

LAKELAND INDUSTRIES INC
Form 10-K
April 16, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **January 31, 2018**

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: 0-15535

LAKELAND INDUSTRIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

3555 Veterans Memorial Highway, Suite C, Ronkonkoma, NY

(Address of Principal Executive Offices)

13-3115216

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

11779

(Zip Code)

(Registrant's telephone number, including area code) **(631) 981-9700**

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

Common Stock \$0.01 Par Value

(Title of Class)

Name of Exchange on which registered – NASDAQ Global Select Market

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

Not Applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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.

Yes No

Indicate by check mark 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).

Yes 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.

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

Large accelerated filer Accelerated filer
Nonaccelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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

Yes No

As of July 31, 2017, the aggregate market value of the registrant's common stock held by nonaffiliates of the registrant was \$102,047,013 based on the closing price of the common stock as reported on the National Association of Securities Dealers Automated Quotation System National Market System.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 10, 2018
Common Stock, \$0.01 par value per share	8,116,199 Shares

EXPLANATORY NOTE

The registrant met the accelerated filer requirements as of the end of fiscal year ended January 31, 2018 pursuant to Rule 12b-2 of the Securities Exchange Act of 1934, as amended. However, pursuant to Rule 12b-2 and SEC Release No. 33-8876, the registrant (as a smaller reporting company transitioning to the larger reporting company system) is not required to satisfy the larger reporting company disclosure requirements until its quarterly report on Form 10-Q for the first fiscal quarter ending April 30, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A of the Security Exchange Act of 1934 are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K.

LAKELAND INDUSTRIES, INC.

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This Annual Report on Form 10-K contains forward-looking statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks, uncertainties and assumptions as described from time to time in registration statements, annual reports and other periodic reports and filings of the Company filed with the Securities and Exchange Commission. All statements, other than statements of historical facts, which address the Company's expectations of sources of capital or which express the Company's expectation for the future with respect to financial performance or operating strategies, can be identified as forward-looking statements. As a result, there can be no assurance that the Company's future results will not be materially different from those described herein as "believed," "anticipated," "estimated" or "expected," "may," "will" or "should" or other similar words which reflect the current views of the Company with respect to future events. We caution readers that these forward-looking statements speak only as of the date hereof. The Company hereby expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which such statement is based.

PART I

Lakeland Industries, Inc. (the "Company" or "Lakeland," "we," "our," or "us") was incorporated in the State of Delaware in 1986. Our executive office is located at 3555 Veterans Memorial Hwy, Suite C, Ronkonkoma, New York 11779, and our telephone number is (631) 981-9700. Our website is located at www.lakeland.com. Information contained on our website is not part of this report.

ITEM 1. BUSINESS

Overview

We manufacture and sell a comprehensive line of safety garments and accessories for the industrial and public protective clothing market. Our products are sold by our in-house, regional sales teams, our customer service group, and authorized independent sales representatives to a network of over 1,200 North American safety and mill supply distributors. These distributors in turn supply end user industrial customers, such as integrated oil, chemical/petrochemical, utilities, automobile, steel, glass, construction, smelting, munition plants, janitorial, pharmaceutical, mortuaries and high technology electronics manufacturers, as well as scientific and medical laboratories. In addition, we supply federal, state and local governmental agencies and departments, such as fire and law enforcement, airport crash rescue units, the Department of Defense, the Department of Homeland Security and the Centers for Disease Control. Internationally, sales are to a mixture of end users directly and to industrial distributors depending on the particular country and market. Sales are made to more than 40 countries, the bulk of which were into China, European Economic Community ("EEC"), Canada, Chile, Argentina, Russia, Kazakhstan, Colombia, Mexico, Ecuador and Southeast Asia. For purposes of this Form 10-K, FY refers to a fiscal year ended January 31; for

example, FY18 refers to the fiscal year ended January 31, 2018. In FY18 we had net sales of \$96.0 million and \$86.2 million in FY17.

For the first half of the year, economic growth and investment globally was mixed as manufacturing indexes and purchasing manager's indexes fluctuated month to month regionally before finally turning positive around the globe at mid-year. Compounding the problems in the first half of the year was the new US administration's mixed signals on their intentions on the continuation of existing policies on critical issues like taxes, regulation, immigration, and trade policy. These issues caused more uncertainty for manufacturers and distributors who were already being conservative in their commitments to inventories and investment. This in turn limited growth opportunities while leading to more aggressive pricing from the competition which had to be met. Fortunately, however, during the second half of the fiscal year, global talks commenced between the US administration and foreign leaders and, with some doubt removed, the economy began to strengthen. In addition, significant cost-cutting was proactively taken in the US in the first quarter of FY17 - as management believed uncertainty in the year to come would likely stifle revenue growth year- and this provided a cushion that protected margins.

The Company recognizes the need to grow faster than what just organic growth from existing product lines and market segments will contribute, so it has accelerated product development, is pressing ahead aggressively with the rollout of new products, is proceeding with the addition of field personnel to increase sales in our target industrial sectors, and is entering new sectors where we see opportunity.

Additionally, a major strategic companywide objective to accelerate growth throughout the Company is to push additional products and sales tools that are successful in the key US and China markets to the other international operations, which have traditionally carried smaller lines. To facilitate this, the Company is also aggressively hiring more sales people world-wide as well as upgrading marketing. The idea is to better leverage product and marketing assets Companywide, thereby promoting more consistent product line offerings and global branding.

As always, the cornerstone of the Company's strategy is the belief that owning and operating its own factories for the bulk of production is a key advantage in terms of control of costs, quality, delivery times, and a unique ability to rapidly respond to emergency situations by being able to scale up almost instantly, compared to the competition that relies almost exclusively on third party contractors who usually service multiple companies.

Industry Overview

The industrial work clothing market includes our limited use/disposable protective or safety clothing, our high-end chemical protective suits, our firefighting and heat protective apparel, gloves and our reusable woven garments.

The industrial protective safety clothing market in the United States has evolved over the past 48 years as a result of governmental regulations and requirements and commercial product development. In 1970, Congress enacted the Occupational Safety and Health Act, or OSHA, which requires employers to supply protective clothing in certain work environments. Certain states have also enacted worker safety laws that further supplement OSHA standards and requirements.

The advent of OSHA coincided with the development of light disposable fabrics, such as SMS (a three layered nonwoven) and Polypropylene which, for the first time, allowed for the economical production of lightweight, disposable protective clothing. The attraction of disposable garments grew in the late 1970s as a result of increases in labor and material costs of producing cloth garments and the promulgation of federal, state and local safety regulations. Also, in order to comply with World Trade Organization ("WTO") entry requirements, foreign countries are beginning to adopt and imitate OSHA regulations, American National Standards Institute ("ANSI") and Committee European de Normalization ("CE") standards. Thus, these developing international markets are growing much more rapidly than the US markets.

International and Domestic Standards

Standards development, within both the US and global markets, continues to challenge manufacturers as the pace of change and adoption of new standards increase. Complex and changing international standards play to Lakeland's strengths when compared to most multinationals or smaller manufacturers. Lakeland currently sits on boards and/or works closely with groups involved in writing many international standards such as the American Society for Testing and Materials International ("ASTM"), the National Fire Protection Association ("NFPA"), International Safety Equipment Association ("ISEA") in the US, the European Committee for Standardization ("CEN"), the International Organization for Standardization ("ISO") in Europe, the China National Standards Board ("GB") in China, and the Standards Australia and Standards New Zealand ("ASNZ") in Australia and New Zealand.

Globally, not only are the standards continuing to change at a rapid pace, but the focus of standards activity is shifting. In response to increasing use of certification processes as a technical barrier to trade, standards writing bodies in the US and Europe have both concluded efforts to update and define conformity assessment (ANSI/ISEA 125 and the PPE Regulation respectively) within their own spheres of influence, unfortunately, these are not "international standards" and can be easily ignored by other countries who wish to impose their own conformity assessment systems on importers. The result is an increasingly dynamic standards environment where not only are the standards changing, but the minimum requirements for conformity with the certification process itself are changing.

A number of developing nations are now becoming active in their own standards development based on existing international standards. However, we believe that the primary goal of their standards writing activity is not focused on worker protection (that is provided for by the use of international standards), rather they are attempting to establish their own certification criteria that will protect their domestic markets or favor specific regional suppliers. This presents a new challenge in that now not only are we faced with multiple test methods and standards, but we have the potential for multiple certification processes. While this adds to product development and sales expenses, the additional cost is only incremental. The real challenge is in navigating the certification process itself. Lakeland, by virtue of its international manufacturing and sales operations, is in a unique position to capitalize on this complex dynamic.

Business Strategy

Key elements of our strategy include:

Increase International Sales Opportunities. In the past, we aggressively increased our penetration of the international markets for our product lines. Starting in FY07 and through FY08, we opened sales offices in Beijing, Shanghai, Chongqing, Guangzhou and Weifang, China; Santiago, Chile and Buenos Aires, Argentina and in FY11, we opened sales offices in Russia, India and Kazakhstan. The Company acquired Qualytextil (later identified herein as Lakeland Brazil), a Brazilian manufacturer, in FY09, with the intent of penetrating this market but due to extreme challenges transferred the shares of this subsidiary to an officer of that company on July 31, 2015. We continue to believe in this strategy of aggressively penetrating international markets. Aiding our focus is the fact that many countries have adopted legislation similar to the 1970 US OSHA in order to facilitate their entry into the WTO which has, as a requisite for entry, worker safety laws (like OSHA), social security, environmental and tax laws similar to that of the USA and Europe. These new worker safety laws have driven the demand for our products in these growing economies.

Improve Marketing in Existing Markets. We believe significant growth opportunities are available to us through the better positioning, marketing and enhanced cross-selling of our reusable woven protective clothing, glove and arm guards, reflective clothing, high-end chemical suit product lines and our limited use/disposable lines as a bundled offering. This allows our customers one-stop shopping using combined freight shipments.

Continued Emphasis on Customer Service. We continue to offer a high level of customer service to distinguish our products and to create customer loyalty. We offer well-trained and experienced sales and support personnel, on-time delivery and accommodation of custom and rush orders. We also seek to advertise our Lakeland branded tradenames and trademarks.

Introduce New Products; Focus on Energy Sector. We continued our history of product development and innovation by introducing new proprietary products across all our product lines. Our innovations have included Micromax[®] disposable protective clothing line, our ChemMax[®] line of chemical protective clothing, several patented glove designs, superior quality innovative products protecting against electrical hazards, and industry-leading fire suit designs. We own 17 patents on fabrics and production machinery, with two foreign applications in process, and continue to work on developing fabrics that could potentially lead us into new markets and channels. In North America, our growth strategy is to focus on key target sectors where we have advantages, and to increase our involvement at the end user level by adding sales personnel and enhancing our marketing and product training tools to make it easier for the sales teams of our distributors to be successful promoting our products. Though the Energy sector has been down and exploration and field development is greatly reduced, low oil prices are giving refineries the opportunity to go off line after several years of high prices and running at full capacity and perform long-deferred maintenance. It is worth noting that the decline in oil prices has not affected demand in the downstream (refining and distribution) portion of the oil business, which is where the majority of our sector sales occur. The Company continues to experience demand growth in the utility industry- both electric and gas- for our Reflective clothing

division. The reflective division is already a steadily growing area for Lakeland, as we add new fire resistant (“FR”), static dissipative and arc flash protective garments, and as OSHA enforces broader requirements for their use, we expect to see continued growth. The recent investment in a stronger sales team in Mexico is beginning to pay off with sales growth as the impact of low oil prices on the gas industry is offset by strong growth in manufacturing, particularly noticeable in the number of new automobile factories located in that country. We believe that as this growth continues and as oil prices recover, Mexico will become a very important region for the Company, building on our competitive advantage of local manufacturing, provided that NAFTA and trade issues do not cause disruptions. We have integrated the US, Canadian, and Mexican sales teams into one coordinated unit, a strategic recognition that the three countries are increasingly part of a great North American market with inter-related industries and companies throughout, and our sales teams are sharing opportunities with each other. We have experienced situations in which we could not break through with a company in one country, but the team in another country was able to get in and make a conversion to our products. Then, after successful use of our products in that one country, the doors open to us in the other. We continue to pursue conversions to our products from DuPont product end users, based on our overall performance and prices. We believe the inevitable disruptions to DuPont surrounding its proposed mega merger with Dow Chemical, followed by planned spin offs over the next several years, gives us additional openings for which we are gearing up to take advantage. Our marketing is being significantly upgraded in terms of resources applied, more and better collateral materials, and increasingly effective use of social media. An example of this is an on-going Fire Division campaign driven by Lakeland sponsorships of several top-ranked participants in the “Combat Challenge” (an international skills and fitness competition) that netted significant numbers of followers, who as a result expressed interest in our gear. Similar campaigns are being planned for other product lines, including to support the adoption of an exclusive new proprietary technology that we believe may have a significant impact on how end users select chemical suits and suppliers.

Decrease Manufacturing Expenses by Moving Production to International Facilities. We continued to identify opportunities to take advantage of our low cost production capabilities in China and Mexico. Beginning in 1995, we successfully moved the labor-intensive sewing operation for our limited use/disposable protective clothing lines to facilities in Mexico and China. More recently we have initiated startup manufacturing operations in Vietnam, which is still under development, and India to offset increasing manufacturing costs in China. Our China operations will continue operations primarily manufacturing for the Chinese market and other markets where duty advantages exist. Manufacturing expansion is not only necessary to control rising costs, it is also necessary for Lakeland to achieve its growth objectives.

We continue to press our raw material and component suppliers for price reductions and better payment terms. We are sourcing more raw materials and components from our China based operations as opposed to sourcing from Europe and North America. We are re-engineering many products to reduce the amount of raw materials used and reduce the direct labor required.

Our Competitive Strengths

Our competitive strengths include:

Industry Reputation. We devote significant resources to creating customer loyalty and brand integrity by accommodating custom and rush orders and focusing on on-time delivery. Additionally, our ISO 9001 and 9002 certified facilities manufacture high-quality products. As a result of these factors, we believe that we have an excellent reputation in the industry.

International Manufacturing Capabilities. We have operated our own manufacturing facilities in Mexico since 1995 and in China since 1996. Our facilities in China in FY18 totaled 177,316 sq. ft. of manufacturing, warehousing and administrative space, and our facility in Mexico totaled 74,000 sq. ft. of manufacturing, warehousing and administrative space. Our facilities and capabilities in China and Mexico allow access to a less expensive labor pool than is available in the US and permits us to purchase certain raw materials at a lower cost than are available domestically.

International Sales Offices. We have sales offices around the world to service various major markets, including offices in Toronto, Canada; Hull, UK; Beijing, Weifang, Chongqing and Shanghai, China; Australia; Southeast Asia; Santiago, Chile; Buenos Aires, Argentina; Jerez, Mexico; Moscow, Russia; and Ust-Kamenogorsk, Kazakhstan.

Comprehensive Inventory. We have a large product offering with numerous specifications, such as size, styles and pockets, and maintain a large inventory of each in order to satisfy customer orders in a timely manner. Many of our customers traditionally make purchases of industrial protective gear with expectations of immediate delivery. We

believe our ability to provide timely service for these customers enhances our reputation in the industry and positions us strongly for repeat business, particularly in our limited use/disposable protective clothing lines.

Manufacturing Flexibility. By locating labor-intensive manufacturing processes, such as sewing, in Mexico, China, Vietnam, which is under development, and India and by utilizing sewing subcontractors, we have the ability to increase production without substantial additional capital expenditures. Our manufacturing systems allow us flexibility for unexpected production surges and alternative capacity in the event any of our independent contractors become unavailable.

Products

The following table summarizes our principal product lines, the raw materials used to manufacture them, their applications and end markets:

Product Line	Raw Material	Protection Against	End Market
Limited use/disposable protective clothing	Laminates of Polyethylene, Spunlaced Polyester, SMS, Polypropylene, and Company Micromax®, Micromax NS, Micromax and HBF, ChemMax® 1, ChemMax® 2, Pyrolon®, and numerous other non-woven fabrics	<ul style="list-style-type: none"> · Contaminants, irritants, metals, chemicals, fertilizers, pesticides, acids, asbestos, PCBs, lead, dioxin and many other hazardous chemicals · Viruses and bacteria (AIDS, streptococcus, SARS, Bird flu and hepatitis) 	<ul style="list-style-type: none"> · Integrated oil · Chemical industries · Public utilities · Automotive and pharmaceutical industries · Government (terrorist response) · Laboratories · Janitorial · Integrated oil, chemical and nuclear industries
	<ul style="list-style-type: none"> · ChemMax® 3 and 4 · Interceptor® · Pyrolon® CRFR · Other Lakeland patented co-polymer laminates 	<ul style="list-style-type: none"> · Chemical spills · Toxic chemicals used in many varied manufacturing processes · Terrorist attacks, biological and chemical warfare (sarin, anthrax and ricin) 	<ul style="list-style-type: none"> · Hazardous material teams · Fire departments (hazmat) · Government (first responders)
Firefighting and heat protective apparel	<ul style="list-style-type: none"> · Nomex® · Aluminized Nomex® · Aluminized PBI/ Kevlar® · PBI Matrix and Gemini · Millenia XT® 	<ul style="list-style-type: none"> · Fire, burns and excessive heat 	<ul style="list-style-type: none"> · Municipal, corporate and volunteer fire departments · Wildland fire fighting · Hot equipment maintenance personnel and industrial fire

	· Basofil®		departments
	· Advance		· Oil well fires
	· Advance Ultra		· Airport crash rescue
	· Fyrban		
	· Staticsorb carbon thread with polyester		· General industrial applications
	· Cotton polyester blends		
	· Cotton	· Protects manufactured products from human contamination or static electrical charge	· Household uses
	· Polyester		· Clean room environments
Reusable woven garments	· Tencate® FR cottons	· Bacteria, viruses and blood borne pathogens	· Emergency medical ambulance services
	· Nomex®/FR Aramids		· Chemical and oil refining
	· Nylon	· Protection from Flash fires	· Medical and laboratory facilities
	· Indura® Ultrasoft/FR cotton		· Highway
	· Stedfast BB		· Construction
	· Polyester mesh		· Maintenance
	· Solid polyester		· Transportation
	· FR polyester mesh	· Lack of visibility	· Airports
	· FR solid polyester	· Heat, flame, sparks	· Police
	· Modacrylic	· Arc flash	· Fire, EMS
High Visibility Clothing	· Modacrylic antistatic	· Static buildup, explosive atmospheres	· Electric, coal and gas utilities
	· FR cotton	· Fire, heat explosions	· Extrication
	· Nomex		· Confined space rescue
	· FR trim		· Integrated oil
			· Automotive, glass and metal fabrication industries
			· Chemical plants
Gloves and Sleeves	· Kevlar® yarns	· Cuts, lacerations, heat, hazardous chemicals and dermatological irritants	
	· Kevlar® wrapped steel core yarns		
	· Spectra® yarns		

- High Performance Polyethylene yarns (“HPPE”)
- Composite engineered yarns
- Nitrile, latex, natural rubber, neoprene, polyurethane compounds and mixtures thereof
- Food processing
- Electronic industries

Limited Use/Disposable Protective Clothing

We manufacture a complete line of limited use/disposable protective garments, including coveralls, laboratory coats, shirts, pants, hoods, aprons, sleeves, arm guards, caps and smocks. Limited use garments can also be coated or laminated to increase splash protection against harmful inorganic acids, bases and other hazardous liquid and dry chemicals. Limited use garments are made from several nonwoven fabrics, including our premium lines, our own trademarked fabrics, such as Pyrolon[®] Plus 2, XT, Micromax[®], Micromax NS, Safeguard[®], Zonogard[®], and ChemMax[®] 1 and 2, which are made of spunlaced polyester, polypropylene, laminates, microporous films and derivatives. We incorporate many seaming, heat sealing and taping techniques depending on the level of protection needed in the end use application.

Typical users of these garments include integrated oil/petrochemical refineries, chemical plants and related installations, automotive manufacturers, pharmaceutical companies, construction companies, coal, gas and oil power generation utilities and telephone utility companies, laboratories, mortuaries and governmental entities. Numerous smaller industries use these garments for specific safety applications unique to their businesses. Additional applications include protection from viruses and bacteria, such as AIDS, streptococcus, SARS and hepatitis, at international hospitals, clinics and emergency rescue sites and use in clean room environments to prevent human contamination in the manufacturing processes.

Our limited use/disposable protective clothing products range in unit price from \$0.19 for shoe covers to approximately \$6.00-\$14.40 for a light duty ChemMax® 1 serged or sealed seam laminated hood and booted coverall. Our largest selling item, a standard white Micromax NS ANSI standard or CE standard coverall, sells for approximately \$2.00 to \$3.85 per garment. By comparison, similar reusable cloth coveralls range in price from \$35.00 to \$93.00, exclusive of laundering, maintenance and shrinkage expenses.

We warehouse and sell our limited use/disposable garments primarily at our Alabama and China manufacturing facilities and secondarily from warehouses in Hull, United Kingdom; Toronto, Canada; Buenos Aires, Argentina; Santiago, Chile; Jerez, Mexico; Moscow, Russia; Ust-Kamenogorsk, Kazakhstan; Houston, Texas; and Las Vegas, Nevada. The fabric is cut and sewn into required patterns at our one Chinese and one Mexican plant and shipped to all our sales points around the world. Our assembly facilities in China and Mexico cut, sew and package the finished garments and return them primarily to our Alabama plant, normally within 1 to 10 weeks, for immediate shipment to our North American customers.

High-End Chemical Protective Suits

We manufacture and sell heavy duty protective chemical suits and protective apparel from our proprietary CRFR, ChemMax® 3, 4, Interceptor and other fabrics. These suits are worn by individuals on hazardous material teams and within general industry to provide protection from powerful, highly concentrated and hazardous or potentially lethal chemical and biological toxins, such as toxic wastes at Superfund sites, toxic chemical spills or biological discharges, chemical or biological warfare weapons (such as sarin, anthrax or ricin and mustard gas) and chemicals and petro-chemicals present during the cleaning of refineries and nuclear facilities and protection from infectious disease agents such as Bird Flu and Ebola. Our line of chemical protective clothing ranges in price from about \$22 to \$1,340 per garment. The chemical suits can be used in conjunction with a fire protective shell that we manufacture to protect the user from both chemical and flash fire hazards. We have also introduced two patented garments approved by the National Fire Protection Agency (NFPA) for varying levels of protection:

· Interceptor®, two multilayer films laminated on either side of durable nonwoven substrate. This garment provides a broad spectrum chemical barrier to gases, vapors and liquids. This garment is of an encapsulating design and is

available in CE Type 1 certified configurations.

ChemMax® 4 is a multilayer barrier film laminated to a durable nonwoven substrate. This garment is a broad spectrum chemical barrier, but its greatest advantage is that the material is strong enough to hold an airtight zipper and to withstand reuse. As a result, it provides a low cost option for encapsulating garments and is durable enough for multiple reuse provided the garment is not exposed to chemical hazards. It is available in CE type 4 and 3 certified garments.

The addition of Interceptor and ChemMax® 4 to our product line provides Lakeland with, we believe, the most complete and cost-effective line of chemical protective garments available on the market today. Garments are certified to NFPA standards where applicable in the Americas, and versions of all of these garments are also CE certified for European and Pan Asian markets.

We manufacture higher end chemical protective clothing with taped seams at our facilities in Mexico and China with light manufacturing in Alabama. Using fabrics, such as ChemMax® 1, ChemMax® 2, ChemMax® 3, ChemMax® 4 and Interceptor, we design, cut, sew and seal these materials to meet customer purchase orders.

Firefighting and Heat Protective Apparel

We manufacture an extensive line of UL/NFPA-certified structured firefighter protective apparel for domestic and foreign fire departments, available both in standard stock form and custom configurations.

We offer basic firefighter turnout/bunker gear in the Attack (A10) and Battalion (B1) styles. Introduced in 2013 are the Battalion (“B2”) style with advanced ergonomic features and the Stealth style, with innovative features new to the fire industry.

We also manufacture each of the above styles in our UL/NFPA-certified Proximity line for Aircraft Rescue Fire Fighting (“ARFF”) with aluminized shells.

We manufacture full lines of Fire service extrication suits in FR cotton, UL/NFPA-certified Wild land firefighting apparel in multiple fabrics and Aluminized Kiln entry/Approach suits to protect industrial workers from extreme heat.

We manufacture fire suits at our facilities in China, Mexico and Alabama. Our fire suits range in price from about \$800 for standard fire department turnout gear to \$2,000 for custom gear. Our Lakeland Fire® brand of firefighting apparel continues to benefit from ongoing research and development investment, as we seek to address the ergonomic needs of stressful occupations.

Reusable Woven Garments

We manufacture and market a line of reusable and washable woven garments that complement our firefighting and heat protective apparel offerings and provide alternatives to our limited use/disposable protective clothing lines and give us access to the much larger woven industrial and health care-related markets. Cloth reusable garments are favored by customers for certain uses or applications because of familiarity with and acceptance of these fabrics and woven cloth’s heavier weight, durability, longevity and comfort. These products allow us to supply and satisfy a wider range of safety and customer needs.

Our product lines include the following:

- Electrostatic dissipative apparel used by electric and gas utilities.
- Flame resistant Nomex®/FR and FR Cotton coveralls/pants/jackets used in petrochemical and refining operations.
- Cotton and Polycotton coveralls, lab coats, pants and shirts.

Our reusable woven garments range in price from \$30 to \$200 per garment. We manufacture woven cloth garments at our facilities in China, Mexico and Argentina. We are continuing to relocate highly repetitive sewing processes for our

high volume, standard product lines, such as woven protective coveralls and fire retardant coveralls, to our facilities in China and Mexico where lower fabric and labor costs allow increased profit margins.

High Visibility Clothing

Lakeland Reflective manufactures and markets a comprehensive line of reflective apparel meeting the American National Standards Institute (ANSI) requirements. The line includes vests, T-shirts, sweatshirts, jackets, coats, raingear, jumpsuits, hats and gloves.

Fabrics available, including solid and mesh fluorescent, polyester, both standard and FR treated, Modacrylic materials, which meet ASTM 1560 Test method for standard 70 Electric Arc Protection, are part of our offering. The breathable Modacrylic fabric, that we introduced last year, has fabric that has a strong appeal in states where very hot weather affects utility workers working outside during spring and summer (heat prostration).

Our High Vis Polyurethane FR/ARC rated rainwear is light in weight, soft, flexible and provides a breathable, cooler garment. This product is intended for the Gas and Electrical Utility markets. The Lakeland ARC TECH FR/PU garment exceeds all of the required ASTM ARC and Flash fire ratings for the large Electric and Gas Utility market.

Our domestic vest production occurs in our facilities in Mexico and China with light manufacturing in Alabama and is focused on custom vest requirements. Many corporations and agencies, such as State Departments of Transportation, develop custom specifications which they feel are more efficient in meeting their specific needs versus an off-the-shelf product. We also can import a significant amount of product from China and Mexico to meet the demand for items in high volume commodity markets.

In addition to ANSI Reflective items, Lakeland Hi-Visibility manufactures Nomex and FR cotton garments which have reflective trim as a part of their design criteria. These garments typically are used in rescue operations, such as those encountered with a vehicular crash. Garments in this group are not as price sensitive as those in the reflective categories. Consequently, they are made in our facilities in Mexico and China with light manufacturing in Alabama facility where we can react to customized needs and offer quicker customer response. Garments in this group can range in price from \$200 to \$360.

Gloves and Sleeves

We manufacture and sell specially designed glove and sleeve protective products made from Kevlar[®], a cut and heat resistant fiber produced by DuPont, Spectra[®], a cut resistant fiber made by Honeywell and our proprietary patented engineered yarns. We are one of only nine companies licensed in North America to sell 100% Kevlar[®] gloves, which are high strength, lightweight, flexible and durable. Kevlar[®] gloves offer a better overall level of protection and lower worker injury rate, and are more cost effective than traditional leather, canvas or coated work gloves. Kevlar[®] gloves, which can withstand temperatures of up to 400°F and are cut resistant enough to allow workers to safely handle sharp or jagged unfinished sheet metal, are used primarily in the automotive, glass and metal fabrication industries. Our higher end string knit gloves range in price from about \$40 to \$175 for a dozen pair. We manufacture these string knit gloves primarily at our Mexican facility, enabling lower production and labor costs.

We have received patents for our Despro[®] and Despro[®] Plus products on manufacturing processes that provide greater cut and abrasion hand protection to the areas of a glove where it wears out prematurely in various applications. For example, the areas of the thumb crotch and index fingers are made heavier than the balance of the glove, providing increased wear protection and longer glove life, reducing overall glove costs. This proprietary manufacturing process allows us, we believe, to produce our gloves more economically and provide a greater value to our end user.

Quality

All of our manufacturing facilities are ISO 9001 or 9002 certified. ISO standards are internationally recognized quality manufacturing standards established by the International Organization for Standardization based in Geneva, Switzerland. To obtain our ISO registration, our factories were independently audited to test our compliance with the applicable standards. In order to maintain registration, our factories receive regular announced inspections by an independent certification organization. While ISO certification is advantageous in retaining CE certification of products, we believe that the ISO 9001 and ISO 9002 certifications make us more competitive in the marketplace, as customers increasingly recognize the standard as an indication of product quality.

As we are increasingly sourcing fabrics internationally, we installed a quality control laboratory at our China facility. This laboratory is critical for ensuring that our incoming raw materials meet our quality requirements, and we continue to add new capabilities to this facility to further guarantee product quality and to aid in new product development.

We have also added a new test lab in Decatur, Alabama. This lab was completed in FY16 and will be the primary facility to pre-test all NFPA certified garments. This lab includes an industrial washer and dryer, home washer and

dryer, shower tester, Martindale abrasion tester, Crestron microscope, flame cabinet, and convection oven. This lab will ensure that garments submitted to Underwriter's Laboratories ("UL") for certification are assured to pass certification, thus reducing overall certification costs.

Marketing and Sales

Domestically, we employ a field sales force in order to better support customers and enhance marketing. We further leverage our in-house sales team with 60 independent sales representatives. These employees and representatives call on over 1,000 industrial safety and fire service distributors nationwide to promote and sell our products. Distributors buy our products for resale and typically maintain inventory at the local level in order to assure quick response times and the ability to serve their customers properly. Our sales employees and independent representatives have consistent communication with end users and decision makers at the distribution level, thereby allowing us valuable feedback on market perception of our products, as well as information about new developments in our industry.

As a key competitive and marketing advantage, we manufacture nearly all the garments we sell in our own factories for better control of costs, quality and delivery. Our competitors rely largely on contractors, which is a major selling point in our favor, as customers are more comfortable dealing with the actual manufacturer.

We seek to maximize the efficiency of our established distribution network through direct promotion of our products at the end user level. We advertise primarily through trade publications, and our promotional activities include sales brochures, emails and our website. We exhibit at both regional and national trade shows, such as the National Safety Congress, the American Industrial Hygiene Association (AIHA), the American Society of Safety Engineers (ASSE), the CIOOSH, the COS+H and the A+A show in Dusseldorf, Germany.

Product line expansion to higher value products is progressing in all global markets and is contributing to increased brand recognition, sales growth and profitability. We believe that future international growth is still sustainable in the coming year, based on our current estimates of market penetration, the introduction of higher value products and the opportunity to open new markets in which we do not yet have a presence.

Lakeland has salespeople in 18 countries outside of the US and product sales in 40 or more countries. Internationally, our sustainable market advantages continue to be our knowledge of global standards, the diversity of our product offering and the fact that we manufacture our own products. This provides our customers with high level product selection, quality, delivery and customer service. There are no customers who accounted for 10% of sales or more in FY18, FY17, and in FY16.

Suppliers and Materials

Our largest supplier was Precision Fabrics Group from whom we purchased 10.5%, 13% and 9.5% of our total purchases in FY18, FY17 and FY16. We do not have long-term, formal trademark use agreements with any other suppliers of nonwoven fabric raw materials used by us in the production of our limited use/disposable protective clothing product lines. Materials, such as polypropylene, polyethylene, polyvinyl chloride, spunlaced polyester, melt blown polypropylene and their derivatives and laminates, are available from 30 or more major mills. FR fabrics are also available from a number of both domestic and international mills. The accessories used in the production of our disposable garments, such as thread, boxes, snaps and elastics, are obtained from unaffiliated suppliers. We have not experienced difficulty in obtaining our requirements for these commodity component items.

We have not experienced difficulty in obtaining materials, including cotton, polyester and nylon, used in the production of reusable nonwovens and commodity gloves. We obtain Honeywell Spectra® yarn, used in our super cut-resistant Dextra Guard gloves, and Kevlar®, used in the production of our specialty safety gloves, from independent mills that purchase the fibers from DuPont.

Materials used in our fire and heat protective suits include glass fabric, aluminized glass, Nomex®, aluminized Nomex®, Kevlar®, aluminized Kevlar® and polybenzimidazole, as well as combinations utilizing neoprene coatings. Traditional chemical protective suits are made of Viton®, butyl rubber and polyvinyl chloride, all of which are available from multiple sources. Advanced chemical protective suits are made from our proprietary ChemMax® 1, 2, 3, 4 and Interceptor®. We have not experienced difficulty obtaining any of these materials.

Competition

Our business is highly competitive due to large competitors who have monopolistic positions in the fabrics that are standards in the industry in disposable and high-end chemical suits. We believe that the barriers to entry in the reusable garments and gloves industries are relatively low. We face competition in some of our other product markets from large established companies that have greater financial, research and development, sales and technical resources. Where larger competitors, such as DuPont, Kimberly Clark, Ansell Edmont and Honeywell, offer products that are directly competitive with our products, particularly as part of an established line of products, there can be no assurance that we can successfully compete for sales and customers. Larger competitors outside of our Disposable and Chemical Suit Lines also may be able to benefit from economies of scale and technological innovation and may introduce new products that compete with our products.

Seasonality

Our operations have historically been moderately seasonal, with higher sales generally occurring in March, April and May when scheduled maintenance on nuclear, coal, oil and gas fired utilities, chemical, petrochemical and smelting facilities, and other heavy industrial manufacturing plants occurs, primarily due to moderate spring temperatures and low Energy demands. Sales decline during the warmer summer vacation months and gradually increase from Labor Day through February with slight declines during holidays, such as Christmas. As a result of this seasonality in our sales, we have historically experienced a corresponding seasonality in our working capital, specifically inventories, with peak inventories occurring between December and May, coinciding with lead times required to accommodate the spring maintenance schedules. We believe that by sustaining higher levels of inventory, we gain a competitive advantage in the marketplace. Certain of our large customers seek sole sourcing to avoid sourcing their requirements from multiple vendors whose prices, delivery times and quality standards differ.

In recent years, due to increased demand by first responders for our chemical suits and fire gear, our historical seasonal pattern has shifted. Governmental disbursements are dependent upon budgetary processes and grant administration processes that do not follow our traditional seasonal sales patterns. Due to the size and timing of these governmental orders, our net sales, results of operations, working capital requirements and cash flows can vary between different reporting periods. As a result, we expect to experience increased variability in net sales, net income, working capital requirements and cash flows on a quarterly basis.

Patents and Trademarks

We own 17 patents and have four patents in the application and approval process with the US Patent and Trademark Office. We own 31 Trademarks and have 22 Trademarks in the application and approval process. Intellectual property rights that apply to our various products include patents, trade secrets, trademarks and, to a lesser extent, copyrights. We maintain an active program to protect our technology by ensuring respect for our intellectual property rights.

Employees

As of January 31, 2018, we had 1,072 full-time employees, 976, or 91%, of who were employed in our international facilities, and 96, or 9%, of who were employed in our domestic facilities. An aggregate of approximately 790 of international employees are members of unions in their respective countries. We are not currently a party to any collective bargaining agreements or any other contracts with these unions. We believe our employee relations to be excellent.

Environmental Matters

We are subject to various foreign, federal, state and local environmental protection, chemical control, and health and safety laws and regulations, and we incur costs to comply with those laws. We own and lease real property, and certain environmental laws hold current or previous owners or operators of businesses and real property responsible for contamination on or originating from property, even if they did not know of or were not responsible for the contamination. The presence of hazardous substances on any of our properties or the failure to meet environmental regulatory requirements could affect our ability to use or to sell the property or to use the property as collateral for borrowing, and could result in substantial remediation or compliance costs.

Although we have not in the past had any material costs or damages associated with environmental claims or compliance, and we do not currently anticipate any such costs or damages, we cannot guarantee that we will not incur material costs or damages in the future as a result of the discovery of new facts or conditions, acquisition of new properties, the release of hazardous substances, a change in interpretation of existing environmental laws or the adoption of new environmental laws.

Executive Officers of the Registrant

The following is a list of the names and ages of all of our executive officers indicating all positions and offices they hold with us as of April 16, 2018.

Name	Age	Position
Christopher J. Ryan	66	Chief Executive Officer, President, Secretary and Director
Teri W. Hunt	56	Chief Financial Officer
Charles D. Roberson	55	Senior Vice President International Sales
Daniel L. Edwards	51	Senior Vice President Sales for North America

Christopher J. Ryan has served as our Chief Executive Officer and President since November 2003, Secretary since April 1991, and a director since May 1986. Mr. Ryan was our Executive Vice President - Finance from May 1986 until becoming our President in November 2003. Mr. Ryan also worked as a Corporate Finance Partner at Furman Selz Mager Dietz & Birney, Senior Vice President-Corporate Finance at Laidlaw Adams & Peck, Inc., Managing-Corporate Finance Director of Brean Murray Foster Securities, Inc. and Senior Vice President-Corporate Finance of Rodman & Renshaw, respectively, from 1983 to 1991. Mr. Ryan has served as a Director of Lessing, Inc., a privately held restaurant chain based in New York, from 1995 to 2008. Mr. Ryan received his BA from Stanford University, his MBA from Columbia Business School and his J.D. from Vanderbilt Law School.

Teri W. Hunt has served as our Chief Financial Officer since November 2015 after serving as the Acting Chief Financial Officer of the Company since July 2015. Ms. Hunt has also served as the Company's Vice President of Finance from November 2010 to November 2015, before which time she served as Corporate Controller from November 2007 to November 2010. Prior to joining Lakeland Ms. Hunt served in multiple operational and financial management positions including Corporate Controller for a privately held yarn manufacturer, TNS Mills.

Charles D. Roberson has served as our Senior Vice President International Sales since March 2009. Mr. Roberson joined our Company in 2004 as Technical Marketing Manager and later served as International Sales Manager. Prior to joining our Company, Mr. Roberson was employed by Precision Fabrics Group, Inc. as a Market Manager from 1995 to 2001 and as a Nonwovens Manufacturing Manager from 1991 to 1995. He began his career as a manufacturing manager for Burlington Industries, Inc. in its Menswear Division from 1985 to 1991.

Daniel L. Edwards has been our Senior Vice President Sales for North America since March 2017 after most recently serving as our Vice President of USA Sales since March 2013. Mr. Edwards has been employed by us in various capacities since joining Lakeland in 2005, including as our National Accounts Manager and Eastern Regional Sales Manager. Prior to joining our Company, Mr. Edwards was a Senior Market Manager at Precision Fabrics Group, Inc.,

where he began his career in 1990 and held various roles at that company in manufacturing, technical and quality management.

Item 1A. Risk Factors

RISK FACTORS

You should carefully consider the following risks before investing in our common stock. These are not the only risks that we may face. If any of the events referred to below actually occur, our business, financial condition, liquidity and results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should also refer to the other information in this Form 10-K and in the documents we incorporate by reference into this Form 10-K, including our consolidated financial statements and the related notes.

Risks Related to Our Business and Industry and Other Matters

We are subject to risk as a result of our international manufacturing operations.

Because most of our products are manufactured at our facilities located in China and Mexico, our operations are subject to risk inherent in doing business internationally. Such risks include the adverse effects on operations from corruption, war, international terrorism, civil disturbances, political instability, government activities such as border taxes and renegotiation of treaties, deprivation of contract and property rights and currency valuation changes.

Since 1978, the Chinese government has been reforming its economic and political systems, and we expect this to continue. Although we believe that these reforms have had a positive effect on the economic development of China and have improved our ability to successfully operate our facilities in China, we cannot assure you that these reforms will continue or that the Chinese government will not take actions that impair our operations or assets in China. In addition, periods of international unrest may impede our ability to manufacture goods in other countries and could have a material adverse effect on our business and results of operations.

Our results of operations could be negatively affected by potential fluctuations in foreign currency exchange rates.

Most of our assembly arrangements with our foreign-based subsidiaries or third-party suppliers require payment to be made in US dollars or the Chinese RenminBi (“RMB”). Any decrease in the value of the US dollar or RMB in relation to foreign currencies could increase the cost of the services provided to us upon contract expirations or supply renegotiations. There can be no assurance that we will be able to increase product prices to offset any such cost increases, and any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We are also exposed to foreign currency exchange rate risks as a result of our sales to customers in foreign countries in the amount of \$45.5 million in FY18. Our sales in these countries are usually denominated in the local currency. If the value of the US dollar increases relative to these local currencies, and we are unable to raise our prices proportionally, then our profit margins could decrease because of the exchange rate change.

We are exposed to changes in foreign currency exchange rates as a result of our purchases and sales in other countries. To manage the volatility relating to foreign currency exchange rates, we seek to limit, to the extent possible, our non-US dollar denominated purchases and sales.

In connection with our operations in China, we purchase a significant amount of products from outside of the United States. However, our purchases in China are primarily made in the RMB, the value of which has floated for the last 2 years, therefore we have been exposed to additional foreign exchange rate risk on our Chinese raw material and component purchases.

Our primary risk from foreign currency exchange rate changes is presently related to non-US dollar denominated sales in China, Canada and Europe and, to a smaller extent, in South American countries and in Russia. Our sales to customers in Canada are denominated in Canadian dollars, in Europe in Euros and British pounds, and in China in RMB and US dollars. If the value of the US dollar increases relative to the Canadian dollar, the Pound, the Euro, or the RMB then our net sales could decrease as our products would be more expensive to these international customers because of changes in rate of exchange. We manage the foreign currency risk when appropriate through the use of rolling 90-day forward contracts against the Canadian dollar and Euro and through cash flow hedges in the US against

the RMB and the Euro. We do not hedge other currencies at this time. In the event that non-US dollar denominated international purchases and sales grow, exposure to volatility in exchange rates could have a material adverse impact on our financial results.

Our results of operations may vary widely from quarter to quarter.

Our quarterly results of operations have varied and are expected to continue to vary in the future. These fluctuations may be caused by many factors, including:

- Currency volatility;
- Global crisis, such as the Ebola outbreak or oil spills;
- Our expansion of international operations;
- Competitive pricing pressures;
- Seasonal buying patterns resulting from the cyclical nature of the business of some of our customers;
- Changes in the mix of products and services sold;
- The timing of introductions and enhancements of products by us or our competitors;
- Market acceptance of new products;
- Technological changes in fabrics or production equipment used to make our products;
- Changes in the mix of domestic and international sales;
- Personnel changes; and
- General industry and economic conditions.

These variations could negatively impact our stock price.

Some of our sales are to foreign buyers, which exposes us to additional risks.

We derived approximately 47% of our net sales from customers located in foreign countries in FY18. We intend to seek to increase the amount of foreign sales we make in the future. The additional risks of foreign sales include:

- Potential adverse fluctuations in foreign currency exchange rates;
- Higher credit risks;
- Restrictive trade policies of the US foreign governments;
- Currency hyperinflation and weak banking institutions;
- Changing economic conditions in local markets;
- Political and economic instability in foreign markets; and
- Changes in leadership of foreign governments.

Some or all of these risks may negatively impact our results of operations and financial condition.

We deal in countries where corruption is an obstacle.

We must comply with American laws such as the Foreign Corrupt Practices Act (FCPA) and Sarbanes-Oxley and also with anticorruption legislation in the U.K. Some of our competitors and customers in foreign jurisdictions may not adhere to such legislation. As a result, we believe that we lose sales orders due to our strict adherence to such regulations.

We are exposed to tax expense risks.

We are exposed to tax rate risk with respect to our deferred tax asset. On December 22, 2017, new federal tax reform legislation was enacted in the United States, resulting in significant changes from previous tax law. The 2017 Tax Cuts and Jobs Act (the “Tax Act”) reduces the federal corporate income tax rate to 21% from 35% effective January 1, 2018. The Tax Act requires us to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, re-measuring our US deferred tax assets as well as reassessing the net realizability of our deferred tax assets. The Company completed this re-measurement and reassessment in the recently completed fiscal year. The rate change, along with certain immaterial changes in tax basis resulting from the 2017 Tax Act, resulted in a reduction of our net deferred tax asset to \$7.6 million with a corresponding deferred income tax expense of \$5.1 million in FY18. While the Tax Act provides for a modified territorial tax system, beginning in FY19, it includes two new U.S. tax base erosion provisions, the global intangible low-taxed income (“GILTI”) provisions and the base-erosion and anti-abuse tax (“BEAT”) provisions. The GILTI provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. The Company does not expect that the GILTI income inclusion will result in significant U.S. tax beginning in FY19. The BEAT provisions in the Tax Act eliminates the deduction of certain base-erosion payments made to related foreign corporations and impose a minimum tax if greater than regular tax. The Company does not expect that the BEAT provision will result in significant U.S. tax beginning in FY19. In addition, the Company intends to account

for the GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements for the year ended January 31, 2018. Though this one-time, non-cash adjustment had a materially negative impact on FY18 earnings, the Tax Act also changes the taxation of foreign earnings, and companies generally will not be subject to United States federal income taxes upon the receipt of dividends from foreign subsidiaries and though they will not be permitted foreign tax credits, the Company should still be in a favorable tax position going forward.

The Company claimed a worthless stock deduction in connection with our exit from Brazil which generated a tax benefit of approximately US \$9.5 million in its fiscal year ended January 31, 2016. While, along with our tax advisors, we believe that this deduction is valid, there can be no assurance that the IRS will not challenge it and, if challenged, there is no assurance that the Company will prevail.

Covenants in our credit facilities may restrict our financial and operating flexibility.

As a result of the Loan Agreement the Company entered into on May 10, 2017 we currently have a \$20 million revolving credit facility, expiring May 10, 2020. Our credit facility requires, and any future credit facilities may also require, among others that we comply with specified financial covenants relating to fixed charge coverage and maximum capital expenditures. Our ability to satisfy these financial covenants can be affected by events beyond our control, and we cannot guarantee that we will meet the requirements of these covenants. These restrictive covenants could affect our financial and operational flexibility or impede our ability to operate or expand our business, including a limitation on annual investments and advances we can make to foreign subsidiaries. Default under our credit facilities would allow the lenders to declare all amounts outstanding to be immediately due and payable. Our lenders have a security interest in substantially all of our assets to secure the debt under our current credit facilities, and it is likely that our future lenders will have security interests in our assets. If our lenders declare amounts outstanding under any credit facility to be due, the lenders could proceed against our assets. Any event of default, therefore, could have a material adverse effect on our business.

Because we do not have long-term commitments from many of our customers, we must estimate customer demand, and errors in our estimates could negatively impact our inventory levels and net sales.

Our sales are generally made on the basis of individual purchase orders, which may later be modified or canceled by the customer, rather than on long-term commitments. We have historically been required to place firm orders for fabrics and components with our suppliers prior to receiving an order for our products, based on our forecasts of customer demands. Our sales process requires us to make multiple demand forecast assumptions, each of which may introduce error into our estimates, causing excess inventory to accrue or a lack of manufacturing capacity when needed. If we overestimate customer demand, we may allocate resources to manufacturing products that we may not be able to sell when we expect to or not at all. As a result, we would have excess inventory, which would negatively impact our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would lose sales opportunities, lose market share and damage our customer relationships. On occasion, we have been unable to adequately respond to delivery dates required by our customers because of the lead time needed for us to obtain required materials or to send fabrics to our assembly facilities in China and Mexico. We must recruit and retain skilled employees, including our senior management, to succeed in our business.

We face competition from other companies, a number of which have substantially greater resources than we do.

Three of our competitors, DuPont, Honeywell and Kimberly Clark, have substantially greater financial, marketing and sales resources than we do. In addition, we believe that the barriers to entry in the disposable and reusable garments and gloves markets are relatively low. We cannot assure you that our present competitors or competitors that choose to enter the marketplace in the future will not exert significant competitive pressures. Such competition could have a material adverse effect on our net sales and results of operations.

Our operations are substantially dependent upon key personnel.

Our performance is substantially dependent on the continued services and performance of our senior management and certain other key personnel, including Christopher J. Ryan, our Chief Executive Officer, President and Secretary, Teri W. Hunt, our Chief Financial Officer, Charles D. Roberson, our Sr. VP International Sales and Daniel L. Edwards, our Sr. VP Sales for North America. The loss of services of any of our executive officers or other key employees could have a material adverse effect on our business, financial condition and results of operations. In addition, any future expansion of our business will depend on our ability to identify, attract, hire, train, retain and motivate other highly skilled managerial, marketing, customer service and manufacturing personnel, and our inability to do so could have a material adverse effect on our business, financial condition and results of operations.

Technological change could negatively affect sales of our products and our performance.

The rapid development of fabric technology continually affects our apparel applications and may directly impact the performance of our products. We cannot assure you that we will successfully maintain or improve the effectiveness of our existing products, nor can we assure you that we will successfully identify new opportunities or continue to have the needed financial resources to develop new fabric or apparel manufacturing techniques in a timely or cost-effective manner. In addition, products manufactured by others may render our products obsolete or noncompetitive. If any of these events occur, our business, prospects, financial condition and operating results will be materially and adversely affected.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information and adversely impact our reputation and results of operations.

Global cybersecurity threats can range from uncoordinated individual attempts to gain unauthorized access to our information technology (“IT”) systems to sophisticated and targeted measures known as advanced persistent threats. While we employ comprehensive measures to prevent, detect, address and mitigate these threats (including access controls, data encryption, vulnerability assessments, management training, continuous monitoring of our IT networks and systems and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties) and the disruption of business operations. While no cybersecurity attack to date has had a material impact on our financial condition, results of operation or liquidity, the threat remains and the potential consequences of a material cybersecurity incident include reputational damage, litigation with third parties, diminution in the value of our investment in research, development and engineering, and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations.

A significant reduction in government funding for preparations for terrorist incidents could adversely affect our net sales.

As a general matter, a significant portion of our sales growth to our distributors is dependent upon resale by those distributors to customers that are funded in large part by federal, state and local government funding. Specifically, depending on the year, approximately 10% of our high-end chemical suit sales are dependent on government funding. Congress passed the 2001 Assistance to Firefighters Grant Program and the Bioterrorism Preparedness and Response Act of 2002. Both of these Acts provide for funding to fire and police departments and medical and emergency personnel to respond to terrorist incidents. Appropriations for these Acts by the federal government could be reduced or eliminated altogether. Any such reduction or elimination of federal funding, or any reductions in state or local funding, could cause sales of our products purchased by fire and police departments and medical and emergency personnel to decline.

We may be exposed to continuing and other liabilities arising from our former Brazilian operations.

During the fiscal year ended January 31, 2016 the Company formally completed the terms of the “Shares Transfer Agreement” and executed its exit from Brazil, but we may continue to be exposed to certain liabilities arising in connection with the prior operations of Lakeland Brazil. The Company understands that under the laws of Brazil, a concept of fraudulent conveyance exists, which may hold a parent company liable for the liabilities of a former Brazilian subsidiary in the event some level of fraud or misconduct is shown during the period that the parent company owned the subsidiary. While the Company believes that there has been no such fraud or misconduct relating to operations of and their exit from Brazil, there can be no assurance that the courts of Brazil will not make such a finding. The risk of exposure to the Company continues to diminish as the former subsidiary continues to operate, as the statute of limitations for claiming fraudulent conveyance has now expired, as labor cases pre-dating the expiration of the statute of limitations are concluded, except for the four still open, so as to preclude any such finding, and as pre-shares transfer agreement liabilities are satisfied. As the former subsidiary has stayed in operation for a period of greater than two years, the Company believes the risk of a finding of fraudulent conveyance has virtually been

eliminated.

We may be subject to product liability claims, and insurance coverage could be inadequate or unavailable to cover these claims.

We manufacture products used for protection from hazardous or potentially lethal substances, such as chemical and biological toxins, fire, viruses and bacteria. The products that we manufacture are typically used in applications and situations that involve high levels of risk of personal injury. Failure to use our products for their intended purposes, failure to use our products properly or the malfunction of our products could result in serious bodily injury or death of the user. In such cases, we may be subject to product liability claims arising from the design, manufacture or sale of our products. If these claims are decided against us, and we are found to be liable, we may be required to pay substantial damages, and our insurance costs may increase significantly as a result. We cannot assure you that our insurance coverage would be sufficient to cover the payment of any potential claim. In addition, we cannot assure you that this or any other insurance coverage will continue to be available or, if available, that we will be able to obtain it at a reasonable cost. Any material uninsured loss could have a material adverse effect on our financial condition, results of operations and cash flows.

Environmental laws and regulations may subject us to significant liabilities.

Our US operations, including our manufacturing facilities, are subject to federal, state and local environmental laws and regulations relating to the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes. Any violation of any of those laws and regulations could cause us to incur substantial liability to the Environmental Protection Agency, the state environmental agencies in any affected state or to any individuals affected by any such violation. If hazardous substances are released from or located on any of our properties, we could incur substantial costs and damages. Any such liability could have a material adverse effect on our financial condition and results of operations.

Our directors and executive officers have the ability to exert significant influence on our Company and on matters subject to a vote of our stockholders.

As of January 31, 2018, our directors and executive officers beneficially owned or could vote approximately 7.2% of the outstanding shares of our common stock. As a result of their ownership of common stock and their positions in our Company, our directors and executive officers are able to exert significant influence on our Company and on matters submitted to a vote by our stockholders. In particular, as of January 31, 2018, Christopher J. Ryan, our chief executive officer, president and secretary and a director, beneficially owned or votes approximately 5.9% of our common stock. The ownership interests of our directors and executive officers, including Mr. Ryan, could have the effect of delaying or preventing a change of control of our Company that may be favored by our stockholders generally.

Provisions in our restated certificate of incorporation and by-laws and Delaware law could make a merger, tender offer or proxy contest difficult.

Our restated certificate of incorporation contains classified board provisions, authorized preferred stock that could be utilized to implement various “poison pill” defenses and a stockholder authorized, but as yet unused, Employee Stock Ownership Plan (“ESOP”), all of which may have the effect of discouraging a takeover of Lakeland, which is not approved by our board of directors. Further, we are subject to the antitakeover provisions of Section 203 of the Delaware General Corporation Law, which prohibit us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in the prescribed manner.

Acquisitions could be unsuccessful.

In the future, subject to capital constraints, we may seek to acquire selected safety products lines or safety-related businesses which will complement our existing products. Our ability to acquire these businesses is dependent upon many factors, including our management’s relationship with the owners of these businesses, many of which are small and closely held by individual stockholders. In addition, we will be competing for acquisition and expansion opportunities with other companies, many of which have greater name recognition, marketing support and financial resources than us, which may result in fewer acquisition opportunities for us, as well as higher acquisition prices. There can be no assurance that we will be able to identify, pursue or acquire any targeted business and, if acquired, there can be no assurance that we will be able to profitably manage additional businesses or successfully integrate acquired business into our Company without substantial costs, delays and other operational or financial problems.

If we proceed with additional acquisitions for cash, we may use a substantial portion of our available line of credit (if available) in order to consummate any such acquisition. We may also seek to finance any such acquisition through debt or equity financings, and there can be no assurance that such financings will be available on acceptable terms or at all. If consideration for an acquisition consists of equity securities, the stock held by our investors could be diluted. If we borrow funds in order to finance an acquisition, we may not be able to obtain such funds on terms that are favorable to us. In addition, such indebtedness may limit our ability to operate our business as we currently intend because of restrictions placed on us under the terms of the indebtedness and because we may be required to dedicate a

substantial portion of our cash flow to payments on the debt instead of to our operations, which may place us at a competitive disadvantage.

Acquisitions involve a number of special risks in addition to those mentioned above, including the diversion of management's attention to the assimilation of the operations and personnel of the acquired companies, the potential loss of key employees of acquired companies, potential exposure to unknown liabilities, adverse effects on our reported operating results and the amortization or write-down of acquired intangible assets. We cannot assure you that any acquisition by us will or will not occur, that if an acquisition does occur that it will not materially and adversely affect our results of operations or that any such acquisition will be successful in enhancing our business. To the extent that we are unable to manage growth efficiently and effectively or are unable to attract and retain additional qualified management personnel, our business, financial condition and results of operations could be materially and adversely affected.

We may need additional funds, and if we are unable to obtain these funds, we may not be able to expand or operate our business as planned.

Our operations require significant amounts of cash, and we may be required to seek additional capital, whether from sales of equity or by borrowing money, to fund acquisitions for the future growth and development of our business or to fund our operations and inventory, particularly in the event of a market downturn.

A number of factors could affect our ability to access future debt or equity financing, including:

- Our financial condition, strength and credit rating;
- The financial markets' confidence in our management team and financial reporting;
- General economic conditions and the conditions in the homeland security and Energy sectors; and
- Capital markets conditions.

Even if available, additional financing may be more costly than our current facility and may have adverse consequences. If additional funds are raised through the incurrence of debt, we will incur increased debt servicing costs and may become subject to additional restrictive financial and other covenants. We can give no assurance as to the terms or availability of additional capital. Although management believes it currently has sufficient capital, if we do need additional capital in the future and are unsuccessful, it could reduce our net sales and materially adversely impact our earning capability and financial position.

If we fail to maintain proper and effective internal controls or are unable to remediate a material weakness in our internal controls, our ability to produce accurate and timely financial statements could be impaired, and investors' views of us could be harmed.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis involves substantial effort that needs to be reevaluated frequently. Our 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 in accordance with generally accepted accounting principles. We have documented and tested our internal controls and procedures for compliance with Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, which requires annual management assessment of the effectiveness of our internal control over financial reporting.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2018. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (COSO). Based upon an evaluation performed, our management concluded that our disclosure controls and procedures were effective as of January 31, 2018 as discussed in Item 9A Controls and Procedures.

The Company now qualifies as an accelerated filer therefore an attestation report of management's assessment of internal control by our independent auditors is required and included with this report.

Risks Relating to Our Common Stock

The market price of our common stock may fluctuate widely.

The market price of our common stock could be subject to significant fluctuations in response to quarter-to-quarter variations in our operating results, announcements of new products or services by us or our competitors and other events or factors. For example, a shortfall in net sales or net income, or an increase in losses, from levels expected by securities analysts or investors, could have an immediate and significant adverse effect on the market price of our common stock. Volume fluctuations that have particularly affected the market prices of many micro and small capitalization companies have often been unrelated or disproportionate to the operating performance of these companies. These fluctuations, as well as general economic and market conditions, may adversely affect the market price for our common stock.

Our common stock is an equity interest and therefore subordinated to our indebtedness.

Payments of the principal and interest under the notes issued under the loan agreements entered into in connection with our senior financing are secured by liens on, and security interests in, substantially all of our and our subsidiaries' present and after-acquired assets. In the event of our liquidation, dissolution or winding up, our common stock would rank below all debt and creditor claims against us. As a result, holders of our common stock will not be entitled to receive any payment or other distribution of assets upon our liquidation, dissolution or winding up until after all of our obligations to our debt holders and creditors have been satisfied.

We are precluded from paying and do not anticipate paying any dividends to our common stockholders in the near future.

We are prohibited from declaring or paying any dividends to our common stockholders without the prior consent of our senior and junior lenders. Further, we have not paid dividends on our common stock since August 2006 and we do not anticipate, if permitted, paying any dividends in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing operations.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We believe that our owned and leased facilities are suitable for the operations we conduct in each of them. Each manufacturing facility is well maintained and capable of supporting higher levels of production. The table below sets forth certain information about our principal facilities.

Address	Annual Rent	Lease Expiration	Principal Activity
Lakeland Industries, Inc. · 202 Pride Lane; and · 3420 Valley Avenue; and	Owned	N/A	Administration Manufacturing Warehouse Sales

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· 201 Pride Lane SW

Decatur, AL 35603

Porto Rico Street, Lots 16/17/18 Granjas Rurais, Salvador	Owned	N/A	Land and building held for sale
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Lakeland Protective Real Estate 59 Bury Court Brantford, ON N3S 0A9 - Canada	Owned	N/A	Sales Warehouse
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Industrias Lakeland S.A. de C.V. Carretera a Santa Rita, Calle Tomas Urbina #1 Jerez de Garcia, Salinas, Zacatecas, Mexico	Owned	N/A	Administration Manufacturing Warehouse Sales
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Industrias Lakeland S.A. de C.V. Carretera a Santa Rita, Calle Tomas Urbina #1 Jerez de Garcia, Salinas, Zacatecas, Mexico	Owned	N/A	Land Only
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Weifang Lakeland Safety Products Co., Ltd. Plant #1 No. 61 South Huaan Road, AnQui City, Shandong Province, PRC 262100	Owned ⁽¹⁾	N/A	Administration Manufacturing Warehouse Sales
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Lakeland Industries, Inc. (Headquarters) 3555 Veterans Memorial Highway, Suite C Ronkonkoma, NY 11779	\$52,350	5/31/2018 then month to month	Administration Sales
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Lakeland Industries, Inc.

1701 4 th Avenue SE	\$24,000	Month to month	Warehouse
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Decatur, AL 35603

Total Warehouse, Inc. 3030 North Lamb Blvd, Ste 103 Las Vegas, NV 89115	By case	Annual – auto renew	Warehouse
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Safety Pro, LLC 14027 Memorial Drive #300 Houston, TX 77079	By case	Annual – auto renew	Warehouse
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Address	Annual Rent	Lease Expiration	Principal Activity
Lakeland Industries, Inc. 311 Curie Drive Alpharetta, GA 30005	\$63,000	7/31/2018	Warehouse
Lakeland Argentina, SRL Cuba 4870 San Martin Provincia de Buenos Aires, Argentina	\$111,600	11/30/2018	Administration Manufacturing* Warehouse Sales
Lakeland Industries Chile Limitado Roman Spech 3283, Comunica Quinta Normal, Santago, Chile	\$61,000	1/31/2020	Administration Warehouse Sales
Lakeland (Beijing) Safety Products Co., Ltd. Unit 503, Building B, Sinolight Plaza No. 4 Wangjing Qiyang Road, Chaoyang District Beijing 100102 PRC	\$42,100	5/31/2019	Sales
Lakeland (Beijing) Safety Products Co., Ltd. Unit 502, Building B, Sinolight Plaza No. 4 Wangjing Qiyang Road, Chaoyang District Beijing 100102 PRC	\$20,000	5/31/2019	Sales
Lakeland (Beijing) Safety Products Co., Ltd. Warehouse 3, Chaoyand Road, Tianmu Town, Beichen District, Tianjin, PRC	\$62,000	8/31/2018	Warehouse
Lakeland (Beijing) Safety Products Co., Ltd. Warehouse 3+, Chaoyand Road, Tianmu Town, Beichen District, Tianjin, PRC	\$19,000	8/31/2018	Warehouse
Lakeland (Beijing) Safety Products Co., Ltd. Unit 1104, Number 570 Shengxia Road Zhangjing Science and Technology Park District Shanghai City, PRC	\$34,000	08/31/2019	Administration Sales
Weifang Lakeland Safety Products Co., Ltd Dasen Logistic Company, Shuangfeng Road, Anqui City, Shandong Province, PRC 262100	\$44,200	12/14/2018	Warehouse
Lakeland Glove and Safety Apparel Private, Ltd. Plots 50, Noida Special Economic Zone New Delhi, India	\$1,900 ⁽²⁾	11/13/2028	Warehouse Sales

Lakeland Glove and Safety Apparel Private, Ltd. Plots 81, Noida Special Economic Zone New Delhi, India	\$3,500 ⁽²⁾	02/01/2024	Warehouse Sales
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Address	Annual Rent	Lease Expiration	Principal Activity
Lakeland Glove and Safety Apparel Private, Ltd. Plot B-42, Sector 2 Noida, District-Gautam Budh Nagar, India	\$15,600	7/31/2018	Sales
Art Prom, LLC Varashilova Street 5/1, Ust-Kamnogorsk, Kazakhstan, 070002	\$1,100	9/1/2018	Manufacturing* Warehouse Sales
RussIndProtection, Ltd. 201, vlad. 4B, str.1, 38km, MKAD Moscow, Russia 117574	\$10,500	12/31/2018	Warehouse Sales
Lakeland Industries Europe Ltd. Unit 9/10 Park 2, Main Road New Port, East Yorkshire HU15 2RP United Kingdom	Approximately \$66,000 (varies with exchange rates)	March 2023 (with 8-year review period from 4/2011)	Warehouse Sales
Lakeland (Vietnam) Industries Co., Ltd. Hemlet No.8, Xuan Trung Commune, Xuan Truong District, Nam Dinh Province, Vietnam	\$360,000	1/20/2022	Administration Manufacturing Warehouse Sales

(1) We own the buildings in which we conduct the majority of our manufacturing operations in China and lease the land underlying the buildings from the Chinese government. We have 29 years remaining under the leases with respect to the AnQui City facilities.

(2) We lease the underlying land from the SEZ, but we own the buildings on Plots 50 & 51.

** A small amount of manufacturing is done locally, but most sales are made in other Lakeland facilities.*

Our facilities in Alabama, Mexico, China, India, and Argentina contain equipment used for the design, development, manufacture and sale of our products. Our operations in Canada, United Kingdom, Chile, Hong Kong, Russia, and Kazakhstan are primarily sales and warehousing operations receiving goods for resale from our manufacturing facilities around the world. We had \$1.99 million and \$2.09 million of net property and equipment located in the US; \$1.92 million and \$2.05 million in China; \$1.99 million and \$2.05 million in Mexico as of January 31, 2018 and 2017, respectively.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to litigation arising in the ordinary course of our business. We are not currently a party to any litigation or other legal proceedings that we believe could reasonably be expected to have a material adverse effect on our results of operations, financial condition or cash flows. See Note 14 related to legal matters in respect of our former subsidiary in Brazil and its relation to the Company.

ITEM 4. MINE SAFETY DISCLOSURES

N/A

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PART II**ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is currently traded on the Nasdaq Global Market under the symbol “LAKE.” The following table sets forth for the periods indicated the high and low closing sales prices for our common stock as reported by the Nasdaq National Market.

	Price Range of Common Stock	
	High	Low
Fiscal 2018		
First Quarter	\$ 11.10	\$ 9.95
Second Quarter	16.45	10.25
Third Quarter	16.00	13.40
Fourth Quarter	15.10	13.75
Fiscal 2017		
First Quarter	\$ 13.75	\$ 8.69
Second Quarter	10.14	8.11
Third Quarter	10.62	9.36
Fourth Quarter	11.50	9.70

 Holders

Holders of our Common Stock, approximately 29 of record, are entitled to one (1) vote for each share held on all matters submitted to a vote of the stockholders. No cumulative voting with respect to the election of directors is permitted by our Articles of Incorporation. The Common Stock is not entitled to preemptive rights and is not subject to conversion or redemption. Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to stockholders are distributable ratably among the holders of the Common Stock after payment of liquidation preferences, if any, on any outstanding stock that may be issued in the future having prior rights on such distributions and payment of other claims of creditors. Each share of Common Stock outstanding as of the date of this Annual Report is validly issued, fully paid and nonassessable.

 Dividend Policy

In the past, we have declared dividends in stock to our stockholders. We may pay stock dividends in future years at the discretion of our board of directors and consent of our lenders.

We have never paid any cash dividends on our common stock, and we currently intend to retain any future earnings for use in our business. The payment and rate of future cash or stock dividends, if any, or stock repurchase programs are subject to the discretion of our board of directors and will depend upon our earnings, financial condition, capital or contractual restrictions under our credit facilities and other factors. In addition, the payment of cash dividends is restricted by the terms of our current senior loan agreement.

Stock Repurchase Program

On July 19, 2016, the Company's board of directors approved a stock repurchase program under which the Company may repurchase up to \$2,500,000 of its outstanding common stock. The Company has not repurchased any stock under this program as of the date of this filing.

Registration Statement

On March 24, 2017, the Company filed a shelf registration statement on Form S-3 which was declared effective by the SEC on April 11, 2017. The shelf registration statement permits the Company to sell, from time to time, up to an aggregate of \$30.0 million of various securities, including shares of common stock, shares of preferred stock, debt securities, warrants to purchase common stock, preferred stock, debt securities, and/or units, rights to purchase common stock, preferred stock, debt securities, warrants and/or units, units of two or more of the foregoing, or any combination of such securities, not to exceed one-third of the Company's public float in any 12-month period. The public offering of common stock effectuated by the Company in FY18 was pursuant to this Registration Statement.

ITEM 6. Selected Financial Data

The following selected consolidated financial data as of and for our FY18, FY17, FY16, FY15 and FY14 has been derived from our audited consolidated financial statements. You should read the information set forth below in conjunction with our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included in this Form 10-K, and other data we have filed with the U.S. Securities and Exchange Commission.

	Summary of Operations Year Ended January 31, (in thousands, except share and per share data)				
	2018	2017	2016	2015*	2014*
Income Statement Data:					
Net sales from continuing operations	\$95,987	\$86,183	\$99,646	\$93,419	\$84,173
Operating profit from continuing operations	8,477	6,847	11,812	6,691	4,053
Income from continuing operations before income taxes	8,343	6,273	10,907	2,898	2,679
Income tax expense (benefit)	7,903	2,380	3,117	(8,188)	(2,851)
Net income from continuing operations	440	3,893	7,790	11,086	5,530
Net loss on discontinued operations, net of tax	—	—	(3,936)	(2,687)	(5,650)
Earnings per share from continuing operations - basic	\$0.06	\$0.54	\$1.09	\$1.78	\$0.97
Earnings per share from continuing operations – diluted	\$0.06	\$0.53	\$1.07	\$1.75	\$0.96
Weighted average common shares outstanding					
Basic	7,638,264	7,257,553	7,171,965	6,214,303	5,689,230
Diluted	7,691,553	7,327,248	7,254,340	6,325,525	5,771,226
Balance Sheet Data:					
Current assets	\$76,500	\$60,086	\$62,117	\$68,635	\$65,481
Total assets	94,531	84,554	88,260	93,208	80,483
Current liabilities	10,379	12,331	19,958	26,222	26,835
Long-term liabilities	1,312	716	786	3,730	9,171
Stockholders’ equity	82,840	71,507	67,516	63,256	44,477

* Restated for discontinued operations

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following summary together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this Form 10-K and in the documents that we incorporate by reference into this Form 10-K. This document may contain certain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements.

Overview

In FY18, consolidated operating income for continuing operations was \$8.5 million in FY18 compared to \$6.8 million in FY17 and \$11.8 million in FY16. This is largely due to the significant sales in FY16 of Lakeland branded products due to both the Ebola and bird flu crises with no such sales in FY17 or FY18 and cost containment efforts in FY18 including shifting production to our more cost effective manufacturing facilities in China and Mexico from the US.

On December 22, 2017, new federal tax reform legislation was enacted in the United States, resulting in significant changes from previous tax law. The 2017 Tax Cuts and Jobs Act (the "Tax Act") reduces the federal corporate income tax rate to 21% from 35% effective January 1, 2018. The Tax Act requires us to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, re-measuring our US deferred tax assets as well as reassessing the net realizability of our deferred tax assets. The Company completed this re-measurement and reassessment in the recently completed fiscal year. The rate change, along with certain immaterial changes in tax basis resulting from the 2017 Tax Act, resulted in a reduction of our net deferred tax asset to \$7.6 million with related income tax expense of \$5.1 million, thus dramatically increasing our effective tax rate in the fiscal year ended January 31, 2018.

The personal protective equipment market continues to grow worldwide as developing countries increasingly adopt the protection standards of North America and Europe, and standards in the more developed countries become more stringent and cover more types of workers. Management believes Lakeland is uniquely positioned to take advantage of these trends with its presence in many major and high growth potential markets worldwide. However, management also understands that significant investment in these markets is required for the Company to realize its goals for growth in revenue and income as our many markets continue to evolve and attract more competition.

In order to promote future improvements in operating income, cash availability, and business outlook, the Company has more recently made multiple investments in operations and organization that had been deferred during the past few challenging years. Additional personnel in sales and marketing have been hired worldwide in order to increase penetration in existing markets and pursue new sales channels. New equipment has been purchased to increase manufacturing capacity and efficiency as well as to replace older equipment. New accounting and operations software is being installed to improve processes, planning, and access to sales, financial, and manufacturing data. New technologies in fabrics and manufacturing are being explored. Management believes the Company's ability to compete for the global opportunities in its industry are being enhanced.

We manufacture and sell a comprehensive line of safety garments and accessories for the industrial and public protective clothing market. Domestically our products are sold by our in-house customer service group, our regional sales managers and independent sales representatives to a network of over 1,200 North American safety and mill supply distributors. These distributors in turn supply end user industrial customers, such as integrated oil, chemical/petrochemical, utilities, automobile, steel, glass, construction, smelting, munition plants, janitorial, pharmaceutical, mortuaries and high technology electronics manufacturers, as well as scientific and medical laboratories. In addition, we supply federal, state and local governmental agencies and departments, such as fire and law enforcement, airport crash rescue units, the Department of Defense, the Department of Homeland Security and the Centers for Disease Control. Internationally, sales are to a mixture of end users directly and to industrial distributors depending on the particular country market. Sales are made to more than 40 or more foreign countries but are primarily in China, European Economic Community ("EEC"), Canada, Chile, Argentina, Russia, Kazakhstan, Colombia, Mexico, Ecuador, Australia and Southeast Asia.

We have operated facilities in Mexico since 1995 and in China since 1996. Beginning in 1995, we moved the labor intensive sewing operation for our limited use/disposable protective clothing lines to these facilities. Our facilities and capabilities in China and Mexico allow access to a less expensive labor pool than is available in the United States of America and permit us to purchase certain raw materials at a lower cost than they are available domestically. As we have increasingly moved production of our products to our facilities in Mexico and China, we have seen improvements in the profit margins for these products. Our net sales from continuing operations attributable to customers outside the United States of America were \$45.5 million, \$39.6 million, and \$43.1million for the years ended January 31, 2018, 2017, and 2016 respectively.

We anticipate our R&D expenses to increase to \$0.5 million in FY19 from \$0.3 million in FY18, \$0.3 million in FY17 and \$0.2 million in FY16 as we continue to develop vertical product lines for new markets and expand introduction of these product lines globally. R&D costs associated with compliance with the new CE PPE Regulation in FY18 will not be ongoing, but will be replaced by certification and testing equipment costs associated with shifting production of CE and NFPA products to new manufacturing facilities in India and Vietnam.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, net sales and expenses and disclosure of contingent assets and liabilities. We base our estimates on the past experience and on various other assumptions that we believe to be reasonable under the circumstances, and we periodically evaluate these estimates.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. The Company derives its sales primarily from its limited use/disposable protective clothing and secondarily from its sales of reflective clothing, high-end chemical protective suits, firefighting and heat protective apparel, reusable woven garments and gloves and arm guards. Sales are recognized when goods are shipped, at which time title and the risk of loss pass to the customer. Sales are reduced for sales returns and allowances. Payment terms are generally net 30 days for United States sales and net 90 days for international sales.

Substantially, all the Company's sales are made through distributors. There are no significant differences across product lines or customers in different geographical areas in the manner in which the Company's sales are made.

Lakeland offers a growth rebate to certain distributors each year on a calendar-year basis. Sales are tracked on a monthly basis, and accruals are based on sales growth over the prior year. The growth rebate accrual is adjusted either up or down on a monthly basis as a reduction (increase) to revenue and an increase (reduction) to the accrual based on monthly sales trends as compared with prior year. Based on volume and products purchased, distributors can earn anywhere from 1% to 6% rebates in the form of either a quarterly or annual credit to their account, depending on the specific agreement. In estimating the accrual needed, management tracks sales growth over the prior year.

Our sales are generally final; however, requests for return of goods can be made and must be received within 90 days from invoice date. No returns will be accepted without a written authorization. Return products may be subject to a restocking charge and must be shipped freight prepaid. Any special made-to-order items are not returnable. Customer returns have historically been insignificant.

Customer pricing is subject to change on a 30-day notice; exceptions based on meeting competitors' pricing are considered on a case-by-case basis. Revenue is recorded net of taxes collected from customers. The related taxes that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

For larger orders, except in its Lakeland Fire product line, the Company absorbs the cost of shipping and handling. For those customers who are invoiced the cost of shipping and handling fees, such amounts are included in net sales. Shipping and handling costs associated with outbound freight are included in operating expenses and aggregated approximately \$2.2 million, \$2.0 million and \$2.5 million in FY18, FY17, and FY16 respectively.

Accounts Receivable, Net. Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company recognizes losses when information available indicates that it is probable that a receivable has been impaired based on criteria noted above at the date of the consolidated financial statements, and the amount of the loss can be reasonably estimated. Management considers the following factors when determining the collectability of specific customer accounts: Customer creditworthiness, past transaction history with the customers, current economic industry trends and changes in customer payment terms. Past due balances over 90 days and other less creditworthy accounts are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories, net. Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (on a first-in, first-out basis) or net realized value. Provision is made for slow-moving, obsolete or unusable inventory.

Goodwill. Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is evaluated for impairment at least annually; however, this evaluation may be performed more frequently when events or changes in circumstances indicate the carrying amount may not be recoverable. Factors that the Company considers important that could identify a potential impairment include: significant changes in the overall business strategy and significant negative industry or economic trends. Management assesses whether it is more likely than not that goodwill is impaired and, if necessary, compares the fair value of the reporting unit to the carrying value. Fair value is generally determined by management either based on estimating future discounted cash flows for the reporting unit or by estimating a sales price for the reporting unit based on multiple of earnings. These estimates require the Company's management to make projections that can differ from actual results.

Impairment of Long-Lived Assets. The Company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances indicate the carrying value may not be recoverable. The Company measures any potential impairment on a projected undiscounted cash flow method. Estimating future cash flows requires the Company's management to make projections that can differ materially from actual results. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from the asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair

value of the long-lived asset. As of January 31, 2018, a non-cash impairment charge was recorded to reflect the change in the carrying value from \$0.9 million to \$0.2 million as the Company believes this to be the recoverable value of this asset held for sale on the Company's consolidated balance sheet.

Income Taxes. The Company is required to estimate its income taxes in each of the jurisdictions in which it operates as part of preparing the consolidated financial statements. This involves estimating the actual current tax in addition to assessing temporary differences resulting from differing treatments for tax and financial accounting purposes. These differences, together with net operating loss carryforwards and tax credits, are recorded as deferred tax assets or liabilities on the Company's consolidated balance sheet. A judgment must then be made of the likelihood that any deferred tax assets will be recovered from future taxable income. A valuation allowance may be required to reduce deferred tax assets to the amount that is more likely than not to be realized. In the event the Company determines that it may not be able to realize all or part of its deferred tax asset in the future, or that new estimates indicate that a previously recorded valuation allowance is no longer required, an adjustment to the deferred tax asset is charged or credited to income in the period of such determination.

The Company recognizes tax positions that meet a "more likely than not" minimum recognition threshold. If necessary, the Company recognizes interest and penalties associated with tax matters as part of the income tax provision and would include accrued interest and penalties with the related tax liability in the consolidated balance sheets.

Foreign Operations and Foreign Currency Translation. The Company maintains manufacturing operations in the People's Republic of China, Mexico, India, and Argentina and can access independent contractors in China, Vietnam, Argentina, and Mexico. It also maintains sales and distribution entities located in China, Canada, the U.K., Chile, Argentina, Russia, Kazakhstan, India, and Mexico. The Company is vulnerable to currency risks in these countries. The functional currency for the United Kingdom subsidiary is the Euro; the trading company in China, the RMB; the Canadian Real Estate subsidiary, the Canadian dollar; and the Russian operation, the Russian Ruble and the Kazakhstan operation the Kazakhstan Tenge. All other operations have the US dollar as its functional currency.

Pursuant to US GAAP, assets and liabilities of the Company's foreign operations with functional currencies other than the US dollar, are translated at the exchange rate in effect at the balance sheet date, while revenues and expenses are translated at average rates prevailing during the periods. Translation adjustments are reported in accumulated other comprehensive loss, a separate component of stockholders' equity. Cash flows are also translated at average translation rates for the periods, therefore amounts reported on the consolidated statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Fair Value of Financial Instruments. US GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures utilizing a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect management's own assumptions.

Foreign currency forward and hedge contracts are recorded in the consolidated balance sheets at their fair value as of the balance sheet dates based on current market rates.

The financial instruments of the Company classified as current assets or liabilities, including cash and cash equivalents, accounts receivable, short-term borrowings, borrowings under revolving credit facility, accounts payable and accrued expenses, are recorded at carrying value, which approximates fair value based on the short-term nature of these instruments.

The Company believes that the fair values of its long-term debt approximates its carrying value based on the effective interest rate compared to the current market rate available to the Company.

Significant Balance Sheet Fluctuation January 31, 2018, as Compared to January 31, 2017

Balance Sheet Accounts. Cash increased by \$5.4 million in FY18 as the Company minimized capital expenditures in the current year in anticipation of a continuation of the enterprise resource planning (“ERP”) project, the set-up of manufacturing facilities in Vietnam and India, and planned equipment purchases in FY19. The Company’s cash position was significantly enhanced by \$10.1 million of net proceeds of a public offering of Common Stock in FY18 which also facilitates a reduction in borrowings under the revolving credit facility of \$4.9 million. Inventory net of reserves increased \$7.4 million as the Company stocked core product for an anticipated increased seasonal demand in Q1 and Q2 FY19 and as the Company addresses a strategic initiative for on time shipments and increased value in the customer service area. The Company experienced an increase in accounts receivables of \$3.4 million as strong demand continues, a decrease in assets held for sale due to an impairment write-down of \$0.8 million and a decrease to deferred income tax of \$6.0 million primarily as a result of the change in the US tax code and the corresponding one-time non-cash charges involved. Accounts payables increased \$2.1 million primarily in China as a result of material demands in anticipation of increased volume in Q1 and Q2 FY19 and due to product development requirements.

Results of Operations

The following table sets forth our historical results of continuing operations for the years and three-months ended January 31, 2018, 2017, and 2016 as a percentage of our net sales from operations.

	For the Three Months Ended			For the Year Ended			
	January 31,			January 31,			
	(Unaudited)						
	2018		2017		2018	2017	2016
Net sales	100.0	%	100.0	%	100.0%	100.0%	100.0%
Cost of goods sold	60.6	%	61.8	%	62.3 %	63.3 %	63.5 %
Gross profit	39.4	%	38.2	%	37.7 %	36.7 %	36.5 %
Operating expenses	34.8	%	29.7	%	28.9 %	28.8 %	24.6 %
Operating profit (loss)	4.6	%	8.5	%	8.8 %	7.9 %	11.9 %
Other income, net	0.1	%	0.8	%	0.0 %	0.1 %	(0.2) %
Interest expense	(0.1)	)%	(0.5)	)%	(0.2) %	(0.7) %	(0.8) %
Income (loss) before tax	4.6	%	8.8	%	8.7 %	7.3 %	10.9 %
Income tax expense (benefit)	24.1	%	4.1	%	8.2 %	2.8 %	3.1 %
Net income (loss)	(19.6)	)%	4.7	%	0.5 %	4.5 %	7.8 %

For purposes of the Management’s Discussion, the reference to “Q” shall mean “Quarter.” Thus “Q4” means the fourth quarter of the applicable fiscal year.

Year Ended January 31, 2018, Compared to the Year Ended January 31, 2017

Net Sales. Net sales from continuing operations increased to \$96.0 million for the year ended January 31, 2018 compared to \$86.2 million for the year ended January 31, 2017, an increase of 11.4%. Overall sales volume was increased due to an improvement in the global industrial sector partially resulting from a continuing upturn in the oil and gas industry as well as currency strengthening in China, Canada, Mexico, the UK, and Chile in which we conduct business. Sales in the US increased \$4.3 million or 8.6% due primarily to a stronger market in the industrial sector, increased sales into oil field service companies and refinery operations, and increased sales into national accounts. USA sales of disposables increased by \$3.1 million, chemical sales increased \$0.4 million, fire sales increased \$0.3 million, and wovens sales increased \$0.6 million reflecting a strengthening in the US economy. Gloves and reflective sales remained essentially level in a year over year comparison. Wovens and fire protection sales combined increased \$0.9 million or 9.7% mostly due to focused penetration of fire retardant “FR” cotton coveralls into the pipeline industry where activity is increasing. Sales in China and to the Asia Pacific Rim were up \$12.0 million or 29.5% as industrial activity improved, several larger customers began replacing depleted inventories, intercompany demand increased, and the Company worked through a large backlog, and as that region experienced moderate revaluation against the USD. Canada sales increased by \$1.3 million or 17.8% as that country continues to experience an oil and gas turnaround requiring protective wear and as some customers replenished their stock in response to higher than forecasted demand at higher price points. UK sales increased modestly to \$9.1 million or 1.5% mostly due to new distributors placing stocking orders. Russia and Kazakhstan sales combined had an increase of \$1.2 million or 107.4% and Latin America sales increased \$0.5 million or 7.3% due to continuously improving economies.

Gross Profit. Gross profit from continuing operations increased \$4.6 million, or 14.4%, to \$36.2 million for the year ended January 31, 2018, from \$31.6 million for the year ended January 31, 2017. Gross profit as a percentage of net sales increased from 36.7% for the year ended January 31, 2017 to 37.7% for the year ended January 31, 2018 Major factors driving gross margins were:

Disposables gross margins increased 2.5 percentage points as the Company continues to contain cost and maximize production efficiency and as volume increased and sales of higher margin cleanroom products gained traction.

Chemical gross margin increased by 4.4 percentage points primarily due to higher volume sales mix and due to a reduction in force in the US to move production to our more cost effective facilities in Mexico and China during Q1FY17 which resulted in severance payments in that quarter, and product mix.

Reflective gross margins increased 4.3 percentage points as a result of product mix and price increases for some products.

Glove gross margins increased 5.0 percentage points due to product mix.

Wovens gross margins increased 7.5 percentage points as the Company increased sales of higher margin FR products into the pipeline industry in Q1FY18.

Chile's gross margin increased 8.8 percentage points as sales into the industrial category rebounded and Argentina's gross margin decreased 6.2 percentage points primarily due to a shift in the product mix.

Operating Expense. Operating expenses of continuing operations increased 11.8% from \$24.8 million for the year ended January 31, 2017 to \$27.7 million for the year ended January 31, 2018. Operating expenses as a percentage of net sales was 28.9% for the year ended January 31, 2018 up from 28.8 % for the year ended January 31, 2017. The main factors for the increase in operating expenses are a \$0.8 million increase in professional fees due to various legal and accounting fees, a \$0.7 million increase in sales salaries as the Company continues to grow its sales force, a \$0.8 million impairment charge related to the Company's assets held for sale in Brazil, a \$0.4 million charge to bad debts primarily due to an increase in the allowance for slow paying customers, a \$0.3 million increase to currency fluctuation in the normal course of business, a \$0.2 million increase to freight out as volume increased and as a result of rush shipments associated with the backlog as well as freight line price increases, a \$0.2 million increase to advertising promotions, a \$0.2 million increase to payroll administration as a result of year-end bonus accruals, a \$0.1 million increase to equity compensation due to the implementation of the 2017 executive long term incentive plan, as well as a \$0.6 million decrease to officer salaries resulting from the reduction of one officer due to retirement, a \$0.3 million reduction to depreciation in the normal course of business, and various smaller increases and reductions in multiple areas.

Operating Profit. Operating profit from continuing operations increased to a profit of \$8.5 million for the year ended January 31, 2018 up from \$6.8 million for the year ended January 31, 2017, mainly as a result of strong sales volume as the global economy saw gains and as currency headwinds prevailed compared to weak sales volume in the year ended January 31, 2017 when the global economy remained very sluggish and currency challenges were prevalent. Operating margins were 8.8% for the year ended January 31, 2018, compared to 7.9% for the year ended January 31, 2017.

Interest Expense. Interest expenses from continuing operations decreased to \$0.2 million for the year ended January 31, 2018 from \$0.6 million for the year ended January 31, 2017 as the Company reduced borrowings in the year due to greater profitability and a public offering, and utilized lower interest rates from their revolving credit facility.

Income Tax Expense. Income tax expense consists of federal, state and foreign income taxes. Income tax expense from continuing operations was \$7.9 million for the year ended January 31, 2018, as compared to an income tax expense of \$2.4 million for the year ended January 31, 2017. See “Overview” for the explanation for this significant increase.

Net Income. Net income from continuing operations decreased to \$0.4 million for the year ended January 31, 2018 from \$3.9 million for the year ended January 31, 2017. The results for the year ended January 31, 2018 are primarily due to the change in the US tax law, as explained above.

Year Ended January 31, 2017, Compared to the Year Ended January 31, 2016

Net Sales. Net sales from continuing operations decreased to \$86.2 million for the year ended January 31, 2017 compared to \$99.6 million for the year ended January 31, 2016, a decrease of 13.5%. Overall sales volume was reduced due to global softness in the industrial sector partially resulting from a continuing downturn in the oil and gas industry as well as currency volatility in China, Canada, Mexico and the UK in which we conduct business. As a result of a stronger US dollar in relation to these other currencies, these foreign revenues are reported on a reduced basis. Sales in the USA decreased \$9.8 million or 15.8% due primarily to a continued soft market in the industrial sector for FY17 and as compared to the previous year which included sales into the bird flu pandemic. USA sales of disposables decreased by \$5.4 million and chemical sales decreased \$6.1 million reflecting the softness in the US industrial sector. Wovens and fire protection sales combined increased \$1.0 million or 13.1% mostly due to a large intercompany sale to Argentina while glove sales decreased \$0.3 million. Reflective sales increased \$0.9 million or 12.6% primarily due to an increase in sales in our rainwear product line. Sales in China and to the Asia Pacific Rim were down \$9.7 million or 19.2% as intercompany demand decreased and that region experienced moderate devaluation against the USD and general sluggishness in the economy. Canada sales increased by \$1.2 million or 20.0% as that country experienced wildfires, saw a concerted effort begin for asbestos remediation, and experienced an oil and gas turnaround – all requiring protective wear. UK sales decreased by \$5.6 million or 38.3% mostly due to significant Ebola related sales in FY16 with no such sales in FY17, uncertainty in the economy as a result of Brexit and continuing currency challenges. Russia and Kazakhstan sales combined had a modest decrease of \$0.1 million or 5.9%. Latin America sales increased \$0.5 million or 8.8% due to a large sale from Argentina into Ecuador which was offset in part by a depressed commodities market, which curtails agriculture and mining production, and a poor economic environment in Brazil.

Gross Profit. Gross profit from continuing operations decreased \$4.7 million, or 12.9%, to \$31.6 million for the year ended January 31, 2017, from \$36.3 million for the year ended January 31, 2016. Gross profit as a percentage of net sales slightly increased from 36.5% for the year ended January 31, 2016 to 36.7% for the year ended January 31, 2017. Major factors driving gross margins were:

Disposables gross margins increased 4.9 percentage points in spite of low volume as the Company continues to contain cost and maximize production efficiency.

Chemical gross margin decreased by 17.0 percentage points primarily due to the very high volume and high margins associated with the Company's response to the Ebola crisis and bird flu in FY16, severance payments of \$0.1 million associated with a reduction in force in the USA to move production to our more cost effective facilities in Mexico and China during Q1FY17, and weak sales volume.

Fire protection gross margin increased 3.5 percentage points due to product mix and included severance payments in excess of \$0.1 million associated with a reduction in force in the USA to move production to our more cost effective facility in Mexico while wovens gross margins remained level.

Reflective gross margins decreased 0.7 percentage points as a result of product mix and severance payments of \$0.1 million associated with a reduction in force in the USA to move production to our Mexico and China facilities.

UK gross margins decreased 5.4 percentage points as a result of weak sales volume, uncertainty in the marketplace resulting from the Brexit, and as compared to FY16 where the Company's sales related to the Ebola crisis had very

high margins.

Chile's gross margin increased 3.5 percentage points as a result of product mix and Argentina's gross margin increased 24.7 percentage points primarily as a result of a large sale into Ecuador and in spite of otherwise very weak sales volume and a challenging economic environment where there is excess supply.

Canada's gross margins increased 5.6 percentage points as a result of strong sales volume resulting from wildfires, asbestos remediation and a stronger oil and gas industry – all requiring protective wear - as well as product mix and in spite of currency challenges.

Operating Expense. Operating expenses of continuing operations increased 1.1% from \$24.5 million for the year ended January 31, 2016 to \$24.8 million for the year ended January 31, 2017. Operating expenses as a percentage of net sales was 28.8% for the year ended January 31, 2017 up from 24.6% for the year ended January 31, 2016. The main factors for the mild increase in operating expenses are a \$0.4 million increase in sales salaries resulting from additions to existing sales staff in the US, Australia and China, \$0.2 million increase in professional fees, and a \$0.4 million increase to depreciation in the normal course of business and due to a change the management estimate of the fair market value of assets held for sale and offset by a \$0.3 million decrease in bad debt expense due to collection efforts and a \$0.3 million decrease in equity compensation due to the change in performance level of the Company's 2015 stock plan from maximum to baseline.

Operating Profit. Operating profit from continuing operations decreased to a profit of \$6.8 million for the year ended January 31, 2017, from \$11.8 million for the year ended January 31, 2016, mainly as a result of weak sales as compared to very strong sales related to the Company's response to Ebola and to the bird flu crises in the year ended January 31, 2016. Operating margins were 7.9% for the year ended January 31, 2017, compared to 11.9% for the year ended January 31, 2016.

Interest Expense. Interest expenses from continuing operations decreased to \$0.6 million for the year ended January 31, 2017 from \$0.8 million for the year ended January 31, 2016 as the Company reduced borrowings in the year, primarily as a result of greater profitability in the U.S. and the U.K. in FY16.

Income Tax Expense. Income tax expense consists of federal, state and foreign income taxes. Income tax expense from continuing operations was \$2.4 million for the year ended January 31, 2017, as compared to an income tax expense of \$3.1 million for the year ended January 31, 2016.

Net Income. Net income from continuing operations decreased to \$3.9 million for the year ended January 31, 2017 from \$7.8 million for the year ended January 31, 2016. The results for the year ended January 31, 2017 are primarily due to lower sales volume than in the prior fiscal year.

Fourth Quarter Results

Factors affecting Q4 FY18 results of continuing operations included:

- We continue to see cost increases in our Chinese manufacturing operations with labor source availability a concern.
- Stronger volume worldwide due to economic factors including an industrial production increase globally due to the strength of most foreign currencies and job gains in the Energy sector, and an increase in the growth rate in China.
- Gross profit in Q4 FY18 was 39.4% vs. 38.2% in Q4 FY17, mainly resulting from a reduction in force in the USA taken in Q1 FY17 and the corresponding movement of production to our more efficient operations in China and Mexico, cost containment measures, and the maximization of manufacturing efficiency.

Liquidity and Capital Resources

As of January 31, 2018, we had cash and cash equivalents of approximately \$15.8 million and working capital of \$66.1 million. Cash and cash equivalents increased \$5.4 million and working capital increased \$18.3 million from January 31, 2017 as the Company consummated a capital raise and continued cost containment efforts in FY18. International cash management is affected by local requirements and movements of cash across borders can be slowed down significantly.

Of the Company's total cash and cash equivalents of \$15.8 million as of January 31, 2018, cash held in Argentina and Chile of \$0.3 million, cash held in Russia of \$0.3 million, cash held in the UK of \$0.1 million, cash held in India of \$0.3 million and cash held in Canada of \$0.8 million would not be subject to additional US tax due to the change in the US tax law as a result of the December 22, 2017 enactment of the 2017 Tax Cuts and Jobs Act (the "Tax Act"). In the event that the Company repatriated cash from China, of the \$1.9 million balance at January 31, 2018 there would be an additional 10% withholding tax incurred in that country. The Company has strategically employed a dividend plan subject to declaration and certain approvals in which its Canadian subsidiary sends dividends to the US in the amount of 100% of the previous year's earnings, the UK subsidiary sends dividends to the US in the amount of 50% of the previous year's earnings, and the Weifang China subsidiary sends dividends to the US in declared amounts of the previous year's earnings. Dividends were declared for our China subsidiary in FY18 in the amount of \$5.0 million as approved by the Company's board of directors in Q4 after management evaluated the impact of The Tax Act in the US and deemed the dividend distribution as beneficial to the Company.

Net cash provided by operating activities of \$0.6 million for the year ended January 31, 2018 exceeded net income of \$0.4 million and was primarily due to a \$6.0 million decrease to deferred income taxes as a result of The Tax Act enactment in the US, an \$0.8 million impairment charge to assets held for sale for management's change in the estimate of the fair value, and an increase of \$2.0 million to accounts payables, offset by an increase in inventories of \$7.1 million as the Company prepares for increases in sales volume, an increase in accounts receivable of \$3.1 million due to sales volume and timing of collections. Net cash used in investing activities of \$0.9 million was a result of equipment purchases and our ongoing ERP implementation. Net cash provided by financing activities of \$5.6 million was due primarily to the Company's public offering in the third quarter of this fiscal year in which approximately \$10.1 million was raised, which was offset by the net repayment of borrowings under our revolving credit facility of approximately \$4.9 million.

Net cash provided by operating activities of \$11.5 million for the year ended January 31, 2017 was primarily due to net income of \$3.9 million, a decrease in inventories of \$5.5 million, an increase in accounts payable of \$0.6 million, an increase in stock-based compensation of \$0.3 million, depreciation and amortization of \$1.2 million and a decrease in accounts receivable of \$0.9 million offset by an increase in other current assets of \$0.6 million mostly due to an increase of miscellaneous receivables resulting from an increase in advanced payments to suppliers and an increase to prepaid expenses due to the timing of supplier payments, an increase in prepaid VAT taxes and other current assets of \$0.2 million primarily associated with foreign VAT taxes receivable and a decrease in accrued expenses and other liabilities of \$0.5 million due to timing of payments to suppliers. Net cash used in investing activities of \$0.4 million reflect minor purchases in property and equipment and net cash used in financing activities was \$7.7 million in the year ended January 31, 2017, due to a \$4.6 million decrease in borrowings under the Company's revolving credit facility and the \$3.2 million net payment of our loans in China and Argentina.

We currently have one senior credit facility: \$20 million revolving credit facility which commenced May 10, 2017, of which we had \$0 million of borrowings outstanding as of January 31, 2018, expiring on May 10, 2020, at a current per annum rate of 3.08%. Maximum availability in excess of amount outstanding at January 31, 2018 was \$20.0 million. Our current credit facility requires, and any future credit facilities may also require, that we comply with specified financial covenants relating to fixed charge coverage ratio and limits on capital expenditures and investments in foreign subsidiaries. Our ability to satisfy these financial covenants can be affected by events beyond our control, and we cannot guarantee that we will meet the requirements of these covenants. These restrictive covenants could affect our financial and operational flexibility or impede our ability to operate or expand our business. Default under our credit facilities would allow the lenders to declare all amounts outstanding to be immediately due and payable. Our primary lender, SunTrust Bank, has a security interest in substantially all of our US assets and pledges of 65% of the equity of the Company's foreign subsidiaries. If our lender declares amounts outstanding under the credit facility to be due, the lenders could proceed against our assets. Any event of default, therefore, could have a material adverse effect on our business. We believe that our current availability under our senior credit facility, coupled with our anticipated operating cash and cash management strategy, is sufficient to cover our liquidity needs for the next 12 months.

Stock Repurchase Program. On July 19, 2016, the Company's board of directors approved a stock repurchase program under which the Company may repurchase up to \$2,500,000 of its outstanding common stock. The Company has not repurchased any stock under this program as of the date of this filing.

Capital Expenditures. Our capital expenditures through Q4 FY18 of \$0.9 million principally relate to additions to equipment in China and manufacturing equipment, computer systems and leasehold improvements in the USA. We anticipate FY19 capital expenditures to be approximately \$2.0 million as there is an Enterprise Resource Planning (“ERP”) project in process and we are expanding our manufacturing capacity to include Vietnam and India operations.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all accounting standards updates (“ASUs”). Management periodically reviews new accounting standards that are issued.

New Accounting Pronouncements Recently Adopted

In July 2015, the Financial Accounting Standards Board (“FASB”) issued ASU 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory.” This update requires an entity that determines the cost of inventory by methods other than last-in, first-out and the retail inventory method to measure inventory at the lower of cost and net realizable value. The Company adopted this guidance in the first quarter of FY18 using a prospective application. The adoption of this guidance did not have a material impact to the consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” This update addresses several aspects of the accounting for share-based compensation transactions including: (a) income tax consequences when awards vest or are settled, (b) classification of awards as either equity or liabilities, (c) a policy election to account for forfeitures as they occur rather than on an estimated basis and (d) classification of excess tax impacts on the statement of cash flows. The Company adopted this guidance in the first quarter of FY18, which did not have a material impact to the consolidated financial statements and related disclosures. The amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement will be applied prospectively. The inclusion of excess tax benefits and deficiencies as a component of our income tax expense will increase volatility within our provision for income taxes as the amount of excess tax benefits or deficiencies from share-based compensation awards are dependent on our stock price at the date the awards are exercised or settled. The Company does not expect the impact to be material to the consolidated results of operations; however, such determination is subject to change based on facts and circumstances at the time when awards vest or settle. The Company accounts for forfeitures of share-based awards when they occur. The Company will apply the amendments related to the presentation of excess tax benefits on the consolidated statement of cash flows using a retrospective transition method, and as a result, excess tax benefits related to share-based awards which had been previously classified as cash flows from financing activities will be reclassified as cash flows from operating activities.

New Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in US GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU No. 2015-14, “Deferral of the Effective Date” (“ASU 2015-14”), which defers the effective date for ASU 2014-09 by one year. For

public entities, the guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods), which means it will be effective for the Company's fiscal year beginning February 1, 2018. In March 2016, the FASB issued ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue versus Net)" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard. In April 2016, the FASB issued ASU No. 2016-10, "Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which reduces the complexity when applying the guidance for identifying performance obligations and improves the operability and understandability of the license implementation guidance. In May 2016, the FASB issued ASU No. 2016-12 "Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which amends the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. In December 2016, the FASB further issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"), which makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are intended to address implementation and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. These amendments have the same effective date as the new revenue standard.

The Company adopted Topic 606 in the first quarter of its fiscal 2019 using the retrospective transition method. The Company continues to assess the impact of the new standard and design of internal control over financial reporting, but based upon the terms of our agreements we do not expect the adoption to have a material effect on our consolidated financial results. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration that the company expects to be entitled in exchange for those goods or services. While the Company's evaluation has not been completed, the Company has not identified any information that would indicate that the new guidance will have a material impact on its consolidated financial position, results of operations and cash flows upon adoption in its first quarter of fiscal 2019.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. The Company is currently evaluating the impact of this new standard on its consolidated financial statements but has not determined the effects that the adoption of the pronouncement may have on its consolidated financial statements and related disclosures.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets" to clarify the scope of Subtopic 610-20 and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20, which was issued in May 2014 as a part of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting." The amendment amends the scope of modification accounting for share-based payment arrangements, provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. For all entities, the ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In July 2017, the FASB issued ASU No. 2017-11, "Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with

Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non-public Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception.” The amendments in Part I of ASU No. 2017-11 change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity’s own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of ASU No. 2017-11 recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of ASU No. 2017-11 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments in Part I of this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12), which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income*,” which allows institutions to elect to reclassify the stranded tax effects from AOCI to retained earnings, limited only to amounts in AOCI that are affected by the tax reform law. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The Company does not expect that adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

We are exposed to changes in foreign currency exchange rates as a result of our purchases and sales in other countries. To manage the volatility relating to foreign currency exchange rates, we seek to limit, to the extent possible, our non-US dollar denominated purchases and sales.

Most of our assembly arrangements with our foreign-based subsidiaries or third-party suppliers require payment to be made in US dollars or RMB. Any decrease in the value of the US dollar or the Euro, in relation to foreign currencies, could increase the cost of the services provided to us upon contract expirations or supply renegotiations. There can be no assurance that we will be able to increase product prices to offset any such cost increases, and any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Our primary risk from foreign currency exchange rate changes is presently related to non-US dollar denominated sales in China, Canada and Europe and, to a smaller extent, in South American countries and in Russia. Our sales to customers in Canada are denominated in Canadian dollars, in Europe in Euros and British pounds, and in China in RMB and US dollars. If the value of the US dollar increases relative to the Canadian dollar, the Pound, the Euro, or the RMB then our net sales could decrease as our products would be more expensive to these international customers

because of changes in rate of exchange. We manage the foreign currency risk when appropriate through the use of rolling 90-day forward contracts against the Canadian dollar and Euro and through cash flow hedges in the US against the RMB and the Euro. We do not hedge other currencies at this time. In the event that non-US dollar denominated international purchases and sales grow, exposure to volatility in exchange rates could have a material adverse impact on our financial results.

Interest Rate Risk

We are exposed to interest rate risk with respect to our credit facilities, which have variable interest rates based upon the London Interbank Offered Rate. At January 31, 2018, we had approximately \$1.5 million in borrowings outstanding under our term loan with our primary lender. If the interest rate applicable to this variable rate debt (assuming full borrowing of \$20 million) rose 1% in the year ended January 31, 2018, our interest expense would have increased \$0.2 million.

Tax Risks

We are exposed to tax rate risk with respect to our deferred tax asset.

Tax Reform

On December 22, 2017, new federal tax reform legislation was enacted in the United States, resulting in significant changes from previous tax law. The 2017 Tax Cuts and Jobs Act (the Tax Act) reduces the federal corporate income tax rate to 21% from 35% effective January 1, 2018. As a result of the Tax Act, we applied a blended U.S. statutory federal income tax rate of 33.81%. The Tax Act requires us to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax (see below), re-measuring our US deferred tax assets as well as reassessing the net realizability of our deferred tax assets. The Company completed this re-measurement and reassessment in the fiscal year. The rate change, along with certain immaterial changes in tax basis resulting from the 2017 Tax Act, resulted in a reduction of our net deferred tax asset to \$7.6 million with related income tax expense of \$5.1 million, thus dramatically increasing our effective tax rate in the fiscal year ended January 31, 2018.

Transition Tax

Upon enactment, there is a one-time deemed repatriation tax on undistributed foreign earnings and profits (the “transition tax”). This tax is assessed on the U.S. Shareholder’s share of the foreign corporation’s accumulated foreign earnings and profits that have not previously been taxed. Earnings in the form of cash and cash equivalents will be taxed at a rate of 15.5% and all other earnings and profits will be taxed at a rate of 8.0%. We recognized tax expense of \$5,120,928 related to the transition tax in 2017. However, foreign tax credits were used in the amount of \$5,120,928 to fully offset this transition tax and the Company will not incur any cash outlay related to this tax.

We previously considered substantially all of the earnings in our non-U.S. subsidiaries to be indefinitely reinvested outside the U.S. and, accordingly, recorded no deferred income taxes on such earnings. At this time, and until we fully analyze the applicable provisions of the Tax Act, our intention with respect to unremitted foreign earnings is to continue to indefinitely reinvest outside the U.S. those earnings needed for working capital or additional foreign investment. Apart from the Transition Tax, any incremental deferred income taxes on the unremitted foreign earnings and profits are not expected to be material.

While the Tax Act provides for a modified territorial tax system, beginning in FY19, it includes two new U.S. tax base erosion provisions, the global intangible low-taxed income (“GILTI”) provisions and the base-erosion and anti-abuse tax (“BEAT”) provisions. The GILTI provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. The Company does not expect that the GILTI income inclusion will result in significant U.S. tax beginning in FY19. The BEAT provisions in the Tax Act eliminates the deduction of certain base-erosion payments made to related foreign corporations and impose a minimum tax if greater than regular tax. The Company does not expect that the BEAT

provision will result in significant U.S. tax beginning in FY19. In addition, the Company intends to account for the GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements for the year ended January 31, 2018.

We may be exposed to continuing and other liabilities arising from our former Brazilian operations.

During the fiscal year ended January 31, 2016 the Company formally completed the terms of the “Shares Transfer Agreement” and executed its exit from Brazil, but we may continue to be exposed to certain liabilities arising in connection with the prior operations of Lakeland Brazil. The Company understands that under the laws of Brazil, a concept of fraudulent conveyance exists, which may hold a parent company liable for the liabilities of a former Brazilian subsidiary in the event some level of fraud or misconduct is shown during the period that the parent company owned the subsidiary. While the Company believes that there has been no such fraud or misconduct relating to operations of and their exit from Brazil, there can be no assurance that the courts of Brazil will not make such a finding. The risk of exposure to the Company continues to diminish as the former subsidiary continues to operate, as the statute of limitations for claiming fraudulent conveyance has now expired, as labor cases pre-dating the expiration of the statute of limitations are concluded, except the four open cases, so as to preclude any such finding, and as pre-shares transfer agreement liabilities are satisfied. As the former subsidiary has stayed in operation for a period of greater than two years, the Company believes the risk of a finding of fraudulent conveyance has virtually been eliminated.

As disclosed in our periodic filings with the SEC, we agreed to make certain payments in connection with ongoing labor litigation involving our former Brazilian subsidiary. While the vast majority of these labor suits have been resolved, there are four which remain active. In one such case a former employee of our former Brazilian subsidiary recently filed a counterclaim in the action seeking approximately US \$700,000 that he purports to be owed to him by our former Brazilian subsidiary under a purported promissory note and alleges that we are liable for payment therefore. Management firmly believes the counterclaim is without merit, intends to vigorously defend our position, and does not anticipate a negative outcome resulting in significant expense to us.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP.

Due to 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.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2018. In making this assessment, management used the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon an evaluation performed, our management concluded that as of January 31, 2018 our internal control over financial reporting was effective.

Friedman LLP, the independent registered public accounting firm that audited our consolidated financial statements for the year ended January 31, 2018, included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K, has issued an unqualified attestation report on our internal control over financial

reporting as of January 31, 2018.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Lakeland Industries, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Lakeland Industries, Inc. and Subsidiaries (collectively, the “Company”) as of January 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows for each of the years in the two-year period ended January 31, 2018, and the related notes (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as of January 31, 2018 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended January 31, 2018, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2018, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

Basis for Opinion

The Company’s management is responsible for these financial statements, 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 financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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.

/s/ Friedman LLP

We have served as the Company's auditor since 2016.

New York, New York
April 16, 2018

Report of Independent Registered Public Accounting Firm

To the Board of Directors and

Stockholders of Lakeland Industries, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year then ended January 31, 2016 of Lakeland Industries, Inc. and Subsidiaries (the "Company"). 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 audit. For the year ended January 31, 2016, we did not audit the financial statements of Weifang Lakeland Safety Products Co. Ltd. and Lakeland (Beijing) Safety Products Co., Ltd., wholly owned subsidiaries, which statements reflect total revenues of approximately \$12,154,000 constituting 12%, respectively, of the related consolidated totals in 2016. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Weifang Lakeland Safety Products Co., Ltd., and Lakeland (Beijing) Safety Products Co., Ltd. is based solely on the reports of the other auditors.

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 the consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of its operations and its cash flows for the year then ended January 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Mazars USA LLP

New York, New York

April 21, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Weifang Lakeland Safety Products Co Ltd, China

We have audited the accompanying balance sheet of Weifang Lakeland Safety Products Co Ltd, China as of 31 January 2016, and the related statement of operations, shareholder's equity and cash flows for the year then ended. Weifang Lakeland Safety Products Co., Ltd.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weifang Lakeland Safety Products Co., Ltd. as of January 31, 2016, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ Shanghai MAZARS Certified Public Accountants
Shanghai MAZARS Certified Public Accountants
Shanghai, China
April 18, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Lakeland (Beijing) Safety Products Co., Ltd., China,

We have audited the accompanying balance sheet of Lakeland (Beijing) Safety Products Co., Ltd., China as of 31 January 2016, and the related statement of operations, shareholder's equity and cash flows for the year then ended. Lakeland (Beijing) Safety Products Co., Ltd.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeland (Beijing) Safety Products Co., Ltd. as of January 31, 2016, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ Shanghai MAZARS Certified Public Accountants
Shanghai MAZARS Certified Public Accountants
Shanghai, China
April 18, 2016

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Lakeland Industries, Inc. and Subsidiaries**CONSOLIDATED STATEMENTS OF OPERATIONS****For the Years Ended January 31, 2018, 2017 and 2016**

(\$000's) except share information

	2018	2017	2016
Net sales from continuing operations	\$95,987	\$86,183	\$99,646
Cost of goods sold from continuing operations	59,784	54,546	63,313
Gross profit from continuing operations	36,203	31,637	36,333
Operating expenses from continuing operations	27,726	24,790	24,521
Operating profit from continuing operations	8,477	6,847	11,812
Other income (loss), net from continuing operations	29	46	(120)
Interest expense from continuing operations	(163)	(620)	(785)
Income before taxes from continuing operations	8,343	6,273	10,907
Income tax expense from continuing operations	7,903	2,380	3,117
Net income from continuing operations	\$440	\$3,893	\$7,790
Noncash reclassification of Other Comprehensive Income To Statement of Operations (no impact on stockholders' equity)	—	—	(1,286)
Loss from operations from discontinued operations	—	—	(3,538)
Loss from disposal of discontinued operations	—	—	(515)
Loss before taxes for discontinued operations	—	—	(5,339)
Income tax benefit from discontinued operations	—	—	(1,403)
Net loss from discontinued operations	—	—	(3,936)
Net income	\$440	\$3,893	\$3,854
Net income (loss) per common share - Basic:			
Income from continuing operations	\$0.06	\$0.54	\$1.09
Loss from discontinued operations	\$—	\$—	\$(0.55)
Net Income	\$0.06	\$0.54	\$0.54
Net income (loss) per common share - Diluted:			
Income from continuing operations	\$0.06	\$0.53	\$1.07
Loss from discontinued operations	\$—	\$—	\$(0.54)
Net Income	\$0.06	\$0.53	\$0.53
Weighted average common shares outstanding:			
Basic	7,638,264	7,257,553	7,171,965
Diluted	7,691,553	7,327,248	7,254,340

The accompanying notes are an integral part of these consolidated financial statements.

Lakeland Industries, Inc. and Subsidiaries**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the Years Ended January 31, 2018, 2017 and 2016**

(\$000)'s

	2018	2017	2016
Net income	\$440	\$3,893	\$3,854
Other comprehensive income (loss):			
Cash flow hedges	(26)	52	(159)
Foreign currency translation adjustments	757	(250)	(597)
Brazil noncash reclassification of other comprehensive income to Statement of Operations (transfer of Lakeland Brazil shares)	—	—	1,286
Other comprehensive income (loss)	731	(198)	530
Comprehensive income	\$1,171	\$3,695	\$4,384

The accompanying notes are an integral part of these consolidated financial statements.

LAKELAND INDUSTRIES, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****January 31, 2018 and 2017**

(\$000's) except share information

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$15,788	\$10,365
Accounts receivable, net of allowance for doubtful accounts of \$480 and \$417 at January 31, 2018 and 2017, respectively	14,119	10,704
Inventories, net of allowance of \$2,422 and \$2,305 at January 31, 2018 and 2017, respectively	42,919	35,535
Prepaid VAT and other taxes	2,119	1,361
Other current assets	1,555	2,121
Total current assets	76,500	60,086
Property and equipment, net	8,789	8,527
Assets held for sale	150	901
Deferred tax assets	7,557	13,515
Prepaid VAT and other taxes	310	478
Other assets	354	176
Goodwill	871	871
Total assets	\$94,531	\$84,554
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$7,057	\$4,928
Accrued compensation and benefits	1,771	1,311
Other accrued expenses	1,182	1,024
Current maturity of long-term debt	158	50
Short-term borrowings	211	153
Borrowings under revolving credit facility	—	4,865
Total current liabilities	10,379	12,331
Long-term portion of debt	1,312	716
Total liabilities	11,691	13,047
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par; authorized 1,500,000 shares (none issued)	—	—
Common stock, \$0.01 par; authorized 10,000,000 shares, Issued 8,472,640 and 7,620,215; outstanding 8,116,199 and 7,263,774 at January 31, 2018 and 2017, respectively	85	76
Treasury stock, at cost; 356,441 shares at January 31, 2018 and 2017	(3,352)	(3,352)
Additional paid-in capital	74,917	64,764
Retained earnings	12,841	12,401
Accumulated other comprehensive loss	(1,651)	(2,382)
Total stockholders' equity	82,840	71,507

Total liabilities and stockholders' equity	\$94,531	\$84,554
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The accompanying notes are an integral part of these consolidated financial statements.

Lakeland Industries, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended January 31, 2018, 2017 and 2016

	Common Stock		Treasury Stock		Additional Paid-in Capital (\$000's)	Retained Earnings (\$000's)	Accumulated Other Comprehensive	
	Shares	Amount (\$000's)	Shares	Amount (\$000's)			Loss (\$000's)	Total (\$000's)
Balance, January 31, 2015	7,414,037	\$ 74	(356,441)	\$(3,352)	\$ 64,594	\$ 4,654	\$ (2,714)	) \$ 63,256
Net income	—	—	—	—	—	3,854	—	3,854
Other comprehensive income	—	—	—	—	—	—	530	530
Stock-based compensation:								
Director Stock Options Exercised	6,130	—	—	—	40	—	—	40
Restricted stock issued	190,436	2	—	—	(2)	—	—	—
Restricted Stock Plan	—	—	—	—	586	—	—	586
Return of shares in lieu of payroll tax withholding	—	—	—	—	(750)	—	—	(750)
Balance, January 31, 2016	7,610,603	\$ 76	(356,441)	\$(3,352)	\$ 64,468	\$ 8,508	\$ (2,184)	) \$ 67,516
Net income	—	—	—	—	—	3,893	—	3,893
Other comprehensive loss	—	—	—	—	—	—	(198)	(198)
Stock-based compensation:								