of our probable liabilities for environmental matters, we establish a financial provision.

Currently we are involved in various environmental investigations, clean up activities and administrative proceedings and lawsuits. In particular, we are currently deemed a PRP in conjunction with numerous other parties, in a number of government enforcement actions associated with landfills and/or hazardous waste sites. As a PRP, we may be required to pay a share of the costs of investigation and clean up of these sites. In addition, we are engaged in environmental remediation and monitoring efforts at a number of current and former operating facilities. While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we have concluded that these matters, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow. However, adverse developments and/or periodic settlements could negatively impact the results of operations or cash flows in one or more future periods.

Other Legal Proceedings. From time to time and in the ordinary course of business, we are a party to, or a target of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, contract, patent and intellectual property, environmental, health and safety, tax and employment matters. While we are unable to predict the outcome of these matters, we have concluded, based upon currently available information, that the ultimate resolution of any pending matter, individually or in the aggregate, including the asbestos litigation described in the following paragraphs, will not have a material adverse effect on our results of operations, financial condition or cash flow.

We have been named as a defendant in lawsuits in which plaintiffs have alleged injury due to products containing asbestos manufactured more than 30 years ago. The plaintiffs generally bring these lawsuits against multiple defendants and seek damages (both actual and punitive) in very large amounts. In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable injuries or that the injuries suffered were the result of exposure to products manufactured by us. We are typically dismissed as a defendant in such cases without payment. If the plaintiff presents evidence indicating that compensable injury occurred as a result of exposure to our products, the case is generally settled for an amount that reflects the seriousness of the injury, the length, intensity and character of exposure to products containing asbestos, the number and solvency of other defendants in the case, and the jurisdiction in which the case has been brought.

A significant portion of the defense costs and settlements in asbestos-related litigation is paid by third parties, including indemnification pursuant to the provisions of a 1976 agreement under which we acquired a business from a third party. Currently, this third party is defending and paying settlement amounts, under a reservation of rights, in most of the asbestos cases tendered to the third party.

In addition to the indemnification arrangements with third parties, we have insurance policies that generally provide coverage for asbestos liabilities (including defense costs). Historically, insurers have paid a significant portion of our defense costs and settlements in asbestos-related litigation. However, certain of our insurers are insolvent. We have entered into cost-sharing agreements with our insurers that provide for the allocation of defense costs and settlements and judgments in asbestos-related lawsuits. These agreements require, among other things, that we fund a share of settlements and judgments allocable to years in which the responsible insurer is insolvent.

A summary of the number of and settlement amounts for asbestos-related lawsuits and claims is as follows:

($ in millions)	**Year Ended November 28, 2015**	**Year Ended November 29, 2014**	**Year Ended November 30, 2013**
Lawsuits and claims settled	10	9	6
Settlement amounts	$ 0.9	$ 0.8	$ 0.4
Insurance payments received or expected to be received	$ 0.7	$ 0.7	$ 0.3

We do not believe that it would be meaningful to disclose the aggregate number of asbestos-related lawsuits filed against us because relatively few of these lawsuits are known to involve exposure to asbestos-containing products that we manufactured. Rather, we believe it is more meaningful to disclose the number of lawsuits that are settled and result in a payment to the plaintiff. To the extent we can reasonably estimate the amount of our probable liabilities for pending asbestos-related claims, we establish a financial provision and a corresponding receivable for insurance recoveries.

Based on currently available information, we have concluded that the resolution of any pending matter, including asbestos-related litigation, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow. However, adverse developments and/or periodic settlements could negatively impact the results of operations or cash flows in one or more future periods.

Item 4. Mine Safety Disclosures

Not applicable.

Part II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the symbol FUL. As of January 21, 2016, there were 1,805 common shareholders of record for our common stock. The following table shows the high and low sales price per share of our stock and the dividends declared for the fiscal quarters.

	High and Low Sales Price					
	2015		**2014**		**Dividends (Per Share)**	
	High	**Low**	**High**	**Low**	**2015**	**2014**
First quarter	$45.99	$38.16	$53.31	$44.55	$0.120	$0.100
Second quarter	45.54	40.53	49.82	44.51	0.130	0.120
Third quarter	48.32	34.57	51.27	43.75	0.130	0.120
Fourth quarter	40.35	30.72	48.00	36.92	0.130	0.120

There are no significant contractual restrictions on our ability to declare or pay dividends. We currently expect that comparable dividends on our common stock will continue to be paid in the future.

Issuer Purchases of Equity Securities

Information on our purchases of equity securities during the fourth quarter of 2015 follows:

Period	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	(d) Maximum Approximate Dollar Value of Shares that may yet be Purchased Under the Plan or Program (thousands)
August 30, 2015 - October 3, 2015	180,064	$ 33.11	180,000	$ 56,004
October 4, 2015 - October 31, 2015	320,000	$ 34.71	320,000	$ 44,897
November 1, 2015 - November 28, 2015	194	$ 39.77	-	$ 44,897

[1] The number of shares purchased relates to 258 shares withheld to satisfy employees’ withholding taxes upon vesting of restricted stock and 500,000 shares purchased under the 2010 share repurchase plan. See Note 9 to the Consolidated Financial Statements for more information.

Total Shareholder Return Graph

The line graph below compares the cumulative total shareholder return on our common stock for the last five fiscal years with cumulative total return on the S&P SmallCap 600 Index and Dow Jones U.S. Specialty Chemicals Index. This graph assumes a $100 investment in each of H.B. Fuller, the S&P SmallCap 600 Index and the Dow Jones U.S. Specialty Chemicals Index at the close of trading on November 27, 2010, and also assumes the reinvestment of all dividends.

Item 6. Selected Financial Data

The following selected financial data has been derived from our audited Consolidated Financial Statements and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes included elsewhere in the Form 10-K.

(Dollars in thousands, except per share amounts)	**Fiscal Years[3]**				
	2015	**2014**	**2013**	**2012**	**2011**
Net revenue	$2,083,660	$2,104,454	$2,046,968	$1,886,239	$1,444,085
Income from continuing operations[1]	$88,397	$50,151	$95,975	$68,287	$80,215
Percent of net revenue	4.2	2.4	4.7	3.6	5.6
Total assets	$2,042,252	$1,869,006	$1,873,028	$1,786,320	$1,227,709
Long-term debt, excluding current maturities	$669,606	$547,735	$472,315	$475,112	$179,611
Total H.B. Fuller stockholders' equity	$872,920	$890,047	$930,065	$778,273	$705,204

Per Common Share:

Income from continuing operations:					
Basic	$1.75	$1.00	$1.92	$1.37	$1.64
Diluted	$1.71	$0.97	$1.87	$1.34	$1.61
Dividends declared and paid	$0.510	$0.460	$0.385	$0.330	$0.295
Book value[4]	$17.43	$17.69	$18.52	$15.60	$14.26
Number of employees	4,425	3,650	3,676	3,727	2,754

[1] 2015, 2014, 2013, 2012 and 2011 include after-tax charges of $4.7 million, $45.2 million, $35.3 million, $35.4 million and $5.8 million, respectively, related to special charges, net.
[2] 2011 contained 53 weeks
[3] All amounts have been adjusted for discontinued operations.
[4] Book value is calculated by dividing total H.B. Fuller stockholders' equity by the number of common stock shares outstanding as of our fiscal year end.

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

Overview

H.B. Fuller Company is a global formulator, manufacturer and marketer of adhesives and other specialty chemical products. We manage our business through four operating segments - Americas Adhesives, EIMEA (Europe, India, Middle East and Africa), Asia Pacific and Construction Products.

The Americas Adhesives, EIMEA and Asia Pacific operating segments manufacture and supply adhesives products in the assembly, packaging, converting, nonwoven and hygiene, performance wood, flooring, textile, flexible packaging, graphic arts, envelope, automotive and electronics markets. The Construction Products operating segment provides floor preparation, grouts and mortars for tile setting as well as sealants and related products for heating, ventilation and air conditioning installations.

The integration of the industrial adhesives business we acquired in March 2012 involved a significant amount of restructuring and capital investment to optimize the new combined entity. In addition to this acquisition, we announced our intentions to take a series of actions in our existing EIMEA operating segment to improve the profitability and future growth prospects of this operating segment. We combined these two initiatives into a single project which we refer to as the Business Integration Project.

Total Company: When reviewing our financial statements, it is important to understand how certain external factors impact us. These factors include:

- Changes in the prices of our raw materials that are primarily derived from refining crude oil and natural gas
- Global supply of and demand for raw materials
- Economic growth rates, and
- Currency exchange rates compared to the U.S. dollar

We purchase thousands of raw materials, the majority of which are petroleum/natural gas derivatives. The price of these derivatives impact the cost of our raw materials. However, the supply of and demand for key raw materials has a greater impact on our costs. As demand increases in high-growth areas, the supply of key raw materials may tighten, resulting in certain materials being put on allocation. Natural disasters, such as hurricanes, also can have an impact as key raw material producers are shut down for extended periods of time. We continually monitor capacity utilization figures, market supply and demand conditions, feedstock costs and inventory levels, as well as derivative and intermediate prices, which affect our raw materials. With over 75 percent of our cost of sales accounted for by raw materials, our financial results are extremely sensitive to changing costs in this area.

In 2015, we generated 43 percent of our net revenue in the United States and 29 percent in EIMEA. The pace of economic growth in these areas directly impacts certain industries to which we supply products. For example, adhesives-related revenues from durable goods customers in areas such as appliances, furniture and other woodworking applications tend to fluctuate with the overall economic activity. In business components such as Construction Products and insulating glass, revenues tend to move with more specific economic indicators such as housing starts and other construction-related activity.

The movement of foreign currency exchange rates as compared to the U.S. dollar impacts the translation of the foreign entities' financial statements into U.S. dollars. As foreign currencies weaken against the dollar, our revenues and costs decrease as the foreign currency-denominated financial statements translate into fewer dollars. The fluctuations of the Euro against the U.S. dollar have the largest impact on our financial results as compared to all other currencies. In 2015, the currency fluctuations had a negative impact on net revenue of approximately $126.0 million as compared to 2014.

Key financial results and transactions for 2015 included the following:

- Net revenue decreased 1.0 percent from 2014 primarily driven by a 6.0 percent decrease in currency offset by a 4.5 percent increase in sales volume and a 0.5 percent increase in product pricing.

- Gross profit margin increased to 27.3 percent from 25.3 percent in 2014.

Cash flow generated by operating activities from continuing operations was $210.5 million in 2015 as compared to $29.7 million in 2014 and $132.7 million in 2013.

We acquired 95 percent of the equity of Tonsan Adhesive, Inc. on February 2, 2015 for $215.9 million.

The global economic conditions were mixed in 2015. We experienced generally favorable end market conditions in Asian markets, particularly in China, and in the Construction Products related markets in North America. The end market conditions in China deteriorated in the second half of 2015 due to a reduced rate of growth. End market demand for our core adhesives products in the Americas and EIMEA were generally flat to slightly positive, with some end market segments up and others declining. Our total year constant currency sales growth, which we define as the combined variances from product pricing, sales volume and small acquisitions, increased 5.0 percent for 2015 compared to 2014.

In 2015 our diluted earnings per share from continuing operations was $1.71 per share compared to $0.97 per share in 2014 and $1.87 per share in 2013. The higher earnings per share from continuing operations in 2015 compared to 2014 resulted from lower special charges, lower business integration costs that were not classified as special charges, lower raw material costs and lower production inefficiencies related to the Business Integration Project and ERP system implementation costs in North America.

Special charges, net in 2015 were $4.7 million for costs related to the Business Integration Project. On an after-tax basis, the special charges, net resulted in a $4.7 million negative impact on net income and a negative $0.09 effect on diluted earnings per share. Special charges, net in 2014 were $51.5 million for costs related to the Business Integration Project. On an after-tax basis, the special charges, net resulted in a $45.2 million negative impact on net income and a negative $0.88 effect on diluted earnings per share. In 2013 we had special charges, net of $45.1 million for costs related to the Business Integration Project. On an after-tax basis, the special charges, net resulted in a $35.3 million negative impact on net income and a negative $0.69 effect on diluted earnings per share. See Note 5 to the Consolidated Financial Statements for more information.

Project ONE: In December of 2012 our Board of Directors approved a multi-year project to replace and enhance our existing core information technology platforms. The scope for this project includes most of the basic transaction processing for the company including customer orders, procurement, manufacturing, and financial reporting. The project envisions harmonized business processes for all of our operating segments supported with one standard software configuration. The execution of this project, which we refer to as Project ONE, is being supported by internal resources and consulting services.

During 2013 a project team was formed and the global blueprint for the software configuration was designed and built. In the latter half of 2013 and in the early months of 2014, the global blueprint was applied to the specific requirements of our North America adhesives business, the software was tested and the user groups were trained. On

April 6, 2014, our North America adhesives business went live. The implementation process proved to be more difficult than we originally anticipated resulting in disruptions in our manufacturing network, lower productivity and deteriorated customer service levels. By the end of 2014, most of the problems associated with the software implementation had been remediated and the business was stable and running at capacity with productivity levels approaching the levels experienced prior to the new software implementation.

In late 2014 we suspended any further implementation projects in other geographic regions until we complete the optimization of the current platform in North America. We are preparing a revised implementation plan that leverages the experiences of our first go-live event and reduces the risk of significant business interruption. We expect to start subsequent implementations in 2016.

The original capital expenditure plan for Project ONE was approximately $60.0 million. In the fourth quarter of 2015, we received a cash settlement of $12.8 million as a result of an arbitration proceeding related to our initial implementation of Project ONE. Of this amount, $12.0 million was related to capital expenditures, which allowed us to reduce our total project-to-date capital expenditures to $31.3 million. Given the complexity of the initial implementation, we anticipate that the total investment to complete the project will exceed our original estimate. We will have a revised estimate of the total project costs and the expected completion timetable later in 2016 when the revised implementation plan is complete.

Our current plan is to proceed with the second phase implementation in our Latin America region with the project commencing in the second half of 2016 and completion expected in early 2017. Subsequent phases of the global implementation will be evaluated following the completion of this second implementation.

2016 Outlook: Our key long term financial metrics remain unchanged: constant currency revenue growth, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin, growth in earnings per share and Return on Invested Capital (ROIC). EBITDA is a non-GAAP financial measure defined on a consolidated basis as gross profit, less Selling, General and Administrative (SG&A) expense, plus depreciation expense, plus amortization expense. EBITDA excludes special charges, net. EBITDA margin is a non-GAAP financial measure defined as EBITDA divided by net revenue. ROIC is a non-GAAP financial measure defined as (gross profit less SG&A expense, less taxes at the effective tax rate plus income from equity method investments, calculated using trailing 12 month information) divided by (the sum of notes payable, current maturities of long-term debt, long-term debt, redeemable non-controlling interest and total equity).

In 2016 we expect modest constant currency revenue growth of about 4 percent, mainly supported by continued growth in our Asia Pacific and Construction Products segments. Our Asia Pacific segment will benefit from a full year of the acquired Tonsan business as well as continued end market expansion, though at a slower rate. We anticipate slightly positive constant currency revenue growth in the Americas Adhesives and EIMEA operating segments. We expect that the strengthening of the US dollar relative to various currencies will dampen our revenue growth rate in 2016 relative to 2015 by up to 3 percentage points. Our gross profit margin is expected to increase in 2016, primarily driven by continuous productivity improvement in our manufacturing network, especially in Europe, plus the carry over benefit of lower raw material costs that were realized in the second half of 2015. SG&A expenses should increase at a rate in line with the increase in net revenue. Overall, we expect our EBITDA margin to be approximately 14 percent for the full year.

We expect total 2016 capital expenditures to be approximately $60.0 million, slightly above our long term expectations of ongoing capital requirements of about 2 to 2.5 percent of net revenue.

Critical Accounting Policies and Significant Estimates: Management's discussion and analysis of our results of operations and financial condition are based upon the Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We believe the critical accounting policies and areas that require the most significant judgments and estimates to be used in the preparation of the Consolidated Financial Statements are pension and other postretirement plan assumptions; goodwill impairment assessment; long-lived assets recoverability; product, environmental and other litigation liabilities; and income tax accounting.

Pension and Other Postretirement Plan Assumptions: We sponsor defined-benefit pension plans in both the U.S. and non-U.S. entities. Also in the U.S., we sponsor other postretirement plans for health care and life insurance benefits. Expenses and liabilities for the pension plans and other postretirement plans are actuarially calculated. These calculations are based on our assumptions related to the discount rate, expected return on assets, projected salary increases and health care cost trend rates. Note 10 to the Consolidated Financial Statements includes disclosure of assumptions employed in these measurements for both the non-U.S. and U.S. plans.

The discount rate assumption is determined using an actuarial yield curve approach, which results in a discount rate that reflects the characteristics of the plan. The approach identifies a broad population of corporate bonds that meet the quality and size criteria for the particular plan. We use this approach rather than a specific index that has a certain set of bonds that may or may not be representative of the characteristics of our particular plan. A higher discount rate reduces the present value of the pension obligations. The discount rate for the U.S. pension plan was 4.30 percent at November 28, 2015, as compared to 4.10 percent at November 29, 2014 and 4.77 percent at November 30, 2013. Net periodic pension cost for a given fiscal year is based on assumptions developed at the end of the previous fiscal year. A discount rate reduction of 0.5 percentage points at November 28, 2015 would increase U.S. pension and other postretirement plan expense approximately $0.3 million (pre-tax) in fiscal 2016. Discount rates for non-U.S. plans are determined in a manner consistent with the U.S. plan.

The expected long-term rate of return on plan assets assumption for the U.S. pension plan was 7.75 percent in 2015, 2014 and 2013. Our expected long-term rate of return on U.S. plan assets was based on our target asset allocation assumption of 60 percent equities and 40 percent fixed-income. Management, in conjunction with our external financial advisors, determines the expected long-term rate of return on plan assets by considering the expected future returns and volatility levels for each asset class that are based on historical returns and forward looking observations. For 2015 the expected long-term rate of return on the target equities allocation was 8.5 percent and the expected long-term rate of return on the target fixed-income allocation was 5.0 percent. The total plan rate of return assumption included an estimate of the effect of diversification and the plan expense. For 2016, the expected long-term rate of return on assets will continue to be 7.75 percent with an expected long-term rate of return on the target equities allocation of 8.5 percent and an expected long-term rate of return on target fixed-income allocation of 5.0 percent. A change of 0.5 percentage points for the expected return on assets assumption would impact U.S. net pension and other postretirement plan expense by approximately $2.0 million (pre-tax).

Management, in conjunction with our external financial advisors, uses the actual historical rates of return of the asset categories to assess the reasonableness of the expected long-term rate of return on plan assets. The most recent 10-year and 20-year historical equity returns are shown in the table below. Our expected rate of return on our total portfolio is consistent with the historical patterns observed over longer time frames.

U.S. Pension Plan Historical actual rates of return	Total Portfolio		Equities		Fixed Income	
10-year period	6.0	%	5.4	%	8.0	%
20-year period	8.6	%	8.3	%	(*)8.0	%

(*) Beginning in 2006, our target allocation migrated from 100 percent equities to our current allocation of 60 percent equities and 40 percent fixed-income. The historical actual rate of return for the fixed income of 8.0 percent is since inception (9 years, 11 months).

The expected long-term rate of return on plan assets assumption for non-U.S. pension plans was a weighted-average of 6.22 percent in 2015 compared to 6.17 percent in 2014 and 5.96 percent in 2013. The expected long-term rate of return on plan assets assumption used in each non-U.S. plan is determined on a plan-by-plan basis for each local jurisdiction and is based on expected future returns for the investment mix of assets currently in the portfolio for that plan. Management, in conjunction with our external financial advisors, develops expected rates of return for each plan, considers expected long-term returns for each asset category in the plan, reviews expectations for inflation for each local jurisdiction, and estimates the effect of active management of the plan's assets. Our largest non-U.S. pension plans are in the United Kingdom and Germany. The expected long-term rate of return on plan assets for the United Kingdom was 6.75 percent and the expected long-term rate of return on plan assets for Germany was 5.75 percent. Management, in conjunction with our external financial advisors, uses actual historical returns of the asset portfolio to assess the reasonableness of the expected rate of return for each plan.

The projected salary increase assumption is based on historic trends and comparisons to the external market. Higher rates of increase result in higher pension expenses. As this rate is also a long-term expected rate, it is less likely to change on an annual basis. In the U.S., we have used the rate of 4.50 percent for 2015, 2014 and 2013. Benefits under the U.S. Pension Plan were locked-in as of May 31, 2011 and no longer include compensation increases. The 4.50 percent rate is for the supplemental executive retirement plan only.

Goodwill: Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a purchase business combination. Goodwill is assigned to reporting units at the date the goodwill is initially recorded. Once goodwill has been assigned to a reporting unit, it no longer retains its association with a particular acquisition, and all the activities within a reporting unit are available to support the value of goodwill. Accounting standards require us to test goodwill for impairment annually or more often if circumstances or events indicate a change in the estimated fair value may have occurred.

The goodwill impairment analysis is a two-step process. The first step used to identify potential impairment involves comparing each reporting unit's estimated fair value to its carrying value, including goodwill. We use a discounted cash flow approach to estimate the fair value of our reporting units. Our judgment is required in developing the assumptions for the discounted cash flow model. These assumptions include revenue growth rates, profit margin percentages, discount rates, perpetuity growth rates, future capital expenditures and working capital requirements. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is considered to not be impaired. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment.

The second step of the process, if required, involves the calculation of an implied fair value of goodwill for each reporting unit for which step one indicated impairment. The implied fair value of goodwill is determined in a manner similar to how goodwill is calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit as calculated in step one, over the estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

In the fourth quarter of 2015, we conducted the required annual test of goodwill for impairment. We performed the goodwill impairment analysis on our reporting units by using a discount rate determined by management to result in the most representative fair value of the business as a whole. There were no indications of impairment in any of our reporting units. We also performed a sensitivity analysis by using a discount rate at the high end of our range to confirm the reasonableness of our goodwill impairment analysis. No indications of impairment in any of our reporting units were indicated by the sensitivity analysis.

Of the goodwill balance of $354.2 million as of November 28, 2015, $67.1 million is allocated to the Americas Adhesives reporting unit, $122.6 million is allocated to the EIMEA reporting unit, $143.7 million is allocated to the Asia Pacific reporting unit and $20.8 million is allocated to the Construction Products reporting unit. In all four of these reporting units, the calculated fair value substantially exceeded the carrying value of the net assets.

If the economy or business environment falter and we are unable to achieve our assumed revenue growth rates or profit margin percentages, our projections used would need to be remeasured, which could impact the carrying value of our goodwill in one or more of our reporting units. See Note 6 to the Consolidated Financial Statements.

Recoverability of Long-Lived Assets: The assessment of the recoverability of long-lived assets reflects our assumptions and estimates. Factors that we must estimate when performing impairment tests include sales volume, prices, inflation, currency exchange rates, tax rates and capital spending. Significant judgment is involved in estimating these factors, and they include inherent uncertainties. The measurement of the recoverability of these assets is dependent upon the accuracy of the assumptions used in making these estimates and how the estimates compare to the eventual future operating performance of the specific businesses to which the assets are attributed.

Judgments made by us include the expected useful lives of long-lived assets. The ability to realize undiscounted cash flows in excess of the carrying amounts of such assets is affected by factors such as the ongoing maintenance and improvement of the assets, changes in economic conditions and changes in operating performance.

Product, Environmental and Other Litigation Liabilities: As disclosed in Item 3. Legal Proceedings and in Note 1 and Note 12 to the Consolidated Financial Statements, we are subject to various claims, lawsuits and other legal proceedings. Reserves for loss contingencies associated with these matters are established when it is determined that a liability is probable and the amount can be reasonably estimated. The assessment of the probable liabilities is based on the facts and circumstances known at the time that the financial statements are being prepared. For cases in which it is determined that a liability is probable but only a range for the potential loss exists, the minimum amount of the range is recorded and subsequently adjusted as better information becomes available.

For cases in which insurance coverage is available, the gross amount of the estimated liabilities is accrued, and a receivable is recorded for any probable estimated insurance recoveries. A discussion of environmental, product and other litigation liabilities is disclosed in Item 3. Legal Proceedings and Note 12 to the Consolidated Financial Statements.

Based upon currently available facts, we do not believe that the ultimate resolution of any pending legal proceeding, individually or in the aggregate, will have a material adverse effect on our long-term financial condition. However, adverse developments and/or periodic settlements could negatively affect our results of operations or cash flows in one or more future quarters.

Income Tax Accounting: As part of the process of preparing the Consolidated Financial Statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. The process involves estimating actual current tax expense along with assessing temporary differences resulting from differing treatment of items for book and tax purposes. These temporary differences result in deferred tax assets and liabilities, which are included in the Consolidated Balance Sheets. We record a valuation allowance to reduce our deferred tax assets to the amount that is more-likely-than-not to be realized. We have considered future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance. Increases in the valuation allowance result in additional expense to be reflected within the tax provision in the Consolidated Statements of Income. As of November 28, 2015, the valuation allowance to reduce deferred tax assets totaled $14.4 million.

We recognize tax benefits for tax positions for which it is more-likely-than-not that the tax position will be sustained by the applicable tax authority at the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement. We do not recognize a financial statement benefit for a tax position that does not meet the more-likely-than-not threshold. We believe that our liabilities for income taxes reflect the most likely outcome. It is difficult to predict the final outcome or the timing of the resolution of any particular tax position. Future changes in judgment related to the resolution of tax positions will impact earnings in the quarter of such change. We adjust our income tax liabilities related to tax positions in light of changing facts and circumstances. Settlement with respect to a tax position would usually require cash. Based upon our analysis of tax positions taken on prior year returns and expected tax positions to be taken for the current year tax returns, we have identified gross uncertain tax positions of $4.9 million as of November 28, 2015.

We have not recorded U.S. deferred income taxes for certain of our non-U.S. subsidiaries undistributed earnings as such amounts are intended to be indefinitely reinvested outside of the U.S. Should we change our business strategies related to these non-U.S. subsidiaries, additional U.S. tax liabilities could be incurred. It is not practical to estimate the amount of these additional tax liabilities. See Note 8 to the Consolidated Financial Statements for further information on income tax accounting.

Acquisition Accounting: As we enter into business combinations we perform acquisition accounting requirements including the following:

- Identifying the acquirer,
- Determining the acquisition date,
- Recognizing and measuring the identifiable assets acquired and the liabilities assumed, and
- Recognizing and measuring goodwill or a gain from a bargain purchase

We complete valuation procedures, and record the resulting fair value of the acquired assets and assumed liabilities based upon the valuation of the business enterprise and the tangible and intangible assets acquired. Enterprise value allocation methodology requires management to make assumptions and apply judgment to estimate the fair value of assets acquired and liabilities assumed. If estimates or assumptions used to complete the enterprise valuation and estimates of the fair value of the acquired assets and assumed liabilities significantly differed from assumptions made, the resulting difference could materially affect the fair value of net assets.

The calculation of the fair value of the tangible assets, including property, plant and equipment utilizes the cost approach, which computes the cost to replace the asset, less accrued depreciation resulting from physical deterioration, functional obsolescence and external obsolescence. The calculation of the fair value of the identified intangible assets are determined using cash flow models following the income approach or a discounted market-based methodology approach. Significant inputs include estimated revenue growth rates, gross margins, operating expenses, estimated attrition rate, and a discount rate. Goodwill is recorded as the difference in the fair value of the acquired assets and assumed liabilities and the purchase price.

Results of Operations

Net revenue

($ in millions)	**2015**	**2014**	**2013**	**2015 vs 2014**	**2014 vs 2013**
Net revenue	$2,083.7	$2,104.5	$2,047.0	(1.0%)	2.8 %

Net revenue in 2015 decreased 1.0 percent from 2014. The 2014 net revenue was 2.8 percent higher than the net revenue in 2013. We review variances in net revenue in terms of changes related to product pricing, sales volume, changes in foreign currency exchange rates and major acquisitions. The pricing/sales volume variance and small acquisitions including Tonsan Adhesive, Inc., Continental Products Limited and ProSpec construction products are viewed as constant currency growth. The following table shows the net revenue variance analysis for the past two years:

	2015 vs 2014	**2014 vs 2013**
Product pricing	0.5 %	(0.4)%
Sales volume	4.5 %	3.5 %
Currency	(6.0)%	(0.3)%
	(1.0)%	2.8 %

Constant currency growth was 5.0 percent in 2015 compared to 2014. The 5.0 percent constant currency growth in 2015 was driven by 39.8 percent growth in Asia Pacific, 23.8 percent growth in Construction Products offset by a 3.9 percent decrease in Americas Adhesives and 1.9 percent decrease in EIMEA. The majority of the negative currency impact was driven by the weakening of the Euro, Turkish lira, Canadian dollar and Australian dollar against the U.S. dollar.

Constant currency growth was 3.1 percent in 2014 compared to 2013. The 3.1 percent constant currency growth in 2014 was driven by 18.7 percent growth in Construction Products, 11.2 percent growth in Asia Pacific and 2.4 percent growth in Americas Adhesives. The majority of the negative currency impact was driven by the devaluation of the Australian dollar and the Canadian dollar compared to the U.S. dollar.

Cost of sales

($ in millions)	**2015**	**2014**	**2013**	**2015 vs 2014**	**2014 vs 2013**
Raw materials	$1,161.3	$1,213.5	$1,161.6	(4.3)%	4.5 %

Other manufacturing costs	354.3	357.7	315.2	(1.0)%	13.5 %
Cost of sales	$1,515.6	$1,571.2	$1,476.8	(3.5)%	6.4 %
Percent of net revenue	72.7 %	74.7 %	72.1 %		

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Raw material costs as a percentage of net revenue decreased 200 basis points in 2015 compared to 2014, reflecting decreases in raw materials costs as well as changes in product pricing and sales mix. Other manufacturing costs as a percentage of revenue remained flat compared to last year. As a result, cost of sales as a percentage of net revenue decreased 200 basis points compared to 2014.

Raw material costs as a percentage of net revenue increased 100 basis points in 2014 relative to 2013, reflecting increases in raw materials costs as well as changes in product pricing and sales mix. Other manufacturing costs as a percentage of revenue increased 160 basis points in 2014 compared to 2013 mainly driven by cost associated with the implementation of our ERP system as well as business integration costs that are not classified as special charges. As a result, cost of sales as a percentage of net revenue increased 260 basis points in 2014 compared to 2013.

Gross profit

($ in millions)	**2015**	**2014**	**2013**	**2015 vs 2014**	**2014 vs 2013**
Gross profit	$568.0	$533.3	$570.2	6.5 %	(6.5)%
Percent of net revenue	27.3 %	25.3 %	27.9 %		

Gross profit in 2015 increased $34.7 million compared to 2014 and gross profit margin increased 200 basis points. The decrease in the cost of raw materials was the main factor for the increase in gross profit.

Gross profit in 2014 decreased $36.9 million compared to 2013 and gross profit margin declined 260 basis points. The increases in raw materials in addition to the cost associated with the implementation of our ERP system as well as business integration costs that were not classified as special charges were the main factors to the gross profit reduction.

Selling, general and administrative (SG&A) expenses

($ in millions)	**2015**	**2014**	**2013**	**2015 vs 2014**	**2014 vs 2013**
SG&A	$397.6	$383.4	$374.7	3.7 %	2.3 %
Percent of net revenue	19.1 %	18.2 %	18.3 %		

SG&A expenses for 2015 increased $14.2 million or 3.7 percent compared to 2014. The added expense from the Tonsan acquisition partially offset by foreign currency exchange rates were the main drivers for the increase.

SG&A expenses for 2014 increased $8.7 million or 2.3 percent compared to 2013. As a percentage of net revenue, SG&A expenses decreased 10 basis points in 2014 due to ongoing cost control efforts offsetting higher spending for Project ONE.

We make SG&A expense plans at the beginning of each fiscal year and barring significant changes in business conditions or our outlook for the future, we maintain these spending plans for the entire year. Management routinely monitors our SG&A spending relative to these fiscal year plans for each operating segment and for the company overall. We feel it is important to maintain a consistent spending program in this area as many of the activities within the SG&A category such as the sales force, technology development, and customer service are critical elements of our business strategy.

Special Charges, net

($ in millions)	**2015**	**2014**	**2013**
Special Charges, net	$4.7	$51.5	$45.1

The following table provides detail of special charges, net:

($ in millions)	**2015**	**2014**	**2013**
Acquisition and transformation related costs	$0.7	$7.9	$8.7
Workforce reduction costs	-	3.2	9.8
Facility exit costs	3.7	32.1	17.9
Other related costs	0.3	8.3	8.7
Special charges, net	$4.7	$51.5	$45.1

The integration of the industrial adhesives business we acquired in March 2012 involved a significant amount of restructuring and capital investment to optimize the new combined entity. In addition to this acquisition, we announced our intentions to take a series of actions in our existing EIMEA operating segment to improve the profitability and future growth prospects of this operating segment. We combined these two initiatives into a single project which we refer to as the Business Integration Project. During the years ended November 28, 2015, November 29, 2014 and November 30, 2013, we incurred special charges, net of $4.7 million, $51.5 million and $45.1 million, respectively, for costs related to the Business Integration Project.

Acquisition and transformation related costs of 0.7 million for the year ended November 28, 2015, $7.9 million for the year ended November 29, 2014 and $8.7 million for the year ended November 30, 2013 include costs related to organization consulting, financial advisory and legal services necessary to integrate the acquired business into our existing operating segments.

During the year ended November 28, 2015, we incurred cash facility exit costs of $2.2 million, non-cash facility exit costs of $1.5 million and other incremental transformation related costs of $0.3 million including the cost of personnel directly working on the integration. During the year ended November 29, 2014, we incurred workforce reduction costs of $3.2 million, cash facility exit costs of $25.2 million, non-cash facility exit costs of $6.9 million and other incremental transformation related costs of $8.3 million including the cost of personnel directly working on the integration. During the year ended November 30, 2013, we incurred workforce reduction costs of $9.8 million, cash facility exit costs of $11.8 million, non-cash facility exit costs of $6.1 million and other incremental transformation related costs of $8.7 million including the cost of personnel directly working on the integration.

We present operating segment information consistent with how we organize our business internally, assess performance and make decisions regarding the allocation of resources. Segment operating income is defined as gross profit less selling, general and administrative expenses. Because this definition excludes special charges, we have not allocated special charges to the operating segments or included them in Management’s Discussion & Analysis of operating segment results. For informational purposes only, the following table provides the special charges, net attributable to each operating segment for the periods presented:

($ in millions)	**2015**	**2014**	**2013**
Americas Adhesives	$(1.4)	$3.1	$7.9
EIMEA	5.7	44.2	36.2
Asia Pacific	0.1	2.4	0.6
Company-wide	0.3	1.8	0.4
Special Charges, net	$4.7	$51.5	$45.1

We expect total project costs will be approximately $164.0 million. The following table provides detail of costs incurred inception-to-date as of November 28, 2015 for the Business Integration Project:

($ in millions)	**Costs Incurred Inception-to-Date As of November 28, 2015**
Acquisition and transformation related costs	$ 43.0
Work force reduction costs	41.1
Cash facility exit costs	40.2
Non-cash facility exit costs	17.7
Other related costs	19.3
Business Integration Project	$ 161.3

Non-cash costs are primarily related to accelerated depreciation of long-lived assets.

Other income (expense), net

($ in millions)	2015	2014	2013
Other income (expense), net	$(2.5)	$0.7	$(3.8)

Currency transaction and remeasurement losses were $3.5 million, $2.5 million and $4.1 million in 2015, 2014 and 2013, respectively. Interest income was $0.5 million in 2015 compared to $0.4 million in 2014 and $0.7 million in 2013. Gains on disposal of fixed assets were $0.3 million, $2.8 million and $0.3 million in 2015, 2014 and 2013, respectively.

Interest expense

($ in millions)	2015	2014	2013
Interest expense	$25.0	$19.7	$19.1

Interest expense was $25.0 million in 2015 compared to $19.7 million in 2014 and $19.1 million in 2013. The higher interest expense in 2015 compared to 2014 was due to higher average debt balances resulting from the Tonsan acquisition and lower capitalized interest on capital projects, offset by lower average interest rates. The higher interest expense in 2014 compared to 2013 was due to higher average debt balances, partially offset by higher capitalized interest on capital projects. We capitalized interest of $0.1 million, $2.7 million and $1.9 million in 2015, 2014 and 2013, respectively.

Income taxes

($ in millions)	2015	2014	2013
Income taxes	$55.9	$34.3	$39.9
Effective tax rate	40.4%	43.3%	31.3%

Income tax expense in 2015 of $55.9 million includes $0.2 million of discrete tax expense in both the U.S. and foreign jurisdictions. Income tax expense in 2014 of $34.3 million included $1.4 million of discrete tax benefits in both the U.S. and foreign jurisdictions. Excluding discrete items, the overall effective tax rate decreased by 4.9 percentage points in 2015 as compared to 2014. The decrease in the tax rate is principally due to a change in the geographic mix of pre-tax earnings and the reduction in special charges.

Income from equity method investments

($ in millions)	**2015**	**2014**	**2013**
Income from equity method investments	$5.9	$5.2	$8.4

The income from equity method investments relates to our 50 percent ownership of the Sekisui-Fuller joint venture in Japan. Sekisui-Fuller’s net income measured in Japanese yen was higher in 2015 compared to 2014 and 2013, but the weakening of the yen in 2015 and 2014 negatively impacted the net income in U.S. dollars. Income from equity method investments was negatively impacted in 2014 by a correction of an error in the carrying value of our investment in Sekisui-Fuller in the amount of $1.6 million.

Income (loss) from discontinued operations, net of tax

($ in millions)	**2015**	**2014**	**2013**
Income (loss) from discontinued operations, net of tax	$(1.3)	$ -	$1.2

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The income (loss) from discontinued operations, net of tax, relates to our Central America Paints business, which we sold in 2012. In 2015, in conjunction with the final settlement agreement, we increased our contingent consideration liability by $2.1 million and adjusted the related deferred income tax. In 2013, in conjunction with filing the 2012 tax return, we reduced our income tax expense $1.2 million, related to the sale of the Central America Paints business. See Note 2 to the Consolidated Financial Statements.

Net income attributable to non-controlling interests

($ in millions)	**2015**	**2014**	**2013**
Net income attributable to non-controlling interests	$(0.4)	$(0.4)	$(0.4)

The net income attributable to non-controlling interests relates to the redeemable non-controlling interest in H.B. Fuller Kimya Sanayi Ticaret A.S. (HBF Kimya).

Net income attributable to H.B. Fuller

($ in millions)	**2015**	**2014**	**2013**	**2015 vs 2014**	**2014 vs 2013**
Net income atAtributable to H.B. Fuller	$86.7	$49.8	$96.8	74.2 %	(48.6)%
Percent of net revenue	4.2 %	2.4 %	4.7 %		

Net income attributable to H.B. Fuller was $86.7 million in 2015 compared to $49.8 million in 2014 and $96.8 million in 2013. Fiscal year 2015 included $4.7 million of special charges, net ($4.7 million after-tax and a negative $0.09 effect on diluted earnings per share) for costs related to the Business Integration Project compared to $51.5 million ($45.2 million after-tax) in 2014 and $45.1 million ($35.3 million after-tax) in 2013. Diluted earnings per share, from continuing operations, was $1.71 per share in 2015, $0.97 per share for 2014 and $1.87 per share for 2013.

Operating Segment Results

We are required to report segment information in the same way that we internally organize our business for assessing performance and making decisions regarding allocation of resources. For segment evaluation by the chief operating decision maker, segment operating income is defined as gross profit less SG&A expenses. Segment operating income excludes special charges, net. Inter-segment revenues are recorded at cost plus a markup for administrative costs. Corporate expenses are fully allocated to each operating segment. Our operations are managed through four reportable segments: Americas Adhesives, EIMEA, Asia Pacific and Construction Products.

The tables below provide certain information regarding the net revenue and segment operating income of each of our operating segments.

Net Revenue by Segment

	2015		**2014**		**2013**	
($ in millions)	Net Revenue	% of Total	Net Revenue	% of Total	Net Revenue	% of Total
Americas Adhesives	$876.8	42 %	$920.7	44 %	$902.6	44 %
EIMEA	605.1	29 %	719.8	34 %	733.2	36 %
Asia Pacific	368.7	18 %	275.8	13 %	252.6	12 %
Construction Products	233.1	11 %	188.2	9 %	158.6	8 %
Total	$2,083.7	100 %	$2,104.5	100 %	$2,047.0	100 %

Segment Operating Income

($ in millions)	2015 Operating Income	2015 % of Total	2014 Operating Income	2014 % of Total	2013 Operating Income	2013 % of Total
Americas Adhesives	$126.3	74 %	$103.3	69 %	$123.3	63 %
EIMEA	11.9	7 %	30.5	20 %	51.5	26 %
Asia Pacific	17.1	10 %	9.3	6 %	9.8	5 %
Construction Products	15.2	9 %	6.7	5 %	10.9	6 %
Total	$170.5	100 %	$149.8	100 %	$195.5	100 %

The following table provides a reconciliation of segment operating income to income from continuing operations before income taxes and income from equity method investments, as reported on the Consolidated Statements of Income.

($ in millions)	**2015**	**2014**	**2013**
Segment operating income	$170.5	$149.8	$195.5
Special charges, net	(4.7)	(51.5)	(45.1)
Other income (expense), net	(2.5)	0.7	(3.8)
Interest expense	(25.0)	(19.7)	(19.1)
Income from continuing operations before income taxes and income from equity method investments	$138.3	$79.3	$127.5

Americas Adhesives

($ in millions)	**2015**	**2014**	**2013**	**2015 vs 2014**	**2014 vs 2013**
Net revenue	$876.8	$920.7	$902.6	(4.8)%	2.0 %
Segment operating income	$126.3	$103.3	$123.3	22.2 %	(16.2)%
Segment profit margin %	14.4 %	11.2 %	13.7 %		

The following tables provide details of Americas Adhesives net revenue variances:

2015 vs 2014	**2014 vs 2013**

Constant currency growth	(3.9)%	2.4 %
Currency	(0.9)%	(0.4)%
Total	(4.8)%	2.0 %

Net revenue decreased 4.8 percent in 2015 compared to 2014. The 3.9 percent decrease in constant currency growth was attributable to a 4.3 percent decrease in sales volume offset by a 0.4 percent increase in pricing. The sales volume decrease was driven by lower volume in several market segments and lost market share related to our ERP system implementation. Raw material costs as a percentage of net revenue decreased 280 basis points as a result of decreases in raw material costs following the drop in the global price of oil and natural gas. Other manufacturing costs as a percentage of net revenue decreased 50 basis points compared to 2014. Operating expenses were 3.0 percent lower compared to 2014. As a result, segment operating income increased 22.2 percent compared to 2014 and segment profit margin increased 320 basis points.

Net revenue increased 2.0 percent in 2014 compared to 2013. The 2.4 percent increase in constant currency growth was attributable to a 3.3 percent increase in sales volume offset by a 0.9 percent decrease in pricing. The sales volume increase was driven by volume growth in several market segments and generally in line with end market conditions. Raw material cost as a percentage of net revenue increased 100 basis points as a result of increases in raw materials combined with price reductions. Manufacturing costs as a percentage of net revenue increased 150 basis points compared to 2013. The main driver for this increase is cost associated with the implementation of our ERP system. Operating expenses as a percentage of net revenue were flat. As a result, segment operating income decreased 16.2 percent compared to 2013 and segment profit margin decreased 250 basis points.

EIMEA

($ in millions)	**2015**	**2014**	**2013**	**2015 vs 2014**	**2014 vs 2013**
Net revenue	$605.1	$719.8	$733.2	(15.9)%	(1.8)%
Segment operating income	$11.9	$30.5	$51.5	(61.1)%	(40.8)%
Segment profit margin %	2.0 %	4.2 %	7.0 %		

The following table provides details of the EIMEA net revenue variances:

	2015 vs 2014	2014 vs 2013
Constant currency growth	(1.9)%	(2.1)%
Currency	(14.0)%	0.3 %
Total	(15.9)%	(1.8)%

Net revenue decreased 15.9 percent in 2015 compared to 2014. Pricing increased 0.4 percent offset by a 2.3 percent decrease in sales volume. The negative currency effect of 14.0 percent was primarily the result of a weaker Euro, Turkish lira and Egyptian pound compared to the U.S. dollar. Sales volume was down in core Europe reflecting the generally soft end market conditions across most of the region and volume losses due to longer lead times caused by production inefficiencies related to the Business Integration Project. Sales volume growth was generated in the emerging markets, mainly in India, Middle East and Turkey. Raw material costs as a percentage of net revenue decreased 30 basis points in 2015 compared to 2014. Other manufacturing costs as a percentage of net revenue were 150 basis points higher than last year mainly due to lower sales. Operating expenses were 10.8 percent lower than 2014. In 2015, segment operating income decreased 61.1 percent and segment profit margin decreased 220 basis points compared to 2014.

Net revenue decreased 1.8 percent in 2014 compared to 2013. Pricing increased 0.4 percent offset by a 2.5 percent decrease in sales volume. The stronger Euro partially offset by weaker Turkish lira, Indian rupee and Egyptian pound compared to the U.S. dollar resulted in a 0.3 percent increase in net revenue. Sales volume was down in core Europe reflecting the generally soft end market conditions across most of the region and the negative impact of deteriorated customer service levels due to the Business Integration Project. Sales volume growth was generated in the emerging markets, mainly in India and Turkey. Raw material costs as a percentage of net revenue increased 90 basis points in 2014 compared to 2013 primarily due to an increase in vinyl acetate monomer (VAM) costs in the second half of 2014. All other manufacturing costs as a percentage of net revenue were 190 basis points higher than last year mainly due to business integration costs that are not classified as special charges. Operating expenses as a percentage of net revenue were flat. In 2014, segment operating income decreased 40.8 percent and segment profit margin decreased 280 basis points compared to 2013.

Asia Pacific

($ in millions)	2015	2014	2013	2015 vs 2014	2014 vs 2013
Net revenue	$368.7	$275.8	$252.6	33.7 %	9.2 %
Segment operating income	$17.1	$9.3	$9.8	84.3 %	(4.6)%
Segment profit margin %	4.7 %	3.4 %	3.9 %		

The following table provides details of Asia Pacific net revenue variances:

	2015 vs 2014	**2014 vs 2013**
Constant currency growth	39.8 %	11.2 %
Currency	(6.1)%	(2.0)%
Total	33.7 %	9.2 %

Net revenue for 2015 increased 33.7 percent compared to 2014. Constant currency growth was 39.8 percent driven by 40.3 percent increase in sales volume offset by a decrease in pricing of 0.5 percent. The increase in sales volume occurred in all Asia sub-regions and included the addition of the Tonsan business acquired in the first quarter of 2015. The negative currency effect of 6.1 percent was primarily the result of a weaker Australian dollar compared to the U.S. dollar. Raw material costs as a percentage of net revenue decreased 370 basis points in 2015 compared to 2014 primarily due to lower raw material costs following the drop in the global price of oil and natural gas and a change in sales mix. Other manufacturing costs as a percentage of net revenue were 40 basis points lower in 2015 compared to 2014. SG&A expenses as a percentage of net revenue increased 330 basis points compared to 2014 primarily from the added expense from the Tonsan acquisition. Segment operating income increased 84.3 percent and segment profit margin increased 130 basis points in 2015 compared to 2014.

Net revenue for 2014 increased 9.2 percent compared to 2013. Constant currency growth was 11.2 percent driven mainly by volume growth while pricing was flat. Volume growth occurred in all Asia sub-regions as market conditions improved. Raw material costs as a percentage of net revenue increased 80 basis points in 2014 relative to the prior year. Manufacturing costs as a percentage of net revenue were flat in 2014 compared to 2013. SG&A expenses as a percentage of net revenue decreased 30 basis points compared to 2013. Segment operating income decreased 4.6% and segment profit margin decreased 50 basis points in 2014 compared to 2013.

Construction Products

($ in millions)	**2015**	**2014**	**2013**	**2015 vs 2014**	**2014 vs 2013**
Net revenue	$233.1	$188.2	$158.6	23.8 %	18.7 %
Segment operating income	$15.2	$6.7	$10.9	127.5%	(39.1)%
Segment profit margin %	6.5 %	3.5 %	6.9 %		

The following tables provide details of Construction Products net revenue variances:

	2015 vs 2014	**2014 vs 2013**
Constant currency growth	23.8 %	18.7 %

Net revenue increased 23.8 percent in 2015 driven by 20.9 percent increase in sales volume and a 2.9 percent increase in pricing compared to 2014. The increase in sales volume was primarily attributed to continued market share gains with several key retail partners and the ProSpec acquisition in the fourth quarter of 2014. Raw material costs as a percentage of net revenue decreased 50 basis points in 2015 compared to 2014 primarily due to lower raw material costs and changes in sales mix. Other manufacturing costs as a percentage of net revenue decreased by 30 basis points. Operating expenses as a percentage of net revenue decreased 220 basis points compared to 2014 primarily due to increased sales volume. Segment operating income increased by $8.5 million, or 127.5 percent and segment profit margin increased 300 basis points compared to 2014.

Net revenue increased 18.7 percent in 2014 driven by 20.4 percent increase in sales volume offset by a 1.7 percent decrease in pricing compared to 2013. The increase in sales volume was primarily attributed to continued market share gains with several key retail partners. Raw material costs as a percentage of net revenue increased by 190 basis points in 2014 relative to 2013 primarily due to changes in sales mix. Other manufacturing costs as a percentage of net revenue increased by 240 basis points mainly due to lower productivity rates as new business was ramped up. Operating expenses as a percentage of net revenue decreased 90 basis points compared to 2013. Segment operating income decreased 39.1 percent and segment profit margin decreased 340 basis points compared to 2013.

Financial Condition, Liquidity and Capital Resources

Total cash and cash equivalents as of November 28, 2015 were $119.2 million compared to $77.6 million as of November 29, 2014. Total long and short-term debt was $722.9 million as of November 28, 2015 and $574.8 million as of November 29, 2014.

We believe that cash flows from operating activities will be adequate to meet our ongoing liquidity and capital expenditure needs. In addition, we believe we have the ability to obtain both short-term and long-term debt to meet our financing needs for the foreseeable future. Cash available in the United States has historically been sufficient and we expect it will continue to be sufficient to fund U.S. operations and U.S. capital spending and U.S. pension and other postretirement benefit contributions in addition to funding U.S. acquisitions, dividend payments, debt service and share repurchases as needed. For those international earnings considered to be reinvested indefinitely, we currently have no intention to, and plans do not indicate a need to, repatriate these funds for U.S. operations.

Our credit agreements and note purchase agreements include restrictive covenants that, if not met, could lead to a renegotiation of our credit lines and a significant increase in our cost of financing. At November 28, 2015, we were in compliance with all covenants of our contractual obligations as shown in the following table:

Covenant	**Debt Instrument**	**Measurement**	**Result as of November 28, 2015**
TTM EBITDA / TTM Interest Expense	All Debt Instruments	Not less than 2.5	10.0
Total Indebtedness / TTM EBITDA	All Debt Instruments	Not greater than 3.5	2.8

TTM = trailing 12 months

EBITDA for covenant purposes is defined as consolidated net income, plus (i) interest expense, (ii) taxes, (iii) depreciation and amortization, (iv) non-cash impairment losses, (v) extraordinary non-cash losses incurred other than in the ordinary course of business, (vi) nonrecurring extraordinary non-cash restructuring charges, (vii) [reserved] , (viii) cash expenses incurred during fiscal years 2013 through 2015 in connection with facilities consolidation, restructuring and integration, discontinuance of operations, work force reduction, sale or abandonment of assets other than inventory, and professional and other fees incurred in connection with the acquired business or the restructuring of the company's Europe, India, Middle East and Africa operations, not to exceed (x) $39.8 million for the period beginning with the fiscal quarter ending November 30, 2013 through and including the fiscal quarter ending May 31, 2014 and (y) $20.0 million for the period beginning with the fiscal quarter ending August 30, 2014 through and including the fiscal quarter ending November 28, 2015, (ix) cash expenses related to the Tonsan acquisition for advisory services and for arranging financing for the acquired business (including the non-cash write-off of deferred financing costs and any loss or expense on foreign exchange transactions intended to hedge the purchase price for the acquired business) with cash expenses not to exceed $10.0 million, minus extraordinary non-cash gains incurred other than in the ordinary course of business. For the Total Indebtedness / TTM EBITDA ratio, TTM EBITDA is adjusted for the pro forma results from Material Acquisitions and Material Divestitures as if the acquisition or divestiture occurred at the beginning of the calculation period. Additional detail is provided in the Form 8-K dated October 31, 2014.

Pursuant to the Credit Agreement dated October 31, 2014, the company elected to increase the Total Indebtedness / TTM EBITDA ratio to a maximum of 3.75 to 1.00 for four quarters beginning with the first fiscal quarter ending February 28, 2015. The maximum ratio will return to 3.50 to 1.00 in the first fiscal quarter ending February 27, 2016.

We believe we have the ability to meet all of our contractual obligations and commitments in fiscal 2016.

Net Financial Assets

($ in millions)	**2015**	**2014**
Financial Assets:		
Cash and cash equivalents	**$119.2**	$77.6
Debt:		
Notes payable	**30.8**	27.1
Long-term debt	**692.1**	547.7
Total debt	**722.9**	574.8
Net financial debt	**$603.7**	$497.2

Of the $119.2 million in cash and cash equivalents as of November 28, 2015, $83.1 million was held outside the U.S. Of the $83.1 million of cash held outside the U.S., earnings on $74.7 million are indefinitely reinvested outside of the U.S. It is not practical for us to determine the U.S. tax implications of the repatriation of these funds.

There are no contractual or regulatory restrictions on the ability of consolidated and unconsolidated subsidiaries to transfer funds in the form of cash dividends, loans or advances to us, except for: 1) a credit facility limitation restricting investments, loans, advances or capital contributions from the U.S. parent corporation, the Irish financing subsidiary, and the Construction Products subsidiary in excess of $100.0 million, 2) a credit facility limitation that provides total investments, loans, advances or guarantees not otherwise permitted in the credit agreement for all subsidiaries shall not exceed $125.0 million in the aggregate and 3) typical statutory restrictions, which prohibit distributions in excess of net capital or similar tests. The 2012 Forbo acquisition, the 2015 Tonsan acquisition and any investments, loans, and advances established to consummate the Forbo and Tonsan acquisitions are excluded from the credit facility limitations described above. Additionally, we have taken the income tax position that the majority of our cash in non-U.S. locations is indefinitely reinvested.

We rely on operating cash flow, short-term borrowings and long-term debt to provide for the working capital needs of our operations. We believe that we have the ability to obtain both short-term and long-term debt to meet our financing needs for the foreseeable future.

Debt Outstanding and Debt Capacity

Notes Payable: Notes payable were $30.8 million at November 28, 2015 and $27.1 million at November 29, 2014. These amounts mainly represented various foreign subsidiaries' short-term borrowings that were not part of committed lines. The weighted-average interest rates on these short-term borrowings were 8.1 percent in 2015 and 11.3 percent in 2014.

Long-Term Debt: Long-term debt consisted of senior notes and term loans. The Series A and Series B senior notes bear a fixed interest rate of 5.13 percent and mature in fiscal year 2017. The Series C and Series D senior notes bear a fixed interest rate of 5.61 percent and mature in fiscal year 2020. The Series E senior notes bear a fixed interest rate of 4.12 percent and mature in fiscal year 2022. We are subject to prepayment penalties on our senior notes. As of November 28, 2015, make-whole premiums were estimated to be, if the entire debt were paid off, $42.6 million. We currently have no intention to prepay any senior notes.

We executed interest rate swap agreements for the purpose of obtaining a floating rate of interest on $75.0 million of the $150.0 million senior notes. We have designated the $75.0 million of senior note debt as the hedged item in a fair value hedge. As required by applicable accounting standards, we recorded an asset for the fair value of the interest rate swaps (hedging instruments) totaling $3.4 million and recognized a liability of $3.4 million for the change in the fair value of the senior notes attributable to the change in the risk being hedged. This calculation resulted in $153.4 million being recorded in long-term debt related to these senior notes as of November 28, 2015. For further information related to long-term debt see Note 7 to the Consolidated Financial Statements.

On October 31, 2014, we entered into a credit agreement with a consortium of financial institutions under which we established a $300.0 million term loan that we can use to repay existing indebtedness, finance working capital needs, finance acquisitions, and for general corporate purposes. At November 28, 2015, there was a balance of $288.8 million drawn on the term loan. The interest rate on the term loan bears a floating interest rate at the London Interbank Offered Rate (LIBOR) plus 125 basis points and matures in 2019. There is no prepayment penalty on the term loan. See the discussion below regarding our lines of credit.

On October 31, 2014 we amended various provisions of the Note Purchase Agreements Series A through E, including the covenant definition of Consolidated EBITDA. As part of these amendments, the interest rate on the debt may increase based on a ratings grid. Additional details on the Note Purchase Agreement amendments can be found in the

8-K dated October 31, 2014.

Lines of Credit: We have a revolving credit agreement with a consortium of financial institutions at November 28, 2015. This credit agreement creates an unsecured multi-currency revolving credit facility that we can draw upon for general corporate purposes up to a maximum of $300.0 million. Interest is payable at LIBOR plus 1.075 percent. A facility fee of 0.175 percent is payable quarterly. The interest rate and the facility fee are based on a rating grid. The credit facility expires on October 31, 2019. As of November 28, 2015, our lines of credit were undrawn.

Goodwill and Other Intangible Assets

As of November 28, 2015, goodwill totaled $354.2 million (17 percent of total assets) and other intangible assets, net of accumulated amortization, totaled $213.0 million (10 percent of total assets).

The components of goodwill and other identifiable intangible assets, net of amortization, by segment at November 28, 2015 are as follows:

($ in millions)	**Americas Adhesives**	**EIMEA**	**Asia Pacific**	**Construction Products**	**Total**
Goodwill	$ 67.1	$ 122.6	$ 143.7	$ 20.8	$ 354.2
Purchased technology & patents	14.7	7.6	28.7	1.1	52.1
Customer relationships	15.9	21.6	27.0	71.1	135.6
Other finite-lived intangible assets[1]	4.4	13.8	1.5	5.1	24.8
Indefinite-lived intangible assets[2]	-	0.5	-	-	0.5

[1] Other finite-lived intangible assets are related to operating segment trademarks.

[2] Indefinite-lived intangible assets are related to EIMEA operating segment trademarks.

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Selected Metrics of Liquidity and Capital Resources

Key metrics we monitor are net working capital as a percent of annualized net revenue, trade account receivable days sales outstanding (DSO), inventory days on hand, free cash flow and debt capitalization ratio.

	November 28, 2015	November 29, 2014
Net working capital as a percentage of annualized net revenue[1]	19.9%	19.1%
Accounts receivable DSO[2]	60 Days	56 Days
Inventory days on hand[3]	60 Days	58 Days
Free cash flow[4]	$126.2 million	$(133.1) million
Debt capitalization ratio[5]	45.3%	39.2%

[1] Current quarter net working capital (trade receivables, net of allowance for doubtful accounts plus inventory minus trade payables) divided by annualized net revenue.

[2] Trade receivables net of allowance for doubtful accounts multiplied by 56 (8 weeks) and divided by the net revenue for the last 2 months of the quarter.

[3] Total inventory multiplied by 56 and divided by cost of sales (excluding delivery costs) for the last 2 months of the quarter.

[4] Net cash provided by operations less purchased property, plant and equipment and dividends paid.

[5] Total debt divided by (total debt plus total stockholders' equity).

Another key metric we measure is the return on invested capital, or ROIC. The calculation is represented by total return divided by total invested capital.

Total return is defined as: gross profit less SG&A expenses, less taxes at the effective tax rate plus income from equity method investments. Total return is calculated using trailing 12 month information.

Total invested capital is defined as the sum of notes payable, current maturities of long-term debt, long-term debt, redeemable non-controlling interest and total equity.

We believe ROIC provides a true measure of return on capital invested and is focused on the long term. The following table shows the ROIC calculation as of November 28, 2015 and November 29, 2014 based on the definition above:

($ in millions)	**Trailing 12 months as of November 28, 2015**	**Trailing 12 months as of November 29, 2014**
Gross profit	$ 568.0	$ 533.3
Selling, general and administrative expenses	(397.6)	(383.4)
Income taxes at effective rate	(66.3)	(46.7)
Income from equity method investments	5.9	5.2
Total return	$ 110.2	$ 108.4
Total invested capital	1,600.4	1,470.0
Return on invested capital	6.9 %	7.4 %

Summary of Cash Flows

Cash Flows from Operating Activities from Continuing Operations

($ in millions)	**2015**	**2014**	**2013**
Net cash provided by operating activities	$210.5	$29.7	$132.7

Net income including non-controlling interest was $87.1 million in 2015, $50.2 million in 2014 and $97.2 million in 2013. Depreciation and amortization expense totaled $75.3 million in 2015 compared to $70.5 million in 2014 and $61.7 million in 2013. The higher depreciation and amortization expense in 2015 was directly related to the significant increase in capital expenditures in 2014 and 2013.

Changes in net working capital (trade receivables, inventory and trade payables) accounted for a use of cash of $10.8 million, $69.6 million and $2.8 million in 2015, 2014 and 2013, respectively. Following is an assessment of each of the net working capital components:

Trade Receivables, net – Changes in trade receivables resulted in a $12.0 use of cash in 2015 compared to $18.9 million use of cash in 2014 and a $7.3 million use of cash in 2013. The smaller use of cash in 2015 was partially related to lower net revenue compared to 2014. The DSO was 60 days at November 28, 2015, 56 days at November 29, 2014 and 55 days at November 30, 2013.

Inventory – Changes in inventory resulted in a $4.6 million use of cash in 2015 compared to a use of cash of $36.2 million in 2014 and a use of cash of $11.8 million in 2013. Inventory days on hand were 60 days at the end of 2015 compared to 58 days at the end of 2014 and 53 days at the end of 2013. In 2015 inventory levels returned to a more normal level. In 2014, inventory levels increased to support the manufacturing transition as part of the Business Integration Project and the implementation of our ERP system in North America.

Trade Payables – Changes in trade payables resulted in a source of cash of $5.8 million in 2015 compared to a use of cash of $14.5 million in 2014 and a source of cash of $16.3 million in 2013. The source of cash in 2015 compared to the use of cash in 2014 was primarily related to the timing of payments.

Contributions to our pension and other postretirement benefit plans were $4.6 million, $12.6 million and $6.8 million in 2015, 2014 and 2013, respectively. Changes in deferred income taxes resulted in a source of cash of $6.6 million in 2015 compared to a source of cash of $4.2 million in 2014 and a source of cash of $9.6 million in 2013. Income taxes payable resulted in a use of cash of $1.4 million, $0.1 million and $17.9 million in 2015, 2014 and 2013, respectively. Other assets was a source of cash of $12.0 million, a use of cash of $41.7 million and a use of cash of $13.8 million in

2015, 2014 and 2013, respectively. The source of cash in 2015 was primarily related to the decrease in prepaid taxes other than income taxes. Accrued compensation was a source of cash of $6.0 million in 2015, a use of cash of $28.1 million in 2014 and a source of cash of $3.8 million in 2013. The source of cash in 2015 relates to lower payouts for our employee incentive plans and higher accruals. The use of cash in 2014 relates to the payments of severance related costs as part of our Business Integration Project. Other operating activity was a source of cash of $22.6 million in 2015, a source of cash of $33.3 million in 2014 and a use of cash of $11.1 million in 2013. The source of cash in 2015 and 2014 were primarily related to the impact of a stronger U.S. dollar on certain foreign transactions. Income (loss) from discontinued operations, net of tax were $1.3 million loss in 2015 and income of $1.2 million in 2013.

Cash Flows from Investing Activities from Continuing Operations

($ in millions)	**2015**	**2014**	**2013**
Net cash used in investing activities	$(258.8)	$(160.0)	$(133.2)

Purchases of property plant and equipment were $58.6 million in 2015 compared to $139.8 million in 2014 and $124.3 million in 2013. The decrease in 2015 was primarily related to reduced capital expenditures for the Business Integration Project and Project ONE ERP system compared to 2014 and 2013. In 2015 we received a cash settlement of $12.8 million as a result of an arbitration proceeding related to our initial implementation of Project ONE, of which $12.0 was recorded as a reduction of the ERP system asset.

In 2015 we acquired Tonsan Adhesive, Inc. for $215.9 million and Continental Products Limited for $1.6 million. In 2014 we purchased the ProSpec construction products business for $26.2 million and adjusted the purchase price of Plexbond Quimica for $0.2 million. We acquired Plexbond Quimica, S.A. for $10.2 million in 2013 and reduced the purchase price for the 2012 industrial adhesives business acquisition by $1.6 million. See Note 2 to the Consolidated Financial Statements for further information on acquisitions.

Cash Flows from Financing Activities from Continuing Operations

($ in millions)	**2015**	**2014**	**2013**
Net cash provided by (used in) financing activities	$104.2	$55.0	$(48.7)

Proceeds from long-term debt in 2015 were $357.0 million. Included in the $357.0 million of proceeds is $300.0 million from our October 31, 2014 term loan which was drawn in conjunction with the acquisition of Tonsan Adhesive, Inc. Repayment of long-term debt in 2015 was $211.3 million. In 2014 proceeds from long-term debt were $560.0 million and repayment of long-term debt was 483.3 million. Proceeds from long-term debt and repayment of long-term debt in 2013 was $107.0 million and $129.5 million, respectively.

Cash paid for dividends were $25.7 million, $23.1 million and $19.3 million in 2015, 2014 and 2013, respectively. Cash generated from the exercise of stock options were $4.6 million in 2015, $6.9 million in 2014 and $8.9 million in 2013. Repurchases of common stock were $19.3 million in 2015 compared to $15.5 million in 2014 and $17.6 million in 2013, including $17.1 million in 2015, $12.3 million in 2014 and $15.3 million in 2013 from our 2010 share repurchase program.

Cash Flows from Discontinued Operations

($ in millions)	**2015**	**2014**	**2013**
Net cash provided by (used in) discontinued operations	$(5.3)	$ -	$1.1

Cash flows from discontinued operations includes the 2015 settlement payment of the contingent consideration of the Central America Paints business, that was sold in 2012, less the related deferred income taxes. In 2013, in conjunction with filing the 2012 tax return, we reduced our income tax liability related to the sale of the Central America Paints business. See Note 2 to the Consolidated Financial Statements for further information.

Contractual Obligations

Due dates and amounts of contractual obligations follow:

	Payments Due by Period				
($ in millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt	$692.1	$22.5	$118.9	$300.7	$250.0
Interest payable on long-term debt[1]	121.8	23.6	46.8	35.5	15.9
Notes Payable	30.8	30.8	-	-	-
Operating leases	17.4	7.4	7.0	2.3	0.7
Pension contributions[2]	3.5	3.5	-	-	-
Total contractual obligations	$865.6	$87.8	$172.7	$338.5	$266.6

[1] Some of our interest obligations on long-term debt are variable based on LIBOR. Interest payable for the variable portion is estimated based on a forward LIBOR curve.

[2] Pension contributions are only included for fiscal 2016. We have not determined our pension funding obligations beyond 2016 and thus, any potential future contributions have been excluded from the table.

We expect to make cash outlays in the future related to uncertain tax positions. However, due to the uncertainty of the timing of future cash flows, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, gross unrecognized tax benefits of $4.9 million as of November 28, 2015 have been excluded from the contractual obligations table above. For further information related to unrecognized tax benefits see Note 8 to the Consolidated Financial Statements.

We expect 2016 capital expenditures to be approximately $60.0 million.

Off-Balance Sheet Arrangements

There are no relationships with any unconsolidated, special-purpose entities or financial partnerships established for the purpose of facilitating off-balance sheet financial arrangements.

Recently Issued Accounting Pronouncements

See Note 1 to the Consolidated Financial Statements for information concerning new accounting standards and the impact of the implementation of these standards on our financial statements.

Forward-Looking Statements and Risk Factors

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of words like "plan," "expect," "aim," "believe," "project," "anticipate," "intend," "estimate," "will," "should," "could" (including the negative or variations thereof) and other expressions that indicate future events and trends. These plans and expectations are based upon certain underlying assumptions, including those mentioned with the specific statements. Such assumptions are in turn based upon internal estimates and analyses of current market conditions and trends, our plans and strategies, economic conditions and other factors. These plans and expectations and the assumptions underlying them are necessarily subject to risks and uncertainties inherent in projecting future conditions and results. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions and expectations proves to be inaccurate or is unrealized. In addition to the factors described in this report, Item 1A. Risk Factors identifies some of the important factors that could cause our actual results to differ materially from those in any such forward-looking statements. In order to comply with the terms of the safe harbor, we have identified these important factors which could affect our financial performance and could cause our actual results for future periods to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. These factors should be considered, together with any similar risk factors or other cautionary language that may be made elsewhere in this Annual Report on Form 10-K.

The list of important factors in Item 1A. Risk Factors does not necessarily present the risk factors in order of importance. This disclosure, including that under Forward-Looking Statements and Risk Factors, and other forward-looking statements and related disclosures made by us in this report and elsewhere from time to time, represents our best judgment as of the date the information is given. We do not undertake responsibility for updating any of such information, whether as a result of new information, future events, or otherwise, except as required by law. Investors are advised, however, to consult any further public company disclosures (such as in filings with the SEC or in our press releases) on related subjects.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk: We are exposed to various market risks, including changes in interest rates, foreign currency rates and prices of raw materials. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates.

Our financial performance has been, and may continue to be, negatively affected by unfavorable economic conditions. Continued or further recessionary economic conditions may have an adverse impact on our sales volumes, pricing levels and profitability. As domestic and international economic conditions change, trends in discretionary consumer spending also become unpredictable and subject to reductions due to uncertainties about the future. A general reduction in consumer discretionary spending due to a recession in the domestic and international economies, or uncertainties regarding future economic prospects, could have a material adverse effect on our results of operations.

Interest Rate Risk: Exposure to changes in interest rates results primarily from borrowing activities used to fund operations. Committed floating rate credit facilities are used to fund a portion of operations. We believe that probable near-term changes in interest rates would not materially affect financial condition, results of operations or cash flows. The annual impact on interest expense of a one-percentage point interest rate change on the outstanding balance of our variable rate debt as of November 28, 2015 would have resulted in a change in net income of approximately $2.5 million or $0.05 per diluted share.

Foreign Exchange Risk: As a result of being a global enterprise, there is exposure to market risks from changes in foreign currency exchange rates, which may adversely affect operating results and financial condition. Approximately 57 percent of net revenue was generated outside of the United States in 2015. Principal foreign currency exposures relate to the Euro, British pound sterling, Canadian dollar, Chinese renminbi, Japanese yen, Australian dollar, Argentine peso, Brazilian real, Colombian peso, Mexican peso, Turkish lira, Egyptian pound, Indian rupee, and Malaysian ringgit.

Our objective is to balance, where possible, non-functional currency denominated assets to non-functional currency denominated liabilities to have a natural hedge and minimize foreign exchange impacts. We enter into cross border transactions through importing and exporting goods to and from different countries and locations. These transactions generate foreign exchange risk as they create assets, liabilities and cash flows in currencies other than their functional currency. This also applies to services provided and other cross border agreements among subsidiaries. Based on 2015 financial results, a hypothetical one percent change in our cost of sales due to foreign currency rate changes would have resulted in a change in net income attributable to H.B. Fuller of approximately $5.2 million or $0.10 per diluted share.

We take steps to minimize risks from foreign currency exchange rate fluctuations through normal operating and financing activities and, when deemed appropriate, through the use of derivative instruments. We do not enter into any speculative positions with regard to derivative instruments.

Based on 2015 financial results and foreign currency balance sheet positions as of November 28, 2015, a hypothetical overall 10 percent change in the U.S. dollar would have resulted in a change in net income of approximately $4.8 million or $0.09 per diluted share.

Raw Materials: The principal raw materials used to manufacture products include resins, polymers, synthetic rubbers, vinyl acetate monomer and plasticizers. We generally avoid sole source supplier arrangements for raw materials. While alternate supplies of most key raw materials are available, unplanned supplier production outages may lead to strained supply-demand situations for several key raw materials such as ethylene and propylene, several polymers and other petroleum derivatives such as waxes.

The purchase of raw materials is our largest expenditure. Our objective is to purchase raw materials that meet both our quality standards and production needs at the lowest total cost. Most raw materials are purchased on the open market or under contracts that limit the frequency but not the magnitude of price increases. In some cases, however, the risk of raw material price changes is managed by strategic sourcing agreements which limit price increases to increases in supplier feedstock costs, while requiring decreases as feedstock costs decline. The leverage of having substitute raw materials approved for use wherever possible is used to minimize the impact of possible price increases. Based on 2015 financial results, a hypothetical one percent change in our raw material costs would have resulted in a change in net income of approximately $7.3 million or $0.14 per diluted share.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

H.B. Fuller Company:

We have audited the accompanying consolidated balance sheets of H.B. Fuller Company and subsidiaries (Company) as of November 28, 2015 and November 29, 2014, and the related consolidated statements of income, comprehensive income (loss), total equity, and cash flows for each of the years in the three-year period ended November 28, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of H.B. Fuller Company and subsidiaries as of November 28, 2015 and November 29, 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended November 28, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of November 28, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated January 27, 2016 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Our report dated January 27, 2016 on internal control over financial reporting as of November 28, 2015, contains an explanatory paragraph that states management excluded from its assessment of the effectiveness of internal control over financial reporting as of November 28, 2015, the February 2015 acquisitions of Tonsan Adhesive, Inc. and Continental Products Limited's internal control over financial reporting associated with assets of approximately 16 percent of H.B. Fuller Company's total assets and revenues of approximately 5 percent of H.B. Fuller Company's total revenues, included in the consolidated financial statements of H.B. Fuller Company and subsidiaries as of and for the year ended November 28, 2015. Our audit of internal control over financial reporting of H.B. Fuller Company also excluded an evaluation of the internal control over financial reporting of Tonsan Adhesive, Inc. and Continental Products Limited.

/s/ KPMG LLP

Minneapolis, Minnesota
January 27, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

H.B. Fuller Company:

We have audited H.B. Fuller Company's (Company) internal control over financial reporting as of November 28, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to the inadequate design and operating effectiveness of controls over the accounting for the acquisition of Tonsan Adhesive, Inc. has been identified and included in management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of H.B. Fuller Company and subsidiaries as of November 28, 2015 and November 29, 2014, and the related consolidated statements of income, comprehensive income (loss), total equity, and cash flows for each of the years in the three-year period ended November 28, 2015. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the November 28, 2015 consolidated financial statements, and this report does not affect our report dated January 27, 2016, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, H.B. Fuller Company has not maintained effective internal control over financial reporting as of November 28, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

H.B. Fuller Company acquired Tonsan Adhesive, Inc. and Continental Products Limited in February 2015, and management excluded from its assessment of the effectiveness of internal control over financial reporting as of November 28, 2015, Tonsan Adhesive, Inc. and Continental Products Limited's internal control over financial reporting associated with assets of approximately 16 percent of H.B. Fuller Company's total assets and revenues of approximately 5 percent of H.B. Fuller Company's total revenues included in the consolidated financial statements of H.B. Fuller Company and subsidiaries as of and for the year ended November 28, 2015. Our audit of internal control over financial reporting of H.B. Fuller Company also excluded an evaluation of the internal control over financial reporting of Tonsan Adhesive, Inc. and Continental Products Limited.

/s/ KPMG LLP

Minneapolis, Minnesota
January 27, 2016

CONSOLIDATED STATEMENTS OF INCOME

H.B. Fuller Company and Subsidiaries

(In thousands, except per share amounts)

	Fiscal Years November 28, 2015	November 29, 2014	November 30, 2013
Net revenue	**$2,083,660**	$2,104,454	$2,046,968
Cost of sales	**(1,515,617)**	(1,571,164)	(1,476,797)
Gross profit	**568,043**	533,290	570,171
Selling, general and administrative expenses	**(397,558)**	(383,449)	(374,669)
Special charges, net	**(4,654)**	(51,501)	(45,087)
Other (expense) income, net	**(2,465)**	716	(3,751)
Interest expense	**(25,021)**	(19,744)	(19,120)
Income from continuing operations before income taxes and income from equity method investments	**138,345**	79,312	127,544
Income taxes	**(55,855)**	(34,348)	(39,949)
Income from equity method investments	**5,907**	5,187	8,380
Income from continuing operations	**88,397**	50,151	95,975
Income (loss) from discontinued operations, net of tax	**(1,300)**	-	1,211
Net income including non-controlling interests	**87,097**	50,151	97,186
Net income attributable to non-controlling interests	**(417)**	(378)	(425)
Net income attributable to H.B. Fuller	**$86,680**	$49,773	$96,761
Earnings per share attributable to H.B. Fuller common stockholders:			
Basic			
Income from continuing operations	**$1.75**	$1.00	$1.92
Income (loss) from discontinued operations	**$(0.03)**	$-	$0.02
Basic earnings per share	**$1.72**	$1.00	$1.94
Diluted			
Income from continuing operations	**$1.71**	$0.97	$1.87
Income (loss) from discontinued operations	**$(0.03)**	$-	$0.02
Diluted earnings per share	**$1.69**	$0.97	$1.89
Weighted-average common shares outstanding:			
Basic	**50,274**	50,006	49,893
Diluted	**51,393**	51,255	51,136
Dividends declared per common share	**$0.510**	$0.460	$0.385

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

H.B. Fuller Company and Subsidiaries

(In thousands)

	Fiscal Years		
	November 28, 2015	**November 29, 2014**	**November 30, 2013**
Net income including non-controlling interests	**$87,097**	$ 50,151	$ 97,186
Other comprehensive income (loss)			
Foreign currency translation	**(62,776)**	(38,687)	(931)
Defined benefit pension plans adjustment, net of tax	**(15,871)**	(36,874)	68,196
Interest rate swaps, net of tax	**40**	41	41
Cash-flow hedges, net of tax	**(1,342)**	116	303
Other comprehensive income (loss)	**(79,949)**	(75,404)	67,609
Comprehensive income (loss)	**7,148**	(25,253)	164,795
Less: Comprehensive income attributable to non-controlling interests	**400**	364	370
Comprehensive income (loss) attributable to H.B. Fuller	**$6,748**	$ (25,617)	$ 164,425

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

H.B. Fuller Company and Subsidiaries

(In thousands, except share and per share amounts)

	November 28, 2015	**November 29, 2014**
Assets		
Current assets:		
Cash and cash equivalents	**$ 119,168**	$ 77,569
Trade receivables, net	**364,704**	341,307
Inventories	**248,504**	251,290
Other current assets	**68,675**	93,105
Current assets of discontinued operations	**-**	1,865