

VALMONT INDUSTRIES INC  
Form 10-Q  
July 29, 2015

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 10-Q**

(Mark One)

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

For the quarterly period ended June 27, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-31429

**Valmont Industries, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**47-0351813**  
(I.R.S. Employer  
Identification No.)

**One Valmont Plaza,  
Omaha, Nebraska**  
(Address of Principal Executive Offices)

**68154-5215**  
(Zip Code)

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

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

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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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 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  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a  
smaller reporting company)

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

**23,248,776**

Outstanding shares of common stock as of July 22, 2015

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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		Twenty-six Weeks Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Product sales	\$ 611,782	\$ 766,844	\$ 1,215,676	\$ 1,447,887
Services sales	70,341	75,755	136,845	146,452
Net sales	682,123	842,599	1,352,521	1,594,339
Product cost of sales	461,173	573,067	920,714	1,070,910
Services cost of sales	51,402	49,055	96,805	95,970
Total cost of sales	512,575	622,122	1,017,519	1,166,880
Gross profit	169,548	220,477	335,002	427,459
Selling, general and administrative expenses	115,548	115,701	223,319	223,835
Operating income	54,000	104,776	111,683	203,624
Other income (expenses):				
Interest expense	(11,232)	(8,304)	(22,360)	(16,501)
Interest income	616	1,577	1,490	3,316
Other	(28)	1,903	988	(3,909)
	(10,644)	(4,824)	(19,882)	(17,094)
Earnings before income taxes	43,356	99,952	91,801	186,530
Income tax expense (benefit):				
Current	19,136	26,117	30,910	59,055
Deferred	(5,219)	7,953	(55)	5,030
	13,917	34,070	30,855	64,085
Earnings before equity in earnings of nonconsolidated subsidiaries	29,439	65,882	60,946	122,445
Equity in earnings of nonconsolidated subsidiaries		(30)		(30)
Net earnings	29,439	65,852	60,946	122,415
Less: Earnings attributable to noncontrolling interests	(1,566)	(1,876)	(2,334)	(2,459)
Net earnings attributable to Valmont Industries, Inc.	\$ 27,873	\$ 63,976	\$ 58,612	\$ 119,956

Earnings per share:

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Basic	\$	1.19	\$	2.40	\$	2.48	\$	4.50
Diluted	\$	1.19	\$	2.38	\$	2.47	\$	4.46
Cash dividends declared per share	\$	0.375	\$	0.375	\$	0.750	\$	0.625
Weighted average number of shares of common stock outstanding Basic (000 omitted)		23,336		26,623		23,602		26,669
Weighted average number of shares of common stock outstanding Diluted (000 omitted)		23,450		26,856		23,716		26,903

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		Twenty-six Weeks Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net earnings	\$ 29,439	\$ 65,852	\$ 60,946	\$ 122,415
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments:				
Unrealized translation gain (loss)	18,328	13,869	(39,850)	25,506
Unrealized gain/(loss) on cash flow hedge:				
Amortization cost included in interest expense	19	(33)	37	67
Gain on cash flow hedges	751		1,045	
Actuarial gain (loss) in defined benefit pension plan		(614)		(847)
Other comprehensive income (loss)	19,098	13,222	(38,768)	24,726
Comprehensive income (loss)	48,537	79,074	22,178	147,141
Comprehensive loss (income) attributable to noncontrolling interests	(1,968)	(1,792)	(641)	(1,704)
Comprehensive income (loss) attributable to Valmont Industries, Inc.	\$ 46,569	\$ 77,282	\$ 21,537	\$ 145,437

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)

	June 27, 2015	December 27, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 317,523	\$ 371,579
Receivables, net	491,706	536,918
Inventories	379,897	359,522
Prepaid expenses	56,653	56,912
Refundable and deferred income taxes	44,072	68,010
 Total current assets	 1,289,851	 1,392,941
 Property, plant and equipment, at cost	 1,123,885	 1,139,569
Less accumulated depreciation and amortization	552,908	533,116
 Net property, plant and equipment	 570,977	 606,453
 Goodwill	 380,086	 385,111
Other intangible assets, net	189,892	202,004
Other assets	136,586	143,159
 Total assets	 \$ 2,567,392	 \$ 2,729,668

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Current installments of long-term debt	\$ 1,096	\$ 1,181
Notes payable to banks	7,914	13,952
Accounts payable	186,421	196,565
Accrued employee compensation and benefits	75,155	87,950
Accrued expenses	89,983	88,480
Dividends payable	8,733	9,086
 Total current liabilities	 369,302	 397,214
 Deferred income taxes	 62,959	 71,797
Long-term debt, excluding current installments	765,272	766,654
Defined benefit pension liability	135,068	150,124
Deferred compensation	51,056	47,932
Other noncurrent liabilities	43,142	45,542
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

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Retained earnings	1,762,534	1,718,662
Accumulated other comprehensive income (loss)	(171,508)	(134,433)
Treasury stock	(525,877)	(410,296)
Total Valmont Industries, Inc. shareholders' equity	1,093,049	1,201,833
Noncontrolling interest in consolidated subsidiaries	47,544	48,572
Total shareholders' equity	1,140,593	1,250,405
Total liabilities and shareholders' equity	\$ 2,567,392	\$ 2,729,668

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)

	Twenty-six Weeks Ended	
	June 27, 2015	June 28, 2014
Cash flows from operating activities:		
Net earnings	\$ 60,946	\$ 122,415
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	47,761	43,368
Noncash loss on trading securities	4,582	3,501
Impairment of assets	9,292	
Stock-based compensation	3,513	3,686
Defined benefit pension plan expense	(305)	1,334
Contribution to defined benefit pension plan	(15,735)	(17,484)
Gain on sale of property, plant and equipment	542	(102)
Equity in earnings in nonconsolidated subsidiaries		30
Deferred income taxes	(55)	5,030
Changes in assets and liabilities (net of acquisitions):		
Receivables	32,511	21,083
Inventories	(27,746)	6,624
Prepaid expenses	(3,087)	(18,289)
Accounts payable	(5,021)	(28,633)
Accrued expenses	(6,431)	(30,415)
Other noncurrent liabilities	1,761	1,766
Income taxes refundable	15,817	(22,063)
<b>Net cash flows from operating activities</b>	<b>118,345</b>	<b>91,851</b>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(24,758)	(46,991)
Proceeds from sale of assets	1,101	1,151
Acquisitions, net of cash acquired		(120,483)
Other, net	5,896	(2,940)
<b>Net cash flows from investing activities</b>	<b>(17,761)</b>	<b>(169,263)</b>
Cash flows from financing activities:		
Net borrowings under short-term agreements	(5,890)	(1,861)
Proceeds from long-term borrowings	33,000	
Principal payments on long-term borrowings	(33,657)	(259)
Dividends paid	(17,956)	(13,427)
Dividends to noncontrolling interest	(1,669)	(1,340)
Purchase of treasury shares	(121,020)	(77,084)
Proceeds from exercises under stock plans	9,454	11,996
Excess tax benefits from stock option exercises	1,394	3,576
Purchase of common treasury shares stock plan exercises	(10,490)	(11,984)
<b>Net cash flows from financing activities</b>	<b>(146,834)</b>	<b>(90,383)</b>

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Effect of exchange rate changes on cash and cash equivalents	(7,806)	10,016
Net change in cash and cash equivalents	(54,056)	(157,779)
Cash and cash equivalents beginning of year	371,579	613,706
Cash and cash equivalents end of period	\$ 317,523	\$ 455,927

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
<b>Balance at December 28, 2013</b>	\$ 27,900	\$	\$ 1,562,670	\$ (47,685)	\$ (20,860)	\$ 22,821	\$ 1,544,846
Net earnings			119,956			2,459	122,415
Other comprehensive income (loss)				25,481		(755)	24,726
Cash dividends declared			(16,651)				(16,651)
Dividends to noncontrolling interests						(1,340)	(1,340)
Acquisition of DS SM						9,232	9,232
Addition of noncontrolling interest						404	404
Purchase of treasury shares; 490,172 shares acquired					(77,084)		(77,084)
Stock plan exercises; 78,217 shares acquired					(11,984)		(11,984)
Stock options exercised; 158,317 shares issued		(7,262)	6,312		12,946		11,996
Tax benefit from stock option exercises		3,576					3,576
Stock option expense		2,525					2,525
Stock awards; 8,822 shares issued		1,161			1,268		2,429
<b>Balance at June 28, 2014</b>	\$ 27,900	\$	\$ 1,672,287	\$ (22,204)	\$ (95,714)	\$ 32,821	\$ 1,615,090
<b>Balance at December 27, 2014</b>	\$ 27,900	\$	\$ 1,718,662	\$ (134,433)	\$ (410,296)	\$ 48,572	\$ 1,250,405
Net earnings			58,612			2,334	60,946
Other comprehensive income (loss)				(37,075)		(1,693)	(38,768)
Cash dividends declared			(17,603)				(17,603)
Dividends to noncontrolling interests						(1,669)	(1,669)
Purchase of treasury shares; 989,821 shares acquired					(121,020)		(121,020)
Stock plan exercises; 82,989 shares acquired					(10,490)		(10,490)
Stock options exercised; 119,687 shares issued		(8,860)	2,863		15,451		9,454
Tax benefit from stock option exercises		1,394					1,394
Stock option expense		2,653					2,653
Stock awards; 4,846 shares issued		4,813			478		5,291
<b>Balance at June 27, 2015</b>	\$ 27,900	\$	\$ 1,762,534	\$ (171,508)	\$ (525,877)	\$ 47,544	\$ 1,140,593

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 June 27, 2015, the Condensed Consolidated Statements of Earnings and Comprehensive Income for the thirteen and twenty-six weeks ended June 27, 2015 and June 28, 2014, and the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the twenty-six week period 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 June 27, 2015 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 27, 2014. 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 27, 2014. The results of operations for the period ended June 27, 2015 are not necessarily indicative of the operating results for the full year.

*Inventories*

Approximately 36% and 44% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market as of June 27, 2015 and December 27, 2014, 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 \$39,093 and \$47,178 at June 27, 2015 and December 27, 2014, respectively.

Inventories consisted of the following:

	June 27, 2015	December 27, 2014
Raw materials and purchased parts	\$ 182,927	\$ 179,093
Work-in-process	26,286	27,835
Finished goods and manufactured goods	209,777	199,772
Subtotal	418,990	406,700
Less: LIFO reserve	39,093	47,178
	\$ 379,897	\$ 359,522

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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 twenty-six weeks ended June 27, 2015 and June 28, 2014, were as follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	2015	2014	2015	2014
United States	\$ 33,641	\$ 65,096	\$ 66,282	\$ 136,790
Foreign	9,715	34,856	25,519	49,740
	\$ 43,356	\$ 99,952	\$ 91,801	\$ 186,530

*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 (benefit) expense for the thirteen and twenty-six weeks ended June 27, 2015 and June 28, 2014 were as follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	2015	2014	2015	2014
Net periodic (benefit) expense:				
Interest cost	\$ 6,189	\$ 7,312	\$ 12,300	\$ 14,509
Expected return on plan assets	(6,344)	(6,640)	(12,605)	(13,175)
Net periodic (benefit) expense	\$ (155)	\$ 672	\$ (305)	\$ 1,334

*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 June 27, 2015, 1,176,222 shares of common stock remained available for issuance under the plans.

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Shares and options issued and available are subject to changes in capitalization.

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.

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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)

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 twenty-six weeks ended June 27, 2015 and June 28, 2014, respectively, were as follows:

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	2015	2014	2015	2014
Compensation expense	\$ 1,303	\$ 1,262	\$ 2,653	\$ 2,525
Income tax benefits	501	486	1,021	972

*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.

*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.

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 \$39,789 (\$36,439 at December 27, 2014) represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Accounting



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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)

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 of shares in Delta EMD Pty. Ltd. (JSE:DTA) is also classified as trading securities. During first quarter of 2015, the Company received a special dividend of \$5,010 from Delta EMD Pty. Ltd and the market price of the shares were proportionately decreased accordingly. The shares are valued at \$4,966 and \$9,034 as of June 27, 2015 and December 27, 2014, respectively, which is the estimated fair value. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

	Carrying Value June 27, 2015	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading Securities	\$ 44,755	\$ 44,755	\$	\$

	Carrying Value December 27, 2014	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trading Securities	\$ 45,473	\$ 45,473	\$	\$

*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 June 27, 2015 and December 27, 2014:

	Foreign Currency Translation Adjustments	Unrealized Gain on Cash Flow Hedge	Defined Benefit Pension Plan	Accumulated Other Comprehensive Income
Balance at December 27, 2014	\$ (99,618)	\$ 3,879	\$ (38,694)	\$ (134,433)
Current-period comprehensive income (loss)	(38,157)	1,082		(37,075)
Balance at June 27, 2015	\$ (137,775)	\$ 4,961	\$ (38,694)	\$ (171,508)

*Recently Issued Accounting Pronouncements*

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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

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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)**

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, 2017 and is to be applied retrospectively. The Company is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations and financial position.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." Under this ASU, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The ASU defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. Management is evaluating the provisions of this statement, including which period to adopt, and has not determined what impact the adoption of ASU 2015-11 will have on the Company's financial position or results of operations.

**(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 expectations. 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.

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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)

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the date of acquisition, which was finalized in the fourth quarter of 2014.

	At March 3, 2014
Current assets	\$ 73,421
Property, plant and equipment	85,638
Intangible assets	30,340
Goodwill	16,803
<b>Total fair value of assets acquired</b>	<b>\$ 206,202</b>
Current liabilities	47,754
Deferred income taxes	19,715
Intercompany note payable	37,448
Long-term debt	8,941
<b>Total fair value of liabilities assumed</b>	<b>113,858</b>
<b>Non-controlling interests</b>	<b>9,309</b>
<b>Net assets acquired</b>	<b>\$ 83,035</b>

Based on the 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	\$ 11,470	Indefinite
Backlog	3,145	1.5
Customer Relationships	15,725	12.0
<b>Total Intangible Assets</b>	<b>\$ 30,340</b>	

On October 6, 2014, the Company acquired Shakespeare Composite Structures (Shakespeare) for \$48,272 in cash, plus assumed liabilities. Shakespeare is a manufacturer of fiberglass reinforced composite structures and products with two manufacturing facilities in South Carolina. Shakespeare's annual sales are approximately \$55,000 and its operations are included in the Engineered Infrastructure Products segment. The acquisition of Shakespeare was completed to expand our product offering of composite structure solutions.

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 for Shakespeare to be completed in the third quarter of 2015.



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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)

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed as of the date of the Shakespeare acquisition (goodwill is not deductible for tax purposes):

	At October 6, 2014
Current assets	\$ 12,532
Property, plant and equipment	10,694
Intangible assets	13,500
Goodwill	15,416
<b>Total fair value of assets acquired</b>	<b>\$ 52,142</b>
Current liabilities	3,870
<b>Net assets acquired</b>	<b>\$ 48,272</b>

Based on the preliminary fair value assessments, the Company allocated \$13,500 of the purchase price to acquired intangible assets. The following table summarizes the major classes of Shakespeare acquired intangible assets and the respective weighted-average amortization periods:

	Amount	Weighted Average Amortization Period (Years)
Trade Names	\$ 4,000	Indefinite
Customer Relationships	9,500	12.0
<b>Total Intangible Assets</b>	<b>\$ 13,500</b>	

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 measurement of fair values of assets acquired and liabilities assumed, goodwill of \$17,193 and \$16,083 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.

The Company's Condensed Consolidated Statement of Earnings for the thirteen and twenty-six weeks ended June 27, 2015 included net sales of \$44,271 and \$86,195 and net earnings of \$2,935 and \$4,933 resulting from the Valmont SM, AgSense, and Shakespeare acquisitions. The pro forma effect of

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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)

these acquisitions on the second quarter and first half of the 2014 Statement of Earnings was as follows:

	Thirteen Weeks Ended June 28, 2014	Twenty-six Weeks Ended June 28, 2014
Net sales	\$ 858,068	\$ 1,658,333
Net earnings	\$ 64,525	\$ 123,441
Earnings per share diluted	\$ 2.40	\$ 4.59

## (3) RESTRUCTURING ACTIVITIES

In April 2015, the Company's Board of Directors authorized a broad restructuring plan (the "Plan") of up to \$60 million to respond to the market environment in certain businesses. We anticipate the Company will recognize the following pre-tax expenses in conjunction with the initial restructuring activities from the Plan announced in 2015:

	EIP	Utility	Coatings	Irrigation	Other/ Corporate	TOTAL
Severance	\$ 4,000	\$ 1,445	\$ 460	\$ 425	\$ 75	\$ 6,405
Other cash restructuring expenses	725	1,810	225			2,760
Asset impairments/net loss on disposals	3,850	625	4,150	250		8,875
 Total cost of sales	 8,575	 3,880	 4,835	 675	 75	 18,040
Severance	3,900	450		575	1,025	5,950
Other cash restructuring expenses	750	270	275	100	650	2,045
Asset impairments/net loss on disposals	2,375			150	1,890	4,415
 Total selling, general and administrative expenses	 7,025	 720	 275	 825	 3,565	 12,410
 Consolidated total	 \$ 15,600	 \$ 4,600	 \$ 5,110	 \$ 1,500	 \$ 3,640	 \$ 30,450

Certain of these initial restructuring actions are within the APAC Coatings reporting unit which has approximately \$16 million of goodwill as of June 27, 2015. The Company expects these activities to improve the profitability of this reporting unit. Should operating income not improve within this reporting unit after these restructuring activities are implemented, we may have to write off all or a portion of our goodwill for this reporting unit during our annual impairment testing during the third quarter. Inclusive of this goodwill, the Company is currently evaluating additional potential restructuring activities estimated up to \$25 million of asset impairments and \$5 million of cash expenses.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (3) RESTRUCTURING ACTIVITIES (Continued)

The following is a summary of the segments affected by these additional potential restructuring activities under current evaluation and the estimated pre-tax expense:

	EIP	Coatings	Other/ Corporate	TOTAL
Severance	\$ 2,000	\$	\$ 250	\$ 2,250
Other cash restructuring expenses	700		250	950
Asset impairments/net loss on disposals	3,800		500	4,300
Total cost of sales	6,500		1,000	7,500
Severance	500		1,150	1,650
Asset impairments/net loss on disposals	600	16,000	3,500	20,100
Total selling, general and administrative expenses	1,100	16,000	4,650	21,750
Consolidated total	\$ 7,600	\$ 16,000	\$ 5,650	\$ 29,250

During the first quarter of fiscal 2015, the Company's EIP segment recognized approximately \$800 of pre-tax expense for severance and other cash restructuring expenses. During the second quarter of fiscal 2015, the Company recognized the following pre-tax restructuring expenses:

	EIP	Utility	Coatings	Irrigation	Other/ Corporate	TOTAL
Severance	\$ 535	\$ 1,380	\$ 310	\$	\$ 73	\$ 2,298
Other cash restructuring expenses	45	375	40			460
Asset impairments/net loss on disposals	797	295	4,150			5,242
Total cost of sales	1,377	2,050	4,500		73	8,000
Severance	965	405		219	240	1,829
Other cash restructuring expenses	125		269			394
Asset impairments/net loss on disposals	2,030			130	1,890	4,050
Total selling, general and administrative expenses	3,120	405	269	349	2,130	6,273
Consolidated total	\$ 4,497	\$ 2,455	\$ 4,769	\$ 349	\$ 2,203	\$ 14,273





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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**(3) RESTRUCTURING ACTIVITIES (Continued)**

Liabilities recorded for the restructuring Plan and changes therein for the first half of fiscal 2015 were as follows:

	Balance at December 27, 2014	Recognized Restructuring Expense	Costs Paid or Otherwise Settled	Balance at June 27, 2015
Severance	\$	\$ 4,927	\$ (2,294)	\$ 2,633
Other cash restructuring expenses		885	(645)	240
Total cost of sales	\$	\$ 5,812	\$ (2,939)	\$ 2,873

**(4) GOODWILL AND INTANGIBLE ASSETS***Amortized Intangible Assets*

The components of amortized intangible assets at June 27, 2015 and December 27, 2014 were as follows:

	June 27, 2015		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	\$ 206,053	\$ 96,178	13 years
Proprietary Software & Database	3,676	2,985	8 years
Patents & Proprietary Technology	13,029	9,290	8 years
Other	3,858	3,486	3 years
	\$ 226,616	\$ 111,939	

	December 27, 2014		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	\$ 207,509	\$ 88,538	13 years
Proprietary Software & Database	3,769	2,977	8 years
Patents & Proprietary Technology	12,394	8,537	8 years
Other	4,355	2,998	3 years
	\$ 228,027	\$ 103,050	



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (4) GOODWILL AND INTANGIBLE ASSETS (Continued)

Amortization expense for intangible assets for the thirteen and twenty-six weeks ended June 27, 2015 and June 28, 2014, respectively was as follows:

Thirteen Weeks Ended		Twenty-six Weeks Ended	
2015	2014	2015	2014
\$ 4,737	\$ 4,634	\$ 9,650	\$ 8,737

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

	Estimated Amortization Expense
2015	\$ 18,124
2016	16,322
2017	16,276
2018	14,622
2019	13,795

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.

*Non-amortized intangible assets*

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at June 27, 2015 and December 27, 2014 were as follows:

	June 27, 2015	December 27, 2014	Year Acquired
Webforge	\$ 16,997	\$ 16,801	2010
Valmont SM	9,294	10,818	2014
Newmark	11,111	11,111	2004
Ingal EPS/Ingal Civil Products	8,971	8,867	2010
Donhad	6,767	6,689	2010
Shakespeare	4,000	4,000	2014
Industrial Galvanizers	3,935	3,889	2010
Other	14,140	14,852	
	\$ 75,215	\$ 77,027	

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



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## (4) GOODWILL AND INTANGIBLE ASSETS (Continued)

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 June 27, 2015 and December 27, 2014 was as follows:

	Engineered Infrastructure Products Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Balance at December 27, 2014	\$ 197,074	\$ 75,404	\$ 74,862	\$ 19,536	\$ 18,235	\$ 385,111
Impairment	(1,737)					(1,737)
Foreign currency translation	(2,789)		(634)	(78)	213	(3,288)
Balance at June 27, 2015	\$ 192,548	\$ 75,404	\$ 74,228	\$ 19,458	\$ 18,448	\$ 380,086

During the second quarter of 2015, the Company implemented a plan to divest of a small business in its EIP segment. The goodwill allocated to that business was \$1,737 and based on its current estimation of value, the goodwill was determined to be impaired and was recorded in Selling, General and Administrative Expenses in the Condensed Consolidated Statements of Earnings. The Company's annual impairment test of goodwill was last performed 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 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.

## (5) 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 twenty-six weeks ended June 27, 2015 and June 28, 2014 were as follows:

	2015	2014
Interest	\$ 22,898	\$ 16,564
Income taxes	14,280	77,691

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



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**(5) CASH FLOW SUPPLEMENTARY INFORMATION (Continued)**

prices, through open market or privately-negotiated transactions. On February 24, 2015, the Board of Directors authorized an additional purchase of up to \$250 million of the Company's outstanding common stock with no stated expiration date. As of June 27, 2015, the Company has acquired 3,700,970 shares for approximately \$516.1 million under the share repurchase programs.

**(6) 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
<b>Thirteen weeks ended June 27, 2015:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 27,873	\$	\$ 27,873
Shares outstanding	23,336	114	23,450
Per share amount	\$ 1.19	\$	\$ 1.19
<b>Thirteen weeks ended June 28, 2014:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 63,976	\$	\$ 63,976
Shares outstanding	26,623	233	26,856
Per share amount	\$ 2.40	\$ (0.02)	\$ 2.38
<b>Twenty-six weeks ended June 27, 2015:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 58,612	\$	\$ 58,612
Shares outstanding	23,602	114	23,716
Per share amount	\$ 2.48	\$ (0.01)	\$ 2.47
<b>Twenty-six weeks ended June 28, 2014:</b>			
Net earnings attributable to Valmont Industries, Inc.	\$ 119,956	\$	\$ 119,956
Shares outstanding	26,669	234	26,903
Per share amount	\$ 4.50	\$ (0.04)	\$ 4.46

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

At June 27, 2015, there were 452,459 outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share.



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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**

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, 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		Twenty-six Weeks Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
<b>SALES:</b>				
Engineered Infrastructure Products segment:				
Lighting, Traffic, and Roadway Products	\$ 154,688	\$ 164,753	\$ 299,955	\$ 303,730
Communication Products	45,935	43,618	78,491	73,504
Offshore Structures	23,135	47,217	47,983	64,521
Access Systems	37,311	48,764	73,033	91,059
Engineered Infrastructure Products segment	261,069	304,352	499,462	532,814
Utility Support Structures segment:				
Steel	139,425	179,574	297,698	371,011
Concrete	23,504	33,456	41,572	56,746
Utility Support Structures segment	162,929	213,030	339,270	427,757
Coatings segment	76,094	85,157	150,454	167,328
Irrigation segment	153,821	219,917	308,297	432,650
Other	50,404	61,786	104,262	120,388
Total	704,317	884,242	1,401,745	1,680,937
<b>INTERSEGMENT SALES:</b>				
Engineered Infrastructure Products segment	4,052	18,166	11,126	37,731
Utility Support Structures segment	273	1,025	562	1,520
Coatings segment	12,178	14,770	24,725	29,723
Irrigation segment	3	4	12	13
Other	5,688	7,678	12,799	17,611
Total	22,194	41,643	49,224	86,598
<b>NET SALES:</b>				
Engineered Infrastructure Products segment	257,017	286,186	488,336	495,083
Utility Support Structures segment	162,656	212,005	338,708	426,237
Coatings segment	63,916	70,387	125,729	137,605
Irrigation segment	153,818	219,913	308,285	432,637
Other	44,716	54,108	91,463	102,777
Total	\$ 682,123	\$ 842,599	\$ 1,352,521	\$ 1,594,339
<b>OPERATING INCOME:</b>				
Engineered Infrastructure Products segment	\$ 17,424	\$ 28,625	\$ 29,406	\$ 42,334
Utility Support Structures segment	10,399	26,375	25,756	59,132
Coatings segment	7,862	15,820	18,861	29,706

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Irrigation segment	25,814	41,473	50,116	84,619
Other	6,273	8,343	12,871	16,893
Corporate	(13,772)	(15,860)	(25,327)	(29,060)
Total	\$ 54,000	\$ 104,776	\$ 111,683	\$ 203,624

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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**

The Company has three tranches of senior unsecured notes. All of the senior 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 the fourth quarter of 2014, a subsidiary of the Company was removed as a guarantor of our revolving credit facility, and consequently was removed as a guarantor of the notes. All prior year consolidated financial information has been recast to reflect the current guarantor structure. 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 June 27, 2015**

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 311,156	\$ 102,090	\$ 322,555	\$ (53,678)	\$ 682,123
Cost of sales	232,779	78,149	254,666	(53,019)	512,575
Gross profit	78,377	23,941	67,889	(659)	169,548
Selling, general and administrative expenses	50,913	11,091	53,544		115,548
Operating income	27,464	12,850	14,345	(659)	54,000
Other income (expense):					
Interest expense	(10,894)		(338)		(11,232)
Interest income	4	2	610		616
Other	(248)	24	196		(28)
	(11,138)	26	468		(10,644)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	16,326	12,876	14,813	(659)	43,356
Income tax expense (benefit):					
Current	7,545	5,223	6,547	(179)	19,136
Deferred	(1,650)	(51)	(3,518)		(5,219)
	5,895	5,172	3,029	(179)	13,917
Earnings before equity in earnings of nonconsolidated subsidiaries	10,431	7,704	11,784	(480)	29,439
Equity in earnings of nonconsolidated subsidiaries	17,442	876		(18,318)	
Net earnings	27,873	8,580	11,784	(18,798)	29,439

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Less: Earnings attributable to noncontrolling interests				(1,566)		(1,566)				
Net earnings attributable to Valmont Industries, Inc	\$	27,873	\$	8,580	\$	10,218	\$	(18,798)	\$	27,873

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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 Twenty-six weeks ended June 27, 2015

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 640,287	\$ 198,038	\$ 624,791	\$ (110,595)	\$ 1,352,521
Cost of sales	482,646	153,045	491,651	(109,823)	1,017,519
Gross profit	157,641	44,993	133,140	(772)	335,002
Selling, general and administrative expenses	98,955	22,388	101,976		223,319
Operating income	58,686	22,605	31,164	(772)	111,683
Other income (expense):					
Interest expense	(21,726)		(634)		(22,360)
Interest income	13	4	1,473		1,490
Other	(897)		1,885		988
	(22,610)	4	2,724		(19,882)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	36,076	22,609	33,888	(772)	91,801
Income tax expense (benefit):					
Current	8,937	9,850	12,344	(221)	30,910
Deferred	3,819	(584)	(3,290)		(55)
	12,756	9,266	9,054	(221)	30,855
Earnings before equity in earnings of nonconsolidated subsidiaries	23,320	13,343	24,834	(551)	60,946
Equity in earnings of nonconsolidated subsidiaries	35,292	5,181		(40,473)	
Net earnings	58,612	18,524	24,834	(41,024)	60,946
Less: Earnings attributable to noncontrolling interests			(2,334)		(2,334)
Net earnings attributable to Valmont Industries, Inc	\$ 58,612	\$ 18,524	\$ 22,500	\$ (41,024)	\$ 58,612

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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 June 28, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 378,642	\$ 124,414	\$ 387,715	\$ (48,172)	\$ 842,599
Cost of sales	280,054	91,536	298,764	(48,232)	622,122
Gross profit	98,588	32,878	88,951	60	220,477
Selling, general and administrative expenses	50,164	12,670	52,867		115,701
Operating income	48,424	20,208	36,084	60	104,776
Other income (expense):					
Interest expense	(7,691)		(613)		(8,304)
Interest income	6	113	1,458		1,577
Other	1,754	140	9		1,903
	(5,931)	253	854		(4,824)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	42,493	20,461	36,938	60	99,952
Income tax expense (benefit):					
Current	9,315	5,458	11,316	28	26,117
Deferred	7,672	2,079	(1,798)		7,953
	16,987	7,537	9,518	28	34,070
Earnings before equity in earnings of nonconsolidated subsidiaries	25,506	12,924	27,420	32	65,882
Equity in earnings of nonconsolidated subsidiaries	38,470	8,478		(46,978)	(30)
Net earnings	63,976	21,402	27,420	(46,946)	65,852
Less: Earnings attributable to noncontrolling interests			(1,876)		(1,876)
Net earnings attributable to Valmont Industries, Inc	\$ 63,976	\$ 21,402	\$ 25,544	\$ (46,946)	\$ 63,976

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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 Twenty-six weeks ended June 28, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 755,284	\$ 260,311	\$ 687,996	\$ (109,252)	\$ 1,594,339
Cost of sales	551,813	191,352	533,398	(109,683)	1,166,880
Gross profit	203,471	68,959	154,598	431	427,459
Selling, general and administrative expenses	97,954	25,661	100,220		223,835
Operating income	105,517	43,298	54,378	431	203,624
Other income (expense):					
Interest expense	(15,366)		(1,135)		(16,501)
Interest income	26	296	2,994		3,316
Other	1,821	(352)	(5,378)		(3,909)
	(13,519)	(56)	(3,519)		(17,094)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	91,998	43,242	50,859	431	186,530
Income tax expense (benefit):					
Current	29,193	13,512	16,218	132	59,055
Deferred	5,829	1,667	(2,466)		5,030
	35,022	15,179	13,752	132	64,085
Earnings before equity in earnings of nonconsolidated subsidiaries	56,976	28,063	37,107	299	122,445
Equity in earnings of nonconsolidated subsidiaries	62,980	9,023		(72,033)	(30)
Net earnings	119,956	37,086	37,107	(71,734)	122,415
Less: Earnings attributable to noncontrolling interests			(2,459)		(2,459)
Net earnings attributable to Valmont Industries, Inc	\$ 119,956	\$ 37,086	\$ 34,648	\$ (71,734)	\$ 119,956



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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 COMPREHENSIVE INCOME  
For the Thirteen weeks ended June 27, 2015

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 27,873	\$ 8,580	\$ 11,784	\$ (18,798)	\$ 29,439
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		76	18,252		18,328
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	19				19
Gain on cash flow hedges	(301)		1,052		751
Equity in other comprehensive income	18,978			(18,978)	
Other comprehensive income (loss)	18,696	76	19,304	(18,978)	19,098
Comprehensive income	46,569	8,656	31,088	(37,776)	48,537
Comprehensive income attributable to noncontrolling interests			(1,968)		(1,968)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 46,569	\$ 8,656	\$ 29,120	\$ (37,776)	\$ 46,569

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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 COMPREHENSIVE INCOME

For the Twenty-six weeks ended June 27, 2015

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 58,612	\$ 18,524	\$ 24,834	\$ (41,024)	\$ 60,946
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		(8,812)	(31,038)		(39,850)
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	37				37
Gain on cash flow hedges	(209)		1,254		1,045
Equity in other comprehensive income	(36,903)			36,903	
Other comprehensive income (loss)	(37,075)	(8,812)	(29,784)	36,903	(38,768)
Comprehensive income	21,537	9,712	(4,950)	(4,121)	22,178
Comprehensive income attributable to noncontrolling interests			(641)		(641)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 21,537	\$ 9,712	\$ (5,591)	\$ (4,121)	\$ 21,537

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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 COMPREHENSIVE INCOME  
For the Thirteen weeks ended June 28, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 63,976	\$ 21,402	\$ 27,420	\$ (46,946)	\$ 65,852
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		(126)	13,995		13,869
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	100		(133)		(33)
Actuarial gain (loss) in defined benefit pension plan liability			(614)		(614)
Equity in other comprehensive income	13,206			(13,206)	
Other comprehensive income (loss)	13,306	(126)	13,248	(13,206)	13,222
Comprehensive income	77,282	21,276	40,668	(60,152)	79,074
Comprehensive income attributable to noncontrolling interests			(1,792)		(1,792)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 77,282	\$ 21,276	\$ 38,876	\$ (60,152)	\$ 77,282

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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 COMPREHENSIVE INCOME  
For the Twenty-six weeks ended June 28, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 119,956	\$ 37,086	\$ 37,107	\$ (71,734)	\$ 122,415
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		1,063	24,443		25,506
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	200		(133)		67
Actuarial gain (loss) in defined benefit pension plan liability			(847)		(847)
Equity in other comprehensive income	25,281			(25,281)	
Other comprehensive income (loss)	25,481	1,063	23,463	(25,281)	24,726
Comprehensive income	145,437	38,149	60,570	(97,015)	147,141
Comprehensive income attributable to noncontrolling interests			(1,704)		(1,704)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 145,437	\$ 38,149	\$ 58,866	\$ (97,015)	\$ 145,437

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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 BALANCE SHEETS

June 27, 2015

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 12,453	\$ 1,800	\$ 303,270	\$	\$ 317,523
Receivables, net	146,163	54,606	290,937		491,706
Inventories	133,029	51,821	198,598	(3,551)	379,897
Prepaid expenses	6,782	662	49,209		56,653
Refundable and deferred income taxes	29,974	6,089	8,009		44,072
Total current assets	328,401	114,978	850,023	(3,551)	1,289,851
Property, plant and equipment, at cost	561,190	125,366	437,329		1,123,885
Less accumulated depreciation and amortization	334,149	67,516	151,243		552,908
Net property, plant and equipment	227,041	57,850	286,086		570,977
Goodwill	20,108	107,542	252,436		380,086
Other intangible assets	265	41,235	148,392		189,892
Investment in subsidiaries and intercompany accounts	1,405,594	854,867	899,268	(3,159,729)	
Other assets	49,438		87,148		136,586
Total assets	\$ 2,030,847	\$ 1,176,472	\$ 2,523,353	\$ (3,163,280)	\$ 2,567,392
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current liabilities:					
Current installments of long-term debt	\$ 215	\$	\$ 881	\$	\$ 1,096
Notes payable to banks			7,914		7,914
Accounts payable	51,355	15,355	119,711		186,421
Accrued employee compensation and benefits	33,728	5,209	36,218		75,155
Accrued expenses	32,928	6,182	50,873		89,983
Dividends payable	8,733				8,733
Total current liabilities	126,959	26,746	215,597		369,302
Deferred income taxes	1,085	28,299	33,575		62,959
Long-term debt, excluding current installments	759,251		6,021		765,272
Defined benefit pension liability			135,068		135,068
Deferred compensation	45,231		5,825		51,056
Other noncurrent liabilities	5,272		37,870		43,142
Shareholders' equity:					

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Common stock of \$1 par value	27,900	457,950	648,682	(1,106,632)	27,900
Additional paid-in capital		150,286	1,098,408	(1,248,694)	
Retained earnings	1,762,534	571,199	420,383	(991,582)	1,762,534
Accumulated other comprehensive income (loss)	(171,508)	(58,008)	(125,620)	183,628	(171,508)
Treasury stock	(525,877)				(525,877)
<b>Total Valmont Industries, Inc. shareholders' equity</b>	<b>1,093,049</b>	<b>1,121,427</b>	<b>2,041,853</b>	<b>(3,163,280)</b>	<b>1,093,049</b>
Noncontrolling interest in consolidated subsidiaries			47,544		47,544
<b>Total shareholders' equity</b>	<b>1,093,049</b>	<b>1,121,427</b>	<b>2,089,397</b>	<b>(3,163,280)</b>	<b>1,140,593</b>
Total liabilities and shareholders' equity	\$ 2,030,847	\$ 1,176,472	\$ 2,523,353	\$ (3,163,280)	\$ 2,567,392

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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 BALANCE SHEETS

December 27, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 69,869	\$ 2,157	\$ 299,553	\$	\$ 371,579
Receivables, net	158,316	68,414	310,188		536,918
Inventories	127,859	54,914	177,512	(763)	359,522
Prepaid expenses	7,087	502	49,323		56,912
Refundable and deferred income taxes	53,307	6,194	8,509		68,010
Total current assets	416,438	132,181	845,085	(763)	1,392,941
Property, plant and equipment, at cost	556,658	124,182	458,729		1,139,569
Less accumulated depreciation and amortization	319,899	65,493	147,724		533,116
Net property, plant and equipment	236,759	58,689	311,005		606,453
Goodwill	20,108	107,542	257,461		385,111
Other intangible assets	292	43,644	158,068		202,004
Investment in subsidiaries and intercompany accounts	1,446,989	825,236	887,055	(3,159,280)	
Other assets	46,587		96,572		143,159
Total assets	\$ 2,167,173	\$ 1,167,292	\$ 2,555,246	\$ (3,160,043)	\$ 2,729,668
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current liabilities:					
Current installments of long-term debt	\$ 213	\$	\$ 968	\$	\$ 1,181
Notes payable to banks			13,952		13,952
Accounts payable	59,893	15,151	121,521		196,565
Accrued employee compensation and benefits	48,169	5,385	34,396		87,950
Accrued expenses	32,616	6,052	49,812		88,480
Dividends payable	9,086				9,086
Total current liabilities	149,977	26,588	220,649		397,214
Deferred income taxes	5,584	28,988	37,225		71,797
Long-term debt, excluding current installments	759,895		6,759		766,654
Defined benefit pension liability			150,124		150,124
Deferred compensation	41,803		6,129		47,932
Other noncurrent liabilities	8,081		37,461		45,542
Shareholders' equity:					

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Common stock of \$1 par value	27,900	457,950	648,682	(1,106,632)	27,900
Additional paid-in capital		150,286	1,098,408	(1,248,694)	
Retained earnings	1,718,662	552,676	397,302	(949,978)	1,718,662
Accumulated other comprehensive income	(134,433)	(49,196)	(96,065)	145,261	(134,433)
Treasury stock	(410,296)				(410,296)
<b>Total Valmont Industries, Inc. shareholders' equity</b>	<b>1,201,833</b>	<b>1,111,716</b>	<b>2,048,327</b>	<b>(3,160,043)</b>	<b>1,201,833</b>
Noncontrolling interest in consolidated subsidiaries			48,572		48,572
<b>Total shareholders' equity</b>	<b>1,201,833</b>	<b>1,111,716</b>	<b>2,096,899</b>	<b>(3,160,043)</b>	<b>1,250,405</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,167,173</b>	<b>\$ 1,167,292</b>	<b>\$ 2,555,246</b>	<b>\$ (3,160,043)</b>	<b>\$ 2,729,668</b>



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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 CASH FLOWS

For the Twenty-six Weeks Ended June 27, 2015

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operating activities:					
Net earnings	\$ 58,612	\$ 18,524	\$ 24,834	\$ (41,024)	\$ 60,946
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	14,983	6,278	26,500		47,761
Noncash loss on trading securities			4,582		4,582
Impairment of assets	1,890	215	7,187		9,292
Stock-based compensation	7,466		(3,953)		3,513
Defined benefit pension plan expense			(305)		(305)
Contribution to defined benefit pension plan			(15,735)		(15,735)
Gain on sale of property, plant and equipment	(8)	97	453		542
Equity in earnings in nonconsolidated subsidiaries	(35,292)	(5,181)		40,473	
Deferred income taxes	3,819	(584)	(3,290)		(55)
Changes in assets and liabilities (net of acquisitions):					
Receivables	12,153	13,807	6,551		32,511
Inventories	10,161	3,093	(41,000)		(27,746)
Prepaid expenses	305	(160)	(3,232)		(3,087)
Accounts payable	(8,538)	204	3,313		(5,021)
Accrued expenses	(13,652)	(46)	7,267		(6,431)
Other noncurrent liabilities	(2,729)		4,490		1,761
Income taxes payable (refundable)	15,016	(5)	806		15,817
<b>Net cash flows from operating activities</b>	<b>64,186</b>	<b>36,242</b>	<b>18,468</b>	<b>(551)</b>	<b>118,345</b>
Cash flows from investing activities:					
Purchase of property, plant and equipment	(7,065)	(3,147)	(14,546)		(24,758)
Proceeds from sale of assets	25	19	1,057		1,101
Other, net	24,268	(33,440)	14,517	551	5,896
<b>Net cash flows from investing activities</b>	<b>17,228</b>	<b>(36,568)</b>	<b>1,028</b>	<b>551</b>	<b>(17,761)</b>
Cash flows from financing activities:					
Net borrowings under short-term agreements			(5,890)		(5,890)
Proceeds from long-term borrowings	33,000				33,000
Principal payments on long-term borrowings	(33,212)		(445)		(33,657)
Dividends paid	(17,956)				(17,956)
Dividends to noncontrolling interest			(1,669)		(1,669)
Proceeds from exercises under stock plans	9,454				9,454
Excess tax benefits from stock option exercises	1,394				1,394
Purchase of treasury shares	(121,020)				(121,020)
Purchase of common treasury shares stock plan exercises	(10,490)				(10,490)
<b>Net cash flows from financing activities</b>	<b>(138,830)</b>		<b>(8,004)</b>		<b>(146,834)</b>
Effect of exchange rate changes on cash and cash equivalents		(31)	(7,775)		(7,806)

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Net change in cash and cash equivalents	(57,416)	(357)	3,717	(54,056)
Cash and cash equivalents beginning of year	69,869	2,157	299,553	371,579
Cash and cash equivalents end of period	\$ 12,453	\$ 1,800	\$ 303,270	\$ 317,523

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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 CASH FLOWS  
For the Twenty-six Weeks Ended June 28, 2014

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operating activities:					
Net earnings	\$ 119,956	\$ 37,086	\$ 37,107	\$ (71,734)	\$ 122,415
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	12,539	6,584	24,245		43,368
Noncash loss on trading securities			3,501		3,501
Stock-based compensation	3,686				3,686
Defined benefit pension plan expense			1,334		1,334
Contribution to defined benefit pension plan			(17,484)		(17,484)
Gain on sale of property, plant and equipment	7	(74)	(35)		(102)
Equity in earnings in nonconsolidated subsidiaries	(62,980)	(9,023)		72,033	30
Deferred income taxes	5,829	1,667	(2,466)		5,030
Changes in assets and liabilities (net of acquisitions):					
Receivables	(9,471)	34,803	(4,249)		21,083
Inventories	9,584	10,651	(13,611)		6,624
Prepaid expenses	(1,870)	241	(16,660)		(18,289)
Accounts payable	1,352	(3,892)	(26,093)		(28,633)
Accrued expenses	(23,205)	(8,411)	1,201		(30,415)
Other noncurrent liabilities	1,941		(175)		1,766
Income taxes payable (refundable)	(22,572)	1,071	(562)		(22,063)
Net cash flows from operating activities	34,796	70,703	(13,947)	299	91,851
Cash flows from investing activities:					
Purchase of property, plant and equipment	(27,046)	(1,486)	(18,459)		(46,991)
Proceeds from sale of assets	21	88	1,042		1,151
Acquisitions, net of cash acquired			(120,483)		(120,483)
Other, net	49,004	(74,035)	22,390	(299)	(2,940)
Net cash flows from investing activities	21,979	(75,433)	(115,510)	(299)	(169,263)
Cash flows from financing activities:					
Net borrowings under short-term agreements			(1,861)		(1,861)
Principal payments on long-term borrowings	(196)		(63)		(259)
Dividends paid	(13,427)				(13,427)
Intercompany dividends	20,895		(20,895)		
Dividends to noncontrolling interest			(1,340)		(1,340)
Intercompany capital contribution	(143,000)		143,000		
Proceeds from exercises under stock plans	11,996				11,996
Excess tax benefits from stock option exercises	3,576				3,576
Purchase of treasury shares	(77,084)				(77,084)
Purchase of common treasury shares stock plan exercises	(11,984)				(11,984)
Net cash flows from financing activities	(209,224)		118,841		(90,383)

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Effect of exchange rate changes on cash and cash equivalents		2,691		7,325		10,016
Net change in cash and cash equivalents	(152,449)	(2,039)	(3,291)	(157,779)		
Cash and cash equivalents beginning of year	215,576	29,797	368,333	613,706		
Cash and cash equivalents end of period	\$ 63,127	\$ 27,758	\$ 365,042	\$ 455,927		

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Management's discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on assumptions that management has made in light of experience in the industries in which the Company operates, as well as management's perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances. These statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond the Company's control) and assumptions. Management believes that these forward-looking statements are based on reasonable assumptions. Many factors could affect the Company's actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. These factors include, among other things, risk factors described from time to time in the Company's reports to the Securities and Exchange Commission, as well as future economic and market circumstances, industry conditions, company performance and financial results, operating efficiencies, availability and price of raw materials, availability and market acceptance of new products, product pricing, domestic and international competitive environments, and actions and policy changes of domestic and foreign governments.

This discussion should be read in conjunction with the financial statements and notes thereto, and the management's discussion and analysis included in the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2014. Segment sales in the table below are presented net of intersegment sales.

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**Results of Operations**

Dollars in millions, except per share amounts

	Thirteen Weeks Ended			Twenty-six Weeks Ended		
	June 27, 2015	June 28, 2014	% Incr. (Decr.)	June 27, 2015	June 28, 2014	% Incr. (Decr.)
<b>Consolidated</b>						
Net sales	\$ 682.1	\$ 842.6	(19.0)%	\$ 1,352.5	\$ 1,594.3	(15.2)%
Gross profit	169.5	220.5	(23.1)%	335.0	427.5	(21.6)%
<i>as a percent of sales</i>	24.8%	26.2%		24.8%	26.8%	
SG&A expense	115.5	115.7	(0.2)%	223.3	223.8	(0.2)%
<i>as a percent of sales</i>	16.9%	13.7%		16.5%	14.0%	
Operating income	54.0	104.8	(48.5)%	111.7	203.6	(45.1)%
<i>as a percent of sales</i>	7.9%	12.4%		8.3%	12.8%	
Net interest expense	10.6	6.7	58.2%	20.9	13.2	58.3%
Effective tax rate	32.1%	34.1%		33.6%	34.4%	
Net earnings	\$ 27.9	\$ 64.0	(56.4)%	\$ 58.6	\$ 120.0	(51.2)%
Diluted earnings per share	\$ 1.19	\$ 2.38	(50.0)%	\$ 2.47	\$ 4.46	(44.6)%
<b>Engineered Infrastructure</b>						
<b>Products</b>						
Net sales	257.0	286.2	(10.2)%	488.3	495.1	(1.4)%
Gross profit	63.5	73.9	(14.1)%	118.5	128.4	(7.7)%
SG&A expense	46.1	45.3	1.8%	89.1	86.1	3.5%
Operating income	17.4	28.6	(39.2)%	29.4	42.3	(30.5)%
<b>Utility Support Structures</b>						
Net sales	\$ 162.6	\$ 212.0	(23.3)%	\$ 338.7	\$ 426.2	(20.5)%
Gross profit	30.6	45.9	(33.3)%	65.2	98.0	(33.5)%
SG&A expense	20.3	19.6	3.6%	39.5	38.9	1.5%
Operating income	10.3	26.3	(60.8)%	25.7	59.1	(56.5)%
<b>Coatings</b>						
Net sales	\$ 63.9	\$ 70.4	(9.2)%	\$ 125.7	\$ 137.6	(8.6)%
Gross profit	17.0	25.3	(32.8)%	36.8	48.6	(24.3)%
SG&A expense	9.1	9.5	(4.2)%	17.9	18.9	(5.3)%
Operating income	7.9	15.8	(50.0)%	18.9	29.7	(36.4)%
<b>Irrigation</b>						
Net sales	\$ 153.8	\$ 219.9	(30.1)%	\$ 308.3	\$ 432.6	(28.7)%
Gross profit	47.7	62.9	(24.2)%	93.0	127.6	(27.1)%
SG&A expense	21.9	21.3	2.8%	42.9	42.9	0.0%
Operating income	25.8	41.6	(38.0)%	50.1	84.7	(40.9)%
<b>Other</b>						
Net sales	\$ 44.8	\$ 54.1	(17.2)%	\$ 91.5	\$ 102.8	(11.0)%
Gross profit	10.5	12.4	(15.3)%	21.4	24.7	(13.4)%
SG&A expense	4.2	4.1	2.4%	8.5	7.8	9.0%
Operating income	6.3	8.3	(24.1)%	12.9	16.9	(23.7)%
<b>Net corporate expense</b>						
Gross profit	\$ 0.2	\$ 0.1	(100.0)%	\$ 0.1	\$ 0.2	50.0%
SG&A expense	13.9	16.0	(13.1)%	25.4	29.3	(13.3)%
Operating loss	(13.7)	(15.9)	13.8%	(25.3)	(29.1)	13.1%

NM=Not meaningful

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#### **Overview**

On a consolidated basis, the decrease in net sales in the second quarter and first half of fiscal 2015, as compared with 2014, reflected lower sales in all reportable segments. The changes in net sales in the second quarter and first half of fiscal 2015, as compared with fiscal 2014, were as follows:

	Second quarter					
	Total	EIP	Utility	Coatings	Irrigation	Other
Sales 2014	\$ 842.6	\$ 286.2	\$ 212.0	\$ 70.4	\$ 219.9	\$ 54.1
Volume	(101.2)	(12.5)	(24.4)	(5.0)	(57.6)	(1.7)
Pricing/mix	(25.5)	(3.1)	(21.7)	2.9	(1.3)	(2.3)
Acquisitions	21.1	15.7			5.4	
Currency translation	(54.9)	(29.3)	(3.3)	(4.4)	(12.6)	(5.3)
Sales 2015	\$ 682.1	\$ 257.0	\$ 162.6	\$ 63.9	\$ 153.8	\$ 44.8

	Year-to-date					
	Total	EIP	Utility	Coatings	Irrigation	Other
Sales 2014	\$ 1,594.3	\$ 495.1	\$ 426.2	\$ 137.6	\$ 432.6	\$ 102.8
Volume	(165.0)	(2.9)	(38.9)	(12.7)	(110.7)	0.2
Pricing/mix	(44.3)	(3.2)	(42.9)	8.4	(3.3)	(3.3)
Acquisitions	53.7	45.0			8.7	
Currency translation	(86.2)	(45.7)	(5.7)	(7.6)	(19.0)	(8.2)
Sales 2015	\$ 1,352.5	\$ 488.3	\$ 338.7	\$ 125.7	\$ 308.3	\$ 91.5

Volume effects are estimated based on a physical production or sales measure. Since products we sell are not uniform in nature, pricing and mix relate to a combination of changes in sales prices and the attributes of the product sold. Accordingly, pricing and mix changes do not necessarily directly result in operating income changes.

Acquisitions included DS SM A/S (renamed Valmont SM), AgSense LLC, and Shakespeare. We acquired Valmont SM in March 2014, AgSense in August 2014, and Shakespeare in October 2014. Shakespeare and Valmont SM are reported in the Engineered Infrastructure Products segment, and AgSense is reported in the Irrigation segment. Average steel index prices for both hot rolled coil and plate decreased substantially in North America over the three and six month periods ended June 27, 2015 compared to June 28, 2014. Decreases in sales pricing and volumes offset the increase in gross profit realized from the lower steel prices.

#### **Restructuring Plan**

In April 2015, our Board of Directors authorized a broad restructuring plan (the "Plan") of up to \$60 million to respond to the market environment in certain of our businesses. We expect to incur pre-tax cash expenses of \$17 million and asset impairments of approximately \$13 million. These charges are expected to be incurred over the remainder of 2015. Approximately \$14.3 million of restructuring expense was recorded during the second quarter of 2015; \$8.0 million in cost of goods sold and \$6.3 million in selling, general, and administrative expense. The decrease in second quarter 2015 gross profit due to restructuring expense by segment is as follows:

Gross Profit	Total	EIP	Utility	Coatings	Irrigation	Other	Corporate
Second quarter	\$ (8.0)	\$ (1.4)	\$ (2.0)	\$ (4.5)	\$	\$ (0.1)	\$

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The decrease in second quarter 2015 operating income due to restructuring expense by segment is as follows:

	<b>Total</b>	<b>EIP</b>	<b>Utility</b>	<b>Coatings</b>	<b>Irrigation</b>	<b>Other</b>	<b>Corporate</b>
Second quarter	\$ (14.3)	\$ (4.5)	\$ (2.5)	\$ (4.8)	\$ (0.3)	\$ (0.1)	\$ (2.1)

Certain of these restructuring actions are within the APAC Coatings reporting unit which has approximately \$16 million of goodwill as of June 27, 2015. We expect these activities to improve the profitability of this reporting unit. Should operating income not improve within this reporting unit after these restructuring activities are implemented, we may have to write off all or a portion of our goodwill for this reporting unit during our annual impairment testing during the third quarter. In addition to this goodwill, we are also evaluating other potential restructuring activities authorized under the Plan. In total, these restructuring items could result in asset impairments of up to \$25 million and cash charges of \$5 million.

In the second quarter and first half of fiscal 2015, we realized a decrease in operating profit, as compared with fiscal 2014, due to currency translation effects. On average, the U.S. dollar strengthened in particular against the Australian dollar, Brazilian Real, Euro, and South Africa Rand, resulting in less operating profit in U.S. dollar terms. The breakdown of this effect by segment was as follows:

	<b>Total</b>	<b>EIP</b>	<b>Utility</b>	<b>Coatings</b>	<b>Irrigation</b>	<b>Other</b>	<b>Corporate</b>
Second quarter	\$ (5.4)	\$ (2.4)	\$ (0.1)	\$ (0.3)	\$ (2.5)	\$ (0.4)	\$ 0.2
Year-to-date	\$ (7.7)	\$ (3.2)	\$ (0.1)	\$ (0.6)	\$ (3.5)	\$ (0.6)	\$ 0.3

The decrease in gross margin (gross profit as a percent of sales) in fiscal 2015, as compared with 2014, was due to a combination of lower sales prices, unfavorable sales mix, restructuring charges, and reduced sales volumes in 2015, as compared with 2014.

Selling, general and administrative (SG&A) spending in the second quarter and first half of fiscal 2015, as compared with the same periods in 2014, decreased slightly due to the following factors:

currency translation effects of \$6.4 million and \$8.9 million, respectively, due to the strengthening of the U.S. dollar primarily against the Australian dollar, Brazilian Real, Euro, and South Africa Rand; and

decreased employee incentive accruals of \$4.4 million and \$6.7 million, due to lower operating results.

The above reductions in SG&A were partially offset by the following:

the acquisition of Valmont SM, AgSense, and Shakespeare with expenses of \$3.4 million and \$8.9 million, respectively; and

expenses incurred related to the restructuring plan during the second quarter of \$6.3 million.

The decrease in operating income on a reportable segment basis in 2015, as compared to 2014, was due to reduced operating performance in all segments. The decrease in operating income is primarily attributable to lower volumes and sales prices, restructuring expenses, and currency translation effects.

Net interest expense increased in the second quarter and first half of fiscal 2015, as compared with 2014, primarily due to additional long-term debt borrowed in the third quarter of 2014. In addition, interest income decreased due to less cash on hand due to the share buyback program.

The increase in other expense in the second quarter of 2015, as compared with 2014, was due to a smaller gain on deferred compensation assets of \$1.1 million and less favorable foreign currency





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transaction gains/losses due to currency exchange rate changes. The decrease in other expense in the first half of fiscal 2015, as compared with 2014, was primarily attributable to the difference in the investment income from the Company's shares of Delta EMD. In 2014, we recorded a non-cash mark to market loss of \$3.5 million and in 2015, we received a \$5.0 million special dividend offset by a noncash mark to market loss of approximately \$4.6 million. The remaining decrease in other expense relates to a smaller gain on deferred compensation assets of \$0.7 million and more favorable currency transactional gains/losses.

Our effective income tax rate in the second quarter and first half of fiscal 2015 was lower when compared with the same period in fiscal 2014. The reduction relates to a tax benefit recorded in 2015 for certain withholding taxes paid in foreign jurisdictions.

Earnings attributable to noncontrolling interest was relatively flat in the second quarter and first half of fiscal 2015, as compared with the same periods in 2014.

Our cash flows provided by operations were approximately \$118.3 million in the first half of fiscal 2015, as compared with \$91.9 million provided by operations in 2014. The increase in operating cash flow in the first half of fiscal 2015 was the result of improved net working capital, partially offset by lower net earnings, compared with 2014.

***Engineered Infrastructure Products (EIP) segment***

The decrease in net sales in the second quarter and first half of fiscal 2015 as compared with 2014 was primarily due to unfavorable foreign currency translation effects of \$29.3 million and \$45.7 million, respectively, and lower sales volumes. These reductions were partially offset by the acquisitions of Valmont SM in March 2014 and Shakespeare in October 2014, which added sales in the second quarter and first half of fiscal 2015 of \$15.7 million and \$45.0 million, respectively.

Global lighting, traffic, and roadway product sales in the second quarter and first half of 2015 were lower compared to the same periods in fiscal 2014. In the second quarter and first half of fiscal 2015, sales volumes in the U.S. were higher in the commercial steel and aluminum markets and slightly lower in the transportation markets. The transportation market continues to be challenging, due in part to the lack of long-term U.S. federal highway funding legislation. Sales volumes in Canada decreased in the second quarter and first half of 2015 as compared to 2014, due to lower volumes and unfavorable currency impacts. Sales in Europe were lower in the second quarter and first half of fiscal 2015 compared to the same periods in fiscal 2014, due to unfavorable currency translation effects that were offset to an extent by higher volumes relating to a large project in the Middle East that ended in the second quarter. The domestic markets in general remain subdued in Europe. In the Asia Pacific region, sales were slightly lower in the second quarter and first half of fiscal 2015, as compared to 2014, due to lower investment activity in both China and Australia. Highway safety product sales decreased slightly in the second quarter and first half of 2015 compared to 2014, due to unfavorable foreign currency translation that was partially offset by increased volume due to improvement in highway project activity in Australia and New Zealand.

Communication product line sales were slightly higher in the second quarter and first half of fiscal 2015, as compared with the same periods in fiscal 2014. North America communication structure sales decreased, primarily due to one customer who significantly reduced its 4G wireless network build out in 2015 compared with 2014. Communication component sales were flat year over year. In China, sales of wireless communication structures in the second quarter and first half of fiscal 2015 increased over the same period in 2014 as the investment levels by the major wireless carriers have remained strong and we have increased our market share through better sales coverage.

Access systems product line sales decreased in the second quarter and first half of 2015, as compared with 2014, primarily due to the negative impact of currency translation effects and lower

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volumes. The volume decrease was primarily related to the slowdown in mining sector investment in Australia, weaker market conditions in China, and fewer oil and gas related construction projects.

Offshore structures sales were down \$24.1 million and \$16.5 million in the second quarter and first half of 2015, as compared to the same periods in 2014. These decreases are impacted by unfavorable currency translation effects of \$9.1 million and \$12.3 million in the second quarter and first half of 2015, respectively, as well as reduced volumes partially offset by two additional months of sales in 2015. A delay in wind energy product introduction by our customers has resulted in some projects being postponed. An additional factor contributing to the sales decrease was the postponement of oil and gas orders due to lower oil prices.

Operating income for the segment in the second quarter and first half of fiscal 2015 was lower, as compared with the same period of fiscal 2014, due to restructuring charges recorded in the second quarter and first half of 2015 and unfavorable currency translation effects of \$2.4 million and \$3.2 million, respectively. The remainder of the decrease can be attributed to lower volumes and sales mix. The slight increase in SG&A spending in the second quarter and first half of 2015 was due to the Shakespeare and Valmont SM acquisitions totaling \$2.3 million and \$6.7 million, respectively, and restructuring charges incurred in 2015. These increases were partially offset by currency translation effects.

*Utility Support Structures (Utility) segment*

In the Utility segment, sales decreased in the second quarter and first half of 2015, as compared with 2014, due to lower sales volume, a decrease in average selling prices, most notably for our steel products, and an unfavorable sales mix. Our mix of revenue from very large transmission projects in second quarter and first half of 2015 was unfavorable to same periods of 2014. A backlog including some very large transmission projects at year-end 2013 provided for the more favorable mix of large transmission projects revenue in first quarter of 2014. Declining steel prices during the first half of 2015 and a competitive pricing environment also contributed to lower average selling prices in the second quarter of 2015 compared to 2014.

In North America, sales volumes in tons for steel and concrete utility structures were down in the first half of 2015, as compared with 2014. Our large utility customers delayed capital investment in transmission and we believe this trend will continue for the remainder of 2015. The pricing environment in North America continues to be very competitive. In the second quarter and first half of 2015, as compared to 2014, international utility structures sales decreased due to unfavorable currency translation effects and lower volumes in the Asia-Pacific region.

SG&A expense was slightly lower in the second quarter and first half of 2015, as compared with 2014, primarily due to lower employee compensation and sales commissions, offset to an extent by restructuring costs. Operating income in the second quarter and first half of 2015, as compared with 2014, decreased due to lower volumes, sales margins, and reduced leverage of fixed costs. While we initiated a number of actions to improve our cost structure in this segment, including certain restructuring activities, the full effect will be recognized upon a rebound in our sales volumes.

*Coatings segment*

Coatings segment sales in North America decreased in the second quarter and first half of 2015, as compared with 2014, due to lower sales volumes and currency translation effects related to the strengthening of the U.S. dollar against the Canadian dollar. Intercompany sales volumes in North America were down as well. Those decreases were partially offset by price increases to recover higher costs for zinc in 2015 as compared to 2014. Coatings sales in Asia Pacific decreased primarily due to currency translation effects related to the strengthening of the U.S. dollar against the Australian dollar. Continued weak demand in Australia led to the lower volumes that were partially offset by price increases to recover higher costs of zinc. Sales in Asia were relatively flat in the second quarter and first half of 2015.

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SG&A expense decreased in the second quarter and first half of 2015, as compared to the same periods in 2014, by \$0.3 million and \$1.0 million primarily due to currency translation effects. Operating income was lower in the second quarter and first half of 2015, as compared with 2014, due to \$4.8 million of restructuring costs in Australia, the lower sales volumes, unfavorable currency impacts, and reduced leverage of fixed costs in both Australia and North America.

***Irrigation segment***

The decrease in Irrigation segment net sales in the second quarter and first half of fiscal 2015, as compared with 2014, was mainly due to sales volume decreases in both North American and International markets. In fiscal 2015, net farm income in the United States is expected to decrease 32% from the levels of 2014, due in part to lower market prices for corn and soybeans. We believe this reduction contributed to lower demand for irrigation machines in North America in the second quarter and first half of 2015, as compared with 2014. In international markets, sales decreased in the second quarter and first half of 2015, as compared with 2014, primarily due to reduced volumes in Brazil, Eastern Europe, and the Middle East and unfavorable currency translation effects in Brazil and South Africa.

SG&A was relatively flat in the second quarter and first half of fiscal 2015, as compared with 2014; SG&A increased due to AgSense (acquired in August 2014) of \$1.1 million and \$2.1 million, respectively, offset by currency translation reductions of \$0.9 million and \$1.4 million, respectively. Operating income for the segment declined in the second quarter and first half of fiscal 2015 over 2014, due to sales volume decreases and associated operating deleverage of fixed operating costs, unfavorable currency impacts, and slightly lower pricing. These reductions were partially offset by the operating income of AgSense that was acquired in August 2014, lower average steel purchase prices, and reduced factory spending to adjust to the lower sales volumes.

***Other***

This unit includes the grinding media, industrial tubing, and industrial fasteners operations. The decrease in sales in the second quarter and first half of fiscal 2015, as compared with 2014, was due in part to unfavorable currency translation of \$5.3 million and \$8.2 million, respectively. Grinding media volumes were slightly lower in the second quarter but higher in the first half of 2015. Tubing sales in 2015 were lower due to a decline in steel prices and lower volumes. Industrial fasteners sales were down due to lower volumes in 2015. Operating income in the second quarter and first half of fiscal 2015 was lower than the same periods in 2014, due primarily to lower tubing and industrial fasteners sales volumes and unfavorable currency translation.

***Net corporate expense***

Net corporate expense in the second quarter and first half of fiscal 2015 decreased over the same period in fiscal 2014. These decreases were mainly due to lower employee incentives of \$4.4 million and \$6.0 million associated with reduced net earnings, respectively, offset partially by restructuring expenses in the second quarter of \$2.1 million.

**Liquidity and Capital Resources**

***Cash Flows***

***Working Capital and Operating Cash Flows*** Net working capital was \$920.5 million at June 27, 2015, as compared with \$995.7 million at December 27, 2014. The decrease in net working capital in 2015 mainly resulted from decreased cash which was used in the share repurchase program and lower accounts receivable due to improved collections. Cash flow provided by operations was \$118.3 million in the first half of 2015, as compared with \$91.9 million in first half of 2014. The increase in operating

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cash flow in 2015 was primarily the result of working capital improvements over 2014, offset to an extent by reduced net earnings.

*Investing Cash Flows* Capital spending in the first half of fiscal 2015 was \$24.8 million, as compared with \$47.0 million for the same period in 2014. Significant capital spending projects in 2015 and 2014 include certain investments in machinery and equipment across all businesses. We expect our capital spending for the 2015 fiscal year to be approximately \$60 million. The biggest contributor to lower investing cash outflows in 2015 as compared to 2014, was no acquisitions in the first half of 2015 and \$120.5 million in the first half of 2014 for the acquisition of Valmont SM.

*Financing Cash Flows* Our total interest-bearing debt decreased slightly to \$774.3 million at June 27, 2015 from \$781.8 million at December 27, 2014. Financing cash flows changed from a use of approximately \$90.4 million in the first half of fiscal 2014 to a use of approximately \$146.9 million in the first half of fiscal 2015. The primary change was due to the Company purchasing \$44.0 million more treasury shares in 2015 over 2014 related to the share repurchase program.

***Financing and Capital***

On May 13, 2014, we announced a new capital allocation philosophy which covered a share repurchase program. The Board of Directors authorized the purchase of up to \$500 million of the Company's outstanding common stock from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. In February 2015, the Board of Directors authorized an additional \$250 million of share purchase, without an expiration date. The share purchases will be funded from available working capital and short-term borrowings and will be made subject to market and economic conditions. We are not obligated to make any share repurchases under the share repurchase program and we may discontinue the share repurchase program at any time.

As of June 27, 2015, we have acquired approximately 3.7 million shares for approximately \$516.1 million under these share repurchase programs. As of July 22, 2015, the date as of which we report on the cover of this form 10-Q the number of outstanding shares of our common stock, we have acquired a total of 3.74 million shares for approximately \$521.0 million under these share repurchase programs.

Our capital allocation philosophy announcement included our intention to manage our capital structure to maintain our investment grade debt rating. Our most recent rating were Baa2 by Moody's Investors Services, Inc. and BBB+ rating by Standard and Poor's Rating Services. We would be willing to allow our debt rating to fall to Baa3 or BBB to finance a special acquisition or other opportunity. Otherwise, we expect to maintain a ratio of debt to invested capital which will support our current investment grade debt rating.

Our debt financing at June 27, 2015 is primarily long-term debt consisting of:

\$250.2 million face value (\$255.2 million carrying value) of senior unsecured notes that bear interest at 6.625% per annum and are due in April 2020.

\$250 million face value (\$248.9 million carrying value) of senior unsecured notes that bear interest at 5.00% per annum and are due in October 2044.

\$250 million face value (\$246.7 million carrying value) of unsecured notes that bear interest at 5.25% per annum and are due in October 2054.

We are allowed to repurchase the notes at specified prepayment premiums. All three tranches of these notes are guaranteed by certain of our subsidiaries.

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At June 27, 2015 and December 27, 2014, we had no outstanding borrowings under our revolving credit agreement. The revolving credit agreement contains certain financial covenants that may limit our additional borrowing capability under the agreement. At June 27, 2015, we had the ability to borrow \$581.4 million under this facility, after consideration of standby letters of credit of \$18.6 million associated with certain insurance obligations and international sales commitments. We also maintain certain short-term bank lines of credit totaling \$105.9 million, \$98.8 million of which was unused at June 27, 2015.

Our senior unsecured notes and revolving credit agreement each contain cross-default provisions which permit the acceleration of our indebtedness to them if we default on other indebtedness that results in, or permits, the acceleration of such other indebtedness.

The debt agreements contain covenants that require us to maintain certain coverage ratios and may limit us with respect to certain business activities, including capital expenditures. The debt agreements allow us to add estimated EBITDA from acquired businesses for periods we did not own the acquired business. As such, our calculations below are on an Adjusted EBITDA basis. Our key debt covenants are as follows:

Interest-bearing debt is not to exceed 3.5X Adjusted EBITDA of the prior four quarters; and

Adjusted EBITDA over the prior four quarters must be at least 2.5X our interest expense over the same period.

At June 27, 2015, we were in compliance with all covenants related to the debt agreements. The key covenant calculations at June 27, 2015 were as follows:

Interest-bearing debt	\$	774,282
Adjusted EBITDA last four quarters		324,373
Leverage ratio		2.39
Adjusted EBITDA last four quarters	\$	324,373
Interest expense last four quarters		45,127
Interest earned ratio		7.19

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The calculation of Adjusted EBITDA-last four quarters (June 28, 2014 through June 27, 2015) is as follows:

Net cash flows from operations	\$	200,590
Interest expense		45,127
Income tax expense		61,663
Impairment of assets		(9,292)
Loss on investment		(4,876)
Non-cash debt refinancing expense		2,478
Acquisition earn-out release		4,300
Deferred income tax benefit		(166)
Noncontrolling interest		(5,217)
Equity in earnings of nonconsolidated subsidiaries		60
Stock-based compensation		(6,557)
Pension plan expense		(999)
Contribution to pension plan		16,424
Changes in assets and liabilities		20,644
Other		(1,036)
EBITDA		323,143
Shakespeare EBITDA June 29, 2014 Oct. 5, 2014		1,230
Adjusted EBITDA	\$	324,373

Net earnings attributable to Valmont Industries, Inc.	\$	122,632
Interest expense		45,127
Income tax expense		61,663
Depreciation and amortization expense		93,721
EBITDA		323,143
Shakespeare EBITDA Jun 29, 2014 Oct. 5, 2014		1,230
Adjusted EBITDA	\$	324,373

During the third quarter of 2014, we incurred \$38,705 of costs associated with refinancing of debt. This category of expense is not in the definition of EBITDA for debt covenant calculation purposes per our debt agreements. As such, it has not been added back in the Adjusted EBITDA reconciliation to cash flows from operation or net earnings for the four quarters between June 28, 2014 and June 27, 2015.

Our businesses are cyclical, but we have diversity in our markets, from a product, customer and a geographical standpoint. We have demonstrated the ability to effectively manage through business cycles and maintain liquidity. We have consistently generated operating cash flows in excess of our capital expenditures. Based on our available credit facilities, recent issuance of senior unsecured notes and our history of positive operational cash flows, we believe that we have adequate liquidity to meet our needs.

We have not made any provision for U.S. income taxes in our financial statements on approximately \$683.7 million of undistributed earnings of our foreign subsidiaries, as we intend to reinvest those earnings. Of our cash balances at June 27, 2015, approximately \$299.1 million is held in entities outside the United States with \$108.9 million specifically held within consolidated Delta Ltd., a wholly-owned subsidiary of the Company. Delta Ltd. sponsors a defined benefit pension plan and therefore, the Company is allowed to dividend out Delta Ltd.'s available cash only as long as that dividend does not negatively impact Delta Ltd.'s ability to meet its annual contribution requirements of the pension plan. We believe that the cash payments Delta Ltd. receives from its intercompany notes will provide sufficient funds to meet the pension funding requirements but additional analysis on

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pension funding requirements would have to be performed prior to the repatriation of the \$108.9 million of Delta Ltd.'s cash balances.

If we need to repatriate foreign cash balances to the United States to meet our cash needs, income taxes would be paid to the extent that those cash repatriations were undistributed earnings of our foreign subsidiaries. The income taxes that we would pay if cash were repatriated depends on the amounts to be repatriated and from which country. If all of our cash outside the United States were to be repatriated to the United States, we estimate that we would pay approximately \$21.9 million in income taxes to repatriate that cash.

**Financial Obligations and Financial Commitments**

There have been no material changes to our financial obligations and financial commitments as described on page 40 in our Form 10-K for the fiscal year ended December 27, 2014.

**Off Balance Sheet Arrangements**

There have been no changes in our off balance sheet arrangements as described on page 40 in our Form 10-K for the fiscal year ended December 27, 2014.

**Critical Accounting Policies**

There have been no changes in our critical accounting policies as described on pages 42-45 in our Form 10-K for the fiscal year ended December 27, 2014 during the quarter ended June 27, 2015.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Steel is a key material we use and over the last several years, prices for this commodity have been volatile. Our main strategy in managing this risk is a combination of fixed price purchase contracts with our vendors to reduce the volatility and sales price increases where possible. This commodity is most significant for our utility support structures segment where the cost of steel has been approximately 50% of the net sales on average. Assuming a similar sales mix, a hypothetical 20% change in the price of steel would have affected our net sales from our utility support structures by approximately \$30 million on a year-to-date basis ended June 27, 2015.

There were no other material changes in the company's market risk during the quarter ended June 27, 2015. For additional information, refer to the section "Risk Management" in our Form 10-K for the fiscal year ended December 27, 2014.

**Item 4. Controls and Procedures**

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports the Company files or submits under the Securities Exchange Act of 1934 is (1) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.



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No changes in the Company's internal control over financial reporting occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price paid per share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Maximum Number of Shares that may yet be Purchased under the Program(1)</b>
March 29, 2015 to April 25, 2015	129,301	\$ 120.14	129,301	\$ 266,520,000
April 26, 2015 to May 30, 2015	164,413	125.12	164,413	245,948,000
May 31, 2015 to June 27, 2015	97,880	122.73	97,880	233,935,000
<b>Total</b>	<b>391,594</b>	<b>\$ 122.88</b>	<b>391,594</b>	<b>\$ 233,935,000</b>

(1)

On May 13, 2014, we announced a new capital allocation philosophy which covered both the quarterly dividend rate as well as a share repurchase program. Specifically, the Board of Directors authorized the purchase of up to \$500 million of the Company's outstanding common stock from time to time over twelve months at prevailing market prices, through open market or privately-negotiated transactions. On February 24, 2015, the Board of Directors authorized an additional purchase of up to \$250 million of the Company's outstanding common stock with no stated expiration date. As of June 27, 2015, we have acquired 3,700,970 shares for approximately \$516.1 million under this share repurchase program.

**Item 6. Exhibits**

(a)

Exhibits

<b>Exhibit No.</b>	<b>Description</b>
31.1	Section 302 Certificate of Chief Executive Officer
31.2	Section 302 Certificate of Chief Financial Officer
32.1	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer
101	The following financial information from Valmont's Quarterly Report on Form 10-Q for the quarter ended June 27, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Shareholders' Equity, (vi) Notes to Condensed Consolidated Financial Statements and (vii) document and entity information.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf and by the undersigned hereunto duly authorized.

VALMONT INDUSTRIES, INC.  
(Registrant)

/s/ MARK C. JAKSICH

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Mark C. Jaksich  
*Executive Vice President and Chief Financial Officer*

Dated this 29th day of July, 2015.

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**Index of Exhibits**

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