

VALMONT INDUSTRIES INC
Form 10-Q
October 24, 2013

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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 September 28, 2013

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)

(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

26,786,989

Outstanding shares of common stock as of October 17, 2013

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in thousands, except per share amounts)

(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Product sales	\$ 693,480	\$ 652,822	\$ 2,228,268	\$ 1,983,502
Services sales	84,552	77,017	248,053	231,002
Net sales	778,032	729,839	2,476,321	2,214,504
Product cost of sales	499,190	488,739	1,591,657	1,490,885
Services cost of sales	53,278	48,698	162,260	145,508
Total cost of sales	552,468	537,437	1,753,917	1,636,393
Gross profit	225,564	192,402	722,404	578,111
Selling, general and administrative expenses	115,663	102,020	350,048	307,559
Operating income	109,901	90,382	372,356	270,552
Other income (expenses):				
Interest expense	(8,149)	(8,429)	(24,364)	(23,657)
Interest income	1,560	2,093	4,765	6,081
Other	(584)	1,307	1,095	907
	(7,173)	(5,029)	(18,504)	(16,669)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	102,728	85,353	353,852	253,883
Income tax expense (benefit):				
Current	40,458	27,928	127,328	90,942
Deferred	3,454	519	(1,275)	(3,937)
	43,912	28,447	126,053	87,005
Earnings before equity in earnings of nonconsolidated subsidiaries	58,816	56,906	227,799	166,878
Equity in earnings of nonconsolidated subsidiaries	75	1,536	548	5,311
Net earnings	58,891	58,442	228,347	172,189
Less: Earnings attributable to noncontrolling interests	(2,402)	(1,711)	(4,726)	(3,153)
Net earnings attributable to Valmont Industries, Inc.	\$ 56,489	\$ 56,731	\$ 223,621	\$ 169,036
Earnings per share:				
Basic	\$ 2.12	\$ 2.14	\$ 8.40	\$ 6.39

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Diluted	\$	2.10	\$	2.12	\$	8.31	\$	6.32
Cash dividends declared per share	\$	0.250	\$	0.225	\$	0.725	\$	0.630
Weighted average number of shares of common stock outstanding Basic (000 omitted)		26,665		26,502		26,632		26,455
Weighted average number of shares of common stock outstanding Diluted (000 omitted)		26,919		26,806		26,896		26,748

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net earnings	\$ 58,891	\$ 58,442	\$ 228,347	\$ 172,189
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments:				
Unrealized translation gain (loss)	18,124	23,747	(44,458)	22,488
Realized loss included in net earnings during the period			(5,194)	
Unrealized loss on cash flow hedge:				
Amortization cost included in interest expense	100	100	300	300
Actuarial gain (loss) in defined benefit pension plan	857	1,962	(37)	2,595
Other comprehensive income (loss)	19,081	25,809	(49,389)	25,383
Comprehensive income	77,972	84,251	178,958	197,572
Comprehensive loss (income) attributable to noncontrolling interests	(2,156)	(2,958)	1,033	(5,439)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 75,816	\$ 81,293	\$ 179,991	\$ 192,133

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

	September 28, 2013	December 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 543,369	\$ 414,129
Receivables, net	513,832	515,902
Inventories	427,215	412,384
Prepaid expenses	35,071	25,144
Refundable and deferred income taxes	81,766	58,381
Total current assets	1,601,253	1,425,940
Property, plant and equipment, at cost	1,045,110	994,774
Less accumulated depreciation and amortization	504,080	482,162
Net property, plant and equipment	541,030	512,612
Goodwill	340,495	330,791
Other intangible assets, net	169,904	172,270
Other assets	95,838	126,938
Total assets	\$ 2,748,520	\$ 2,568,551
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 265	\$ 224
Notes payable to banks	17,129	13,375
Accounts payable	214,188	212,424
Accrued employee compensation and benefits	108,774	101,905
Accrued expenses	87,614	78,503
Dividends payable	6,697	6,002
Total current liabilities	434,667	412,433
Deferred income taxes	79,305	88,300
Long-term debt, excluding current installments	471,294	472,593
Defined benefit pension liability	99,135	112,043
Deferred compensation	38,917	31,920
Other noncurrent liabilities	49,417	44,252
Shareholders' equity:		
Preferred stock of \$1 par value		
Authorized 500,000 shares; none issued		
Common stock of \$1 par value		
Authorized 75,000,000 shares; 27,900,000 issued	27,900	27,900
Retained earnings	1,514,099	1,300,529
Accumulated other comprehensive income (loss)	308	43,938
Treasury stock	(21,145)	(22,455)

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Total Valmont Industries, Inc. shareholders' equity	1,521,162	1,349,912
Noncontrolling interest in consolidated subsidiaries	54,623	57,098
Total shareholders' equity	1,575,785	1,407,010
Total liabilities and shareholders' equity	\$ 2,748,520	\$ 2,568,551

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012
Cash flows from operating activities:		
Net earnings	\$ 228,347	\$ 172,189
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	57,417	52,262
Stock-based compensation	4,999	4,517
Defined benefit pension plan expense	4,870	3,076
Contribution to defined benefit pension plan	(16,755)	(11,591)
Gain on sale of property, plant and equipment	(5,060)	(187)
Equity in earnings in nonconsolidated subsidiaries	(548)	(5,311)
Deferred income taxes	(1,275)	(3,937)
Changes in assets and liabilities (net of acquisitions):		
Receivables	(757)	(46,663)
Inventories	(14,574)	(36,507)
Prepaid expenses	(7,041)	(3,657)
Accounts payable	1,161	(35)
Accrued expenses	16,931	15,989
Other noncurrent liabilities	2,510	(723)
Income taxes payable	(21,120)	(21,740)
Net cash flows from operating activities	249,105	117,682
Cash flows from investing activities:		
Purchase of property, plant and equipment	(75,072)	(58,700)
Proceeds from sale of assets	39,564	5,597
Acquisitions, net of cash acquired	(53,152)	
Other, net	1,231	80
Net cash flows from investing activities	(87,429)	(53,023)
Cash flows from financing activities:		
Net borrowings under short-term agreements	3,439	4,096
Proceeds from long-term borrowings	274	39,126
Principal payments on long-term borrowings	(508)	(39,280)
Proceeds from sale of partial ownership interest		1,404
Dividends paid	(18,717)	(15,530)
Dividends to noncontrolling interest	(1,767)	(1,379)
Debt issuance costs		(1,703)
Proceeds from exercises under stock plans	15,064	19,527
Excess tax benefits from stock option exercises	4,630	4,212
Purchase of common treasury shares stock plan exercises	(14,644)	(19,116)
Net cash flows from financing activities	(12,229)	(8,643)
Effect of exchange rate changes on cash and cash equivalents	(20,207)	8,170

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Net change in cash and cash equivalents	129,240	64,186
Cash and cash equivalents beginning of year	414,129	362,894
Cash and cash equivalents end of period	\$ 543,369	\$ 427,080

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest in consolidated subsidiaries	Total shareholders' equity
Balance at December 31, 2011	\$ 27,900	\$	\$ 1,079,698	\$ 64,052	\$ (24,688)	\$ 50,949	\$ 1,197,911
Net earnings			169,036			3,153	172,189
Other comprehensive income (loss)				23,097		2,286	25,383
Cash dividends declared			(16,754)				(16,754)
Dividends to noncontrolling interests						(1,379)	(1,379)
Sale of partial ownership interest		(610)				2,014	1,404
Stock plan exercises; 159,555 shares acquired					(19,116)		(19,116)
Stock options exercised; 295,570 shares issued		(8,027)	6,860		20,694		19,527
Tax benefit from stock option exercises		4,212					4,212
Stock option expense		3,735					3,735
Stock awards; 402 shares issued		690			92		782
Balance at September 29, 2012	\$ 27,900	\$	\$ 1,238,840	\$ 87,149	\$ (23,018)	\$ 57,023	\$ 1,387,894
Balance at December 29, 2012	\$ 27,900	\$	\$ 1,300,529	\$ 43,938	\$ (22,455)	\$ 57,098	\$ 1,407,010
Net earnings			223,621			4,726	228,347
Other comprehensive loss				(43,630)		(5,759)	(49,389)
Cash dividends declared			(19,412)				(19,412)
Dividends to noncontrolling interests						(1,767)	(1,767)
Acquisition of Locker						325	325
Stock plan exercises; 93,059 shares acquired					(14,644)		(14,644)
Stock options exercised; 192,377 shares issued		(9,629)	9,361		15,332		15,064
Tax benefit from stock option exercises		4,630					4,630
Stock option expense		3,935					3,935
Stock awards; 9,801 shares issued		1,064			622		1,686
Balance at September 28, 2013	\$ 27,900	\$	\$ 1,514,099	\$ 308	\$ (21,145)	\$ 54,623	\$ 1,575,785

See accompanying notes to condensed consolidated financial statements.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Condensed Consolidated Financial Statements

The Condensed Consolidated Balance Sheet as of September 28, 2013, the Condensed Consolidated Statements of Earnings and Comprehensive Income for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012, and the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the thirty-nine week periods then ended have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of September 28, 2013 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 29, 2012. 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 29, 2012. In 2013, the Company changed its presentation of certain intercompany utility structure sales to align with management's current reporting structure. Fiscal 2012 reporting was reclassified to conform with the 2013 presentation. Accordingly, fiscal 2012 EIP segment sales (and the associated intersegment sales elimination) for the thirteen and thirty-nine weeks ended September 29, 2012 increased by \$15,374 and \$31,436, respectively. Fiscal 2012 segment sales (after intersegment sales eliminations) and operating income were unchanged from amounts previously reported. The results of operations for the period ended September 28, 2013 are not necessarily indicative of the operating results for the full year.

Inventories

Approximately 40% and 43% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market as of September 28, 2013 and December 29, 2012, 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 \$43,242 and \$45,822 at September 28, 2013 and December 29, 2012, respectively.

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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)

Inventories consisted of the following:

	September 28, 2013	December 29, 2012
Raw materials and purchased parts	\$ 200,316	\$ 199,808
Work-in-process	33,261	36,114
Finished goods and manufactured goods	236,880	222,284
Subtotal	470,457	458,206
Less: LIFO reserve	43,242	45,822
	\$ 427,215	\$ 412,384

Income Taxes

Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012, were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	2013	2012	2013	2012
United States	\$ 66,143	\$ 48,524	\$ 253,564	\$ 179,351
Foreign	36,585	36,829	100,288	74,532
	\$ 102,728	\$ 85,353	\$ 353,852	\$ 253,883

Pension Benefits

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

The components of the net periodic pension expense for the thirty-nine weeks ended September 28, 2013 and September 29, 2012 were as follows:

	2013	2012
Net periodic benefit expense:		
Interest cost	\$ 19,593	\$ 17,399
Expected return on plan assets	(14,723)	(14,323)

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Net periodic benefit expense \$ 4,870 \$ 3,076

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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)

Stock Plans

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Human Resource Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At September 28, 2013, 1,687,864 shares of common stock remained available for issuance under the plans. 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.

Expiration of grants is from six to ten years from the date of grant. The Company's compensation expense (included in selling, general and administrative expenses) and associated income tax benefits related to stock options for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012, respectively, were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	2013	2012	2013	2012
Compensation expense	\$ 1,308	\$ 1,245	\$ 3,935	\$ 3,735
Income tax benefits	504	479	1,515	1,438

Equity Method Investments

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

Fair Value

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

ASC 820 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer

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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)

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 represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Accounting Standards Codification 320, *Accounting for Certain Investments in Debt and Equity Securities*, considering the employee's ability to change investment allocation of their deferred compensation at any time. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

	Carrying Value September 28, 2013	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	\$ 26,291	\$ 26,291	\$	\$

	Carrying Value December 29, 2012	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	\$ 20,087	\$ 20,087	\$	\$

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

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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)

liabilities are translated at the exchange rates in effect on the balance sheet dates. Accumulated other comprehensive income (loss) consisted of the following at September 28, 2013 and December 29, 2012:

	Foreign Currency Translation Adjustments	Unrealized Loss on Cash Flow Hedge	Defined Benefit Pension Plan	Accumulated Other Comprehensive Income
Balance at December 29, 2012	\$ 30,576	\$ (2,935)	\$ 16,297	\$ 43,938
Current-period comprehensive income (loss)	(43,893)	300	(37)	(43,630)
Balance at September 28, 2013	\$ (13,317)	\$ (2,635)	\$ 16,260	\$ 308

(2) ACQUISITION OF LOCKER GROUP HOLDINGS PTY. LTD.

On February 5, 2013, the Company purchased 100% of the outstanding shares of Locker Group Holdings Pty. Ltd. (Locker). Locker is a manufacturer of perforated and expanded metal for the non-residential market, industrial flooring and handrails for the access systems market, and screening media for applications in the industrial and mining sectors in Australia and Asia. Locker's annual sales for the twelve months prior to the acquisition date were approximately \$80,000 and its operations are reported in the Engineered Infrastructure Products Segment. The purchase price paid for the business at closing (net of \$116 cash acquired) was \$53,152. In addition, a maximum of \$7,911 additional purchase price may be paid to the sellers upon the achievement of certain gross profit and inventory targets over the next two years. The Company determined the present value of the potential additional purchase price at February 5, 2013 to be \$6,175. The acquisition, which was funded by cash held by the Company, was completed to expand our product offering and sales coverage for access systems and related products in Asia Pacific.

The fair value measurement was completed at September 28, 2013. The following table summarizes the fair values of the assets acquired and liabilities assumed as of the date of acquisition.

	At February 5, 2013
Current assets	\$ 25,584
Property, plant and equipment	20,412
Intangible assets	11,205
Goodwill	13,322
Total fair value of assets acquired	\$ 70,523
Current liabilities	9,595
Deferred income taxes	483
Other non-current liabilities	677
Non-controlling interests	325
Total fair value of liabilities assumed and non-controlling interests	11,080
Net assets acquired	\$ 59,443

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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) ACQUISITION OF LOCKER GROUP HOLDINGS PTY. LTD. (Continued)

The Company's Condensed Consolidated Statements of Earnings for the thirteen and thirty-nine weeks ended September 28, 2013 included net sales of \$16,755 and \$46,692, respectively, and net earnings of \$836 and \$1,375, respectively, resulting from Locker's operations from February 5, 2013 to September 28, 2013.

Based on the fair value assessments, the Company allocated \$11,205 of the purchase price to acquired intangible assets. The following table summarizes the major classes of Locker acquired intangible assets and the respective weighted-average amortization periods:

	Amount	Weighted Average Amortization Period (Years)
Trade Names	\$ 4,116	Indefinite
Customer Relationships	6,042	10.0
Software and Technology	1,047	5.0
	\$ 11,205	

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

The components of amortized intangible assets at September 28, 2013 and December 29, 2012 were as follows:

	September 28, 2013		Weighted Average Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$ 175,273	\$ 73,081	13 years
Proprietary Software & Database	3,958	2,875	6 years
Patents & Proprietary Technology	9,961	6,691	8 years
Non-compete Agreements	1,802	1,607	6 years
	\$ 190,994	\$ 84,254	

	December 29, 2012		Weighted Average Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$ 170,556	\$ 62,957	13 years
Proprietary Software & Database	3,073	2,795	6 years
Patents & Proprietary Technology	9,953	5,517	8 years
Non-compete Agreements	1,807	1,542	6 years

\$ 185,389 \$ 72,811

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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) GOODWILL AND INTANGIBLE ASSETS (Continued)

Amortization expense for intangible assets for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012, respectively was as follows:

Thirteen Weeks Ended		Thirty-nine Weeks Ended	
2013	2012	2013	2012
\$ 3,750	\$ 3,582	\$ 11,446	\$ 10,751

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

	Estimated Amortization Expense
2013	\$ 15,322
2014	15,328
2015	14,442
2016	13,884
2017	13,845

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 September 28, 2013 and December 29, 2012 were as follows:

	September 28, 2013	December 29, 2012	Year Acquired
Webforge	\$ 17,372	\$ 17,411	2010
Newmark	11,111	11,111	2004
Ingal EPS/Ingal Civil Products	9,168	9,189	2010
Donhad	6,917	6,932	2010
Industrial Galvanizers	4,021	4,030	2010
Other	14,575	11,019	
	\$ 63,164	\$ 59,692	

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

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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) GOODWILL AND INTANGIBLE ASSETS (Continued)

The Company's trade names were tested for impairment in the third quarter of 2013. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired.

Goodwill

The carrying amount of goodwill by segment as of September 28, 2013 and December 29, 2012 was as follows:

	Engineered Infrastructure Products Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Balance at December 29, 2012	\$ 155,185	\$ 77,141	\$ 77,053	\$ 2,517	\$ 18,895	\$ 330,791
Acquisitions	13,322					13,322
Foreign currency translation	(3,630)		120	(67)	(41)	(3,618)
Other	1,737	(1,737)				
Balance at September 28, 2013	\$ 166,614	\$ 75,404	\$ 77,173	\$ 2,450	\$ 18,854	\$ 340,495

The goodwill from acquisitions arose from the acquisition of Locker. The Company's goodwill was tested for impairment during the third quarter of 2013. 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.

(4) CASH FLOW SUPPLEMENTARY INFORMATION

The Company considers all highly liquid temporary cash investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the thirty-nine weeks ended September 28, 2013 and September 29, 2012 were as follows:

	2013	2012
Interest	\$ 17,010	\$ 15,797
Income taxes	149,529	106,887

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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) EARNINGS PER SHARE

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

	Basic EPS	Dilutive Effect of Stock Options	Diluted EPS
Thirteen weeks ended September 28, 2013:			
Net earnings attributable to Valmont Industries, Inc.	\$ 56,489	\$	\$ 56,489
Shares outstanding	26,665	254	26,919
Per share amount	\$ 2.12	\$ (0.02)	\$ 2.10
Thirteen weeks ended September 29, 2012:			
Net earnings attributable to Valmont Industries, Inc.	\$ 56,731	\$	\$ 56,731
Shares outstanding	26,502	304	26,806
Per share amount	\$ 2.14	\$ (0.02)	\$ 2.12
Thirty-nine weeks ended September 28, 2013:			
Net earnings attributable to Valmont Industries, Inc.	\$ 223,621	\$	\$ 223,621
Shares outstanding	26,632	264	26,896
Per share amount	\$ 8.40	\$ (0.09)	\$ 8.31
Thirty-nine weeks ended September 29, 2012:			
Net earnings attributable to Valmont Industries, Inc.	\$ 169,036	\$	\$ 169,036
Shares outstanding	26,455	293	26,748
Per share amount	\$ 6.39	\$ (0.07)	\$ 6.32

At September 28, 2013 there were 1,172 outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share for the thirteen weeks and thirty-nine weeks ending September 28, 2013. At September 29, 2012, there were no outstanding stock options with exercise prices exceeding the market price of common stock.

(6) 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, roadway safety and access systems applications;

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(6) BUSINESS SEGMENTS (Continued)

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

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

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

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

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

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

(6) BUSINESS SEGMENTS (Continued)

Summary by Business

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
SALES:				
Engineered Infrastructure Products segment:				
Lighting, Traffic, and Roadway Products	\$ 171,991	\$ 168,046	\$ 480,648	\$ 465,946
Communication Products	38,674	36,446	102,067	99,629
Access Systems	49,618	40,192	151,874	118,852
Engineered Infrastructure Products segment	260,283	244,684	734,589	684,427
Utility Support Structures segment:				
Steel	199,912	184,030	611,573	536,073
Concrete	29,508	33,465	85,728	84,891
Utility Support Structures segment	229,420	217,495	697,301	620,964
Coatings segment	89,009	83,713	272,052	251,397
Irrigation segment	175,120	156,452	690,002	547,214
Other	71,836	72,500	233,384	245,757
Total	825,668	774,844	2,627,328	2,349,759
INTERSEGMENT SALES:				
Engineered Infrastructure Products segment	24,970	25,352	76,591	68,498
Utility Support Structures segment	489	625	1,199	3,072
Coatings segment	13,697	12,313	42,475	38,262
Irrigation segment	4	67	5	498
Other	8,476	6,648	30,737	24,925
Total	47,636	45,005	151,007	135,255
NET SALES:				
Engineered Infrastructure Products segment	235,313	219,332	657,998	615,929
Utility Support Structures segment	228,931	216,870	696,102	617,892
Coatings segment	75,312	71,400	229,577	213,135
Irrigation segment	175,116	156,385	689,997	546,716
Other	63,360	65,852	202,647	220,832
Total	\$ 778,032	\$ 729,839	\$ 2,476,321	\$ 2,214,504
OPERATING INCOME:				
Engineered Infrastructure Products segment	\$ 25,689	\$ 18,715	\$ 61,026	\$ 40,907
Utility Support Structures segment	41,491	30,223	129,767	81,901
Coatings segment	19,833	18,542	56,805	54,571
Irrigation segment	31,145	27,140	149,878	103,155
Other	9,978	9,743	33,790	33,413
Corporate	(18,235)	(13,981)	(58,910)	(43,395)

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Total	\$	109,901	\$	90,382	\$	372,356	\$	270,552
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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION

The Company has \$450,000 principal amount of senior unsecured notes outstanding at a coupon interest rate of 6.625% per annum. The notes are guaranteed, jointly, severally, fully and unconditionally by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

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

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

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 331,525	\$ 161,432	\$ 366,522	\$ (81,447)	\$ 778,032
Cost of sales	238,692	121,870	273,317	(81,411)	552,468
Gross profit	92,833	39,562	93,205	(36)	225,564
Selling, general and administrative expenses	51,621	14,530	49,512		115,663
Operating income	41,212	25,032	43,693	(36)	109,901
Other income (expense):					
Interest expense	(7,724)	(11,122)	(425)	11,122	(8,149)
Interest income	18	242	12,422	(11,122)	1,560
Other	1,422	9	(2,015)		(584)
	(6,284)	(10,871)	9,982		(7,173)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	34,928	14,161	53,675	(36)	102,728
Income tax expense (benefit):					
Current	19,473	7,419	13,631	(65)	40,458
Deferred	(4,969)	(360)	8,783		3,454
	14,504	7,059	22,414	(65)	43,912
Earnings before equity in earnings of nonconsolidated subsidiaries	20,424	7,102	31,261	29	58,816
Equity in earnings of nonconsolidated subsidiaries	36,065	6,542		(42,532)	75
Net earnings	56,489	13,644	31,261	(42,503)	58,891
Less: Earnings attributable to noncontrolling interests			(2,402)		(2,402)
Net earnings attributable to Valmont Industries, Inc	\$ 56,489	\$ 13,644	\$ 28,859	\$ (42,503)	\$ 56,489

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the Thirty-nine Weeks Ended September 28, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 1,174,955	\$ 501,308	\$ 1,052,733	\$ (252,675)	\$ 2,476,321
Cost of sales	837,321	377,158	795,182	(255,744)	1,753,917
Gross profit	337,634	124,150	257,551	3,069	722,404
Selling, general and administrative expenses	157,367	42,871	149,810		350,048
Operating income	180,267	81,279	107,741	3,069	372,356
Other income (expense):					
Interest expense	(23,115)	(35,696)	(1,249)	35,696	(24,364)
Interest income	33	732	39,696	(35,696)	4,765
Other	3,224	55	(2,184)		1,095
	(19,858)	(34,909)	36,263		(18,504)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	160,409	46,370	144,004	3,069	353,852
Income tax expense (benefit):					
Current	65,472	20,801	40,283	772	127,328
Deferred	(7,473)	1,342	4,856		(1,275)
	57,999	22,143	45,139	772	126,053
Earnings before equity in earnings of nonconsolidated subsidiaries	102,410	24,227	98,865	2,297	227,799
Equity in earnings of nonconsolidated subsidiaries	121,211	48,927	207	(169,797)	548
Net earnings	223,621	73,154	99,072	(167,500)	228,347
Less: Earnings attributable to noncontrolling interests			(4,726)		(4,726)
Net earnings attributable to Valmont Industries, Inc	\$ 223,621	\$ 73,154	\$ 94,346	\$ (167,500)	\$ 223,621

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the Thirteen weeks ended September 29, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 301,667	\$ 160,318	\$ 350,837	\$ (82,983)	\$ 729,839
Cost of sales	226,539	127,116	266,532	(82,750)	537,437
Gross profit	75,128	33,202	84,305	(233)	192,402
Selling, general and administrative expenses	41,747	13,449	46,824		102,020
Operating income	33,381	19,753	37,481	(233)	90,382
Other income (expense):					
Interest expense	(8,215)	(12,635)	(213)	12,634	(8,429)
Interest income	15	398	14,314	(12,634)	2,093
Other	883	15	409		1,307
	(7,317)	(12,222)	14,510		(5,029)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	26,064	7,531	51,991	(233)	85,353
Income tax expense (benefit):					
Current	8,096	4,786	15,701	(655)	27,928
Deferred	(1,063)	(558)	2,140		519
	7,033	4,228	17,841	(655)	28,447
Earnings before equity in earnings of nonconsolidated subsidiaries	19,031	3,303	34,150	422	56,906
Equity in earnings of nonconsolidated subsidiaries	37,700	18,557	918	(55,639)	1,536
Net earnings	56,731	21,860	35,068	(55,217)	58,442
Less: Earnings attributable to noncontrolling interests			(1,711)		(1,711)
Net earnings attributable to Valmont Industries, Inc	\$ 56,731	\$ 21,860	\$ 33,357	\$ (55,217)	\$ 56,731

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the Thirty-nine Weeks Ended September 29, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	\$ 1,014,150	\$ 441,189	\$ 977,950	\$ (218,785)	\$ 2,214,504
Cost of sales	743,608	352,416	757,829	(217,460)	1,636,393
Gross profit	270,542	88,773	220,121	(1,325)	578,111
Selling, general and administrative expenses	128,781	40,414	138,364		307,559
Operating income	141,761	48,359	81,757	(1,325)	270,552
Other income (expense):					
Interest expense	(23,470)	(37,136)	(186)	37,135	(23,657)
Interest income	29	721	42,466	(37,135)	6,081
Other	1,888	40	(1,021)		907
	(21,553)	(36,375)	41,259		(16,669)
Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries	120,208	11,984	123,016	(1,325)	253,883
Income tax expense (benefit):					
Current	44,644	10,082	36,871	(655)	90,942
Deferred	(3,832)	(419)	314		(3,937)
	40,812	9,663	37,185	(655)	87,005
Earnings before equity in earnings of nonconsolidated subsidiaries	79,396	2,321	85,831	(670)	166,878
Equity in earnings of nonconsolidated subsidiaries	89,640	64,918	4,850	(154,097)	5,311
Net earnings	169,036	67,239	90,681	(154,767)	172,189
Less: Earnings attributable to noncontrolling interests			(3,153)		(3,153)
Net earnings attributable to Valmont Industries, Inc	\$ 169,036	\$ 67,239	\$ 87,528	\$ (154,767)	\$ 169,036

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Thirteen weeks ended September 28, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 56,489	\$ 13,644	\$ 31,261	\$ (42,503)	\$ 58,891
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		30,221	(12,097)		18,124
		30,221	(12,097)		18,124
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	100				100
	100				100
Actuarial gain (loss) in defined benefit pension plan liability			857		857
Equity in other comprehensive income	19,227			(19,227)	
Other comprehensive income (loss)	19,327	30,221	(11,240)	(19,227)	19,081
Comprehensive income	75,816	43,865	20,021	(61,730)	77,972
Comprehensive income attributable to noncontrolling interests			(2,156)		(2,156)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 75,816	\$ 43,865	\$ 17,865	\$ (61,730)	\$ 75,816

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Thirty-nine Weeks Ended September 28, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 223,621	\$ 73,154	\$ 99,072	\$ (167,500)	\$ 228,347
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		57,707	(102,165)		(44,458)
Realized (loss) included in net earnings during the period			(5,194)		(5,194)
		57,707	(107,359)		(49,652)
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	300				300
	300				300
Actuarial gain (loss) in defined benefit pension plan liability			(37)		(37)
Equity in other comprehensive income	(43,930)			43,930	
Other comprehensive income (loss)	(43,630)	57,707	(107,396)	43,930	(49,389)
Comprehensive income	179,991	130,861	(8,324)	(123,570)	178,958
Comprehensive income attributable to noncontrolling interests			1,033		1,033
Comprehensive income attributable to Valmont Industries, Inc.	\$ 179,991	\$ 130,861	\$ (7,291)	\$ (123,570)	\$ 179,991

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Thirteen weeks ended September 29, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 56,731	\$ 21,860	\$ 35,068	\$ (55,217)	\$ 58,442
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		(14,977)	39,084	(360)	23,747
		(14,977)	39,084	(360)	23,747
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	100				100
	100				100
Actuarial gain (loss) in defined benefit pension plan liability			1,962		1,962
Equity in other comprehensive income	24,462			(24,462)	
Other comprehensive income (loss)	24,562	(14,977)	41,046	(24,822)	25,809
Comprehensive income	81,293	6,883	76,114	(80,039)	84,251
Comprehensive income attributable to noncontrolling interests			(2,958)		(2,958)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 81,293	\$ 6,883	\$ 73,156	\$ (80,039)	\$ 81,293

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Thirty-nine Weeks Ended September 29, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net earnings	\$ 169,036	\$ 67,239	\$ 90,681	\$ (154,767)	\$ 172,189
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments:					
Unrealized gains (losses) arising during the period		(17,221)	46,580	(6,871)	22,488
		(17,221)	46,580	(6,871)	22,488
Unrealized loss on cash flow hedge:					
Amortization cost included in interest expense	300				300
	300				300
Actuarial gain in defined benefit pension plan liability			2,595		2,595
Equity in other comprehensive income	22,797			(22,797)	
Other comprehensive income (loss)	23,097	(17,221)	49,175	(29,668)	25,383
Comprehensive income	192,133	50,018	139,856	(184,435)	197,572
Comprehensive income attributable to noncontrolling interests			(5,439)		(5,439)
Comprehensive income attributable to Valmont Industries, Inc.	\$ 192,133	\$ 50,018	\$ 134,417	\$ (184,435)	\$ 192,133

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

September 28, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 158,360	\$ 51,186	\$ 333,823	\$	\$ 543,369
Receivables, net	135,423	82,840	295,569		513,832
Inventories	142,773	77,545	206,897		427,215
Prepaid expenses	8,301	740	26,030		35,071
Refundable and deferred income taxes	50,796	6,174	24,796		81,766
Total current assets	495,653	218,485	887,115		1,601,253
Property, plant and equipment, at cost	492,814	140,823	411,473		1,045,110
Less accumulated depreciation and amortization	299,858	60,595	143,627		504,080
Net property, plant and equipment	192,956	80,228	267,846		541,030
Goodwill	20,108	107,542	212,845		340,495
Other intangible assets	382	49,665	119,857		169,904
Investment in subsidiaries and intercompany accounts	1,477,628	1,337,088	585,304	(3,400,020)	
Other assets	38,147		57,691		95,838
Total assets	\$ 2,224,874	\$ 1,793,008	\$ 2,130,658	\$ (3,400,020)	\$ 2,748,520
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current installments of long-term debt	\$ 188	\$	\$ 77	\$	\$ 265
Notes payable to banks			17,129		17,129
Accounts payable	60,642	19,014	134,532		214,188
Accrued employee compensation and benefits	65,924	10,542	32,308		108,774
Accrued expenses	43,610	4,514	39,490		87,614
Dividends payable	6,697				6,697
Total current liabilities	177,061	34,070	223,536		434,667
Deferred income taxes	17,437	28,464	33,404		79,305
Long-term debt, excluding current installments	470,549	539,517	745	(539,517)	471,294
Defined benefit pension liability			99,135		99,135
Deferred compensation	31,456		7,461		38,917

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Other noncurrent liabilities	7,209		42,208		49,417
Shareholders' equity:					
Common stock of \$1 par value	27,900	457,950	254,982	(712,932)	27,900
Additional paid-in capital		150,286	893,274	(1,043,560)	
Retained earnings	1,514,099	540,393	514,611	(1,055,004)	1,514,099
Accumulated other comprehensive income (loss)	308	42,328	6,679	(49,007)	308
Treasury stock	(21,145)				(21,145)
Total Valmont Industries, Inc. shareholders' equity					
	1,521,162	1,190,957	1,669,546	(2,860,503)	1,521,162
Noncontrolling interest in consolidated subsidiaries					
			54,623		54,623
Total shareholders' equity					
	1,521,162	1,190,957	1,724,169	(2,860,503)	1,575,785
Total liabilities and shareholders' equity					
	\$ 2,224,874	\$ 1,793,008	\$ 2,130,658	\$ (3,400,020)	\$ 2,748,520

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

December 29, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 40,926	\$ 83,203	\$ 290,000	\$	\$ 414,129
Receivables, net	144,161	86,403	285,338		515,902
Inventories	146,619	71,988	193,777		412,384
Prepaid expenses	7,153	1,029	16,962		25,144
Refundable and deferred income taxes	29,359	6,904	22,118		58,381
Total current assets	368,218	249,527	808,195		1,425,940
Property, plant and equipment, at cost	456,497	122,937	415,340		994,774
Less accumulated depreciation and amortization	288,226	55,239	138,697		482,162
Net property, plant and equipment	168,271	67,698	276,643		512,612
Goodwill	20,108	107,542	203,141		330,791
Other intangible assets	499	53,517	118,254		172,270
Investment in subsidiaries and intercompany accounts	1,456,159	1,246,777	615,152	(3,318,088)	
Other assets	32,511		94,427		126,938
Total assets	\$ 2,045,766	\$ 1,725,061	\$ 2,115,812	\$ (3,318,088)	\$ 2,568,551
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current installments of long-term debt	\$ 189	\$	\$ 35	\$	\$ 224
Notes payable to banks			13,375		13,375
Accounts payable	72,610	22,006	117,808		212,424
Accrued employee compensation and benefits	61,572	10,530	29,803		101,905
Accrued expenses	30,641	4,674	43,188		78,503
Income taxes payable		31	669	(700)	
Dividends payable	6,002				6,002
Total current liabilities	171,014	37,241	204,878	(700)	412,433
Deferred income taxes	23,305	27,851	37,144		88,300
Long-term debt, excluding current installments	471,828	599,873	765	(599,873)	472,593
Defined benefit pension liability			112,043		112,043

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Deferred compensation	25,200		6,720		31,920
Other noncurrent liabilities	4,507		39,745		44,252
Shareholders' equity:					
Common stock of \$1 par value	27,900	457,950	254,982	(712,932)	27,900
Additional paid-in capital		150,286	893,274	(1,043,560)	
Retained earnings	1,300,529	467,240	443,337	(910,577)	1,300,529
Accumulated other comprehensive income	43,938	(15,380)	65,826	(50,446)	43,938
Treasury stock	(22,455)				(22,455)
Total Valmont Industries, Inc. shareholders' equity	1,349,912	1,060,096	1,657,419	(2,717,515)	1,349,912
Noncontrolling interest in consolidated subsidiaries			57,098		57,098
Total shareholders' equity	1,349,912	1,060,096	1,714,517	(2,717,515)	1,407,010
Total liabilities and shareholders' equity	\$ 2,045,766	\$ 1,725,061	\$ 2,115,812	\$ (3,318,088)	\$ 2,568,551

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Thirty-nine Weeks Ended September 28, 2013

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operating activities:					
Net earnings	\$ 223,621	\$ 73,154	\$ 99,072	\$ (167,500)	\$ 228,347
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	15,252	9,620	32,545		57,417
Stock-based compensation	4,999				4,999
Defined benefit pension plan expense			4,870		4,870
Contribution to defined benefit pension plan			(16,755)		(16,755)
Gain on sale of property, plant and equipment	354	37	(5,451)		(5,060)
Equity in earnings in nonconsolidated subsidiaries	(341)		(207)		(548)
Deferred income taxes	(7,473)	1,342	4,856		(1,275)
Changes in assets and liabilities (net of acquisitions):					
Receivables	8,737	3,552	(13,046)		(757)
Inventories	3,146	(5,556)	(12,164)		(14,574)
Prepaid expenses	(1,148)	290	(6,183)		(7,041)
Accounts payable	(11,968)	(2,992)	16,121		1,161
Accrued expenses	17,944	(148)	(865)		16,931
Other noncurrent liabilities	5,987		(3,477)		2,510
Income taxes payable (refundable)	(19,833)	(2,035)	(77)	825	(21,120)
Net cash flows from operating activities	239,277	77,264	99,239	(166,675)	249,105
Cash flows from investing activities:					
Purchase of property, plant and equipment	(41,034)	(18,381)	(15,657)		(75,072)
Proceeds from sale of assets	1,492	35	38,037		39,564
Acquisitions, net of cash acquired			(53,152)		(53,152)
Other, net	(68,447)	(105,512)	8,515	166,675	1,231
Net cash flows from investing activities	(107,989)	(123,858)	(22,257)	166,675	(87,429)
Cash flows from financing activities:					
Net borrowings under short-term agreements			3,439		3,439
Proceeds from long-term borrowings			274		274
Principal payments on long-term borrowings	(187)		(321)		(508)
Dividends paid	(18,717)				(18,717)
Intercompany dividends		20,133	(20,133)		
Dividends to noncontrolling interest			(1,767)		(1,767)
Proceeds from exercises under stock plans	15,064				15,064
Excess tax benefits from stock option exercises	4,630				4,630
Purchase of common treasury shares stock plan exercises:	(14,644)				(14,644)
Net cash flows from financing activities	(13,854)	20,133	(18,508)		(12,229)
Effect of exchange rate changes on cash and cash equivalents		(5,556)	(14,651)		(20,207)
Net change in cash and cash equivalents	117,434	(32,017)	43,823		129,240

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Cash and cash equivalents beginning of year	40,926	83,203	290,000	414,129
Cash and cash equivalents end of period	\$ 158,360	\$ 51,186	\$ 333,823	\$ 543,369

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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) GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Thirty-nine Weeks Ended September 29, 2012

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operations:					
Net earnings	\$ 169,036	\$ 67,239	\$ 90,681	\$ (154,767)	\$ 172,189
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	14,183	9,602	28,477		52,262
Stock-based compensation	4,517				4,517
Defined benefit pension plan expense			3,076		3,076
Contribution to defined benefit pension plan			(11,591)		(11,591)
Gain on sale of property, plant and equipment	(66)	(58)	(63)		(187)
Equity in earnings of nonconsolidated subsidiaries	(461)		(4,850)		(5,311)
Deferred income taxes	(3,832)	(419)	314		(3,937)
Changes in assets and liabilities:					
Receivables	(5,806)	(18,798)	(22,059)		(46,663)
Inventories	1,705	(11,409)	(26,803)		(36,507)
Prepaid expenses	(741)	(43)	(2,873)		(3,657)
Accounts payable	(14,260)	3,280	10,945		(35)
Accrued expenses	16,577	(607)	19		15,989
Other noncurrent liabilities	532		(1,255)		(723)
Income taxes payable (refundable)	(19,897)	273	(1,461)	(655)	(21,740)
Net cash flows from operations	161,487	49,060	62,557	(155,422)	117,682
Cash flows from investing activities:					
Purchase of property, plant and equipment	(23,270)	(10,885)	(24,545)		(58,700)
Proceeds from sale of assets	112	71	5,414		5,597
Other, net	(77,917)	(15,657)	(61,768)	155,422	80
Net cash flows from investing activities	(101,075)	(26,471)	(80,899)	155,422	(53,023)
Cash flows from financing activities:					
Net borrowings under short-term agreements			4,096		4,096
Proceeds from long-term borrowings	39,000		126		39,126
Principal payments on long-term borrowings	(39,197)		(83)		(39,280)
Proceeds from sale of partial ownership interest			1,404		1,404
Dividends paid	(15,530)				(15,530)
Dividend to noncontrolling interests			(1,379)		(1,379)
Debt issuance costs	(1,703)				(1,703)
Proceeds from exercises under stock plans	19,527				19,527
Excess tax benefits from stock option exercises	4,212				4,212
Purchase of common treasury shares stock plan exercises	(19,116)				(19,116)
Net cash flows from financing activities	(12,807)		4,164		(8,643)
Effect of exchange rate changes on cash and cash equivalents		1,318	6,852		8,170
Net change in cash and cash equivalents	47,605	23,907	(7,326)		64,186

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Cash and cash equivalents beginning of year	27,545	18,257	317,092	362,894
Cash and cash equivalents end of period	\$ 75,150	\$ 42,164	\$ 309,766	\$ 427,080

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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 29, 2012. 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			Thirty-nine Weeks Ended		
	September 28, 2013	September 29, 2012	% Incr. (Decr.)	September 28, 2013	September 29, 2012	% Incr. (Decr.)
Consolidated						
Net sales	\$ 778.0	\$ 729.8	6.6%	\$ 2,476.3	\$ 2,214.5	11.8%
Gross profit	225.6	192.4	17.3%	722.4	578.1	25.0%
<i>as a percent of sales</i>	29.0%	26.4%		29.2%	26.1%	
SG&A expense	115.7	102.0	13.4%	350.0	307.6	13.8%
<i>as a percent of sales</i>	14.9%	14.0%		14.1%	13.9%	
Operating income	109.9	90.4	21.6%	372.4	270.6	37.6%
<i>as a percent of sales</i>	14.1%	12.4%		15.0%	12.2%	
Net interest expense	6.6	6.3	4.8%	19.6	17.6	11.4%
Effective tax rate	42.8%	34.1%		35.6%	36.2%	
Net earnings	\$ 56.5	\$ 56.7	(0.4)%	\$ 223.6	\$ 169.0	32.3%
Diluted earnings per share	\$ 2.10	\$ 2.12	(0.9)%	\$ 8.31	\$ 6.32	31.5%
Engineered Infrastructure Products						
Net sales	\$ 235.3	\$ 219.3	7.3%	\$ 658.0	\$ 616.0	6.8%
Gross profit	67.6	59.0	14.6%	186.0	160.1	16.2%
SG&A expense	41.9	40.3	4.0%	125.0	119.2	4.9%
Operating income	25.7	18.7	37.4%	61.0	40.9	49.1%