VALMONT INDUSTRIES INC
Form 10-Q
October 30, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

ý **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 27, 2014

or

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

For the transition period from to

Commission file number 1-31429

Valmont Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**47-0351813**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
One Valmont Plaza, Omaha, Nebraska	**68154-5215**
(Address of Principal Executive Offices)	(Zip Code)

(402) 963-1000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 ý No o

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

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

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

24,605,848
Outstanding shares of common stock as of October 20, 2014

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VALMONT INDUSTRIES, INC.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in thousands, except per share amounts)

(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Product sales	$ 686,508	$ 693,480	$ 2,134,395	$ 2,228,268
Services sales	79,160	84,552	225,612	248,053
Net sales	765,668	778,032	2,360,007	2,476,321
Product cost of sales	515,217	499,190	1,586,127	1,591,657
Services cost of sales	50,951	53,278	146,921	162,260
Total cost of sales	566,168	552,468	1,733,048	1,753,917
Gross profit	199,500	225,564	626,959	722,404
Selling, general and administrative expenses	111,697	115,663	335,532	350,048
Operating income	87,803	109,901	291,427	372,356
Other income (expenses):				
Interest expense	(8,716)	(8,149)	(25,217)	(24,364)
Interest income	1,477	1,560	4,793	4,765
Costs associated with refinancing of debt	(38,705)		(38,705)	
Other	(2,344)	(584)	(6,253)	1,095
	(48,288)	(7,173)	(65,382)	(18,504)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	39,515	102,728	226,045	353,852
Income tax expense (benefit):				
Current	23,290	40,458	82,345	127,328
Deferred	(9,064)	3,454	(4,034)	(1,275)
	14,226	43,912	78,311	126,053

Earnings before equity in earnings of nonconsolidated subsidiaries		25,289		58,816		147,734		227,799
Equity in earnings of nonconsolidated subsidiaries		(4)		75		(34)		548
Net earnings		25,285		58,891		147,700		228,347
Less: Earnings attributable to noncontrolling interests		(1,726)		(2,402)		(4,185)		(4,726)
Net earnings attributable to Valmont Industries, Inc.	$	23,559	$	56,489	$	143,515	$	223,621
Earnings per share:								
Basic	$	0.93	$	2.12	$	5.48	$	8.40
Diluted	$	0.92	$	2.10	$	5.43	$	8.31
Cash dividends declared per share	$	0.375	$	0.250	$	1.000	$	0.725
Weighted average number of shares of common stock outstanding Basic (000 omitted)		25,287		26,665		26,208		26,632
Weighted average number of shares of common stock outstanding Diluted (000 omitted)		25,513		26,919		26,439		26,896

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net earnings	$ 25,285	$ 58,891	$ 147,700	$ 228,347
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments:				
Unrealized translation gain (loss)	(59,001)	18,124	(33,495)	(44,458)
Realized loss included in net earnings during the period				(5,194)
Unrealized gain/(loss) on cash flow hedge:				
Amortization cost included in interest expense	383	100	450	300
Realized loss included in net earnings during the period	983		983	
Gain on cash flow hedges	4,837		4,837	
Actuarial gain (loss) in defined benefit pension plan	1,116	857	269	(37)
Other comprehensive income (loss)	(51,682)	19,081	(26,956)	(49,389)
Comprehensive income (loss)	(26,397)	77,972	120,744	178,958
Comprehensive loss (income) attributable to noncontrolling interests	89	(2,156)	(1,615)	1,033
Comprehensive income (loss) attributable to Valmont Industries, Inc.	$ (26,308)	$ 75,816	$ 119,129	$ 179,991

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except shares and per share amounts)

(Unaudited)

	September 27, 2014	December 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 452,218	$ 613,706
Receivables, net	570,810	515,440
Inventories	384,645	380,000
Prepaid expenses	64,673	22,997
Refundable and deferred income taxes	64,438	65,697
Total current assets	1,536,784	1,597,840
Property, plant and equipment, at cost	1,138,421	1,017,126
Less accumulated depreciation and amortization	521,869	482,916
Net property, plant and equipment	616,552	534,210
Goodwill	374,144	349,632
Other intangible assets, net	199,819	170,917
Other assets	135,422	123,895
Total assets	$ 2,862,721	$ 2,776,494
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	$ 188	$ 202
Notes payable to banks	17,863	19,024
Accounts payable	209,996	216,121
Accrued employee compensation and benefits	94,459	122,967
Accrued expenses	93,483	71,560
Dividends payable	9,299	6,706
Total current liabilities	425,288	436,580
Deferred income taxes	76,607	78,924

Long-term debt, excluding current installments	768,611	470,907
Defined benefit pension liability	136,808	154,397
Deferred compensation	48,014	39,109
Other noncurrent liabilities	48,707	51,731
Shareholders' equity:		
Preferred stock of $1 par value		
Authorized 500,000 shares; none issued		
Common stock of $1 par value		
Authorized 75,000,000 shares; 27,900,000 issued	27,900	27,900
Retained earnings	1,687,536	1,562,670
Accumulated other comprehensive income (loss)	(72,071)	(47,685)
Treasury stock	(333,744)	(20,860)
Total Valmont Industries, Inc. shareholders' equity	1,309,621	1,522,025
Noncontrolling interest in consolidated subsidiaries	49,065	22,821
Total shareholders' equity	1,358,686	1,544,846
Total liabilities and shareholders' equity	$ 2,862,721	$ 2,776,494

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Thirty-nine Weeks Ended September 27, 2014	Thirty-nine Weeks Ended September 28, 2013
Cash flows from operating activities:		
Net earnings	$ 147,700	$ 228,347
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	64,460	57,417
Loss on investment	4,859	
Non-cash debt refinancing costs	(2,478)	
Stock-based compensation	5,444	4,999
Change in fair value of contingent consideration	4,300	
Defined benefit pension plan expense	2,003	4,870
Contribution to defined benefit pension plan	(18,245)	(16,755)
Gain on sale of property, plant and equipment	58	(5,060)
Equity in earnings in nonconsolidated subsidiaries	34	(548)
Deferred income taxes	(4,034)	(1,275)
Changes in assets and liabilities (net of acquisitions):		
Receivables	(19,951)	(757)
Inventories	(4,152)	(14,574)
Prepaid expenses	(19,182)	(7,041)
Accounts payable	(21,082)	1,161
Accrued expenses	(27,926)	16,931
Other noncurrent liabilities	(6,409)	2,510
Income taxes refundable	(22,702)	(21,120)
Net cash flows from operating activities	82,697	249,105
Cash flows from investing activities:		
Purchase of property, plant and equipment	(63,412)	(75,072)
Proceeds from sale of assets	2,107	39,564
Acquisitions, net of cash acquired	(137,438)	(53,152)
Other, net	2,992	1,231
Net cash flows from investing activities	(195,751)	(87,429)
Cash flows from financing activities:		
Net borrowings under short-term agreements	(1,065)	3,439
Proceeds from long-term borrowings	652,540	274
Principal payments on long-term borrowings	(357,059)	(508)
Settlement of financial derivatives	4,837	
Dividends paid	(23,357)	(18,717)
Dividends to noncontrolling interest	(1,340)	(1,767)
Debt issuance costs	(5,464)	

Proceeds from exercises under stock plans	12,824	15,064
Excess tax benefits from stock option exercises	3,916	4,630
Purchase of treasury shares	(316,296)	
Purchase of common treasury shares stock plan exercises	(12,739)	(14,644)
Net cash flows from financing activities	(43,203)	(12,229)
Effect of exchange rate changes on cash and cash equivalents	(5,231)	(20,207)
Net change in cash and cash equivalents	(161,488)	129,240
Cash and cash equivalents beginning of year	613,706	414,129
Cash and cash equivalents end of period	$ 452,218	$ 543,369

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest in consolidated subsidiaries	Total shareholders' equity
Balance at December 29, 2012	$ 27,900	$	$ 1,300,529	$ 43,938	$ (22,455)	$ 57,098	$ 1,407,010
Net earnings			223,621			4,726	228,347
Other comprehensive income (loss)				(43,630)		(5,759)	(49,389)
Cash dividends declared			(19,412)				(19,412)
Dividends to noncontrolling interests						(1,767)	(1,767)
Acquisition of Locker						325	325
Stock plan exercises; 93,059 shares acquired					(14,644)		(14,644)
Stock options exercised; 192,377 shares issued		(9,629)	9,361		15,332		15,064
Tax benefit from stock option exercises		4,630					4,630
Stock option expense		3,935					3,935
Stock awards; 9,801 shares issued		1,064			622		1,686
Balance at September 28, 2013	$ 27,900	$	$ 1,514,099	$ 308	$ (21,145)	$ 54,623	$ 1,575,785
Balance at December 28, 2013	$ 27,900	$	$ 1,562,670	$ (47,685)	$ (20,860)	$ 22,821	$ 1,544,846
Net earnings			143,515			4,185	147,700
Other comprehensive income (loss)				(24,386)		(2,570)	(26,956)
Cash dividends declared			(25,950)				(25,950)
Dividends to noncontrolling interests						(1,340)	(1,340)
Acquisition of DS SM						9,232	9,232
Acquisition of AgSense						16,333	16,333
Addition of noncontrolling interest						404	404
Purchase of treasury shares; 2,126,392 shares acquired					(316,296)		(316,296)
Stock plan exercises; 83,431 shares acquired					(12,739)		(12,739)
Stock options exercised; 171,508 shares issued		(9,360)	7,301		14,883		12,824
Tax benefit from stock option exercises		3,916					3,916
Stock option expense		3,767					3,767
Stock awards; 8,247 shares issued		1,677			1,268		2,945
Balance at September 27, 2014	$ 27,900	$	$ 1,687,536	$ (72,071)	$ (333,744)	$ 49,065	$ 1,358,686

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Condensed Consolidated Financial Statements

The Condensed Consolidated Balance Sheet as of September 27, 2014, the Condensed Consolidated Statements of Earnings and Comprehensive Income for the thirteen and thirty-nine weeks ended September 27, 2014 and September 28, 2013, and the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the thirty-nine week periods then ended have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of September 27, 2014 and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2013. The accounting policies and methods of computation followed in these interim financial statements are the same as those followed in the financial statements for the year ended December 28, 2013. The results of operations for the period ended September 27, 2014 are not necessarily indicative of the operating results for the full year.

Inventories

Approximately 43% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market as of September 27, 2014 and December 28, 2013, respectively. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured and finished goods. The excess of replacement cost of inventories over the LIFO value is approximately $47,380 and $45,204 at September 27, 2014 and December 28, 2013, respectively.

Inventories consisted of the following:

	September 27, 2014	December 28, 2013
Raw materials and purchased parts	$ 185,573	$ 179,576
Work-in-process	29,954	27,294
Finished goods and manufactured goods	216,498	218,334
Subtotal	432,025	425,204
Less: LIFO reserve	47,380	45,204
	$ 384,645	$ 380,000

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries for the thirteen and thirty-nine weeks ended September 27, 2014 and September 28, 2013, were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	2014	2013	2014	2013
United States	$ 4,844	$ 66,143	$ 141,635	$ 253,564
Foreign	34,671	36,585	84,410	100,288
	$ 39,515	$ 102,728	$ 226,045	$ 353,852

Pension Benefits

The Company incurs expenses in connection with the Delta Pension Plan ("DPP"). The DPP was acquired as part of the Delta plc acquisition in fiscal 2010 and has no members that are active employees. In order to measure expense and the related benefit obligation, various assumptions are made including discount rates used to value the obligation, expected return on plan assets used to fund these expenses and estimated future inflation rates. These assumptions are based on historical experience as well as current facts and circumstances. An actuarial analysis is used to measure the expense and liability associated with pension benefits.

The components of the net periodic pension expense for the thirteen and thirty-nine weeks ended September 27, 2014 and September 28, 2013 were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	2014	2013	2014	2013
Net periodic benefit expense:				
Interest cost	$ 7,274	$ 6,535	$ 21,783	$ 19,593
Expected return on plan assets	(6,605)	(4,910)	(19,780)	(14,723)
Net periodic benefit expense	$ 669	$ 1,625	$ 2,003	$ 4,870

Stock Plans

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Human Resource Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At September 27, 2014, 1,463,600 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the plans, the exercise price of each option equals the closing market price at the date of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant.

Expiration of grants is from six to ten years from the date of grant. The Company's compensation expense (included in selling, general and administrative expenses) and associated income tax benefits related to stock options for the thirteen and thirty-nine weeks ended September 27, 2014 and September 28, 2013, respectively, were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	2014	2013	2014	2013
Compensation expense	$ 1,242	$ 1,308	$ 3,767	$ 3,935
Income tax benefits	478	504	1,450	1,515

Equity Method Investments

The Company has equity method investments in non-consolidated subsidiaries, which are recorded within "Other assets" on the Condensed Consolidated Balance Sheet. In February 2013, the Company sold its nonconsolidated investment in Manganese Materials Company Pty. Ltd. to the majority owner of the business for approximately $29,250. The profit on the sale was not significant, which included the recognition of $5,194 in currency translation adjustments previously recorded as part of "Accumulated other comprehensive income" on the Condensed Consolidated Balance Sheet. The Company also recognized certain deferred tax benefits of approximately $3,200 associated with the sale in the first quarter of fiscal 2013.

Fair Value

The Company applies the provisions of Accounting Standards Codification 820, *Fair Value Measurements* ("ASC 820") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC 820 apply to other accounting pronouncements that require or permit fair value measurements. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3: Unobservable inputs that are not corroborated by market data.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Trading Securities: The assets and liabilities recorded for the investments held in the Valmont Deferred Compensation Plan of $36,308 ($27,133 at December 28, 2013) represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Accounting Standards Codification 320, *Accounting for Certain Investments in Debt and Equity Securities*, considering the employee's ability to change investment allocation of their deferred compensation at any time. The Company's ownership in Delta EMD Pty. Ltd. (JSE:DTA) of $8,295 and $13,910 is recorded at fair value at September 27, 2014 and December 28, 2013, respectively. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

		Fair Value Measurement Using:		
	Carrying Value September 27, 2014	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Trading Securities	$ 44,603	$ 44,603	$	$

		Fair Value Measurement Using:		
	Carrying Value December 28, 2013	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Trading Securities	$ 41,043	$ 41,043	$	$

Derivative Instruments

On September 22, 2014, the Company issued and sold $250,000 aggregate principal amount of the Company's 5.00% Senior Notes due 2044 (the "2044 Notes") and $250,000 aggregate principal amount of the Company's 5.25% Senior Notes due 2054 (the "2054 Notes"). During the third quarter of 2014, the Company executed a contract to lock in the treasury rate related to the issuance of the 2044 Notes and a second contract to lock in the base interest rate on the issuance of the 2054 Notes. These contracts, each for a notional amount of $125,000, were executed to hedge the risk of potential fluctuations in the treasury rates which would change the amount of net proceeds received from the debt offering. As the benchmark rate component of the fixed rate debt issuance and the cash flow hedged risk is based on that same benchmark, this was deemed an effective hedge at inception. On September 10, 2014, these contracts were settled with the Company receiving approximately $4,837

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

from the counterparties which was recorded in accumulated other comprehensive income and will be amortized as a reduction of interest expense over the term of the debt.

In conjunction with the repurchase through a partial tender offer of $199,800 of the Company's 6.625% Senior notes due 2020 (the "2020 Notes") during September 2014, the Company recognized $983 of expense, which is a proportionate amount of the unrealized loss on cash flow hedge with respect to the 2020 Notes recorded within other comprehensive income. This $983 is included in the costs associated with refinancing of debt in the condensed consolidated statement of earnings.

Comprehensive Income

Comprehensive income includes net earnings, currency translation adjustments, certain derivative-related activity and changes in net actuarial gains/losses from a pension plan. Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. Accumulated other comprehensive income (loss) consisted of the following at September 27, 2014 and December 28, 2013:

	Foreign Currency Translation Adjustments	Unrealized Loss on Cash Flow Hedge	Defined Benefit Pension Plan	Accumulated Other Comprehensive Income
Balance at December 28, 2013	$ (20,165)	$ (2,535)	$ (24,985)	$ (47,685)
Current-period comprehensive income (loss)	(30,925)	6,270	269	(24,386)
Balance at September 27, 2014	$ (51,090)	$ 3,735	$ (24,716)	$ (72,071)

Subsequent Events

On October 6, 2014, the Company purchased the assets of Shakespeare Composite Structures (Shakespeare) for $48 million in cash, net of assumed liabilities. Shakespeare is a manufacturer of fiberglass reinforced composite structures and products, and the originator of the composite light pole, with two manufacturing facilities in South Carolina. Shakespeare's annual sales are approximately $55 million and it will be included in the Engineered Infrastructure Products Segment. The acquisition, which was funded by cash held by the Company, was completed to extend Valmont's leading product offerings in the lighting, traffic, and utility markets.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, *Revenue Recognition*. The new revenue recognition standard requires entities 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 is effective for interim and annual reporting periods beginning after December 15, 2016 and is to be applied retrospectively. Early application is not permitted. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations and financial position.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(2) ACQUISITIONS

On March 3, 2014, the Company purchased 90% of the outstanding shares of DS SM A/S, which was renamed Valmont SM. Valmont SM is a manufacturer of heavy complex steel structures for a diverse range of industries including wind energy, offshore oil and gas, and electricity transmission. Valmont SM's operations are reported in the Engineered Infrastructure Products Segment. Valmont SM's annual sales are approximately $190,000 and it operates two manufacturing locations in Denmark. The purchase price paid for the business at closing (net of $56 cash acquired) was $120,483, including the payoff of an intercompany note payable by Valmont SM to its prior affiliates. The purchase is subject to an earn-out clause that is contingent on meeting future operational metrics for which no liability has been established based on current expectations. Additionally, the fair value measurements are subject to a trade working capital adjustment that has not yet been finalized. The acquisition, which was funded by cash held by the Company, was completed to participate in markets for wind energy, oil and gas exploration, power transmission and other related infrastructure projects and to increase the Company's geographic footprint in Europe. The Company also funded a portion of the acquisition with an intercompany note payable. The excess purchase price over the fair value of assets resulted in goodwill, which is not deductible for tax purposes.

The preliminary fair value measurement disclosed below is subject to management reviews and completion of the fair value measurements of the assets acquired and liabilities assumed. The Company expects the fair value measurement process and purchase price allocation to be completed in the fourth quarter of 2014 in conjunction with the finalization of the trade working capital settlement.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed as of the date of acquisition.

	At March 3, 2014
Current assets	$ 73,421
Property, plant and equipment	85,645
Intangible assets	30,340
Goodwill	14,317
Total fair value of assets acquired	$ 203,723
Current liabilities	50,953
Deferred income taxes	14,114
Intercompany note payable	37,448
Long-term debt	8,941
Total fair value of liabilities assumed	111,456
Non-controlling interests	9,232
Net assets acquired	$ 83,035

The Company's Condensed Consolidated Statements of Earnings for the thirteen and thirty-nine weeks ended September 27, 2014 included net sales of $41,284 and $105,805 and net earnings of $2,466 and $6,568, respectively, resulting from Valmont SM's operations from March 3, 2014 to September 27, 13

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(2) ACQUISITIONS (Continued)

2014. No proforma information for 2014 has been provided as it does not have a material effect on the financial statements.

Based on the preliminary fair value assessments, the Company allocated $30,340 of the purchase price to acquired intangible assets. The following table summarizes the major classes of Valmont SM's acquired intangible assets and the respective weighted average amortization periods:

	Amount	Weighted Average Amortization Period (Years)
Trade Names	$ 12,210	Indefinite
Backlog	3,145	1.5
Customer Relationships	14,985	15.0
Total Intangible Assets	$ 30,340	

On February 5, 2013, the Company purchased 100% of the outstanding shares of Locker Group Holdings Pty. Ltd. ("Locker"). Locker is a manufacturer of perforated and expanded metal for the non-residential market, industrial flooring and handrails for the access systems market, and screening media for applications in the industrial and mining sectors in Australia and Asia. Locker's operations are reported in the Engineered Infrastructure Products Segment. The acquisition, which was funded by cash held by the Company, was completed to expand our product offering and sales coverage for access systems and related products in Asia Pacific.

The purchase price paid for the business at closing (net of $116 cash acquired) was $53,152. In addition, a maximum of $7,911 additional purchase price could be paid to the sellers upon the achievement of certain gross profit and inventory targets over the two years following date of acquisition and the Company recognized an estimated liability of $7,178 at February 5, 2013. During 2014 and 2013, the Company made payments of approximately $2.3 million to the sellers with respect to achievement of these targets. The Company determined that the additional purchase price tied to a gross profit target for the twelve months ending February 2015 would not be achieved and therefore the additional purchase price with respect to that target will not be paid. As such, approximately $4.3 million of this liability was reversed and recognized against cost of goods sold during the third quarter of 2014.

On August 25, 2014, the Company acquired 51% of AgSense, LLC (AgSense) for $17 million in cash. AgSense operates in South Dakota and is the creator of global WagNet network which provides growers with a more complete view of their entire farming operation by tying irrigation decision making to field, crop and weather conditions. In the preliminary measurement of fair values of assets acquired and liabilities assumed, goodwill of $17,343 and $13,510 of customer relationships, trade name and other intangible assets were recorded. A portion of the goodwill is deductible for tax purposes. AgSense is included in the Irrigation Segment and the purchase price allocation is expected to be finalized in the fourth quarter of 2014.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(2) ACQUISITIONS (Continued)

In December 2013, the Company purchased 100% of the outstanding shares of Armorflex International Ltd. ("Armorflex") for $10,000. Armorflex is a company holding proprietary intellectual property for products serving the highway safety market. In the measurement of fair values of assets acquired and liabilities assumed, we recorded goodwill of $6,823 and an aggregate of $3,792 for customer relationships, patented technology and other intangible assets. The goodwill is not deductible for tax purposes. Armorflex is included in the Engineered Infrastructure Products segment and was acquired to expand the Company's highway safety product offerings in the Asia Pacific region. This acquisition did not have a significant effect on the Company's fiscal 2013 financial results.

The Company's Condensed Consolidated Statement of Earnings for the thirteen and thirty-nine weeks ended September 27, 2014 included net sales of $64,838 and $168,891 and net earnings of $8,185 and $13,760 resulting from the Valmont SM, AgSense, Locker, and Armorflex acquisitions. The pro forma effect of these acquisitions on the third quarter and first three quarters of the 2013 Statement of Earnings was as follows:

	Thirteen weeks Ended September 28, 2013	Thirty-nine weeks Ended September 28, 2013
Net sales	$ 827,374	$ 2,630,881
Net earnings	$ 60,549	$ 233,437
Earnings per share diluted	$ 2.25	$ 8.68

(3) GOODWILL AND INTANGIBLE ASSETS

Amortized Intangible Assets

The components of amortized intangible assets at September 27, 2014 and December 28, 2013 were as follows:

	September 27, 2014		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	$ 203,018	$ 86,175	13 years
Proprietary Software & Database	3,872	2,983	6 years
Patents & Proprietary Technology	12,694	8,258	8 years
Other	4,499	2,584	3 years
	$ 224,083	$ 100,000	

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(3) GOODWILL AND INTANGIBLE ASSETS (Continued)

	December 28, 2013		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	$ 177,495	$ 76,024	13 years
Proprietary Software & Database	3,896	2,896	6 years
Patents & Proprietary Technology	11,334	7,239	8 years
Other	1,620	1,438	6 years
	$ 194,345	$ 87,597	

Amortization expense for intangible assets for the thirteen and thirty-nine weeks ended September 27, 2014 and September 28, 2013, respectively was as follows:

Thirteen Weeks Ended		Thirty-nine Weeks Ended	
2014	2013	2014	2013
$ 4,702	$ 3,750	$ 13,439	$ 11,446

Estimated annual amortization expense related to finite-lived intangible assets is as follows:

	Estimated Amortization Expense
2014	$ 19,489
2015	17,182
2016	16,719
2017	16,519
2018	14,863

The useful lives assigned to finite-lived intangible assets included consideration of factors such as the Company's past and expected experience related to customer retention rates, the remaining legal or contractual life of the underlying arrangement that resulted in the recognition of the intangible asset and the Company's expected use of the intangible asset.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(3) GOODWILL AND INTANGIBLE ASSETS (Continued)

Non-amortized intangible assets

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at September 27, 2014 and December 28, 2013 were as follows:

	September 27, 2014	December 28, 2013	Year Acquired
Webforge	$ 17,595	$ 17,787	2010
Valmont SM	11,285		2014
Newmark	11,111	11,111	2004
Ingal EPS/Ingal Civil Products	9,286	9,387	2010
Donhad	7,006	7,082	2010
Industrial Galvanizers	4,073	4,117	2010
Other	15,380	14,685	
	$ 75,736	$ 64,169	

In its determination of these intangible assets as indefinite-lived, the Company considered such factors as its expected future use of the intangible asset, legal, regulatory, technological and competitive factors that may impact the useful life or value of the intangible asset and the expected costs to maintain the value of the intangible asset. The Company expects that these intangible assets will maintain their value indefinitely. Accordingly, these assets are not amortized.

The Company's trade names were tested for impairment in the third quarter of 2014. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired.

Goodwill

The carrying amount of goodwill by segment as of September 27, 2014 and December 28, 2013 was as follows:

	Engineered Infrastructure Products Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Balance at December 28, 2013	$ 175,442	$ 75,404	$ 77,062	$ 2,420	$ 19,304	$ 349,632
Acquisitions	14,317			17,343		31,660
Foreign currency translation	(6,194)		(729)	(18)	(207)	(7,148)
	$ 183,565	$ 75,404	$ 76,333	$ 19,745	$ 19,097	$ 374,144

Balance at September 27, 2014

The goodwill from acquisitions arose from the acquisition of Valmont SM in the first quarter, and the purchase of 51% ownership in AgSense in the third quarter of 2014. The Company's goodwill was tested for impairment during the third quarter of 2014. As a result of that testing, the Company determined that its goodwill was not impaired, as the valuation of the reporting units exceeded their respective carrying values. The Company continues to monitor changes in the global economy that

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(Dollars in thousands, except per share amounts)

(Unaudited)

(3) GOODWILL AND INTANGIBLE ASSETS (Continued)

could impact future operating results of its reporting units. If such conditions arise, the Company will test a given reporting unit for impairment prior to the annual test.

(4) CASH FLOW SUPPLEMENTARY INFORMATION

The Company considers all highly liquid temporary cash investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the thirty-nine weeks ended September 27, 2014 and September 28, 2013 were as follows:

	2014	2013
Interest	$ 23,199	$ 17,010
Income taxes	94,493	149,529

On May 13, 2014, the Company announced a new capital allocation philosophy which increased the dividend by 50% and covered a share repurchase program of up to $500 million of the Company's outstanding common stock to be acquired from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. As of September 27, 2014, the Company has acquired 2,126,392 shares for approximately $316.3 million.

(5) EARNINGS PER SHARE

The following table provides a reconciliation between Basic and Diluted earnings per share (EPS):

	Basic EPS	Dilutive Effect of Stock Options	Diluted EPS
Thirteen weeks ended September 27, 2014:			
Net earnings attributable to Valmont Industries, Inc.	$ 23,559	$	$ 23,559
Shares outstanding	25,287	226	25,513
Per share amount	$ 0.93	$ (0.01)	$ 0.92
Thirteen weeks ended September 28, 2013:			
Net earnings attributable to Valmont Industries, Inc.	$ 56,489	$	$ 56,489
Shares outstanding	26,665	254	26,919
Per share amount	$ 2.12	$ (0.02)	$ 2.10
Thirty-nine weeks ended September 27, 2014:			
Net earnings attributable to Valmont Industries, Inc.	$ 143,515	$	$ 143,515
Shares outstanding	26,208	231	26,439
Per share amount	$ 5.48	$ (0.05)	$ 5.43
Thirty-nine weeks ended September 28, 2013:			
Net earnings attributable to Valmont Industries, Inc.	$ 223,621	$	$ 223,621
Shares outstanding	26,632	264	26,896
Per share amount	$ 8.40	$ (0.09)	$ 8.31

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(5) EARNINGS PER SHARE (Continued)

Earnings per share are computed independently for each of the quarters. Therefore, the sum of the quarterly earnings per share does not equal the total for the year primarily due to the share buyback program that began in the second quarter of 2014.

At September 27, 2014, there were 273,170 outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share for the thirteen and thirty-nine weeks ending September 27, 2014. At September 28, 2013, there were 1,172 outstanding stock options with exercise prices exceeding the market price of common stock.

(6) LONG-TERM DEBT

On September 22, 2014, the Company issued and sold $250,000 aggregate principal amount of the Company's 5.00% senior notes due 2044 and $250,000 aggregate principal amount of the Company's 5.25% senior notes due 2054. On September 22, 2014, the Company repurchased through a partial tender offer $199,800 in aggregate principal amount of the Company's 6.625% senior notes due 2020, and $250,200 of the notes remain outstanding following the conclusion of the tender offer.

	September 27, 2014	December 28, 2013
5.00% senior unsecured notes due 2044(a)	$ 250,000	$
5.25% senior unsecured notes due 2054(b)	250,000	
Unamortized discount on 5.00% and 5.25% senior unsecured notes(a and b)	(4,460)	
6.625% senior unsecured notes due 2020(c)	250,200	450,000
Unamortized premium on 6.625% senior unsecured notes(c)	5,650	11,241
Revolving credit agreement(d)		
IDR Bonds(e)	8,500	8,500
Other notes	8,909	1,368
Total long-term debt	768,799	471,109
Less current installments of long-term debt	188	202
Long-term debt, excluding current installments	$ 768,611	$ 470,907

(a) The 5.00% senior unsecured notes due 2044 include an aggregate principle amount of $250,000 on which interest is paid and an unamortized discount balance of $1,160 at September 27, 2014. The notes bear interest at 5.000% per annum and are due on October 1, 2044. The discount will be amortized and recognized as interest expense as interest payments are made over the term of the notes. The notes may be repurchased prior to maturity in whole, or in part, at any time at 100% of their principal amount plus a make-whole premium and accrued and unpaid interest. These notes are guaranteed by certain subsidiaries of the Company.

(b)

The 5.25% senior unsecured notes due 2054 include an aggregate principle amount of $250,000 on which interest is paid and an unamortized discount balance of $3,300 at September 27, 2014. The notes bear interest at 5.250% per annum and are due on October 1, 2054. The discount will be amortized and recognized as interest expense as interest payments are made over the term of the notes. The notes may be repurchased prior to maturity in whole, or in

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(6) LONG-TERM DEBT (Continued)

part, at any time at 100% of their principal amount plus a make-whole premium and accrued and unpaid interest. These notes are guaranteed by certain subsidiaries of the Company.

(c)

The 6.625% senior unsecured notes due 2020, following a partial tender offer in September 2014, include a remaining aggregate principal amount of $250,200 on which interest is paid and an unamortized premium balance of $5,650 at September 27, 2014. The notes bear interest at 6.625% per annum and are due on April 1, 2020. In September 2014, the Company repurchased by partial tender $199,800 in aggregate principal amount of these notes and incurred cash prepayment expenses of approximately $41,200. In addition, $4,439 of the unamortized premium was recognized as income which is the proportionate amount of debt that was repaid. The remaining premium will be amortized against interest expense as interest payments are made over the term of the notes. These notes may be repurchased at specified prepayment premiums. These notes are guaranteed by certain subsidiaries of the Company.

(d)

On October 17, 2014, the Company entered into a First Amendment to our Credit Agreement with JPMorgan Chase Bank, as Administrative Agent, and the other lenders party thereto, dated as of August 15, 2012, which increased the committed unsecured revolving credit facility from $400 million to $600 million and extended the maturity date from August 15, 2017 to October 17, 2019. The Company may increase the credit facility by up to an additional $200 million at any time, subject to lenders increasing the amount of their commitments. The interest rate on our borrowings will be, at our option, either:

(i)

LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by the Company) plus 100 to 162.5 basis points, depending on the credit rating of the Company's senior debt published by Standard & Poor's Rating Services and Moody's Investors Service, Inc., or;

(ii)

the higher of

the prime lending rate,

the Federal Funds rate plus 50 basis points, and

LIBOR (based on a 1 month interest period) plus 100 basis points,

Plus, in each case, 0 to 62.5 basis points, depending on the credit rating of the Company's senior debt published by Standard & Poor's Rating Services and Moody's Investors Service, Inc.

At September 27, 2014, the Company had no outstanding borrowings under the revolving credit agreement. The revolving credit agreement contains certain financial covenants that may limit additional borrowing capability under the agreement. At October 21, 2014, the Company had the ability to borrow $582.4 million under this facility. Standby letters of credit totaling $17.6 million related to various insurance obligations were outstanding at October 21, 2014 and reduce the amount available to borrow under this agreement.

(e)

The Industrial Development Revenue Bonds were issued to finance the construction of a manufacturing facility in Jasper, Tennessee. Variable interest is payable until final maturity June 1, 2025. The effective interest rates at September 27, 2014 and December 28, 2013 were .20% and 0.21%, respectively.

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(Dollars in thousands, except per share amounts)

(Unaudited)

(6) LONG-TERM DEBT (Continued)

The lending agreements include certain maintenance covenants, including financial leverage and interest coverage. The Company was in compliance with all financial debt covenants at September 27, 2014. The minimum aggregate maturities of long-term debt for each of the five years following 2014 are: $1,262, $1,265, $1,050, $1,050 and $1,050.

The obligations arising under the 5.00% senior unsecured notes due 2044, the 5.25% senior unsecured notes due 2054, the 6.625% senior unsecured notes due 2020, and the Amended Credit Agreement are guaranteed by the Company and its wholly-owned subsidiaries PiRod, Inc., Valmont Coatings, Inc., Valmont Newmark, Inc., Valmont Group Pty. Ltd. and Valmont Queensland Pty. Ltd.

(7) BUSINESS SEGMENTS

The Company has four reportable segments based on its management structure. Each segment is global in nature with a manager responsible for segment operational performance and the allocation of capital within the segment. Net corporate expense is net of certain service-related expenses that are allocated to business units generally on the basis of employee headcounts and sales dollars.

Reportable segments are as follows:

ENGINEERED INFRASTRUCTURE PRODUCTS: This segment consists of the manufacture of engineered metal structures and components for the global lighting and traffic, wireless communication, wind energy, offshore oil and gas, roadway safety and access systems applications;

UTILITY SUPPORT STRUCTURES: This segment consists of the manufacture of engineered steel and concrete structures for the global utility industry;

COATINGS: This segment consists of galvanizing, anodizing and powder coating services on a global basis; and

IRRIGATION: This segment consists of the manufacture of agricultural irrigation equipment and related parts and services for the global agricultural industry.

In addition to these four reportable segments, the Company has other businesses and activities that individually are not more than 10% of consolidated sales. These include the manufacture of forged steel grinding media for the mining industry, tubular products for industrial customers, electrolytic manganese dioxide for disposable batteries and the distribution of industrial fasteners and are reported in the "Other" category.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its business segments based upon operating income and invested capital. The Company does not allocate interest expense, non-operating income and deductions, or income taxes to its business segments.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(7) BUSINESS SEGMENTS (Continued)

Summary by Business

	Thirteen Weeks Ended September 27, 2014	Thirteen Weeks Ended September 28, 2013	Thirty-nine Weeks Ended September 27, 2014	Thirty-nine Weeks Ended September 28, 2013
SALES:				
Engineered Infrastructure Products segment:				
Lighting, Traffic, and Roadway Products	$ 158,977	$ 171,991	$ 462,707	$ 480,648
Communication Products	45,952	38,674	119,456	102,067
Offshore Structures	41,284		105,805	
Access Systems	48,686	49,618	139,745	151,874
Engineered Infrastructure Products segment	294,899	260,283	827,713	734,589
Utility Support Structures segment:				
Steel	156,112	199,912	527,123	611,573
Concrete	25,073	29,508	81,819	85,728
Utility Support Structures segment	181,185	229,420	608,942	697,301
Coatings segment	86,735	89,009	254,063	272,052
Irrigation segment	174,288	175,120	606,938	690,002
Other	60,838	71,836	181,226	233,384
Total	797,945	825,668	2,478,882	2,627,328
INTERSEGMENT SALES:				
Engineered Infrastructure Products segment	10,696	24,970	48,427	76,591
Utility Support Structures segment	626	489	2,146	1,199
Coatings segment	13,166	13,697	42,889	42,475
Irrigation segment	1	4	14	5
Other	7,788	8,476	25,399	30,737
Total	32,277	47,636	118,875	151,007
NET SALES:				
Engineered Infrastructure Products segment	284,203	235,313	779,286	657,998
Utility Support Structures segment	180,559	228,931	606,796	696,102
Coatings segment	73,569	75,312	211,174	229,577
Irrigation segment	174,287	175,116	606,924	689,997
Other	53,050	63,360	155,827	202,647
Total	$ 765,668	$ 778,032	$ 2,360,007	$ 2,476,321

OPERATING INCOME:				
Engineered Infrastructure Products segment	$ 33,200	$ 25,689	$ 75,534	$ 61,026
Utility Support Structures segment	16,975	41,491	76,107	129,767
Coatings segment	17,554	19,833	47,260	56,805
Irrigation segment	26,888	31,145	111,507	149,878
Other	6,211	9,978	23,104	33,790
Corporate	(13,025)	(18,235)	(42,085)	(58,910)
Total	$ 87,803	$ 109,901	$ 291,427	$ 372,356

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(8) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION

On September 22, 2014, the Company issued and sold $250,000 aggregate principal amount of the Company's 5.00% senior notes due 2044 and $250,000 aggregate principal amount of the Company's 5.25% senior notes due 2054. On September 22, 2014, the Company repurchased through a partial tender offer $199,800 in aggregate principal amount of the Company's 6.625% senior notes due 2020, and $250,200 of the notes remain outstanding following the conclusion of the tender offer. All of the notes are guaranteed, jointly, severally, fully and unconditionally by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

In 2014, the Company classified "Equity in earnings of nonconsolidated subsidiaries" as an adjustment to reconcile net earnings to operating cash flows, as part of "Net cash flows from operating activities" in the Condensed Consolidating Statement of Cash Flows. In the 2013 Condensed Consolidating Statement of Cash Flows, these amounts were classified within "Other, net", as part of "Net cash flows from investing activities". The Company revised its presentation for 2013 with respect to the supplemental information included in this footnote in order to achieve comparability in the Condensed Consolidating Statements of Cash Flows.

The revisions consisted of recording the amounts previously reported in "Other, net" in cash flows from investing activities that were related to earnings from subsidiaries to "Equity in earnings of nonconsolidated subsidiaries" in cash flows from operating activities. Accordingly, the eliminations to reconcile consolidated net earnings are contained in the "Net cash flows from operating activities".

The "Non-Guarantor" and "Total" columns were not affected by any of these revisions. There was also no effect on the consolidated (total) net cash flows or any other statements in this footnote. The following is a reconciliation of the columns affected for 2013.

	Parent As previously reported	Parent As revised	Guarantor As previously reported	Guarantor As revised	Eliminations As previously reported	Eliminations As revised
2013						
Cash flows from operating activities:						
Equity in earnings of nonconsolidated subsidiaries	$ (341)	$ (121,211)	$	$ (48,927)	$	$ 169,797
Net cash flows from operating activities	239,277	118,407	77,264	28,337	(166,675)	3,122
Cash flows from investing activities:						
Other, net	(68,447)	52,423	(105,512)	(56,585)	166,675	(3,122)
Net cash flows from investing activities	(107,989)	12,881	(123,858)	(74,931)	166,675	(3,122)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(8) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

Consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Thirteen weeks ended September 27, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 313,775	$ 120,016	$ 384,564	$ (52,687)	$ 765,668
Cost of sales	234,085	92,091	292,722	(52,730)	566,168
Gross profit	79,690	27,925	91,842	43	199,500
Selling, general and administrative expenses	48,560	12,145	50,992		111,697
Operating income	31,130	15,780	40,850	43	87,803
Other income (expense):					
Interest expense	(8,061)	(11,288)	(655)	11,288	(8,716)
Interest income	2	161	12,602	(11,288)	1,477
Costs associated with refinancing of debt	(38,705)				(38,705)
Other	(196)	(149)	(1,999)		(2,344)
	(46,960)	(11,276)	9,948		(48,288)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	(15,830)	4,504	50,798	43	39,515
Income tax expense (benefit):					
Current	9,296	3,600	10,397	(3)	23,290
Deferred	(12,430)	(342)	3,708		(9,064)
	(3,134)	3,258	14,105	(3)	14,226
Earnings before equity in earnings of nonconsolidated subsidiaries	(12,696)	1,246	36,693	46	25,289

Equity in earnings of nonconsolidated subsidiaries		36,255		17,026				(53,285)	(4)
Net earnings		23,559		18,272		36,693		(53,239)	25,285
Less: Earnings attributable to noncontrolling interests						(1,726)			(1,726)
Net earnings attributable to Valmont Industries, Inc	$	23,559	$	18,272	$	34,967	$	(53,239)	$ 23,559

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(8) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Thirty-nine weeks ended September 27, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 1,069,059	$ 380,327	$ 1,072,560	$ (161,939)	$ 2,360,007
Cost of sales	785,898	283,443	826,120	(162,413)	1,733,048
Gross profit	283,161	96,884	246,440	474	626,959
Selling, general and administrative expenses	146,514	37,806	151,212		335,532
Operating income	136,647	59,078	95,228	474	291,427
Other income (expense):					
Interest expense	(23,427)	(33,505)	(1,790)	33,505	(25,217)
Interest income	28	496	37,774	(33,505)	4,793
Costs associated with refinancing of debt	(38,705)				(38,705)
Other	1,625	(501)	(7,377)		(6,253)
	(60,479)	(33,510)	28,607		(65,382)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	76,168	25,568	123,835	474	226,045
Income tax expense (benefit):					
Current	38,489	11,813	31,914	129	82,345
Deferred	(6,601)	1,325	1,242		(4,034)
	31,888	13,138	33,156	129	78,311
Earnings before equity in earnings of nonconsolidated subsidiaries	44,280	12,430	90,679	345	147,734
Equity in earnings of nonconsolidated subsidiaries	99,235	42,929		(142,198)	(34)

Net earnings		143,515		55,359		90,679		(141,853)		147,700
Less: Earnings attributable to noncontrolling interests						(4,185)				(4,185)
Net earnings attributable to Valmont Industries, Inc	$	143,515	$	55,359	$	86,494	$	(141,853)	$	143,515

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(8) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Thirteen weeks ended September 28, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 331,525	$ 161,432	$ 366,522	$ (81,447)	$ 778,032
Cost of sales	238,692	121,870	273,317	(81,411)	552,468
Gross profit	92,833	39,562	93,205	(36)	225,564
Selling, general and administrative expenses	51,621	14,530	49,512		115,663
Operating income	41,212	25,032	43,693	(36)	109,901
Other income (expense):					
Interest expense	(7,724)	(11,122)	(425)	11,122	(8,149)
Interest income	18	242	12,422	(11,122)	1,560
Other	1,422	9	(2,015)		(584)
	(6,284)	(10,871)	9,982		(7,173)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	34,928	14,161	53,675	(36)	102,728
Income tax expense (benefit):					
Current	19,473	7,419	13,631	(65)	40,458
Deferred	(4,969)	(360)	8,783		3,454
	14,504	7,059	22,414	(65)	43,912
Earnings before equity in earnings of nonconsolidated subsidiaries	20,424	7,102	31,261	29	58,816
Equity in earnings of nonconsolidated subsidiaries	36,065	6,542		(42,532)	75

Net earnings		56,489		13,644		31,261		(42,503)		58,891
Less: Earnings attributable to noncontrolling interests						(2,402)				(2,402)
Net earnings attributable to Valmont Industries, Inc	$	56,489	$	13,644	$	28,859	$	(42,503)	$	56,489

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(8) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Thirty-nine weeks ended September 28, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 1,174,955	$ 501,308	$ 1,052,733	$ (252,675)	$ 2,476,321
Cost of sales	837,321	377,158	795,182	(255,744)	1,753,917
Gross profit	337,634	124,150	257,551	3,069	722,404
Selling, general and administrative expenses	157,367	42,871	149,810		350,048
Operating income	180,267	81,279	107,741	3,069	372,356
Other income (expense):					
Interest expense	(23,115)	(35,696)	(1,249)	35,696	(24,364)
Interest income	33	732	39,696	(35,696)	4,765
Other	3,224	55	(2,184)		1,095
	(19,858)	(34,909)	36,263		(18,504)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	160,409	46,370	144,004	3,069	353,852
Income tax expense (benefit):					
Current	65,472	20,801	40,283	772	127,328
Deferred	(7,473)	1,342	4,856		(1,275)
	57,999	22,143	45,139	772	126,053
Earnings before equity in earnings of nonconsolidated subsidiaries	102,410	24,227	98,865	2,297	227,799
Equity in earnings of nonconsolidated subsidiaries	121,211	48,927	207	(169,797)	548

Net earnings	223,621	73,154	99,072	(167,500)	228,347
Less: Earnings attributable to noncontrolling interests			(4,726)		(4,726)
Net earnings attributable to Valmont Industries, Inc	$ 223,621	$ 73,154	$ 94,346	$ (167,500)	$ 223,621

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(8) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Thirteen weeks ended September 27, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	$ 23,559	$ 18,272	$ 36,693	$ (53,239)	$ 25,285
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		37,807	(96,808)		(59,001)
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	100		283		383
Realized loss included in net earnings during the period	983				983
Gain on cash flow hedges	4,837				4,837
Actuarial gain (loss) in defined benefit pension plan liability			1,116		1,116
Equity in other comprehensive income	(55,787)			55,787	
Other comprehensive income (loss)	(49,867)	37,807	(95,409)	55,787	(51,682)
Comprehensive income	(26,308)				