

AZZ Inc. will Restate Form 10-K for the Year Ended February 28, 2017 and the Unaudited Consolidated Financial Statements Contained in the Company's Quarterly Reports on Form 10-Q for the Quarters Ended May 31, 2017 and August 31, 2017

March 29, 2018 - FORT WORTH, TX - AZZ Inc. (NYSE: AZZ), (the "Company"), a global provider of metal coating services, welding solutions, specialty electrical equipment and highly engineered services, today announced that it has completed the review of the materiality of certain historical accounting treatment of certain contracts in its Energy Segment as originally communicated in its January 9, 2018 press release. On March 26, 2018, the management of the Company in conferring with the Company's independent registered public accounting firm, BDO USA, LLP ("BDO"), concluded that the Company's previously issued audited consolidated financial statements (and any related audit reports of BDO) contained in the Company's 2017 Annual Report on Form 10-K (which includes financial statements for years ending February 28, 2015, and February 29, 2016, and February 28, 2017) and the unaudited consolidated financial statements contained in the Company's Quarterly Reports on Form 10-Q for the quarters ended May 31, 2017 and August 31, 2017 (collectively, the "Relevant Periods") should no longer be relied upon due to an accounting error. The Company determined that it should have applied the percentage-of-completion method of accounting under the FASB's Accounting Standards Codification No. 605-35, *Construction-Type and Production-Type Contracts* ("ASC 605-35"), for certain contracts of the Company as further described below. After conferring with the Company's management and BDO, the Audit Committee of the Board of Directors of the Company concurred with the above conclusion of the Company's management.

The Company will file amendments to its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q for the Relevant Periods to restate the previously issued annual and interim financial statements. Although the Company cannot yet estimate when it will complete the restatements and file the amended annual and periodic reports, the Company is working diligently and expeditiously towards completion of the restatements and intends to file the amended annual and periodic reports as soon as reasonably practicable and prior to filing its Quarterly Report on Form 10-Q for the quarter ended November 30, 2017.

The restatements described above result from a correction to the accounting method historically used by the Company to record revenues for certain contracts within its Energy Segment. In particular, the Company determined that for certain contracts for which revenue was recognized upon contract completion and transfer of title, the Company instead should have applied the percentage-of-completion method in accordance with ASC 605-35. In general, the percentage-of-completion method results in a revenue recognition pattern over time as a project progresses as opposed to deferring revenues until contract completion. The Company determined that the impact of applying the percentage-of-completion method to certain of its revenue contracts was materially different from its previously reported results primarily for certain current asset balance sheet accounts under its historical practice.

Paul Fehlman, senior vice president and CFO of AZZ Inc., commented, "We're moving quickly to complete and issue these amended reports, and want to assure all shareholders that these changes were only for a limited number of subsidiaries in its Energy Segment, caused by a misapplication of FASB's Accounting Standards Codification 605-35, and do not reflect a fundamental change in the Company's underlying business. Further, the restatements will not impact cash and cash equivalents and do not impact our compliance with our contractual obligations." Fehlman continued, "The attached tables showing the anticipated impacts to the income statements and consolidated balance sheets demonstrate that the restatements will impact the balance sheets to a greater extent than the income statements."

Also, in connection with the restatements, the Company re-evaluated its conclusion regarding the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting for the Relevant Periods and determined that a material weakness existed relating to revenue recognition on certain contracts. In addition, as a result of the material weakness, BDO USA LLP's report on the Company's internal control over financial reporting as of February 28, 2017 should no longer be relied upon. Management has begun to develop and institute a plan to remediate this material weakness.

About AZZ Inc.

AZZ Inc. is a global provider of metal coating services, welding solutions, specialty electrical equipment and highly

engineered services to the markets of power generation, transmission, distribution and industrial in protecting metal and electrical systems used to build and enhance the world's infrastructure. AZZ Metal Coatings is a leading provider of metal finishing solutions for corrosion protection, including hot dip galvanizing to the North American steel fabrication industry. AZZ Energy is dedicated to delivering safe and reliable transmission of power from generation sources to end customers, and automated weld overlay solutions for corrosion and erosion mitigation to critical infrastructure in the energy markets worldwide.

Safe Harbor Statement

Certain statements herein about our expectations of future events or results constitute forward looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by terminology such as, "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," or the negative of these terms or other comparable terminology. Such forward-looking statements are based on currently available competitive, financial and economic data and management's views and assumptions regarding future events. Such forward-looking statements are inherently uncertain, and investors must recognize that actual results may differ from those expressed or implied in the forward-looking statements. This release may contain forward-looking statements that involve risks and uncertainties including, but not limited to, changes in customer demand and response to products and services offered by AZZ, including demand by the power generation markets, electrical transmission and distribution markets, the industrial markets, and the hot dip galvanizing markets; prices and raw material cost, including zinc and natural gas which are used in the hot dip galvanizing process; changes in the political stability and economic conditions of the various markets that AZZ serves, foreign and domestic, customer requested delays of shipments, acquisition opportunities, currency exchange rates, adequacy of financing, and availability of experienced management and employees to implement AZZ's growth strategy. AZZ has provided additional information regarding risks associated with the business in AZZ's Annual Report on Form 10-K for the fiscal year ended February 28, 2017 and other filings with the SEC, available for viewing on AZZ's website at www.azz.com and on the SEC's website at www.sec.gov. You are urged to consider these factors carefully in evaluating the forward-looking statements herein and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. These statements are based on information as of the date hereof and AZZ assumes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

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---Financial tables on the following page---

AZZ Inc.

	Years Ended					
	February 28, 2017			February 29, 2016		
	As		As	As		As
		Correction			Correction	
	<u>Reported</u>		<u>Restated</u>	<u>Reported</u>		<u>Restated</u>
Net Sales	\$ 858,930	\$ 4,608	\$ 863,538	\$ 903,192	\$ (13,792)	\$ 889,400
Cost of Sales	654,146	4,790	658,936	673,081	(11,799)	661,282
Gross Profit	204,784	(182)	204,602	230,111	(1,993)	228,118
Operating Income	98,360	(182)	98,178	122,288	(1,993)	120,295
Income Before Income Taxes	84,749	(182)	84,567	104,368	(1,993)	102,375
Income Tax Expense	23,828	(68)	23,760	27,578	(747)	26,831
Net Income	\$ 60,921	\$ (114)	\$ 60,807	\$ 76,790	\$ (1,246)	\$ 75,544
Earnings Per Common Share						
Basic Earnings Per Share	\$ 2.35	\$ (0.01)	\$ 2.34	\$ 2.98	\$ (0.05)	\$ 2.93
Diluted Earnings Per Share	\$ 2.33	\$ —	\$ 2.33	\$ 2.96	\$ (0.05)	\$ 2.91
Weighted Average Shares Outstanding						
Basic	25,965		25,965	25,800		25,800
Diluted	26,097		26,097	25,937		25,937

Consolidated Statements of Income (in thousands, except per share data) (unaudited)

	Year Ended			
	February 28, 2015			
	As		As	
		Correction		
	<u>Reported</u>		<u>Restated</u>	
Net Sales	\$ 816,687	\$ 3,005	\$ 819,692	
Cost of Sales	610,991	1,928	612,919	
Gross Profit	205,696	1,077	206,773	
Operating Income	106,825	1,077	107,902	
Income Before Income Taxes	90,130	1,077	91,207	
Income Tax Expense	25,187	404	25,591	
Net Income	\$ 64,943	\$ 673	\$ 65,616	
Earnings Per Common Share				
Basic Earnings Per Share	\$ 2.53	\$ 0.03	\$ 2.56	

Diluted Earnings Per Share	\$	<u>2.52</u>	\$	0.03	\$	2.55
Weighted Average Shares Outstanding						
Basic		25,676				25,676
Diluted		25,778				25,778

Three Months Ended

May 31, 2017

August 31, 2017

	<u>Reported</u>	<u>Correction</u>	<u>Restated</u>	<u>Reported</u>	<u>Correction</u>	<u>Restated</u>
Cost of Sales	159,285	883	160,168	148,938	5,609	154,547
Operating Income	21,907	(1,717)	20,190	15,056	1,586	16,642
Income Before Income Taxes	18,732	(1,717)	17,015	11,396	1,586	12,982
Income Tax Expense	5,492	(644)	4,848	3,067	595	3,662
Earnings Per Common Share						
Basic Earnings Per Share	\$ 0.51	\$ (0.04)	\$ 0.47	\$ 0.32	\$ 0.04	\$ 0.36
Diluted Earnings Per Share	\$ <u>0.51</u>	\$ <u>(0.04)</u>	\$ 0.47	\$ 0.32	\$ 0.04	\$ 0.36
Weighted Average Shares Outstanding						
Basic	26,012		26,012	25,970		25,970
Diluted	26,093		26,093	26,036		26,036

As

As

As

As

Net Sales	\$	\$	\$	\$	\$
\$ 208,551	(834)	207,717	190,407	7,195	197,602

Gross Profit	(1,717)	47,549		1,586	43,055
49,266		41,469			

Net Income \$ 13,240	\$ (1,073)	\$ 12,167	\$ 8,329	\$ 991	\$ 9,320
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Six Months Ended

August 31, 2017

	As	Correction	As
	<u>Reported</u>		<u>Restated</u>
Net Sales	\$ 398,958	\$ 6,361	\$ 405,319
Cost of Sales	308,223	6,492	314,715
Gross Profit	90,735	(131)	90,604
Operating Income	36,963	(131)	36,832
Income Before Income Taxes	30,128	(131)	29,997
Income Tax Expense	8,559	(49)	8,510
Net Income	\$ 21,569	\$ (82)	\$ 21,487
Earnings Per Common Share			
Basic Earnings Per Share	\$ 0.83	—	\$ 0.83
Diluted Earnings Per Share	\$ <u>0.83</u>	<u>(0.01)</u>	\$ <u>0.82</u>
Weighted Average Shares Outstanding			
Basic	25,991		25,991
Diluted	26,065		26,065

AZZ Inc.

Consolidated Balance Sheets (in thousands) (unaudited)

	<u>February 28,</u>			<u>February 29,</u>		
	<u>2017</u>			<u>2016</u>		
	As	Correction	As	As	Correction	As
	<u>Reported</u>		<u>Restated</u>	<u>Reported</u>		<u>Restated</u>
Assets						
Inventories - net	\$ 123,208	\$ (35,583)	\$ 87,625	\$ 102,135	\$ (30,793)	\$ 71,342
Costs and estimated earnings in excess of billings on uncompleted contracts	20,546	29,716	50,262	32,287	31,195	63,482
Total current assets	296,537	(5,867)	290,670	309,334	402	309,736
Total assets	\$ 977,839	\$ (5,867)	\$ 971,972	\$ 982,010	\$ 402	\$ 982,412
<u>Liabilities and Shareholders' Equity</u>						
Billings in excess of costs and estimated earnings on uncompleted contracts	\$ 32,808	\$ (10,732)	\$ 22,076	\$ 24,889	\$ (4,645)	\$ 20,244
Total current liabilities	141,850	(10,732)	131,118	148,405	(4,645)	143,760
Deferred income tax liabilities	51,550	1,825	53,375	49,960	1,893	51,853
Total liabilities	448,200	(8,907)	439,293	500,794	(2,752)	498,042
Shareholders' equity:						
Retained earnings	495,030	3,040	498,070	450,754	3,154	453,908
Total shareholders' equity	529,639	3,040	532,679	481,216	3,154	484,370
Total liabilities and shareholders' equity	\$ 977,839	\$ (5,867)	\$ 971,972	\$ 982,010	\$ 402	\$ 982,412

	May 31, 2017			August 31, 2017		
	As		As	As		As
	Reported	Correction	Restated	Reported	Correction	Restated
<u>Assets</u>						
Inventories - net	\$ 131,187	\$ (36,466)	\$ 94,721	\$ 144,008	\$ (42,075)	\$ 101,933
Costs and estimated earnings in excess of billings on uncompleted contracts	27,295	32,337	59,632	32,082	36,616	68,698
Total current assets	325,744	(4,129)	321,615	325,007	(5,459)	319,548
Total assets	\$1,004,998	\$ (4,129)	\$1,000,869	\$1,011,401	\$ (5,459)	\$1,005,942
<u>Liabilities and Shareholders' Equity</u>						
Customer deposits and billings in excess of costs and estimated earnings on uncompleted contracts	\$ 31,527	\$ (7,277)	\$ 24,250	\$ 32,659	\$ (10,193)	\$ 22,466
Total current liabilities	130,699	(7,277)	123,422	126,273	(10,193)	116,080
Deferred income tax liabilities	52,431	1,181	53,612	52,293	1,776	54,069
Total liabilities	468,608	(6,096)	462,512	466,088	(8,417)	457,671
Shareholders' equity:						
Retained earnings	503,847	1,967	505,814	507,754	2,958	510,712
Total shareholders' equity	536,390	1,967	538,357	545,313	2,958	548,271
Total liabilities and shareholders' equity	\$1,004,998	\$ (4,129)	\$1,000,869	\$1,011,401	\$ (5,459)	\$1,005,942