RAVEN INDUSTRIES INC
Form 10-K
March 29, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2013
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 001-07982
RAVEN INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

South Dakota	46-0246171
(State of incorporation)	(IRS Employer Identification No.)
205 E. 6th Street, P.O. Box 5107, Sioux Falls, SD	57117- 5107
(Address of principal executive offices)	(zip code)

Registrant's telephone number including area code (605) 336-2750
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on which Registered
Common Stock, $1 par value	The NASDAQ Stock Market

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.	o Yes þ 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.	o Yes þ 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.	þ Yes o No
Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter)during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	þ Yes o No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter)is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.	þ

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates at July 31, 2012 was approximately $1,172,470,556. The aggregate market value was computed by reference to the closing price as reported on the NASDAQ Global Select Market, $32.73, on July 31, 2012, which was as of the last business day of the registrant's most recently completed second fiscal quarter. The number of shares outstanding on March 22, 2013 was 36,332,923.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Shareholders, to be held May 23, 2013, is incorporated by reference into Part III to the extent described therein.

PART I

ITEM 1. BUSINESS

Raven Industries, Inc. (the Company or Raven) was incorporated in February 1956 under the laws of the State of South Dakota and began operations later that same year. Raven is a diversified technology company providing a variety of products to customers within the industrial, agricultural, energy, construction and military/aerospace markets. The Company markets its products around the world and has its principal operations in the United States of America. Raven began operations as a manufacturer of high-altitude research balloons before diversifying into the industrial, agricultural, energy, construction and military/aerospace markets. The Company employs approximately 1,400 people and is headquartered at 205 E. Sixth Street, Sioux Falls, SD 57104 - telephone (605) 336-2750. The Company's Internet address is http://www.ravenind.com and its common stock trades on the NASDAQ Global Select Market under the symbol RAVN. The Company has adopted a Code of Conduct applicable to all officers, directors and employees, which is available on the website. Information on the Company's website is not part of this filing.

All reports (including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and current reports on Form 8-K) and proxy and information statements filed with the Securities and Exchange Commission (SEC) are available through a link from the Company's website to the SEC website. All such information is available as soon as reasonably practicable after it has been electronically filed. Filings can also be obtained free of charge by contacting the Company or through the SEC's website at http://www.sec.gov or by contacting the SEC's Office of FOIA/PA Operations at 100 F Street N.E., Washington, DC 20549-2736, or calling the SEC at 1-800-SEC-0330.

BUSINESS SEGMENTS

The Company has three unique operating units, or divisions, that are also its reportable segments: Applied Technology Division (Applied Technology), Engineered Films Division (Engineered Films) and Aerostar Division (Aerostar). Many of the past and present product lines are an extension of technology and production methods developed in the original balloon business. Product lines have been grouped in these segments based on common technologies, production methods and inventories; however, more than one business segment may serve each of the product markets identified above. The Company measures the performance of its segments based on their operating income excluding administrative and general expenses. Other expense and income taxes are not allocated to individual operating segments, and assets not identifiable to an individual segment are included as corporate assets. Segment information is reported consistent with the Company's management reporting structure.

During fiscal 2013, the Company realigned the assets and team members of its Electronic Systems Division and deployed them into the Company's Aerostar and Applied Technology Divisions. The Company adjusted its segment information, retrospectively, for all periods presented in this Annual Report on Form 10-K to reflect this change in segment reporting.
Business segment financial information is found on the following pages:

16 Business Segments
19 Results of Operations – Segment Analysis
50 Note 13. Business Segments and Major Customer Information

Applied Technology
Applied Technology designs, manufactures, sells and services innovative precision agriculture products and information management tools that help growers reduce costs and improve farm yields around the world. The Applied Technology product families include field computers, application controls, GPS-guidance and assisted-steering systems, automatic boom controls, yield monitoring planter controls and an integrated real-time

kinematic (RTK) navigation and information platform called Slingshot™. As a result of the realignment of the Company's Electronic Systems Division, these product families also include motor controls. The Company's investments in Site-Specific Technology Development Group, Inc. (SST), a software company, and the continued build-out of the Slingshot API platform have positioned Applied Technology to provide an information platform of choice that improves grower decision-making and business efficiencies for our agriculture retail partners.

Applied Technology sells its precision agriculture control products to both original equipment manufacturers (OEMs) and through aftermarket distribution in the United States and in most major agriculture areas around the world. Applied Technology has personnel and third-party distribution representatives located in the U.S. and key geographic areas throughout the world, including Canada, Europe, the former Soviet Republics, South Africa, South America, Australia and China. The Company's competitive advantage in this segment is designing and selling easy to use, reliable and value-added products that are supported by an industry leading service and support team.

Engineered Films
Engineered Films produces high-performance plastic films and sheeting for industrial, energy, construction, geomembrane and agricultural applications.

The Company's sales force sells plastic sheeting to independent third-party distributors in each of the various markets it serves. The Company extrudes a significant portion of the film converted for its commercial products and believes it is one of the largest sheeting converters in the United States. Engineered Films believes its ability to both extrude and convert films allows it to provide a more customized solution to customer needs. A number of suppliers of sheeting compete with Raven on both price and product availability. Engineered Films is the Company's most capital-intensive business segment, requiring regular investments in new extrusion capacity along with printers and conversion equipment. This segment's capital expenditures were $11.5 million in fiscal 2013, $10.9 million in fiscal 2012 and $8.5 million in fiscal 2011.

Aerostar
Aerostar designs and manufactures high-altitude research balloons, tethered aerostats and radar processing systems. These products can be integrated with additional third-party sensors to provide research, communications and situational awareness to government and commercial customers. Aerostar's sales to the U.S. government or U.S. government agencies as a prime or sub-contractor include military parachutes, uniforms and protective wear. It also manufactures other sewn and sealed products on a contract basis as well as being a total solutions provider of electronics manufacturing services since the realignment of the Electronic Systems Division. Sales are made in response to competitive bid requests. High-altitude research balloons are sold directly to government agencies (usually funded by the National Aeronautics and Space Administration) or commercial users. Aerostar is the only balloon supplier for high-altitude research in the United States.

Through the recent acquisition of Vista Research, Inc. (Vista) and a separate business venture that is majority-owned by the Company, Aerostar pursues potential product and support services contracts for agencies and instrumentalities of the U.S. government. The acquisition of Vista in January 2012 positioned the Company to meet growing global demand for lower-cost detection and tracking systems used by government and law enforcement agencies. As a leading provider of surveillance systems that enhance the effectiveness of radar using sophisticated algorithms, Vista will also allow Aerostar to enhance its tethered aerostat security solutions.

MAJOR CUSTOMER INFORMATION

One customer accounted for 10% or more of consolidated sales in fiscal 2013. Sales to West Texas Plastics Limited, a customer in the Engineered Films Division, accounted for 11% of consolidated sales in both fiscal 2013 and 2012. In addition to this customer, sales to Goodrich Corporation, a customer of Aerostar, accounted for 10% of consolidated sales in fiscal 2012. As expected, revenue from this customer has continued to decline from 10% and 13%, respectively, of consolidated sales in fiscal 2012 and 2011. No other customers accounted for 10% of consolidated sales in fiscal 2012 or 2011.

SEASONAL WORKING CAPITAL REQUIREMENTS

Some seasonal demand exists in Applied Technology's agricultural market. Applied Technology builds product in the fall for winter and spring delivery. Certain sales to agricultural customers offer spring payment terms for fall and early winter shipments. The resulting fluctuations in inventory and accounts receivable have required, and may require, seasonal short-term financing.

FINANCIAL INSTRUMENTS

The principal financial instruments that the Company maintains are cash, cash equivalents, short-term investments, accounts receivable, accounts payable and acquisition-related contingent payments. The Company manages the interest rate, credit and market risks associated with these accounts through periodic reviews of the carrying value of assets and liabilities and establishment of appropriate allowances in connection with Company policies. The Company does not use off-balance sheet financing, except to enter into operating leases.

The Company uses derivative financial instruments to manage foreign currency risk. The use of these financial instruments has had no material effect on consolidated results of operations, financial condition or cash flows.

RAW MATERIALS

The Company obtains a wide variety of materials from several vendors. Principal materials include numerous electronic components for Aerostar and Applied Technology, various plastic resins for Engineered Films and fabrics for Aerostar. Engineered Films has experienced volatile resin prices over the past three years. Price increases could not always be passed on to customers due to weak demand and a competitive pricing environment. Aerostar experiences variability in lead times for components as business cycles impact demand. However, predicting future material shortages and the related potential impact on Raven is not possible.

PATENTS

The Company owns a number of patents. However, Raven does not believe that its business, as a whole, is materially dependent on any one patent or related group of patents. It believes the successful manufacture and sale of its products generally depend more upon its technical expertise, speed to market and manufacturing skills.

RESEARCH AND DEVELOPMENT

The business segments conduct ongoing research and development efforts. Most of the Company's research and development expenditures are directed toward new products in the Applied Technology, Engineered Films and Aerostar Divisions. Total Company research and development costs are presented on the Consolidated Statements of Income and Comprehensive Income.

ENVIRONMENTAL MATTERS

Except as described below, the Company believes that, in all material respects, it is in compliance with applicable federal, state and local environmental laws and regulations. Expenditures incurred in the past relating to compliance for operating facilities have not significantly affected the Company's capital expenditures, earnings or competitive position.

In connection with the sale of substantially all of the assets of the Company's Glasstite, Inc. subsidiary in fiscal 2000, the Company has agreed to assume responsibility for the investigation and remediation of any pre-October 29, 1999, environmental contamination at the Company's former Glasstite pickup-truck topper facility in Dunnell, Minnesota, as required by the Minnesota Pollution Control Agency (MPCA) or the United States Environmental Protection Agency (EPA).

The Company and the purchasers of the Company's Glasstite subsidiary conducted environmental assessments of the properties. Although these assessments continue to be evaluated by the MPCA on the basis of the data available, the Company believes that any activities that might be required as a result of the findings of the assessments will not have a material effect on the Company's results of operations, financial position or cash flows. The company had $53 thousand accrued at January 31, 2013, representing its best estimate of probable costs to be incurred related to these matters.

BACKLOG

As of February 1, 2013, the Company's order backlog totaled $51.1 million. Backlog amounts as of February 1, 2012 and 2011 were $66.6 million and $76.0 million, respectively. Because the length of time between order and shipment varies considerably by business segment and customers can change delivery schedules or potentially cancel orders, the Company does not believe that backlog, as of any particular date, is necessarily indicative of actual net sales for any future period.

EMPLOYEES

As of January 31, 2013, the Company had 1,379 employees, 1,327 in an active status. Following is a summary of active employees by segment: Applied Technology - 539; Engineered Films - 236; Aerostar - 458; Corporate Services - 94. Management believes its employee relations are satisfactory.

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EXECUTIVE OFFICERS

Name, Age and Position	Biographical Data
Daniel A. Rykhus, 48 President and Chief Executive Officer	Mr. Rykhus became the Company's President and Chief Executive Officer in 2010. He joined Raven in 1990 as Director of World Class Manufacturing, was General Manager of the Applied Technology Division from 1998 through 2009, and served as Executive Vice President from 2004 through 2010.
Thomas Iacarella, 59 Vice President and Chief Financial Officer	Mr. Iacarella joined Raven in 1991 as Corporate Controller and has been the Company's Chief Financial Officer and Treasurer since 1998. Prior to joining the Company, he held positions with Tonka Corporation and the accounting firm now known as Ernst & Young.
Stephanie Herseth Sandlin, 42 General Counsel and Vice President of Corporate Development	Ms. Herseth Sandlin joined Raven in August 2012 as General Counsel and Vice President of Corporate Development and also became the Company's Secretary in March 2013. Prior to joining Raven, Ms. Herseth Sandlin was a partner at OFW Law in Washington, D.C. from 2011 to 2012 and served as South Dakota's lone member of the United States House of Representatives from 2004 through 2011.
Janet L. Matthiesen, 55 Vice President - Human Resources	Ms. Matthiesen joined Raven in 2010 as Director of Administration and has been the Company's Vice President of Human Resources since April 2012. Prior to joining Raven, Ms. Matthiesen was a Human Resource Manager at Science Applications International Corporation from 2002 to 2010.
Matthew T. Burkhart, 37 Division Vice President and General Manager - Applied Technology Division	Mr. Burkhart was named Division Vice President and General Manager of the Applied Technology Division on February 1, 2010. He joined Raven in 2008 as Director of Sales and became General Manager - Applied Technology Division on February 1, 2009. Prior to joining the Company, he was a Branch Manager for Johnson Controls.
Anthony D. Schmidt, 41 Division Vice President and General Manager - Engineered Films Division	Mr. Schmidt was named Division Vice President and General Manager of the Engineered Films Division on February 1, 2012. He joined Raven in 1995 in the Applied Technology Division performing various leadership roles within manufacturing and engineering. He transitioned to Engineered Films Division in September 2011 as Manufacturing Manager.
Lon E. Stroschein, 38 Division Vice President and General Manager - Aerostar Division	Mr. Stroschein was named Vice President and General Manager of the Aerostar Division in October 2010. He joined Raven in 2008 as International Sales Manager for Applied Technology. Prior to joining Raven, he was a bank vice president and was a member of the

executive staff for a U.S. Senator.

ITEM 1A. RISK FACTORS

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the expectations, beliefs, intentions or strategies regarding the future. Without limiting the foregoing, the words “anticipates,” “believes,” “expects,” “intends,” “may,” “plans” and similar expressions are intended to ide forward-looking statements. The Company intends that all forward-looking statements be subject to the safe harbor provisions of the Private Securities Litigation Reform Act. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, there is no assurance that such assumptions are correct or that these expectations will be achieved. Such assumptions involve important risks and uncertainties that could significantly affect results in the future. These risks and uncertainties include, but are not limited to, those relating to weather conditions and commodity prices, which could affect certain of the Company's primary markets, such as agriculture and construction and oil and gas well drilling; or changes in competition, raw material availability, technology or relationships with the Company's largest customers, any of which could adversely impact any of the Company's product lines, as well as other risks described below. The foregoing list is not exhaustive and the Company disclaims any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements.

RISKS RELATING TO THE COMPANY

Raven operates in markets that involve significant risks, many of which are beyond the Company's control. Based on current information, the Company believes that the following identifies the most significant risk factors that could affect its businesses. However, the risks and uncertainties the Company faces are not limited to those discussed below. There could be other unknown or unpredictable economic, business, competitive or regulatory factors, including factors that the Company currently believes to be immaterial, that could have material adverse effects on the Company's financial position, liquidity and results of operations. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Weather conditions could affect certain of the Company's markets such as agriculture and construction.
The Company's Applied Technology Division is largely dependent on the ability of farmers and agricultural subcontractors known as custom operators to purchase agricultural equipment that includes its products. If such farmers experience adverse weather conditions resulting in poor growing conditions, or experience unfavorable crop prices or expenses, potential buyers may be less likely to purchase agricultural equipment. Accordingly, weather conditions may adversely affect sales in the Applied Technology Division.

Weather conditions can also adversely affect sales in the Company's Engineered Films Division. To the extent weather conditions curtail construction activity, sales of the segment's plastic sheeting will likely decrease.

Price fluctuations in and shortages of raw materials could have a significant impact on the Company's ability to sustain and grow earnings.
The Company's Engineered Films Division consumes significant amounts of plastic resin, the costs of which reflect market prices for natural gas, oil and other market forces. These prices are subject to worldwide supply and demand as well as other factors beyond the control of the Company. Although the Engineered Films Division is sometimes able to pass such price increases to its customers, significant variations in the cost of plastic resins can affect the Company's operating results from period to period. Unusual supply disruptions, such as caused by a natural disaster, could cause suppliers to invoke “force majeure” clauses in their supply agreements, causing shortages of material. Success in offsetting higher raw material costs with price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the market served. If the Company is not able to fully offset the effects of material availability and costs, financial results could be adversely affected.

Electronic components, used by both the Applied Technology Division and Aerostar Division, are sometimes in short supply, impacting our ability to meet customer demand.

If a supplier of raw materials or components were unable to deliver due to shortage or financial difficulty, any of the Company's segments could be adversely affected.

Fluctuations in commodity prices can increase our costs and decrease our sales.
Agricultural income levels are affected by agricultural commodity prices and input costs. As a result, changes in commodity prices that reduce agricultural income levels could have a negative effect on the ability of growers and their contractors to purchase the Company's precision agriculture products manufactured by its Applied Technology Division.

Exploration for oil and natural gas fluctuates with their price. Plastic sheeting manufactured and sold by our Engineered Films Division is sold as pit and pond liners to contain water used in the drilling process. Lower prices for oil and natural gas could reduce exploration activities and demand for our products. Plastic sheeting manufacture uses plastic resins, which can be subject to change in price as the cost of natural gas or oil changes. Accordingly, volatility in oil and natural gas prices may negatively affect our cost of goods sold or cause us to change prices, which could adversely affect our sales and profitability.

Failure to develop and market new technologies and products could impact the Company's competitive position and have an adverse effect on the Company's financial results.
The Company's operating results in its Applied Technology and to a lesser extent, its Engineered Films and Aerostar, are largely dependent on the ability to renew the pipeline of new products and to bring those products to market. This ability could be adversely affected by difficulties or delays in product development such as the inability to identify viable new products, successfully complete research and development, obtain relevant regulatory approvals, obtain intellectual property protection or gain market acceptance of new products and services. Because of the lengthy development process, technological challenges and intense competition, there can be no assurance that any of the products the Company is currently developing, or could begin to develop in the future, will achieve substantial commercial success. In addition, sales of the Company's new products could replace sales of some of its current products, offsetting the benefit of even a successful product introduction.

The Company's electronic manufacturing services business is dependent on a small number of customers and faces competitive risks.
The Company's electronic manufacturing services (EMS) business in the Aerostar Division is dependent on a small number of customers. Accordingly, the EMS revenue is dependent on the continued growth, viability and financial stability of its customers, which consist of original equipment manufacturers of avionics and secure telecommunication equipment. Future sales are dependent on the success of the Company's customers, some of which operate in businesses associated with rapid technological change and consequent product obsolescence. Developments adverse to major customers or their products, or the failure of a major customer to pay for components or services, could have an adverse effect on EMS revenue.

Further, the Aerostar Division competes against many providers of electronics manufacturing services. Certain competitors have substantially greater resources and more geographically diversified international operations than Aerostar. This segment may also be at a competitive disadvantage with respect to price when compared to manufacturers with lower cost structures, particularly those with more offshore facilities located where labor and other costs are lower. The Company also faces competition from the manufacturing operations of current and future customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing to EMS providers. Accordingly, to compete effectively, Aerostar must continue to provide technologically advanced manufacturing services, maintain strict quality standards, respond flexibly and rapidly to customers' design and schedule changes and deliver products globally on a reliable basis at competitive prices. Customers may cancel their orders, change production quantities or delay production. Start-up costs and inefficiencies related to new or transferred programs can adversely affect operating results and such costs may not be recoverable if such new programs or transferred programs are canceled.

The Company's Aerostar segment depends on the U.S. government for a significant portion of its sales, creating uncertainty in the timing of and funding for projected contracts.
A significant portion of Aerostar's sales are to the U.S. government or U.S. government agencies as a prime or sub-contractor. Government spending has historically been cyclical. A decrease in U.S. government defense or near-space research spending or changes in spending allocation could result in one or more of the Company's programs being reduced, delayed or terminated. Reductions in the Company's existing programs, unless offset by other programs and opportunities, could adversely affect its ability to sustain and grow its future sales and earnings. The Company's U.S. government sales are funded by the federal budget, which operates on an October-to-September fiscal year. Changes in congressional schedules, negotiations for program funding levels, reduced program funding due to U.S government debt limitations, automatic budget cuts ("sequestration") or unforeseen world events can interrupt the funding for a program or contract. Funds for multi-year contracts can be changed in subsequent years in the appropriations process.

In addition, the U.S. government has increasingly relied on indefinite delivery, indefinite quantity (IDIQ) contracts and other procurement vehicles that are subject to a competitive bidding and funding process even after the award of the basic contract, adding an additional element of uncertainty to future funding levels. Delays in the funding process or changes in funding can impact the timing of available funds or can lead to changes in program content or termination at the government's convenience. The loss of anticipated funding or the termination of multiple or large programs could have an adverse effect on the Company's future sales and earnings.

The Company derives a portion of its revenues from foreign markets, which subjects the Company to business risks, including risk of changes in government policies and laws or worldwide economic conditions.
The Company's sales outside the U.S. were $49.3 million in fiscal 2013, representing 12% of consolidated net sales. The Company's financial results could be affected by changes in trade, monetary and fiscal policies, laws and regulations, or other activities of U.S. and non-U.S. governments, agencies and similar organizations. These

conditions include, but are not limited to, changes in a country's or region's economic or political conditions; trade regulations affecting production, pricing and marketing of products; local labor conditions and regulations; reduced protection of intellectual property rights in some countries; changes in the regulatory or legal environment; restrictions on currency exchange activities; burdensome taxes and tariffs and other trade barriers. International risks and uncertainties also include changing social and economic conditions, terrorism, political hostilities and war, difficulty in enforcing agreements or collecting receivables and increased transportation or other shipping costs. Any of such risks could lead to reduced sales and reduced profitability associated with such sales.

Adverse economic conditions in the major industries the Company serves may materially affect segment performance and consolidated results of operations.

The Company's results of operations are impacted by the market fundamentals of the primary industries served. Significant declines of economic activity in the agricultural, oil and gas exploration, construction, industrial, aerospace/aviation, communication, defense and other major markets served may adversely affect segment performance and consolidated results of operations.

The Company may pursue or complete acquisitions which represent additional risk and could impact future financial results.
The Company's business strategy includes the potential for future acquisitions. Acquisitions involve a number of risks including integration of the acquired company with the Company's operations and unanticipated liabilities or contingencies related to the acquired company. The Company cannot ensure that the expected benefits of any future acquisitions will be realized. Costs could be incurred on pursuits or proposed acquisitions that have not yet or may not close which could significantly impact the operating results, financial condition or cash flows. Additionally, after the acquisition, unforeseen issues could arise which adversely affect the anticipated returns or which are otherwise not recoverable as an adjustment to the purchase price. Other acquisition risks include delays in realizing benefits from the acquired companies or products; difficulties due to lack of or limited prior experience in any new markets we enter; unforeseen adjustments, charges or write-offs; unforeseen losses of customers or, or suppliers to, acquired businesses; difficulties in retaining key employees of the acquired businesses; or challenges arising from increased geographic diversity and complexity of our operations.

Total goodwill and intangible assets account for approximately $31.0 million, or 11%, of Raven's total assets as of January 31, 2013. The Company evaluates goodwill and intangible assets for impairment annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Principally, a significant decrease in expected cash flows or changes in market conditions may indicate potential impairment of recorded goodwill or intangible assets. An impairment would adversely impact the Company's results of operations and financial condition.

The Company may fail to continue to attract, develop and retain key management and other key employees, which could negatively impact our operating results.
We depend on the performance of our senior management team and other key employees, including experienced and skilled technical personnel. The loss of certain members of our senior management, including our Chief Executive Officer, could negatively impact our operating results and ability to execute our business strategy. Our future success will also depend in part upon our ability to attract, train, motivate and retain qualified personnel.

The Company may fail to protect its intellectual property effectively, or may infringe upon the intellectual property of others.
The Company has developed significant proprietary technology and other rights that are used in its businesses. The Company relies on trade secret, copyright, trademark and patent laws and contractual provisions to protect the Company's intellectual property. While the Company takes enforcement of these rights seriously, other companies such as competitors, or analogous persons in markets the Company does not participate, may attempt to copy or use the Company's intellectual property for their own benefit.

In addition, intellectual property of others also has an impact on the Company's ability to offer some of its products and services for specific uses or at competitive prices. Competitors' patents or other intellectual property may limit the Company's ability to offer products and services to its customers. Any infringement or claimed infringement of the intellectual property rights of others could result in litigation and adversely affect the Company's ability to continue to provide, or could increase the cost of providing, products and services.

Intellectual property litigation is very costly and could result in substantial expense and diversions of the Company's resources, both of which could adversely affect its businesses and financial condition and results. In addition, there may be no effective legal recourse against infringement of the Company's intellectual property by third parties, whether due to limitations on enforcement of rights in foreign jurisdictions or as a result of other factors.

Technology failures or cyber-attacks on the Company's systems could disrupt the Company's operations or the functionality of its products and negatively impact the Company's business.

The Company increasingly relies on information technology systems to process, transmit and store electronic information. In addition, a significant portion of internal communications, as well as communication with customers and suppliers depends on information technology. Further, the products in our Applied Technology segment depend upon GPS and other systems through which our products interact with government computer systems and other centralized information sources. We are exposed to the risk of cyber incidents in the normal course of business. Cyber incidents may be deliberate attacks for the theft of intellectual property or other sensitive information or may be the result of unintentional events. Like most companies, the Company's information technology systems may be vulnerable to interruption due to a variety of events beyond the Company's control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. Further, attacks on centralized information sources could affect the operation of our products or cause them to malfunction. The Company has technology security initiatives and disaster recovery plans in place to mitigate the Company's risk to these vulnerabilities, but these measures may not be adequate or implemented properly to ensure that the Company's operations are not disrupted. Potential consequences of a material cyber incident include damage to our reputation, litigation and increased cyber security protection and remediation costs. Such consequences could adversely affect our results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Raven's corporate office is at an owned premises located in Sioux Falls, South Dakota. The Company also owns separate manufacturing facilities for each of our business segments as well as various warehouses, training and product development facilities. In addition to these facilities, Applied Technology has a product development facility in Austin, Texas and a manufacturing facility located in St. Louis, Missouri; and Aerostar has additional owned manufacturing, sewing and research facilities located in Huron and Madison, South Dakota, and Sulphur Springs, Texas. Aerostar also leases facilities in Arlington, Virgina; and Monterey and Chatsworth, California. Most of the Company's manufacturing plants also serve as distribution centers and contain offices for sales, engineering and manufacturing support staff. The Company believes that its properties are suitable and adequate to meet existing production needs. Additionally, the productive capacity in the Company's facilities is substantially being utilized. The Company also owns approximately 6.2 acres of undeveloped land adjacent to the other owned property, which is available for expansion.

The following is the approximate square footage of the Company's owned or leased facilities by segment: Applied Technology - 170,000; Engineered Films - 310,000; Aerostar - 275,000; and Corporate - 150,000.

ITEM 3. LEGAL PROCEEDINGS

The Company is responsible for investigation and remediation of environmental contamination at one of its sold facilities (see Item 1, Business - Environmental Matters of this Annual Report on Form 10-K). In addition, the Company is involved as a defendant in lawsuits, claims or disputes arising in the normal course of its business. The potential costs and liability of such claims cannot be determined at this time. Management believes that any liability resulting from these claims will be substantially mitigated by insurance coverage. Accordingly, management does not believe the ultimate outcome of these matters will be significant to its results of operations, financial position or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Raven's common stock is traded on the NASDAQ Global Select Market under the symbol RAVN. The following table shows quarterly unaudited financial results, quarterly high and low sales prices per share of Raven's common stock as reported by NASDAQ and dividends declared for the periods indicated:

QUARTERLY INFORMATION (UNAUDITED)

(Dollars in thousands, except per-share amounts)

	Net Sales	Gross Profit	Operating Income	Pre-tax Income	Net Income Attributable to Raven	Net Income Per Share [a] [b]		Common Stock Market Price [b]		Cash Dividends Per Share [b]
						Basic	Diluted	High	Low	
FISCAL 2013										
First Quarter	$117,915	$41,135	$28,432	$28,380	$19,043	$0.53	$0.52	$35.56	$28.16	$0.105
Second Quarter	101,674	30,064	17,407	17,311	11,546	0.32	0.32	37.73	28.59	0.105
Third Quarter	97,011	29,575	16,372	16,316	10,859	0.30	0.30	34.61	26.78	0.105
Fourth Quarter	89,575	26,899	15,481	15,639	11,097	0.31	0.30	28.19	23.01	0.105
Total Year	$406,175	$127,673	$77,692	$77,646	$52,545	$1.45	$1.44	$37.73	$23.01	$0.42
FISCAL 2012										
First Quarter	$101,541	$32,936	$23,533	$23,520	$15,716	$0.44	$0.43	$30.96	$23.60	$0.09
Second Quarter	90,344	28,130	18,674	18,598	12,461	0.34	0.34	29.80	24.68	0.09
Third Quarter	93,300	27,254	16,875	16,871	11,390	0.32	0.32	32.44	21.62	0.09
Fourth Quarter	96,326	27,872	16,559	16,709	11,002	0.31	0.30	34.65	25.09	0.09
Total Year	$381,511	$116,192	$75,641	$75,698	$50,569	$1.40	$1.39	$34.65	$21.62	$0.36
FISCAL 2011										
First Quarter	$85,030	$27,171	$19,505	$19,557	$12,945	$0.36	$0.36	$15.90	$13.27	$0.08
Second Quarter	73,174	20,389	12,623	12,529	8,353	0.23	0.23	19.09	14.33	0.08
Third Quarter	85,823	24,887	17,866	17,883	11,833	0.32	0.32	21.06	15.00	0.71 [c]
Fourth Quarter	70,681	18,982	10,209	10,313	7,406	0.21	0.21	24.80	20.01	0.08
Total Year	$314,708	$91,429	$60,203	$60,282	$40,537	$1.12	$1.12	$24.80	$13.27	$0.95

(a) Net income per share is computed discretely by quarter and may not add to the full year.

(b) All per-share and market data reflect the July 2012 two-for-one stock split.

(c) A special dividend of $0.63 per share was paid during the third quarter of fiscal 2011.

As of January 31, 2013, the Company had approximately 10,400 beneficial holders, which includes a substantial number of the Company's common stock held by record by banks, brokers and other financial institutions.

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COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN AMONG RAVEN INDUSTRIES, S&P 1500 INDUSTRIAL MACHINERY INDEX AND RUSSELL 2000 INDEX

Raven outperformed its industrial peers and the overall market in shareholder return. Investors who bought $100 of the Company's stock on January 31, 2008, held this for five years and reinvested the dividends, have seen its value increase to $201.51.

Company / Index	Years Ended January 31, 2008	2009	2010	2011	2012	2013	5-Year CAGR[a]
Raven Industries, Inc.	$100.00	$77.08	$103.15	$179.62	$250.00	$201.51	16.1 %
S&P 1500 Industrial Machinery Index	100.00	62.52	87.71	127.43	126.95	152.92	8.9 %
Russell 2000 Index	100.00	63.15	87.04	114.34	117.61	135.81	6.3 %

[a] compound annual growth rate (CAGR)

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ITEM 6. SELECTED FINANCIAL DATA

ELEVEN-YEAR FINANCIAL SUMMARY

(Dollars and shares in thousands, except employee counts and per-share amounts)	For the years ended January 31,		
	2013	2012	2011
OPERATIONS			
Net sales	$406,175	$381,511	$314,708
Gross profit	127,673	116,192	91,429
Operating income	77,692	75,641	60,203
Income before income taxes	77,646	75,698	60,282
Net income attributable to Raven Industries, Inc.	$52,545	$50,569	$40,537
Net income % of sales	12.9 %	13.3 %	12.9 %
Net income % of beginning equity	29.1 %	35.8 %	30.4 %
Cash dividends[(a)]	$15,244	$13,025	$34,095
FINANCIAL POSITION			
Current assets	$156,748	$147,559	$128,181
Current liabilities	33,061	40,646	34,335
Working capital	$123,687	$106,913	$93,846
Current ratio	4.74	3.63	3.73
Property, plant and equipment	$81,238	$61,894	$41,522
Total assets	273,210	245,703	187,760
Long-term debt, less current portion	—	—	—
Raven Industries, Inc. shareholders' equity	$221,346	$180,499	$141,214
Long-term debt / total capitalization	— %	— %	— %
Inventory turnover (cost of sales / average inventory)	5.4	5.4	5.6
CASH FLOWS PROVIDED BY (USED IN)			
Operating activities	$76,456	$43,831	$42,085
Investing activities	(29,930)	(40,313)	(11,418)
Financing activities	(23,007)	(15,234)	(33,834)
Change in cash	23,511	(11,721)	(3,121)
COMMON STOCK DATA			
EPS — basic	$1.45	$1.40	$1.12
EPS — diluted	1.44	1.39	1.12
Cash dividends per share[(a)]	0.42	0.36	0.95
Book value per share[(b)]	6.09	4.97	3.91
Stock price range during the year			
High	$37.73	$34.65	$24.80
Low	23.01	21.62	13.27
Close	$26.93	$32.45	$23.62
Shares and stock units outstanding, year-end	36,326	36,284	36,178
Number of shareholders, year-end	10,439	10,618	7,456
OTHER DATA			
Price / earnings ratio[(c)]	18.7	23.4	21.1
Average number of employees	1,350	1,252	1,036
Sales per employee	$301	$305	$304
Backlog	$51,121	$66,641	$75,972

All per-share, shares outstanding and market price data reflect the July 2012 two-for-one stock split, the October 2004 two-for-one stock split and the January 2003 two-for-one stock split.

(a) Includes special dividends of $0.625 per share in fiscal 2011 and 2009; and $0.3125 per share in fiscal 2005
(b) Raven Industries, Inc. shareholders' equity, excluding equity attributable to noncontrolling interests, divided by common shares and stock units outstanding.
(c) Closing stock price divided by EPS — diluted.

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2010	2009	2008	2007	2006	2005	2004	2003
$237,782	$279,913	$233,957	$217,529	$204,528	$168,086	$142,727	$120,903
67,852	73,448	63,676	57,540	55,714	45,212	35,488	28,828
43,220	46,394	41,145	38,302	37,284	27,862	21,626	17,065
43,322	46,901	42,224	38,835	37,494	27,955	21,716	17,254
$28,574	$30,770	$27,802	$25,441	$24,262	$17,891	$13,836	$11,185
12.0 %	11.0 %	11.9 %	11.7 %	11.9 %	10.6 %	9.7 %	9.3 %
25.2 %	26.0 %	28.3 %	30.1 %	36.7 %	26.9 %	23.8 %	21.5 %
$9,911	$31,884	$7,966	$6,507	$5,056	$15,298	$3,075	$2,563
$117,747	$98,073	$100,869	$73,219	$71,345	$61,592	$55,710	$49,351
25,960	23,322	22,108	16,464	20,050	20,950	11,895	13,167
$91,787	$74,751	$78,761	$56,755	$51,295	$40,642	$43,815	$36,184
4.54	4.21	4.56	4.45	3.56	2.94	4.68	3.75
$33,029	$35,880	$35,743	$36,264	$25,602	$19,964	$15,950	$16,455
170,309	144,415	147,861	119,764	106,157	88,509	79,508	72,816
—	—	—	—	9	—	57	151
$133,251	$113,556	$118,275	$98,268	$84,389	$66,082	$66,471	$58,236
— %	— %	— %	— %	— %	— %	0.1 %	0.3 %
5.3	5.2	5.3	5.4	5.9	5.8	6.1	4.8
$47,643	$39,037	$27,151	$26,313	$21,189	$18,871	$19,732	$12,735
(13,396)	(7,000)	(4,433)	(18,664)	(11,435)	(7,631)	(4,352)	(9,166)
(9,867)	(36,969)	(8,270)	(10,277)	(6,946)	(19,063)	(6,155)	(5,830)
24,417	(5,005)	14,489	(2,626)	2,790	(7,823)	9,225	(2,261)
0.79	$0.86	$0.77	$0.71	$0.67	$0.50	$0.39	$0.31
0.79	0.85	0.77	0.70	0.66	0.49	0.38	0.30
0.28	0.89	0.22	0.18	0.14	0.43	0.09	0.07
3.69	3.15	3.26	2.73	2.34	1.84	1.84	1.61
16.59	$23.91	$22.93	$21.35	$16.58	$13.47	$7.62	$4.60
7.69	10.30	13.10	12.73	8.27	6.54	3.78	2.19
14.29	$10.91	$15.01	$14.22	$15.80	$9.19	$7.06	$3.96
36,102	36,054	36,260	36,088	36,144	35,998	36,082	36,266
7,767	8,268	8,700	8,992	9,263	6,269	3,560	2,781
18.1	12.8	19.6	20.5	23.9	18.9	18.8	13.2
930	1,070	930	884	845	835	787	784
$256	$262	$252	$246	$242	$201	$181	$154
$74,718	$80,361	$66,628	$44,237	$43,619	$43,646	$47,120	$42,826

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BUSINESS SEGMENTS
(Dollars in thousands)

	For the years ended January 31,					
	2013	2012	2011	2010	2009	2008
APPLIED TECHNOLOGY DIVISION						
Sales	$171,778	$145,261	$107,910	$94,005	$111,512	$80,049
Operating income	59,590	49,750	33,197	27,538	35,034	22,701
Assets	84,224	73,872	55,740	54,007	51,608	40,058
Capital expenditures	10,780	11,971	1,947	1,092	2,857	1,054
Depreciation and amortization	3,874	2,571	2,483	1,863	1,646	1,503
ENGINEERED FILMS DIVISION						
Sales	$141,976	$133,481	$105,838	$63,783	$89,858	$85,316
Operating income(b)	25,115	21,501	19,622	10,232	10,919	17,739
Assets	65,801	65,100	46,519	35,999	35,862	43,688
Capital expenditures	11,539	10,937	8,450	1,460	3,120	4,012
Depreciation and amortization	5,814	4,313	3,452	3,707	4,303	4,046
AEROSTAR DIVISION						
Sales	$102,051	$107,811	$104,384	$81,617	$78,783	$69,248
Operating income	10,341	18,308	17,209	12,849	8,924	8,256
Assets	60,689	72,089	38,366	28,665	32,777	32,670
Capital expenditures	2,081	4,105	2,621	471	1,599	1,187
Depreciation and amortization	2,272	1,684	1,335	1,151	1,340	1,358
INTERSEGMENT ELIMINATIONS						
Sales						
Applied Technology Division	$(974)	$(460)	$(226)	$(31)	$(5)	$(107)
Engineered Films Division	(124)	(193)	(307)	(210)	(210)	(533)
Aerostar Division	(8,532)	(4,389)	(2,891)	(1,382)	(25)	(16)
Operating income	(61)	(188)	(41)	8	19	(84)
Assets	(347)	(286)	(98)	(57)	(65)	(84)
CORPORATE & OTHER(a)						
Operating (loss) from administrative expenses	$(17,293)	$(13,730)	$(9,784)	$(7,407)	$(8,502)	$(7,467)
Assets	62,843	34,928	47,233	51,695	24,233	31,529
Capital expenditures	5,275	2,002	954	279	425	382
Depreciation and amortization	1,138	700	361	387	469	437
TOTAL COMPANY						
Sales	$406,175	$381,511	$314,708	$237,782	$279,913	$233,957
Operating income (b)	77,692	75,641	60,203	43,220	46,394	41,145
Assets	273,210	245,703	187,760	170,309	144,415	147,861
Capital expenditures	29,675	29,015	13,972	3,302	8,001	6,635
Depreciation and amortization	13,098	9,268	7,631	7,108	7,758	7,344

(a) Assets are principally cash, investments, deferred taxes and other receivables.
(b) The year ended January 31, 2011 includes a $451 pre-tax gain on disposition of assets.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to enhance overall financial disclosure with commentary on the operating results, liquidity, capital resources and financial condition of Raven Industries, Inc. (the Company or Raven). This commentary provides management's analysis of the primary drivers of year-over-year changes in key financial statement elements, business segment results and the impact of accounting principles on the Company's financial statements. The most significant risks and uncertainties impacting the operating performance and financial condition of the Company are discussed in Item 1A., Risk Factors, of this Annual Report on Form 10-K.

This discussion should be read in conjunction with Raven's Consolidated Financial Statements and notes thereto in Item 8 of this Form 10-K.

The MD&A is organized as follows:

- Executive Summary
- Results of Operations - Segment Analysis
- Outlook
- Liquidity and Capital Resources
- Off-balance Sheet Arrangements and Contractual Obligations
- Critical Accounting Estimates
- Accounting Pronouncements

EXECUTIVE SUMMARY

Raven is a diversified technology company providing a variety of products to customers within the industrial, agricultural, energy, construction and military/aerospace markets. The Company is comprised of unique operating units, or divisions, that are also its reportable segments: Applied Technology Division, Engineered Films Division and Aerostar Division. While each segment has distinct characteristics, the products and technologies are largely extensions of durable competitive advantages rooted in the original research balloon business.

Effective June 1, 2012, the Company realigned the assets and team members of its Electronic Systems Division and deployed them into the Company's Aerostar and Applied Technology Divisions. The realigned divisions will better align the Company's corporate structure with its mission and long-term growth strategies. Electronic Systems net sales of electronic manufacturing assemblies were realigned to Aerostar and the remaining proprietary products, after adjustments to intersegment eliminations, to Applied Technology. The Company retrospectively adjusted its segment information for all periods presented to reflect this change in segment reporting. These adjustments are reflected in the following discussion of segment results for comparison to prior year results.
Management uses a number of metrics to assess the Company's performance:

- Consolidated net sales, gross margins, operating income, operating margins, net income and earnings per share
- Cash flow from operations and shareholder returns
- Return on sales, assets and equity
- Segment net sales, gross profit, gross margins, operating income and operating margins

Vision and Strategy
At Raven, there is a singular purpose behind everything we do. It is: to solve great challenges. Great challenges require great solutions. Solutions driven by quality, service, innovation and peak performance set Raven apart in the

development of technology that helps the world grow more food, produce more energy, protect the environment and live safely.

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The Raven business model is our platform for success. Our business model is defensible, sustainable and gives us a consistent approach in the pursuit of quality financial results. This overall approach to creating value, which is employed across the three unique business segments is summarized as follows:

- Serve a set of diversified market segments with attractive near- and long-term growth prospects;
- Consistently manage a pipeline of growth initiatives within our market segments;
- Aggressively compete on quality, service, innovation and peak performance;
- Hold ourselves accountable for continuous improvement;
- Value our balance sheet as a source of strength and stability; and
- Make corporate responsibility a top priority.

This diversified business model enables us to weather near-term challenges, while continuing to grow and build for our future. It is our culture and it is woven into how we do business.

The following discussion highlights the consolidated operating results. Segment operating results are more fully explained in the Results of Operations - Segment Analysis section.

	For the years ended January 31,								
dollars in thousands, except per-share data	2013		% change		2012		% change		2011	
Results of Operations										
Net sales	$406,175		6	%	$381,511		21	%	$314,708	
Gross margins [a]	31.4	%			30.5	%			29.1	%
Operating income	$77,692		3	%	$75,641		26	%	$60,203	
Operating margins [a]	19.1	%			19.8	%			19.1	%
Net income attributable to Raven Industries, Inc.	$52,545		4	%	$50,569		25	%	$40,537	
Diluted income per share [b]	$1.44		4	%	$1.39		24	%	$1.12	
Cash Flow and Payments to Shareholders										
Cash flow from operating activities	$76,456				$43,831				$42,085	
Cash outflow for capital expenditures	$29,675				$29,015				$13,972	
Cash dividends	$15,244				$13,025				$34,095	
Performance Measures										
Return on net sales [c]	12.9	%			13.3	%			12.9	%
Return on average assets [d]	20.3	%			23.3	%			22.6	%
Return on beginning equity [e]	29.1	%			35.8	%			30.4	%

[a] The Company's gross and operating margins may not be comparable to industry peers due to variability in the classification of expenses
across industries in which the Company operates.
[b] Diluted income per share reflects a two-for-one stock split effective July 25, 2012.
[c] Net income divided by sales.
[d] Net income divided by average assets.
[e] Net income divided by beginning equity.

Results of Operations - Fiscal 2013 compared to Fiscal 2012

The Company again posted record sales, operating income, net income and diluted earnings per share for fiscal 2013. These record levels resulted in large part from continued higher demand for Applied Technology's products as well as increased demand in Engineered Films' geomembrane and agriculture markets. With additional support from the demand for pit liners in the energy market through the first half of fiscal 2013, Engineered Films' net sales increased 6% as compared to fiscal 2012. Strong original equipment manufacturer (OEM) demand, international growth and new product sales fueled an 18% increase in net sales for Applied Technology in fiscal 2013 as compared to fiscal 2012. Aerostar's net sales decreased 5% resulting from a lack of tethered aerostat deliveries; however, in spite of this decrease, the Company's net sales increased 6% compared to the prior fiscal year.

Fiscal 2013 operating income increased 3% from fiscal 2012 primarily due to sales growth partially offset by higher investment in research and development (R&D), selling and administrative expenses. Applied Technology increased its operating income

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by 20% due to higher sales and associated operating leverage. Engineered Films' operating income growth of 17% reflects higher sales and increased operating efficiencies and favorable price versus material cost spread seen in the first half of this fiscal year. Aerostar posted a decline of 44% from the prior year operating income due primarily to lower sales.

Results of Operations - Fiscal 2012 compared to Fiscal 2011

Fiscal 2012 net sales rose 21% to $381.5 million and diluted earnings per share increased 24% to $1.39 per share as a result of sales growth in all operating segments: Applied Technology (35%), Engineered Films (26%) and Aerostar (3%). These levels resulted in large part from higher demand for Applied Technology's products due to a strong agriculture market and international expansion. In addition, high crude oil prices resulted in increased drilling, which drove growth of pit liner sales in the energy market for Engineered Films. Aerostar also posted sales increases primarily due to higher T-11 parachute and spare parts deliveries. Fiscal 2012 operating income increased 26% from fiscal 2011 primarily due to these increases in net sales and improved margins in Applied Technology.

Cash Flow and Payments to Shareholders

The Company continues to generate strong operating cash flows and maintain a strong capital base as reflected in the $49.4 million cash balance as of January 31, 2013. Capital expenditures totaled $29.7 million in fiscal 2013 compared to $29.0 million in fiscal 2012. Capital spending consisted primarily of expenditures related to increased manufacturing capacity and a reclaim facility in Engineered Films, Applied Technology and Aerostar's investments in future growth, including product development, facilities and equipment along with renovation of the Company's downtown Sioux Falls corporate headquarters.

During fiscal 2013, $15.2 million was returned to shareholders though quarterly dividends. In the first quarter of fiscal 2013, the quarterly dividend was raised from 9 cents per share to 10.5 cents per share, representing the 26th consecutive annual increase in the dividend (excluding special dividends). During fiscal 2012, $13.0 million was returned to shareholders through quarterly dividends.

Performance Measures

The Company continues to generate strong returns on net sales, average assets and beginning equity, which are important gauges of Raven's ability to efficiently produce profits. Raven generated a 12.9% return on sales in fiscal 2013 as the Company continues to capitalize on competitive advantages in niche markets.

RESULTS OF OPERATIONS - SEGMENT ANALYSIS

Applied Technology

Applied Technology designs, manufactures, sells and services innovative precision agriculture products and information management tools that help growers reduce costs, precisely control inputs and improve farm yields around the world.

Financial highlights for the fiscal years ended January 31,

dollars in thousands	2013		% change		2012		% change		2011	
Net sales	$171,778		18	%	$145,261		35	%	$107,910	
Gross profit	80,853		21	%	66,913		41	%	47,455	
Gross margins	47.1	%			46.1	%			44.0	%
Operating expense	$21,263		24	%	$17,163		20	%	$14,258	
Operating expense as % of sales	12.4	%			11.8	%			13.2	%
Operating income	$59,590		20	%	$49,750		50	%	$33,197	
Operating margins	34.7	%			34.2	%			30.8	%

Net sales increased $26.5 million, or 18%, to $171.8 million and operating income of $59.6 million was up $9.8 million, or 20%, for fiscal 2013 compared to fiscal 2012.

Fiscal 2013 fourth quarter net sales grew $5.9 million, or 18%, to $38.4 million and operating income of $12.3 million rose $3.5 million, or 40%, compared to fourth quarter fiscal 2012.

A number of factors contributed to the strong full-year and fourth quarter comparative results:

- Market conditions. Global market fundamentals were healthy as population and income growth in emerging economies have increased demand for food. The drought domestically has created some uncertainty in the marketplace, but overall, this has been substantially offset by higher commodity prices. The Company continues to cultivate and deepen relationships with key OEM partners, which expands market share and extends Raven's technology to a broader range of customers.

- Sales volume and new products. The favorable net sales comparisons for the fourth quarter and fiscal 2013 results reflect strong sales growth across the majority of the division's product offerings, including application controls, guidance and steering products, boom controls and injection products. Introduction of new products to the market, a staple in Applied Technology's continued growth, generated sales of about $21 million in fiscal 2013.
- International sales. Net sales outside the U.S. accounted for 25% of segment sales in fiscal 2013 compared to 23% for fiscal 2012. International sales increased $9.0 million, or 27%, to $42.4 million in fiscal 2013 compared to fiscal 2012. Products delivered to Canada, South America, Eastern Europe and South Africa generated the majority of this growth. For the fourth quarter, international sales totaled $7.5 million, an increase of 55% from the prior year three-month period.
- Gross margins. Gross margins improved from 46.1% in fiscal 2012 to 47.1% in fiscal 2013 due to higher sales volume and operating leverage.
- Operating expenses. Fiscal 2013 operating expenses were 12.4% of net sales compared to 11.8% for the prior year. The increase is attributable to Applied Technology's commitment to spending on product development to drive OEM demand and continued expansion into domestic and international markets.

For fiscal 2012, net sales increased $37.4 million, or 35%, to $145.3 million and operating income was up $16.6 million, or 50%, to $49.8 million compared to fiscal 2011.

Several factors contributed to the strong comparative results for fiscal 2012 as compared to fiscal 2011:

- Market conditions. Global market fundamentals were healthy as population and income growth in emerging economies increased demand for food, while natural disasters and adverse weather conditions restricted supplies. These factors resulted in higher crop prices and wider acceptance of precision agriculture as a sound investment for maximizing yields and controlling input costs.
- Sales volume and selling prices. The increase in net sales was driven by higher sales volume, as selling prices reflected only a modest increase year-over-year. The favorable year-over-year comparisons reflected strong sales growth across the majority of the division's product offerings, including application controls (i.e. control systems, flow meters, valves), field computers, guidance and steering products and boom controls.
- International sales. Net sales outside the U.S. accounted for 23% of segment sales in fiscal 2012 compared to 20% for fiscal 2011. International sales of $33.4 million in fiscal 2012 increased $11.8 million, or 55%, year-over-year as improved farm fundamentals drove strong overall demand in Brazil, and to a lesser extent, Eastern Europe, Canada, South Africa and Australia. New customers also contributed to the international sales growth, reflecting the segment's investment to expand its geographical presence.
- Gross margins. Gross margins improved to 46.1% in fiscal 2012 from 44.0% in fiscal 2011 due to higher sales volume and operating leverage.
- Operating expenses. Operating expenses were 11.8% of net sales in fiscal 2012 compared to 13.2% for the prior year. Although spending for R&D and business development efforts increased expenses $2.9 million compared to the prior year, such spending declined as a percentage of net sales, due to the significant growth in net sales.

Engineered Films

Engineered Films manufactures high performance plastic films and sheeting for industrial, energy, construction, geomembrane and agricultural applications.

Financial highlights for the fiscal years ended January 31,

dollars in thousands	2013	% change	2012	% change	2011
Net sales	$141,976	6 %	$133,481	26 %	$105,838
Gross profit	30,726	18 %	26,090	15 %	22,708
Gross margins	21.6 %		19.5 %		21.5 %

Operating expenses	$5,611		22	%	$4,589		30	%	$3,537	
Operating expenses as % of sales	4.0	%			3.4	%			3.3	%
Operating income	$25,115		17	%	$21,501		10	%	$19,622	(a)
Operating margins	17.7	%			16.1	%			18.5	%

[(a)] Includes a $451 pre-tax gain on the disposition of assets.

Net sales increased $8.5 million, or 6%, to $142.0 million while operating income was up $3.6 million, or 17%, to $25.1 million for fiscal 2013 compared to fiscal 2012.

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These year-over-year changes were driven primarily by the following factors:

- Market conditions. Economic growth in emerging markets continues to support high oil prices, though declining oil prices beginning in the second half of fiscal 2013 have decreased demand for pit liners in our energy market. Environmental and water conservation projects have increased demand for the division's containment liners in the geomembrane market.
- Sales volume and selling prices. Sales growth for fiscal 2013 was predominately driven by the increased sales into the geomembrane and agriculture markets. Geomembrane market sales have increased \$6.3 million, or 43% year-over-year, and included the completion of a significant geomembrane reservoir project in Ohio in the first half of fiscal 2013. Sales of VaporSafe® fumigation film and FeedFresh™ silage covers accounted for the most of the \$4.8 million year-over-year increase in the agriculture market. Energy market demand has softened but sales in this market held at solid levels for fiscal 2013. Overall, selling prices increased 3-5% during fiscal 2013 and sales volume, as measured by pounds shipped, was up 3% year-over-year.
- Gross margins. Fiscal 2013 gross margins increased two percentage points, as compared to the prior year, due to improved operating efficiencies, positive operating leverage and favorable price versus material spread seen in the first half of the year. Material cost as a percentage of sales was 62% for the year ended January 31, 2013 compared with 65% for the prior year.