VALMONT INDUSTRIES INC
Form 10-Q
November 03, 2009

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-Q

**(Mark One)**

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

**For the quarterly period ended September 26, 2009**

**Or**

o **TRANSITION REPORT UNDER 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**<br>(State or other jurisdiction of incorporation or organization) | **47-0351813**<br>(I.R.S. Employer Identification No.) |
| **One Valmont Plaza, Omaha, Nebraska**<br>(Address of principal executive offices) | **68154-5215**<br>(Zip Code) |

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

**26,276,932**
Outstanding shares of common stock as of October 26, 2009

Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**INDEX TO FORM 10-Q**

Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**PART I. FINANCIAL INFORMATION**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Dollars in thousands, except per share amounts)**

**(Unaudited)**

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | Sept. 26, 2009 | Sept. 27, 2008 | Sept. 26, 2009 | Sept. 27, 2008 |
| Net sales | $ 434,010 | $ 494,801 | $ 1,387,974 | $ 1,414,216 |
| Cost of sales | 297,652 | 359,802 | 978,619 | 1,026,206 |
| Gross profit | 136,358 | 134,999 | 409,355 | 388,010 |
| Selling, general and administrative expenses | 73,625 | 73,103 | 218,887 | 212,278 |
| Operating income | 62,733 | 61,896 | 190,468 | 175,732 |
| Other income (expense): | | | | |
| Interest expense | (3,587) | (4,264) | (11,847) | (13,446) |
| Interest income | 370 | 382 | 986 | 1,880 |
| Miscellaneous | 2,106 | (376) | 1,916 | (2,234) |
| | (1,111) | (4,258) | (8,945) | (13,800) |
| Earnings before income taxes, minority interest and equity in earnings of nonconsolidated subsidiaries | 61,622 | 57,638 | 181,523 | 161,932 |
| Income tax expense (benefit): | | | | |
| Current | 22,779 | 24,089 | 54,345 | 65,625 |
| Deferred | (2,441) | (4,501) | 5,299 | (10,435) |
| | 20,338 | 19,588 | 59,644 | 55,190 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 41,284 | 38,050 | 121,879 | 106,742 |
| Equity in earnings of nonconsolidated subsidiaries | 84 | 412 | 579 | 369 |
| Net earnings | 41,368 | 38,462 | 122,458 | 107,111 |
| Less: Earnings attributable to noncontrolling interests | (894) | (1,478) | (1,890) | (3,164) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net earnings attributable to Valmont Industries, Inc. | $ | 40,474 | $ | 36,984 | $ | 120,568 | $ | 103,947 |
| Earnings per share Basic | $ | 1.56 | $ | 1.43 | $ | 4.65 | $ | 4.03 |
| Earnings per share Diluted | $ | 1.53 | $ | 1.40 | $ | 4.59 | $ | 3.95 |
| Cash dividends per share | $ | 0.150 | $ | 0.130 | $ | 0.430 | $ | 0.365 |
| Weighted average number of shares of common stock outstanding (000 omitted) | | 25,963 | | 25,864 | | 25,936 | | 25,793 |
| Weighted average number of shares of common stock outstanding plus dilutive potential common shares (000 omitted) | | 26,402 | | 26,362 | | 26,257 | | 26,321 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(Dollars in thousands)**

**(Unaudited)**

| | September 26, 2009 | December 27, 2008 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 129,844 | $ 68,567 |
| Receivables, net | 296,267 | 327,620 |
| Inventories | 216,483 | 313,411 |
| Prepaid expenses | 26,596 | 13,821 |
| Refundable and deferred income taxes | 31,895 | 32,380 |
| Total current assets | 701,085 | 755,799 |
| Property, plant and equipment, at cost | 674,762 | 630,410 |
| Less accumulated depreciation and amortization | 388,096 | 361,090 |
| Net property, plant and equipment | 286,666 | 269,320 |
| Goodwill | 174,042 | 175,291 |
| Other intangible assets, net | 98,134 | 104,506 |
| Other assets | 28,785 | 21,372 |
| Total assets | $ 1,288,712 | $ 1,326,288 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current installments of long-term debt | $ 977 | $ 904 |
| Notes payable to banks | 24,950 | 19,552 |
| Accounts payable | 118,463 | 136,868 |
| Accrued expenses | 57,671 | 49,700 |
| Accrued employee compensation and benefits | 63,195 | 70,158 |
| Dividends payable | 3,941 | 3,402 |
| Total current liabilities | 269,197 | 280,584 |
| Deferred income taxes | 43,393 | 45,124 |
| Long-term debt, excluding current installments | 171,710 | 337,128 |
| Other noncurrent liabilities | 26,490 | 22,476 |
| 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; issued 27,900,000 shares | 27,900 | 27,900 |
| Retained earnings | 740,784 | 624,254 |
| Accumulated other comprehensive income (loss) | 14,781 | (533) |
| Treasury stock | (26,789) | (27,490) |
| Total Valmont Industries, Inc. shareholders' equity | 756,676 | 624,131 |

| | | |
|---|---|---|
| Noncontrolling interest in consolidated subsidiaries | 21,246 | 16,845 |
| Total shareholders' equity | 777,922 | 640,976 |
| Total liabilities and shareholders' equity | $ 1,288,712 | $ 1,326,288 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Dollars in thousands)**

**(Unaudited)**

| | Thirty-nine Weeks Ended Sept. 26, 2009 | Thirty-nine Weeks Ended Sept. 27, 2008 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net earnings | $ 122,458 | $ 107,111 |
| Adjustments to reconcile net earnings to net cash flows from operating activities: | | |
| Depreciation and amortization | 33,639 | 29,081 |
| Stock-based compensation | 4,814 | 3,869 |
| Loss/(gain) on sale of assets | 807 | (377) |
| Equity in earnings of nonconsolidated subsidiaries | (579) | (369) |
| Deferred income taxes | 5,299 | (10,435) |
| Other | (238) | (840) |
| Payment of deferred compensation | | (589) |
| Changes in assets and liabilities, net of business acquisitions: | | |
| Receivables | 37,945 | (49,109) |
| Inventories | 102,820 | (78,663) |
| Prepaid expenses | (11,556) | (28) |
| Accounts payable | (19,949) | 34,510 |
| Accrued expenses | (1,262) | 24,152 |
| Other noncurrent liabilities | (737) | (1,430) |
| Income taxes payable/refundable | (7,035) | 10,111 |
| Net cash flows from operating activities | 266,426 | 66,994 |
| Cash flows from investing activities: | | |
| Purchase of property, plant & equipment | (38,718) | (38,924) |
| Proceeds from sale of assets | 595 | 3,133 |
| Acquisitions, net of cash acquired | | (119,044) |
| Dividends to noncontrolling interests | (289) | (184) |
| Other, net | (2,454) | (598) |
| Net cash flows from investing activities | (40,866) | (155,617) |
| Cash flows from financing activities: | | |
| Net borrowings under short-term agreements | 5,398 | 10,395 |
| Proceeds from long-term borrowings | 10,001 | 80,895 |
| Principal payments on long-term obligations | (175,909) | (38,787) |
| Dividends paid | (10,753) | (8,852) |
| Proceeds from exercises under stock plans | 4,549 | 6,689 |
| Excess tax benefits from stock option exercises | 1,954 | 7,117 |
| Purchase of common treasury shares stock plan exercises | (3,440) | (7,895) |
| Net cash flows from financing activities | (168,200) | 49,562 |
| | 3,917 | 624 |

| | | |
|---|---|---|
| Effect of exchange rate changes on cash and cash equivalents | | |
| Net change in cash and cash equivalents | 61,277 | (38,437) |
| Cash and cash equivalents beginning of year | 68,567 | 106,532 |
| Cash and cash equivalents end of period | $ 129,844 | $ 68,095 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

**(Dollars in thousands)**

**(Unaudited)**

| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock | Noncontrolling interest in consolidated subsidiaries | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Balance at December 29, 2007** | $ 27,900 | $ | $ 496,388 | $ 16,996 | $ (30,671) | $ 10,373 | $ 520,986 |
| Comprehensive income: | | | | | | | |
| Net earnings | | | 103,947 | | | 3,164 | 107,111 |
| Currency translation adjustment | | | | (657) | | (835) | (1,492) |
| Total comprehensive income | | | | | | | 105,619 |
| Cash dividends ($0.365 per share) | | | (9,527) | | | | (9,527) |
| Dividends to noncontrolling interests | | | | | | (184) | (184) |
| Acquisitions | | | | | | 7,192 | 7,192 |
| Stock plan exercises; 77,328 shares purchased | | | | | (7,896) | | (7,896) |
| Stock options exercised; 266,973 shares issued | | (11,360) | 6,866 | | 11,149 | | 6,655 |
| Tax benefit from exercise of stock options | | 7,117 | | | | | 7,117 |
| Stock option expense | | 2,248 | | | | | 2,248 |
| Stock awards; 13,025 shares issued | | 1,995 | | | | | 1,995 |
| **Balance at September 27, 2008** | $ 27,900 | $ | $ 597,674 | $ 16,339 | $ (27,418) | $ 19,710 | $ 634,205 |
| **Balance at December 27, 2008** | $ 27,900 | $ | $ 624,254 | $ (533) | $ (27,490) | $ 16,845 | $ 640,976 |
| Comprehensive income: | | | | | | | |
| Net earnings | | | 120,568 | | | 1,890 | 122,458 |
| Currency translation adjustment | | | | 15,314 | | 2,800 | 18,114 |
| Total comprehensive income | | | | | | | 140,572 |
| Cash dividends ($0.43 per share) | | | (11,292) | | | | (11,292) |
| Dividends to noncontrolling interests | | | | | | (289) | (289) |
| Stock plan exercises; 152,864 shares issued | | (6,410) | 7,254 | | 3,705 | | 4,549 |
| Stock plan exercises; 49,709 shares purchased | | | | | (3,440) | | (3,440) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Tax benefit from exercise of stock options | | 1,954 | | | | | 1,954 |
| Stock option expense | | 3,061 | | | | | 3,061 |
| Stock awards; 9,746 shares issued | | 1,395 | | | 436 | | 1,831 |
| **Balance at September 26, 2009** | $ 27,900 | $ | $ 740,784 | $ 14,781 | $ (26,789) | $ 21,246 | $ 777,922 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

**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 26, 2009, the Condensed Consolidated Statements of Operations for the thirteen and thirty-nine week periods ended September 26, 2009 and September 27, 2008, the Condensed Consolidated Statements of Cash Flows and the Condensed Consolidated Statements of 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 26, 2009 and for all periods presented. Information related to noncontrolling interest in consolidated subsidiaries for 2008 has been reclassified to conform to the 2009 presentation, as required under Accounting Standards Codification 810, *Consolidation*, which was adopted effective December 28, 2008, the beginning of the Company's 2009 fiscal year. The effect of this standard was to classify noncontrolling interests on the condensed consolidated balance sheets as equity and to reclassify the related earnings in the condensed consolidated statements of operations 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, 2008. 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, 2008. The results of operations for the periods ended September 26, 2009 are not necessarily indicative of the operating results for the full year.

*Inventories*

At September 26, 2009, approximately 44.8% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market. 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 finished goods. The excess of replacement cost of inventories over the LIFO value was approximately $41,600 and $58,200 at September 26, 2009 and December 27, 2008, respectively.

**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 26, 2009 | December 27, 2008 |
|---|---|---|
| Raw materials and purchased parts | $ 128,584 | $ 207,011 |
| Work-in-process | 18,562 | 28,925 |
| Finished goods and manufactured goods | 110,968 | 135,671 |
| Subtotal | 258,114 | 371,607 |
| LIFO reserve | 41,631 | 58,196 |
| Net inventory | $ 216,483 | $ 313,411 |

In 2009, the Company reduced its inventory quantities, thereby liquidating a portion of its LIFO inventories acquired in prior years. The result of this liquidation was an increase in operating income of $1,204 and $4,047 for the thirteen and thirty-nine week periods ended September 26, 2009, respectively.

*Stock Plans*

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Compensation 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 26, 2009, 1,335,570 shares of common stock remained available for issuance under the plans. Shares and options issued and available for issuance are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the market price at the time 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 related to stock options (included in selling, general and administrative expenses) and associated tax benefits for the periods listed below were as follows:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | September 26, 2009 | September 27, 2008 | September 26, 2009 | September 27, 2008 |
| Compensation expense | $ 1,021 | $ 760 | $ 3,061 | $ 2,248 |
| Related tax benefits | 394 | 289 | 1,178 | 854 |

*Fair Value*

On December 30, 2007, the Company adopted Accounting Standards Codification 820*, Fair Value Measurements and Disclosures* (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. The Company

**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)**

adopted ASC 820 in 2008, except as it applies to those nonfinancial assets and liabilities affected by the one-year delay, which was adopted in fiscal 2009.

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 refers 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.

| | | Fair Value Measurement Using: | | |
|---|---|---|---|---|
| | **Carrying Value September 26, 2009** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Assets: | | | | |
| Trading Securities | $ 15,238 | $ 15,238 | $ | $ |

| | | Fair Value Measurement Using: | | |
|---|---|---|---|---|
| | **Carrying Value December 27, 2008** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Assets: | | | | |
| Trading Securities | $ 10,488 | $ 10,488 | $ | $ |

**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)**

*Subsequent Events*

The Company implemented Accounting Standards Codification 855, *Subsequent Events*, in the second quarter of 2009. In accordance with this pronouncement, the Company evaluated subsequent events through November 3, 2009. The Company evaluated all subsequent events requiring recognition as of September 26, 2009 and did not identify any subsequent events that require disclosure.

*Recently Issued Accounting Pronouncements*

In June 2009, the FASB updated ASC Topic 860, *Transfers and Servicing,* which significantly changes the accounting for transfers of financial assets. The update to ASC 860 eliminates the qualifying special purpose entity ("QSPE") concept, establishes conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies the financial-asset derecognition criteria, revises how interests retained by the transferor in a sale of financial assets initially are measured, and removes the guaranteed mortgage securitization recharacterization provisions. The Company is currently assessing the potential impact of adopting this new accounting guidance.

**2. Acquisitions**

In the first quarter of 2008, the Company acquired substantially all of the assets of Penn Summit LLC (Penn Summit), a manufacturer of steel utility and wireless communication poles located in Hazelton, Pennsylvania and 70% of the outstanding shares of West Coast Engineering Group, Ltd. (West Coast), a Canadian and U.S. manufacturer of steel structures for the lighting, transportation and wireless communication industries headquartered in Delta, British Columbia. In July 2008, the Company acquired the assets of Site Pro 1, Inc. (Site Pro), a company that distributes wireless communication components for the U.S. market.

In November 2008, the Company acquired all of the outstanding shares of Stainton Metals Co., Ltd. (Stainton), an English manufacturer of steel structures for the lighting, transportation and wireless communication industries headquartered in Stockton-on-Tees, England. The Company completed the purchase price allocation related to this acquisition in the third quarter of fiscal 2009. The changes to the purchase price allocation from what was previously recorded were related to the adjustment of the recorded amount of fixed assets to fair value, and certain deferred income tax assets with corresponding adjustments to intangible assets.

In addition, the Company acquired the assets of a provider of materials analysis, testing and inspection services, formed a 51% owned joint venture in Turkey with a Turkish company to manufacture and sell pole structures and acquired the assets of a galvanizing operation located near Louisville, Kentucky in 2008.

The aggregate amount paid by the Company for the businesses acquired in the year-to-date period ended September 27, 2008 was $119,044.

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share amounts)**

**(Unaudited)**

**2. Acquisitions (Continued)**

The Company's pro forma results of operations for the thirteen and thirty-nine weeks ended September 27, 2008, assuming that these transactions occurred at the beginning of fiscal 2008 were as follows:

| | Thirteen Weeks Ended September 27, 2008 | Thirty-nine Weeks Ended September 27, 2008 |
|---|---|---|
| Net sales | $ 507,112 | $ 1,462,657 |
| Net earnings attributable to Valmont Industries, Inc. | 37,685 | 107,154 |
| Earnings per share attributable to Valmont Industries, Inc. diluted | $ 1.43 | $ 4.07 |

**3. Goodwill and Intangible Assets**

The Company's annual impairment testing of goodwill and intangible assets was performed during the third quarter of fiscal 2009. As a result of that testing, it was determined the goodwill and other intangible assets on the Company's Consolidated Balance Sheet were not impaired, other than certain intangible assets associated with a sign structures operation. The Company continues to monitor changes in the global economy that could impact future operating results of its reporting units and related components.

*Amortized Intangible Assets*

The components of amortized intangible assets at September 26, 2009 and December 27, 2008 were as follows:

| | As of September 26, 2009 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Weighted Average Life |
| Customer Relationships | $ 97,046 | $ 25,683 | 14 years |
| Proprietary Software & Database | 2,628 | 2,399 | 6 years |
| Patents & Proprietary Technology | 3,466 | 1,176 | 13 years |
| Non-compete Agreements | 1,711 | 765 | 6 years |
| | $ 104,851 | $ 30,023 | |

Table of Contents

**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)**

| | As of December 27, 2008 Gross Carrying Amount | Accumulated Amortization | Weighted Average Life |
|---|---|---|---|
| Customer Relationships | $ 97,202 | $ 19,560 | 14 years |
| Proprietary Software & Database | 2,609 | 2,295 | 6 years |
| Patents & Proprietary Technology | 3,427 | 929 | 13 years |
| Non-compete Agreements | 1,696 | 548 | 7 years |
| | $ 104,934 | $ 23,332 | |

Amortization expense for intangible assets for the thirteen and thirty-nine weeks ended September 26, 2009 and September 27, 2008, respectively was as follows:

| Thirteen Weeks Ended September 26, 2009 | Thirteen Weeks Ended September 27, 2008 | Thirty-nine Weeks Ended September 26, 2009 | Thirty-nine Weeks Ended September 27, 2008 |
|---|---|---|---|
| $ 2,419 | $ 1,768 | $ 6,534 | $ 4,600 |

| | Estimated Amortization Expense |
|---|---|
| 2009 | $ 8,231 |
| 2010 | 8,077 |
| 2011 | 7,836 |
| 2012 | 7,798 |
| 2013 | 6,964 |

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 26, 2009 and December 27, 2008 were as follows:

| | September 26, 2009 | December 27, 2008 |
|---|---|---|
| PiRod | $ 4,750 | $ 4,750 |
| Newmark | 11,111 | 11,111 |
| Tehomet | 1,374 | 1,316 |
| West Coast | 2,268 | 2,030 |
| Site Pro | 1,800 | 1,800 |
| Stainton | 1,360 | 1,254 |

| | | | | |
|---|---|---|---|---|
| Other | | 643 | | 643 |
| | $ | 23,306 | $ | 22,904 |

Table of Contents

**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)**

These trade names were tested for impairment separately from goodwill in the third quarter of 2009. 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 as of September 26, 2009.

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.

*Goodwill*

The carrying amount of goodwill as of September 26, 2009 was as follows:

| | Engineered Support Structures Segment | Utility Support Structures Segment | Coatings Segment | Irrigation Segment | Total |
|---|---|---|---|---|---|
| Balance December 27, 2008 | $ 52,324 | $ 77,141 | $ 43,777 | $ 2,049 | $ 175,291 |
| Purchase accounting adjustment | (2,911) | | | | (2,911) |
| Impairment | (395) | | | | (395) |
| Foreign currency translation | 2,042 | | | 15 | 2,057 |
| Balance September 26, 2009 | $ 51,060 | $ 77,141 | $ 43,777 | $ 2,064 | $ 174,042 |

The purchase accounting adjustment was related to the finalization of the purchase price allocation of the Company's acquisition of 100% of the shares of Stainton. The impairment charge was related to the Company's evaluation of its goodwill and intangible assets assigned to a sign structure operation in the third quarter of 2009, which were all determined to be impaired based on estimated future cash flows.

**4. Cash Flows**

The Company considers all highly liquid temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the thirty-nine weeks ended were as follows:

| | Sept. 26, 2009 | Sept. 27, 2008 |
|---|---|---|
| Interest | 10,104 | $ 11,216 |
| Income taxes | 59,940 | 57,076 |

Table of Contents

**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 reconciles Basic and Diluted earnings per share (EPS):

| | Basic EPS | Dilutive Effect of Stock Options | Diluted EPS |
|---|---|---|---|
| Thirteen weeks ended September 26, 2009: | | | |
| Net earnings attributable to Valmont Industries, Inc. | $ 40,474 | | $ 40,474 |
| Shares outstanding | 25,963 | 439 | 26,402 |
| Per share amount | $ 1.56 | (.03) | $ 1.53 |
| Thirteen weeks ended September 27, 2008: | | | |
| Net earnings attributable to Valmont Industries, Inc. | $ 36,984 | | $ 36,984 |
| Shares outstanding | 25,864 | 498 | 26,362 |
| Per share amount | $ 1.43 | (.03) | $ 1.40 |
| Thirty-nine weeks ended September 26, 2009: | | | |
| Net earnings attributable to Valmont Industries, Inc. | $ 120,568 | | $ 120,568 |
| Shares outstanding | 25,936 | 321 | 26,257 |
| Per share amount | $ 4.65 | (.06) | $ 4.59 |
| Thirty-nine weeks ended September 27, 2008: | | | |
| Net earnings attributable to Valmont Industries, Inc. | $ 103,947 | | $ 103,947 |
| Shares outstanding | 25,793 | 528 | 26,321 |
| Per share amount | $ 4.03 | (.08) | $ 3.95 |

At September 26, 2009 there were 185,773 of outstanding stock options with exercise prices exceeding the market price of common stock that were therefore excluded from the computation of fully diluted shares earnings per share for the thirteen and thirty-nine weeks ended September 26, 2009. At September 27, 2008, there were no outstanding stock options with exercise prices exceeding the market price of common stock. Therefore, there were no shares contingently issuable upon exercise of stock options excluded from the computation of diluted earnings per share for the thirteen and thirty-nine weeks ended September 27, 2008.

**6. Comprehensive Income**

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. Currency translation adjustment is the Company's only component of accumulated other

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share amounts)**

**(Unaudited)**

**6. Comprehensive Income (Continued)**

comprehensive income. The Company's total comprehensive income for the thirteen and thirty-nine weeks ended September 26, 2009 and September 27, 2008, respectively, were as follows:

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | Sept. 26, 2009 | Sept. 27, 2008 | Sept. 26, 2009 | Sept. 27, 2008 |
| Net earnings attributable to Valmont Industries, Inc. | $ 40,474 | $ 36,984 | $ 120,568 | $ 103,947 |
| Currency translation adjustment | 5,070 | (11,139) | 15,314 | (657) |
| Total comprehensive income attributable to Valmont Industries, Inc. | $ 45,544 | $ 25,845 | $ 135,882 | $ 103,290 |

**7. Business Segments**

The Company aggregates its operating segments into four reportable segments. Aggregation is based on similarity of operating segments as to economic characteristics, products, production processes, types or classes of customer and the methods of distribution. Net corporate expense is net of certain service-related expenses that are allocated to business units generally based on employee headcounts and sales dollars.

Reportable segments are as follows:

*ENGINEERED SUPPORT STRUCTURES:* This segment consists of the manufacture of engineered metal structures and components for the lighting and traffic and wireless communication industries, certain international utility industries and for other specialty applications;

*UTILITY SUPPORT STRUCTURES:* This segment consists of the manufacture of engineered steel and concrete structures primarily for the North American utility industry;

*COATINGS:* This segment consists of galvanizing, anodizing and powder coating services; and

*IRRIGATION:* This segment consists of the manufacture of agricultural irrigation equipment and related parts and services

In addition to these four reportable segments, the Company has other businesses that individually are not more than 10% of consolidated sales. These businesses, which include the manufacture of tubular products and the distribution of industrial fasteners, 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

Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share amounts)**

**(Unaudited)**

**7. Business Segments (Continued)**

invested capital. The Company does not allocate interest expense, non-operating income and deductions, or income taxes to its business segments.

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | Sept. 26, 2009 | Sept. 27, 2008 | Sept. 26, 2009 | Sept. 27, 2008 |
| Sales: | | | | |
| Engineered Support Structures segment: | | | | |
| Lighting & Traffic | $ 142,184 | $ 132,466 | $ 396,504 | $ 395,215 |
| Specialty | 33,478 | 37,174 | 99,991 | 96,742 |
| Utility | 14,736 | 17,429 | 34,832 | 35,509 |
| | 190,398 | 187,069 | 531,327 | 527,466 |
| Utility Support Structures segment: | | | | |
| Steel | 127,199 | 92,888 | 424,516 | 252,580 |
| Concrete | 23,520 | 20,098 | 101,409 | 62,878 |
| | 150,719 | 112,986 | 525,925 | 315,458 |
| Coatings segment | 29,683 | 35,889 | 88,295 | 108,217 |
| Irrigation segment | 75,230 | 150,445 | 279,339 | 440,890 |
| Other | 16,943 | 33,564 | 54,246 | 89,815 |
| | 462,973 | 519,953 | 1,479,132 | 1,481,846 |
| Intersegment Sales: | | | | |
| Engineered Support Structures | 17,961 | 7,880 | 58,740 | 20,680 |
| Utility Support Structures | 553 | 1,973 | 1,639 | 4,087 |
| Coatings | 7,020 | 6,961 | 19,351 | 21,823 |
| Irrigation | 2 | 5 | 16 | 18 |
| Other | 3,427 | 8,333 | 11,412 | 21,022 |
| | 28,963 | 25,152 | 91,158 | 67,630 |
| Net Sales: | | | | |
| Engineered Support Structures | 172,437 | 179,189 | 472,587 | 506.786 |
| Utility Support Structures | 150,166 | 111,013 | 524,286 | 311,371 |
| Coatings | 22,663 | 28,928 | 68,944 | 86,394 |
| Irrigation | 75,228 | 150,440 | 279,323 | 440,872 |
| Other | 13,516 | 25,231 | 42,834 | 68,793 |
| Consolidated Net Sales | $ 434,010 | $ 494,801 | $ 1,387,974 | $ 1,414,216 |

| | | | | |
|---|---|---|---|---|
| Operating Income: | | | | |
| Engineered Support Structures | $ 18,186 | $ 16,336 | $ 40,301 | $ 44,394 |
| Utility Support Structures | 40,372 | 14,531 | 126,797 | 43,033 |
| Coatings | 7,581 | 9,284 | 19,965 | 24,915 |
| Irrigation | 5,633 | 25,249 | 27,479 | 75,663 |
| Other | 3,046 | 5,821 | 9,921 | 15,521 |
| Net corporate expense | (12,085) | (9,325) | (33,995) | (27,794) |
| Total Operating Income | $ 62,733 | $ 61,896 | $ 190,468 | $ 175,732 |

Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share amounts)**

**(Unaudited)**

**8. Guarantor/Non-Guarantor Financial Information**

On May 4, 2004, the Company completed a $150,000,000 offering of 6 7/8% Senior Subordinated Notes. The Notes are guaranteed, jointly, severally, fully and unconditionally, on a senior subordinated basis by certain of the Company's current and future direct and indirect domestic 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. Condensed consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**For the Thirteen Weeks Ended September 26, 2009**

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| Net sales | $ 225,013 | $ 101,875 | $ 143,657 | $ (36,535) | $ 434,010 |
| Cost of sales | 160,249 | 69,914 | 104,594 | (37,105) | 297,652 |
| Gross profit | 64,764 | 31,961 | 39,063 | 570 | 136,358 |
| Selling, general and administrative expenses | 37,667 | 13,121 | 22,837 | | 73,625 |
| Operating income | 27,097 | 18,840 | 16,226 | 570 | 62,733 |
| Other income (deductions): | | | | | |
| Interest expense | (3,331) | | (256) | | (3,587) |
| Interest income | 15 | | 355 | | 370 |
| Miscellaneous | 1,440 | 46 | 620 | | 2,106 |
| | (1,876) | 46 | 719 | | (1,111) |
| Earnings before income taxes, minority interest, and equity in earnings of nonconsolidated subsidiaries | 25,221 | 18,886 | 16,945 | 570 | 61,622 |
| Income tax expense: | | | | | |
| Current | 9,439 | 5,872 | 7,468 | | 22,779 |
| Deferred | (789) | 1,618 | (3,270) | | (2,441) |
| | 8,650 | 7,490 | 4,198 | | 20,338 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 16,571 | 11,396 | 12,747 | 570 | 41,284 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Equity in earnings of nonconsolidated subsidiaries | | 23,333 | | | | | | (23,249) | | 84 |
| Net earnings | | 39,904 | | 11,396 | | 12,747 | | (22,679) | | 41,368 |
| Less: Earnings attributable to noncontrolling interests | | | | | | (894) | | | | (894) |
| Net earnings attributable to Valmont Industries, Inc | $ | 39,904 | $ | 11,396 | $ | 11,853 | $ | (22,679) | $ | 40,474 |

Table of Contents

**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 OPERATIONS**
**For the Thirty-nine Weeks Ended September 26, 2009**

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| Net sales | $ 732,898 | $ 359,051 | $ 414,983 | $ (118,958) | $ 1,387,974 |
| Cost of sales | 530,621 | 260,205 | 308,660 | (120,867) | 978,619 |
| Gross profit | 202,277 | 98,846 | 106,323 | 1,909 | 409,355 |
| Selling, general and administrative expenses | 114,842 | 41,401 | 62,644 | | 218,887 |
| Operating income | 87,435 | 57,445 | 43,679 | 1,909 | 190,468 |
| Other income (deductions): | | | | | |
| Interest expense | (11,003) | (13) | (831) | | (11,847) |
| Interest income | 44 | 1 | 941 | | 986 |
| Miscellaneous | 2,536 | 149 | (769) | | 1,916 |
| | (8,423) | 137 | (659) | | (8,945) |
| Earnings before income taxes, minority interest, and equity in earnings of nonconsolidated subsidiaries | 79,012 | 57,582 | 43,020 | 1,909 | 181,523 |
| Income tax expense: | | | | | |
| Current | 22,215 | 19,807 | 12,323 | | 54,345 |
| Deferred | 5,822 | 1,949 | (2,472) | | 5,299 |
| | 28,037 | 21,756 | 9,851 | | 59,644 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 50,975 | 35,826 | 33,169 | 1,909 | 121,879 |
| Equity in earnings of nonconsolidated subsidiaries | 67,684 | | | (67,105) | 579 |
| Net earnings | 118,659 | 35,826 | 33,169 | (65,196) | 122,458 |
| | | | (1,890) | | (1,890) |

| | | | | | |
|---|---|---|---|---|---|
| Less: Earnings attributable to noncontrolling interests | | | | | |
| Net earnings attributable to Valmont Industries, Inc | $ 118,659 | $ 35,826 | $ 31,279 | $ (65,196) | $ 120,568 |

Table of Contents

**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 OPERATIONS**
**For the Thirteen Weeks Ended September 27, 2008**

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| Net sales | $ 286,461 | $ 93,062 | $ 160,629 | $ (45,351) | $ 494,801 |
| Cost of sales | 216,297 | 71,132 | 118,724 | (46,351) | 359,802 |
| Gross profit | 70,164 | 21,930 | 41,905 | 1,000 | 134,999 |
| Selling, general and administrative expenses | 39,703 | 12,966 | 20,434 | | 73,103 |
| Operating income | 30,461 | 8,964 | 21,471 | 1,000 | 61,896 |
| Other income (deductions): | | | | | |
| Interest expense | (3,778) | (3) | (483) | | (4,264) |
| Interest income | 17 | 9 | 356 | | 382 |
| Miscellaneous | (758) | 59 | 323 | | (376) |
| | (4,519) | 65 | 196 | | (4,258) |
| Earnings before income taxes, minority interest, and equity in earnings of nonconsolidated subsidiaries | 25,942 | 9,029 | 21,667 | 1,000 | 57,638 |
| Income tax expense: | | | | | |
| Current | 13,108 | 3,578 | 7,403 | | 24,089 |
| Deferred | (3,406) | (77) | (1,018) | | (4,501) |
| | 9,702 | 3,501 | 6,385 | | 19,588 |
| Earnings before equity in earnings/ (losses) of nonconsolidated subsidiaries | 16,240 | 5,528 | 15,282 | 1,000 | 38,050 |
| Equity in earnings of nonconsolidated subsidiaries | 19,744 | | | (19,332) | 412 |
| Net earnings | 35,984 | 5,528 | 15,282 | (18,332) | 38,462 |
| | | | (1,478) | | (1,478) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Less: Earnings attributable to noncontrolling interests | | | | | | | | | | |
| Net earnings attributable to Valmont Industries, Inc | $ | 35,984 | $ | 5,528 | $ | 13,804 | $ | (18,332) | $ | 36,984 |

Table of Contents

**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 OPERATIONS**
**For the Thirty-nine Weeks Ended September 27, 2008**

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| Net sales | $ 834,881 | $ 255,982 | $ 430,455 | $ (107,102) | $ 1,414,216 |
| Cost of sales | 620,442 | 196,743 | 317,372 | (108,351) | 1,026,206 |
| Gross profit | 214,439 | 59,239 | 113,083 | 1,249 | 388,010 |
| Selling, general and administrative expenses | 115,476 | 36,031 | 60,771 | | 212,278 |
| Operating income | 98,963 | 23,208 | 52,312 | 1,249 | 175,732 |
| Other income (deductions): | | | | | |
| Interest expense | (11,457) | (14) | (1,975) | | (13,446) |
| Interest income | 170 | 28 | 1,682 | | 1,880 |
| Miscellaneous | (1,779) | 161 | (616) | | (2,234) |
| | (13,066) | 175 | (909) | | (13,800) |
| Earnings before income taxes, minority interest, and equity in earnings of nonconsolidated subsidiaries | 85,897 | 23,383 | 51,403 | 1,249 | 161,932 |
| Income tax expense: | | | | | |
| Current | 40,679 | 8,362 | 16,584 | | 65,625 |
| Deferred | (8,699) | 398 | (2,134) | | (10,435) |
| | 31,980 | 8,760 | 14,450 | | 55,190 |
| Earnings before equity in earnings (losses) of nonconsolidated subsidiaries | 53,917 | 14,623 | 36,953 | 1,249 | 106,742 |
| Equity in earnings of nonconsolidated subsidiaries | 48,781 | | 39 | (48,451) | 369 |
| Net earnings | $ 102,698 | $ 14,623 | $ 36,992 | $ (47,202) | $ 107,111 |
| | | | (3,164) | | (3,164) |

| | | | | | |
|---|---|---|---|---|---|
| Less: Earnings attributable to noncontrolling interests | | | | | |
| Net earnings attributable to Valmont Industries, Inc | $ 102,698 | $ 14,623 | $ 33,828 | $ (47,202) | $ 103,947 |

Table of Contents

**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**
**September 26, 2009**

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 44,517 | $ 3,790 | $ 81,537 | $ | $ 129,844 |
| Receivables, net | 106,950 | 48,234 | 141,083 | | 296,267 |
| Inventories | 73,779 | 46,038 | 96,666 | | 216,483 |
| Prepaid expenses | 4,148 | 487 | 21,961 | | 26,596 |
| Refundable and deferred income taxes | 17,390 | 5,579 | 8,926 | | 31,895 |
| Total current assets | 246,784 | 104,128 | 350,173 | | 701,085 |
| Property, plant and equipment, at cost | 406,981 | 94,356 | 173,425 | | 674,762 |
| Less accumulated depreciation and amortization | 254,624 | 43,432 | 90,040 | | 388,096 |
| Net property, plant and equipment | 152,357 | 50,924 | 83,385 | | 286,666 |
| Goodwill | 20,108 | 107,542 | 46,392 | | 174,042 |
| Other intangible assets | 1,025 | 75,822 | 21,287 | | 98,134 |
| Investment in subsidiaries and intercompany accounts | 545,495 | 59,782 | (17,269) | (588,008) | |
| Other assets | 22,366 | | 6,419 | | 28,785 |
| Total assets | $ 988,135 | $ 398,198 | $ 490,387 | $ (588,008) | $ 1,288,712 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Current installments of long-term debt | $ 880 | | $ 97 | | $ 977 |
| Notes payable to banks | | 3 | 24,947 | | 24,950 |
| Accounts payable | 42,548 | 15,379 | 60,536 | | 118,463 |
| Accrued expenses | 60,354 | 13,961 | 46,551 | | 120,866 |
| Dividends payable | 3,941 | | | | 3,941 |
| Total current liabilities | 107,723 | 29,343 | 132,131 | | 269,197 |
| Deferred income taxes | 27,522 | 8,369 | 7,502 | | 43,393 |
| | 165,829 | 12 | 5,869 | | 171,710 |

| | | | | | |
|---|---|---|---|---|---|
| Long-term debt, excluding current installments | | | | | |
| Other noncurrent liabilities | 22,959 | | 3,531 | | 26,490 |
| Commitments and contingencies | | | | | |
| Shareholders' equity: | | | | | |
| Common stock of $1 par value | 27,900 | 14,249 | 3,494 | (17,743) | 27,900 |
| Additional paid-in capital | | 181,542 | 149,600 | (331,142) | |
| Retained earnings | 662,991 | 164,683 | 152,233 | (239,123) | 740,784 |
| Accumulated other comprehensive income | | | 14,781 | | 14,781 |
| Treasury stock | (26,789) | | | | (26,789) |
| Total Valmont Industries, Inc. shareholders' equity | 664,102 | 360,474 | 320,108 | (588,008) | 756,676 |
| Noncontrolling interest in consolidated subsidiaries | | | 21,246 | | 21,246 |
| Total shareholders' equity | 664,102 | 360,474 | 341,354 | (588,008) | 777,922 |
| Total liabilities and shareholders' equity | $ 988,135 | $ 398,198 | $ 490,387 | $ (588,008) | $ 1,288,712 |

Table of Contents

**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, 2008**

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 18,989 | $ 1,503 | $ 48,075 | $ | $ 68,567 |
| Receivables, net | 114,510 | 61,625 | 151,485 | | 327,620 |
| Inventories | 132,896 | 69,913 | 110,602 | | 313,411 |
| Prepaid expenses | 3,362 | 639 | 9,820 | | 13,821 |
| Refundable and deferred income taxes | 19,636 | 6,235 | 6,509 | | 32,380 |
| Total current assets | 289,393 | 139,915 | 326,491 | | 755,799 |
| Property, plant and equipment, at cost | 386,488 | 88,723 | 155,199 | | 630,410 |
| Less accumulated depreciation and amortization | 243,153 | 38,903 | 79,034 | | 361,090 |
| Net property, plant and equipment | 143,335 | 49,820 | 76,165 | | 269,320 |
| Goodwill | 20,108 | 107,542 | 47,641 | | 175,291 |
| Other intangible assets | 1,147 | 80,329 | 23,030 | | 104,506 |
| Investment in subsidiaries and intercompany accounts | 679,653 | 2,722 | (56,869) | (625,506) | |
| Other assets | 17,584 | | 3,788 | | 21,372 |
| Total assets | $ 1,151,220 | $ 380,328 | $ 420,246 | $ (625,506) | $ 1,326,288 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Current installments of long-term debt | $ 852 | $ 16 | $ 36 | | $ 904 |
| Notes payable to banks | | 13 | 19,539 | | 19,552 |
| Accounts payable | 52,891 | 19,812 | 64,165 | | 138,868 |
| Accrued expenses | 62,958 | 13,175 | 43,725 | | 119,858 |
| Dividends payable | 3,402 | | | | 3,402 |
| Total current liabilities | 120,103 | 33,016 | 127,465 | | 280,584 |
| Deferred income taxes | 14,558 | 22,642 | 7,924 | | 45,124 |
| | 335,537 | 23 | 1,568 | | 337,128 |

| | | | | | |
|---|---|---|---|---|---|
| Long-term debt, excluding current installments | | | | | |
| Other noncurrent liabilities | 19,524 | | 2,952 | | 22,476 |
| Commitments and contingencies | | | | | |
| Shareholders' equity: | | | | | |
| Common stock of $1 par value | 27,900 | 14,248 | 3,494 | (17,742) | 27,900 |
| Additional paid-in capital | | 181,542 | 139,577 | (321,119) | |
| Retained earnings | 661,088 | 128,857 | 120,954 | (286,645) | 624,254 |
| Accumulated other comprehensive income | | | (533) | | (533) |
| Treasury stock | (27,490) | | | | (27,490) |
| Total Valmont Industries, Inc. shareholders' equity | 661,498 | 324,647 | 263,492 | (625,506) | 624,131 |
| Noncontrolling interest in consolidated subsidiaries | | | 16,845 | | 16,845 |
| Total shareholders' equity | 661,498 | 324,647 | 280,337 | (625,506) | 640,976 |
| Total liabilities and shareholders' equity | $ 1,151,220 | $ 380,328 | $ 420,246 | $ (625,506) | $ 1,326,288 |

Table of Contents

**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 Thirty-nine Weeks Ended September 26, 2009**

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Net earnings | $ 118,659 | $ 35,826 | $ 33,169 | $ (65,196) | $ 122,458 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | | | | |
| Depreciation and amortization | 14,155 | 9,486 | 9,998 | | 33,639 |
| Stock based compensation | 4,814 | | | | 4,814 |
| (Gain)/ Loss on sale of property, plant and equipment | 134 | 193 | 480 | | 807 |
| Equity in earnings of nonconsolidated subsidiaries | (579) | | | | (579) |
| Deferred income taxes | 5,673 | 1,949 | (2,323) | | 5,299 |
| Other adjustments | | | (238) | | (238) |
| Payment of deferred compensation | | | | | |
| Changes in assets and liabilities: | | | | | |
| Receivables | 6,575 | 13,391 | 17,979 | | 37,945 |
| Inventories | 59,116 | 23,874 | 19,830 | | 102,820 |
| Prepaid expenses | (786) | 153 | (10,923) | | (11,556) |
| Accounts payable | (9,130) | (4,433) | (6,386) | | (19,949) |
| Accrued expenses | (2,528) | 787 | 479 | | (1,262) |
| Other noncurrent liabilities | (1,316) | | 579 | | (737) |
| Income taxes payable | 8,326 | (15,567) | 206 | | (7,035) |
| Net cash flows from operating activities | 203,113 | 65,659 | 62,850 | (65,196) | 266,426 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (21,734) | (6,771) | (10,213) | | (38,718) |
| Proceeds from sale of assets | 22 | 494 | 79 | | 595 |
| Acquisitions, net of cash acquired | | | | | |
| Dividends to minority interests | | | (289) | | (289) |
| Other, net | 21,497 | (57,060) | (32,087) | 65,196 | (2,454) |
| Net cash flows from investing activities | (215) | (63,337) | (42,510) | 65,196 | (40,866) |
| Cash flows from financing activities: | | | | | |
| Net borrowings under short-term agreements | | (9) | 5,407 | | 5,398 |

| | | | | | |
|---|---|---|---|---|---|
| Proceeds from long-term borrowings | | | 10,001 | | 10,001 |
| Principal payments on long-term obligations | (169,680) | (26) | (6,203) | | (175,909) |
| Dividends paid | (10,753) | | | | (10,753) |
| Proceeds from exercises under stock plans | 4,549 | | | | 4,549 |
| Excess tax benefits from stock option exercises | 1,954 | | | | 1,954 |
| Purchase of common treasury shares stock plan exercises | (3,440) | | | | (3,440) |
| Net cash flows from financing activities | (177,370) | (35) | 9,205 | | (168,200) |
| Effect of exchange rate changes on cash and cash equivalents | | | 3,917 | | 3,917 |
| Net change in cash and cash equivalents | 25,528 | 2,287 | 33,462 | | 61,277 |
| Cash and cash equivalents beginning of year | 18,989 | 1,503 | 48,075 | | 68,567 |
| Cash and cash equivalents end of period | $ 44,517 | $ 3,790 | $ 81,537 | | $ 129,844 |

Table of Contents

**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 Thirty-nine Weeks Ended September 27, 2008**

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Net earnings | $ 103,026 | $ 14,623 | $ 36,664 | $ (47,202) | $ 107,111 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | | | | |
| Depreciation and amortization | 12,556 | 8,116 | 8,409 | | 29,081 |
| Stock based compensation | 3,869 | | | | 3,869 |
| Loss on sale of property, plant and equipment | 29 | 42 | (448) | | (377) |
| Equity in earnings of nonconsolidated subsidiaries | (330) | | (39) | | (369) |
| Deferred income taxes | (8,698) | 398 | (2,135) | | (10,435) |
| Other adjustments | (4) | | (836) | | (840) |
| Payment of deferred compensation | (589) | | | | (589) |
| Changes in assets and liabilities: | | | | | |
| Receivables | (21,390) | (4,568) | (23,151) | | (49,109) |
| Inventories | (37,540) | (4,631) | (36,492) | | (78,663) |
| Prepaid expenses | (94) | (96) | 162 | | (28) |
| Accounts payable | 29,130 | 1,502 | 3,878 | | 34,510 |
| Accrued expenses | 12,645 | 1,199 | 10,308 | | 24,152 |
| Other noncurrent liabilities | (1,502) | | 72 | | (1,430) |
| Income taxes payable | 11,209 | | (1,098) | | 10,111 |
| Net cash flows from operating activities | 102,317 | 16,585 | (4,706) | (47,202) | 66,994 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (24,910) | (2,626) | (11,388) | | (38,924) |
| Proceeds from sale of assets | 726 | 65 | 2,342 | | 3,133 |
| Acquisitions, net of cash acquired | (849) | (84,065) | (34,130) | | (119,044) |
| Dividends to minority interests | | | (184) | | (184) |
| Other, net | (181,320) | 71,141 | 62,378 | 47,202 | (599) |
| Net cash flows from investing activities | (206,353) | (15,485) | 19,018 | 47,202 | (155,618) |
| Cash flows from financing activities: | | | | | |
| | 16,000 | | (5,605) | | 10,395 |

| | | | | | |
|---|---|---|---|---|---|
| Net borrowings under short-term agreements | | | | | |
| Proceeds from long-term borrowings | 80,000 | | 895 | | 80,895 |
| Principal payments on long-term obligations | (33,055) | (97) | (5,635) | | (38,787) |
| Dividends paid | (8,852) | | | | (8,852) |
| Proceeds from exercises under stock plans | 6,689 | | | | 6,689 |
| Excess tax benefits from stock option exercises | 7,117 | | | | 7,117 |
| Purchase of common treasury shares stock plan exercises | (7,895) | | | | (7,895) |
| Net cash flows from financing activities | 60,004 | (97) | (10,345) | | 49,562 |
| Effect of exchange rate changes on cash and cash equivalents | | | 625 | | 625 |
| Net change in cash and cash equivalents | (44,032) | 1,003 | 4,592 | | (38,437) |
| Cash and cash equivalents beginning of year | 58,344 | 464 | 47,724 | | 106,532 |
| Cash and cash equivalents end of period | $ 14,312 | $ 1,467 | $ 52,316 | | $ 68,095 |

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Table of Contents

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**
**PART 1. FINANCIAL INFORMATION**

## 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 the 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, 2008. We aggregate our businesses into four reportable segments. See Note 7 to the Condensed Consolidated Financial Statements.

Table of Contents

**Results of Operations**

Dollars in thousands, except per share amounts

| | Thirteen Weeks Ended | | | Thirty-nine Weeks Ended | | |
|---|---|---|---|---|---|---|
| | September 26, 2009 | September 27, 2008 | % Incr. (Decr.) | September 26, 2009 | September 27, 2008 | % Incr. (Decr.) |
| Consolidated | | | | | | |
| Net sales | $ 434,010 | $ 494,801 | (12.3)% | $ 1,387,974 | $ 1,414,216 | (1.9)% |
| Gross profit | 136,358 | 134,999 | 1.0% | 409,355 | 388,010 | 5.5% |
| *as a percent of sales* | *31.4%* | *27.3%* | | *29.5%* | *27.4%* | |
| SG&A expense | 73,625 | 73,103 | 0.7% | 218,887 | 212,278 | 3.1% |
| *as a percent of sales* | *17.0%* | *14.8%* | | *15.8%* | *15.0%* | |
| Operating income | 62,733 | 61,896 | 1.4% | 190,468 | 175,732 | 8.4% |
| *as a percent of sales* | *14.5%* | *12.5%* | | *13.7%* | *12.4%* | |
| Net interest expense | 3,217 | 3,882 | (17.1)% | 10,861 | 11,566 | (6.1)% |
| Effective tax rate | 33.0% | 34.0% | | 32.9% | 34.1% | |
| Net earnings attributable to Valmont Industries, Inc. | 40,474 | 36,984 | 9.4% | 120,568 | 103,947 | 16.0% |
| Earnings per share attributable to Valmont Industries, Inc.-diluted | $ 1.53 | $ 1.40 | 9.3% | $ 4.59 | $ 3.95 | 16.2% |
| Engineered Support Structures segment | | | | | | |
| Net sales | $ 172,437 | $ 179,189 | (3.8)% | $ 472,587 | $ 506,786 | (6.7)% |
| Gross profit | 49,613 | 45,919 | 8.0% | 129,791 | 131,666 | (1.4)% |
| SG&A expense | 31,427 | 29,583 | 6.2% | 89,490 | 87,272 | 2.5% |
| Operating income | 18,186 | 16,336 | 11.3% | 40,301 | 44,394 | (9.2)% |
| Utility Support Structures segment | | | | | | |
| Net sales | 150,166 | 111,013 | 35.3% | 524,286 | 311,371 | 68.4% |
| Gross profit | 54,035 | 27,902 | 93.7% | 170,262 | 81,482 | 109.0% |
| SG&A expense | 13,663 | 13,371 | 2.2% | 43,465 | 38,449 | 13.0% |
| Operating income | 40,372 | 14,531 | 177.8% | 126,797 | 43,033 | 194.7% |
| Coatings segment | | | | | | |
| Net sales | 22,662 | 28,928 | (21.7)% | 68,944 | 86,394 | (20.2)% |
| Gross profit | 10,901 | 12,485 | (12.7)% | 30,338 | 34,826 | (12.9)% |
| SG&A expense | 3,320 | 3,201 | 3.7% | 10,373 | 9,911 | 4.7% |
| Operating income | 7,581 | 9,284 | (18.3)% | 19,965 | 24,915 | (19.9)% |
| Irrigation segment | | | | | | |
| Net sales | 75,228 | 150,440 | (50.0)% | 279,323 | 440,872 | (36.6)% |
| Gross profit | 17,570 | 40,141 | (56.2)% | 63,890 | 117,420 | (45.6)% |
| SG&A expense | 11,937 | 14,891 | (19.8)% | 36,411 | 41,756 | (12.8)% |
| Operating income | 5,633 | 25,249 | (77.7)% | 27,479 | 75,663 | (63.7)% |
| Other | | | | | | |
| Net sales | 13,517 | 25,231 | (46.4)% | 42,834 | 68,793 | (37.7)% |
| Gross profit | 5,029 | 8,283 | (39.4)% | 16,128 | 22,806 | (29.3)% |
| SG&A expense | 1,983 | 2,472 | (19.8)% | 6,207 | 7,285 | (14.8)% |
| Operating income | 3,046 | 5,821 | (47.7)% | 9,921 | 15,521 | (36.1)% |
| Net corporate expense | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Gross profit | (790) | 259 | (405.0)% | (1,053) | (189) | 457.1% |
| SG&A expense | 11,295 | 9,584 | 17.9% | 32,942 | 27,605 | 19.3% |
| Operating loss | (12,085) | (9,325) | (29.6)% | (33,995) | (27,794) | (22.3)% |

Table of Contents

***Overview***

*Net sales*

The decrease in net sales for the third quarter and year-to-date periods ended September 26, 2009, as compared with the same periods in 2008, were mainly due to the following:

*Lower unit sales volumes in 2009, as compared with 2008.* In the third quarter and year-to-date periods ended September 26, 2009, we experienced lower sales unit volumes, as compared with 2008. On a consolidated basis, sales unit volumes for the thirteen and thirty-nine weeks ended September 26, 2009 were approximately 11% and 7%, respectively, less than the same periods in 2008. On a reportable segment basis, we realized a significant sales unit volume increase in the Utility Support Structures ("Utility") segment. The sales unit volume increase in Utility was more than offset by lower unit sales volumes in our other reportable segments. We believe these decreases were mainly due to the global economic recession that began in late 2008, which resulted in weaker sales demand in our other reportable segments. Sales demand in the Irrigation segment was also adversely impacted by lower projected net farm income in 2009, as compared with 2008.

*Currency translation effects.* Our third quarter and year-to-date net sales in 2009 decreased as compared with 2008 due to currency translation effects (approximately $7.0 million and $19.4 million, respectively). The U.S. dollar, on average, was stronger in relation to the euro, Brazilian real, South African rand and the Canadian dollar in 2009, as compared with 2008. As a result, our 2009 consolidated net sales were lower than 2008 when our sales in those currencies were translated into U.S. dollars.

These decreases were offset to a degree by the full-year impact of acquisitions completed in 2008 (approximately $14.0 million and $50.8 million, respectively) for the third quarter and year-to-date periods ended September 26, 2009, as compared with the same periods in fiscal 2008.

On a year-to-date basis, unit selling prices were higher in 2009, as compared with 2008, due to steel cost increases that occurred throughout most of 2008 and reflected in sales shipments in 2009. In the third quarter of 2009, unit selling prices were slightly lower than in 2008. Despite higher sales unit prices 2009, as compared with 2008, pricing levels in 2009 have generally decreased as compared with late 2008, due to pricing pressures associated with weaker sales demand and lower raw material prices.

*Gross profit margins*

The increase in gross profit margin (gross profit as a percent of sales) for the third quarter and year-to-date periods ended September 26, 2009 over the same periods in 2008 was mainly due to the strong sales and operational performance of the Utility segment and a modest gross margin improvement in the Coatings segment. The Irrigation segment reported weaker gross margins in 2009, as compared with 2008, mainly due to lower sales and production levels. Declining raw materials costs throughout 2009 and aggressive manufacturing cost control helped us maintain gross margins to some degree despite weaker sales demand and lower factory production levels in most of our businesses.

*Selling, general and administrative expenses*

Selling, general and administrative (SG&A) spending in 2009 (on a quarterly and year-to-date basis) increased over 2008, due to:

increased salary and benefit costs (approximately $0.7 million and $9.1 million, respectively);

the full-year effect of acquisitions completed in 2008 (approximately $1.4 million and $6.8 million, respectively), and;

increased deferred compensation expense related to the improved investment performance in the marketable securities underlying the deferred compensation plan as compared with of 2008 (approximately $1.8 million and $3.7 million, respectively). We recorded the investment gains and losses in these securities as "Miscellaneous" in our condensed consolidated statements of operations for the thirteen weeks and thirty-nine weeks ended September 26, 2009 and September 27, 2008, respectively.

These increases were somewhat offset by:

currency translation effects (approximately $0.8 million and $4.1 million, respectively), and;

lower management incentive accruals in 2009, as compared with 2008 (approximately $2.3 million and $6.6 million, respectively).

The decrease in net interest expense for the third quarter and year-to-date periods ended September 26, 2009, as compared with the same periods in 2008, was due to a combination of lower interest rates on our variable rate debt in 2009 and decreased borrowing levels throughout 2009.

"Miscellaneous" income was higher in the third quarter and year-to-date periods ended September 26, 2009, as compared with 2008, due to improved investment performance in the assets in our deferred compensation plan (approximately $1.9 million and $3.7 million, respectively) and foreign currency transaction gains realized in 2009.

The effective income tax rate for the third quarter and year-to-date periods ended September 26, 2009, as compared with the same periods in 2008, were slightly lower, due to a reduction in the first quarter of 2009 of our income tax contingency liabilities. Our cash flows provided by operations were $266.4 million for the thirty-nine week period ended September 26, 2009, as compared with $67.0 million for the same period in 2008. Improved net earnings and working capital management in 2009, as compared with 2008, were the main reasons for the improved operating cash flow in 2009.

***Engineered Support Structures (ESS) segment***

The decrease in ESS segment sales in the quarter and year-to-date periods ended September 26, 2009, as compared with the same periods in 2008, was mainly due to weaker sales demand in worldwide markets. Foreign currency translation effects (approximately $4.2 million and $15.6 million, respectively) also contributed to the decrease in segment sales. These decreases were offset somewhat by the impact of acquisitions (approximately $14.0 million and $50.1 million, respectively).

In North America, lighting and traffic structure sales were lower than 2008 levels due to decreased demand for lighting and traffic control support structures. In particular, sales demand for lighting structures for residential and commercial outdoor lighting applications were lower in 2009, as compared with 2008, due to weaker residential and commercial construction activity that resulted from the global economic recession and tightness in credit markets. Net sales in the transportation market channel likewise were lower in 2009 as compared with 2008. In addition to the recession in the U.S. economy, we believe that state budget deficits and uncertainty over the U.S. federal highway funding legislation also contributed to weaker sales order flows and shipments in 2009. We believe that the lack of legislative activity on long-term street and highway funding is negatively impacting street and highway project activity, because the amount and nature of any funding is uncertain. We also believe that the impact from the U.S. economic stimulus spending directed towards street and highway construction projects is not substantial, aside from some potential positive impact of financial aid provided to the various states, which could be used to fund street and highway construction projects. In Europe, sales for the third quarter and year-to-date periods ended September 26, 2009 were above 2008. The positive impact from the Mitas and Stainton acquisitions in late 2008 and special project sales outside of Europe more than offset lower sales demand in our core markets due to economic weakness in Europe and currency translation effects.

Table of Contents

Sales of Specialty Structures products in the third quarter of 2009 were lower than 2008. In North America, market conditions for sales of structures and components for the wireless communication market in 2009 were lower than 2008. Sales of wireless communication poles in China in 2009 were comparable to 2008. Year-to-date sales of Specialty Structures in 2009 were comparable to 2008, as lower sales in the U.S. wireless market were offset by the acquisition of Site Pro 1 (Site Pro) in July 2008.

Operating income in the ESS segment for the third quarter of 2009 was slightly higher than 2008 but lower than 2008 on a year-to-date basis. The impact of acquisitions (approximately $0.9 million and $5.1 million, respectively) and lower raw material costs contributed to increased profitability and offset to a degree the lower sales volumes. In response to market conditions, we took actions in 2009 to reduce costs, including decreases in employment levels and reducing production capacity in selected areas. These actions allowed us to gain certain operating efficiencies to mitigate the impact of lower sales volumes on segment operating income.

The increase in SG&A expense for the third quarter and year-to date periods ended September 26, 2009, as compared with 2008, was due to the impact from acquisitions (approximately $1.4 million and $5.9 million, respectively) and impairment charges incurred in the third quarter as part of our evaluation of the goodwill and other intangible assets assigned to our North American sign structure operations (approximately $0.7 million). These increases were offset somewhat by currency translation impacts (approximately $0.6 million and $3.0 million, respectively) and lower sales commissions associated with lower sales volumes (approximately $0.3 million and $2.8 million, respectively).

***Utility Support Structures segment***

In the Utility Support Structures segment, the sales increase in the third quarter and year-to-date periods ended September 26, 2009, as compared with the same periods of 2008, was due to continued strong demand for steel and concrete high-voltage transmission and substation structures and higher average sales prices. We entered the 2009 fiscal year with a record backlog and the strong 2009 sales performance relates in part to the large backlogs from year-end 2008. Our customers, who are mainly utility companies, are continuing their investment commitments in transmission and substation structures which began over the past several years to improve the reliability and capacity of the electrical grid in the U.S. Sales demand for pole structures for low voltage electrical distribution applications was weaker in 2009, as compared with 2008. This weakness relates directly to the downturn in residential and commercial construction in the U.S. that started in late 2008 due to the economic recession and credit crisis.

The improved operating income for this segment in the third quarter and year-to-date of 2009, as compared with the same periods in 2008, related to the increased sales levels, improved operating leverage associated with higher sales volumes, lower raw material costs and a more favorable sales mix than 2008. The increase in year-to-date SG&A spending in 2009, as compared with 2008, was principally due to higher salary and employee benefit costs and sales commissions ($1.6 million and $0.6 million, respectively) to support the higher sales volumes and higher employee incentives (approximately $1.1 million) associated with improved operating income of this segment.

***Coatings segment***

The decrease in Coatings segment sales in the third quarter and year-to-date periods ended September 26, 2009 as compared with the same periods of 2008 was predominantly due to decreased sales volumes from both internal and external customers along with lower selling prices due to lower per pound zinc costs in 2009, as compared with 2008. The decrease in sales volumes in our galvanizing operations in the third quarter and year-to-date periods ended September 26, 2009 was approximately

Table of Contents

13%, as compared with the same periods in 2008. The decrease in sales demand was related to industrial economic conditions in our served markets due to the U.S. economic recession.

Operating income decreased in the third quarter and year-to-date of 2009, as compared with the same periods in 2008, mainly the result of lower unit sales demand. The impact of lower sales volumes was mitigated by cost reductions in factory operations and lower natural gas prices in 2009. SG&A spending in the third quarter and year-to-date of 2009 was comparable with 2008, as the impact of an acquisition completed in the fourth quarter of 2008 was offset by lower management incentive expense.

***Irrigation segment***

The sales decreases in the Irrigation segment for the third quarter and year-to-date of 2009, as compared with the same periods in 2008, was mainly due to weaker sales volumes in both domestic and international markets. In 2009, lower farm commodity prices and lower anticipated net farm income in worldwide agricultural markets, as compared with 2008, resulted in decreased demand for mechanized irrigation machines in global markets. In addition, we believe that the global economic recession and an uncertain outlook for world economies caused customers to delay capital investments in irrigation technology in 2009. In international irrigation markets, the sales decrease in 2009, as compared with 2008, was broad-based across most geographic markets. In both North American and international markets, average selling prices were slightly lower than last year, due to price competition in our various markets and lower raw material prices. Currency translation effects also contributed to lower irrigation segment sales for the thirteen and thirty-nine weeks periods ended September 26, 2009, as compared with 2008 (approximately $2.8 million and $10.7 million, respectively).

The decrease in operating income for the thirteen and thirty-nine week periods ended September 26, 2009, as compared with the same periods in 2008, was due to the effect of lower sales unit volumes and the associated operating deleverage realized as a result of lower sales and production levels. The decrease in SG&A spending in the third quarter and year-to-date 2009, as compared with 2008, was due to lower incentive expense accruals related to decreased operating income this year (approximately $1.7 million and $4.6 million, respectively) and currency translation effects (approximately $0.2 million and $1.1 million, respectively), offset somewhat by higher salary and employee benefits costs (approximately $0.3 million and $1.7 million, respectively).

***Other***

These businesses mainly include our tubing and industrial fastener operations. The decreases in sales and operating income in the third quarter and year-to-date 2009, as compared with the same periods in 2008, mainly related to weaker sales of industrial tubing due to the economic recession in the U.S. this year.

***Net corporate expense***

The increases in net corporate expense for the quarterly and year-to-date periods ended September 26, 2009, as compared with the same periods in 2008, were mainly due to increased deferred compensation liabilities related to higher investment returns on the assets of the deferred compensation plan (approximately $1.9 million and $3.7 million, respectively), which is recorded in SG&A expenses. The investment gains and losses were recorded in "Miscellaneous" in our condensed consolidated statement of operations for the thirteen and thirty-nine week periods ended September 26, 2009 and September 27, 2008.

Table of Contents

**Liquidity and Capital Resources**

***Cash Flows***

*Working Capital and Operating Cash Flows* Net working capital was $431.9 million at September 26, 2009, as compared with $475.2 million at December 27, 2008. The ratio of current assets to current liabilities was 2.60:1 at September 26, 2009, as compared with 2.69:1 at December 27, 2008. Operating cash flow was $266.4 million for the thirty-nine week period ended September 26, 2009, as compared with $67.0 million for the same period in 2008. The improved operating cash flow in 2009 was the result of higher net earnings and a decrease in working capital in 2009, as compared with an increase in working capital in 2008. Accounts receivable turnover in 2009 was slightly lower than the same period in 2008, mainly due to a shift in our sales mix from irrigation to other product lines. Inventory levels decreased significantly in 2009, as compared to December 27, 2008. In 2008, our inventory levels increased throughout the year due to significant growth in our business and extended delivery lead times from our raw material providers. As demand slowed in most of our businesses, we placed additional focus on reducing our inventories to align them better with current sales demand. Steel price volatility also contributed to the changes in inventory levels experienced in 2008 and 2009. Our future inventory levels will depend on business conditions, vendor delivery performance and the overall supply and demand conditions of our key raw material commodities (mainly hot-rolled steel, aluminum and zinc).

*Investing Cash Flows* Capital spending during the thirty-nine weeks ended September 26, 2009 was $38.7 million, as compared with $38.9 million for the same period in 2008. We expect our capital spending for the 2009 fiscal year to be approximately $50 million. Investing cash flows in 2008 reflected the aggregate of $119.0 million of cash paid for the West Coast, Penn Summit, Site-Pro, Matco and Mitas acquisitions.

*Financing Cash Flows* Our total interest-bearing debt decreased from $357.6 million at December 27, 2008 to $197.6 million at September 26, 2009. The decrease in borrowings in 2009 was predominantly associated with using our operating cash flows to pay down borrowings under our revolving credit agreement.

***Sources of Financing and Capital***

We have historically funded our growth, capital spending and acquisitions through a combination of operating cash flows and debt financing. We have an internal long-term objective to maintain long-term debt as a percent of invested capital at or below 40%. At September 26, 2009, our long-term debt to invested capital ratio was 16.7%, as compared with 31.7% at December 27, 2008. We plan to maintain this ratio below 40% for the balance of 2009. Our debt financing at September 26, 2009 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling $34.5 million, $28.7 million of which was unused at September 26, 2009. Our long-term debt principally consists of:

$150 million of senior subordinated notes that bear interest at 6.875% per annum and are due in May 2014. We are allowed to repurchase all or a portion of the notes at the following redemption prices (stated as a percentage of face value):

| | Redemption Price |
|---|---|
| Until May 1, 2010 | 103.438% |
| From May 1, 2010 until May 1, 2011 | 102.292% |
| From May 1, 2011 until May 1, 2012 | 101.146% |
| After May 1, 2012 | 100.000% |

Table of Contents

These notes are guaranteed by certain of our U.S. subsidiaries.

$280 million revolving credit agreement with a group of banks. We may increase the credit facility by up to an additional $100 million at any time, subject to participating banks increasing the amount of their lending commitments. The interest rate on our borrowings will be, at our option, either:

(a) LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by us) plus 125 to 200 basis points (inclusive of facility fees), depending on our ratio of debt to earnings before taxes, interest, depreciation and amortization (EBITDA), or;

(b) the higher of

The higher of (a) the prime lending rate and (b) the Federal Funds rate plus 50 basis points plus in each case, 25 to 100 basis points (inclusive of facility fees), depending on our ratio of debt to EBITDA, or

LIBOR (based on a 1 week interest period) plus 125 to 200 basis points (inclusive of facility fees), depending on our ratio of debt to EBITDA

At September 26, 2009, we had $4.4 million in outstanding borrowings under the revolving credit agreement, at an interest rate of 1.39875% per annum, not including facility fees. The revolving credit agreement has a termination date of October 16, 2013 and contains certain financial covenants that may limit our additional borrowing capability under the agreement. At September 26, 2009, we had the ability to borrow an additional $250.7 million under this facility.

These 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. Our key debt covenants are that interest-bearing debt is not to exceed 3.75x EBITDA of the prior four quarters and that our EBITDA over our prior four quarters must be at least 2.50x our interest expense over the same period. At September 26, 2009, we were in compliance with all covenants related to these debt agreements.

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 and our history of positive operational cash flows, we believe that we have adequate liquidity to meet our needs.

**FINANCIAL OBLIGATIONS AND FINANCIAL COMMITMENTS**

There have been no material changes to our financial obligations and financial commitments as described beginning on page 35 in our Form 10-K for the year ended December 27, 2008.

**Off Balance Sheet Arrangements**

There have been no changes in our off balance sheet arrangements as described on page 36 in our Form 10-K for the fiscal year ended December 27, 2008.

**Critical Accounting Policies**

There have been no changes in our critical accounting policies during the quarter ended September 26, 2009. These policies are described on pages 38-41 in our Form 10-K for fiscal year ended December 27, 2008.

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

There were no material changes in our market risk during the quarter ended September 26, 2009. For additional information, refer to the section "Risk Management" beginning on page 37 in our Form 10-K for the fiscal year ended December 27, 2008.

**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.

In the third quarter of 2009, the Company implemented various processes and information system enhancements, principally related to the implementation of enterprise resource planning software and related business improvements in its Mansfield, Texas operation that is part of the Utility Support Structures segment. These process and information system enhancements resulted in modifications to internal controls over sales, customer service, inventory management, accounts receivable and accounts payable processes. There were no other changes in the Company's internal controls over financial reporting 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**

| Period | (a) Total Number of Shares Purchased | (b) Average Price paid per share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| June 28, 2009 to July 25, 2009 | 576 | $ 77.83 | | |
| July 26, 2009 to Aug. 29, 2009 | 15,652 | 79.83 | | |
| Aug. 30, 2009 to Sept. 26, 2009 | | | | |
| Total | 16,228 | $ 79.76 | | |

During the third quarter, the only shares reflected above were those delivered to the Company by employees as part of stock option exercises, either to cover the purchase price of the option or the related taxes payable by the employee as part of the option exercise. The price paid per share was the market price at the date of exercise.

### Item 5. Other Information

On July 27, 2009, the Company's Board of Directors declared a quarterly cash dividend on common stock of 15 cents per share, which was paid on October 15, 2009, to stockholders of record September 25, 2009. The indicated annual dividend rate is 60 cents per share.

### Item 6. Exhibits

(a) Exhibits

| Exhibit No. | Description |
|---|---|
| 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 |

Table of Contents

**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/ TERRY J. MCCLAIN

Terry J. McClain
*Senior Vice President and Chief Financial Officer*
*(Principal Financial Officer)*

Dated this 3rd day of November, 2009.

Table of Contents

**List of Exhibits**

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|---|---|
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