

VALMONT INDUSTRIES INC
Form 10-Q
October 29, 2010

Table of Contents

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 25, 2010

Or

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

(State or other jurisdiction of
incorporation or organization)

47-0351813

(I.R.S. Employer
Identification No.)

**One Valmont Plaza,
Omaha, Nebraska**

(Address of principal executive offices)

68154-5215

(Zip Code)

402-963-1000

(Registrant's telephone number, including area code)

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

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 No

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

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

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

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

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

26,350,190

Outstanding shares of common stock as of October 25, 2010

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

| | | Page No. |
|---|---|-----------------|
| <u>PART I. FINANCIAL INFORMATION</u> | | |
| <u>Item 1.</u> | <u>Financial Statements:</u> | |
| | <u>Condensed Consolidated Statements of Operations for the thirteen and thirty-nine weeks ended September 25, 2010 and September 26, 2009</u> | <u>3</u> |
| | <u>Condensed Consolidated Balance Sheets as of September 25, 2010 and December 26, 2009</u> | <u>4</u> |
| | <u>Condensed Consolidated Statements of Cash Flows for the thirty-nine weeks ended September 25, 2010 and September 26, 2009</u> | <u>5</u> |
| | <u>Condensed Consolidated Statements of Shareholders' Equity for the thirty-nine weeks ended September 25, 2010 and September 26, 2009</u> | <u>6</u> |
| | <u>Notes to Condensed Consolidated Financial Statements</u> | <u>7-31</u> |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>32-42</u> |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosure about Market Risk</u> | <u>42</u> |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | <u>43</u> |
| <u>PART II. OTHER INFORMATION</u> | | |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>44</u> |
| <u>Item 5.</u> | <u>Other Information</u> | <u>44</u> |
| <u>Item 6.</u> | <u>Exhibits</u> | <u>44</u> |
| <u>Signatures</u> | | <u>45</u> |

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 | |
|---|-----------------------|-----------------------|-------------------------|-----------------------|
| | September 25, 2010 | September 26, 2009 | September 25, 2010 | September 26, 2009 |
| Net sales | \$ 527,831 | \$ 434,010 | \$ 1,376,792 | \$ 1,387,974 |
| Cost of sales | 395,310 | 297,652 | 1,014,895 | 978,619 |
| Gross profit | 132,521 | 136,358 | 361,897 | 409,355 |
| Selling, general and administrative expenses | 85,378 | 73,625 | 245,803 | 218,887 |
| Operating income | 47,143 | 62,733 | 116,094 | 190,468 |
| Other income (expenses): | | | | |
| Interest expense | (8,487) | (3,587) | (22,878) | (11,847) |
| Interest income | 1,733 | 370 | 3,181 | 986 |
| Other | 58 | 2,106 | 28 | 1,916 |
| | (6,696) | (1,111) | (19,669) | (8,945) |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 40,447 | 61,622 | 96,425 | 181,523 |
| Income tax expense (benefit): | | | | |
| Current | 15,694 | 22,779 | 39,652 | 54,345 |
| Deferred | (1,914) | (2,441) | (4,744) | 5,299 |
| | 13,780 | 20,338 | 34,908 | 59,644 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 26,667 | 41,284 | 61,517 | 121,879 |
| Equity in earnings of nonconsolidated subsidiaries | 1,068 | 84 | 1,987 | 579 |
| Net earnings | 27,735 | 41,368 | 63,504 | 122,458 |
| Less: Earnings attributable to noncontrolling interests | (1,800) | (894) | (3,991) | (1,890) |
| Net earnings attributable to Valmont Industries, Inc. | \$ 25,935 | \$ 40,474 | \$ 59,513 | \$ 120,568 |
| Earnings per share attributable to Valmont Industries, Inc. Basic | \$ 0.99 | \$ 1.56 | \$ 2.28 | \$ 4.65 |
| Earnings per share attributable to Valmont Industries, Inc. Diluted | \$ 0.98 | \$ 1.53 | \$ 2.25 | \$ 4.59 |
| Cash dividends per share | \$ 0.165 | \$ 0.150 | \$ 0.480 | \$ 0.430 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | |
|---|--------|--------|--------|--------|
| Weighted average number of shares of common stock outstanding Basic (000 omitted) | 26,133 | 25,963 | 26,084 | 25,936 |
| Weighted average number of shares of common stock outstanding Diluted (000 omitted) | 26,404 | 26,402 | 26,420 | 26,257 |

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 25, 2010 | December 26, 2009 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 323,150 | \$ 180,786 |
| Receivables, net | 400,683 | 259,521 |
| Inventories | 296,335 | 210,611 |
| Prepaid expenses and other current assets | 29,731 | 22,143 |
| Refundable and deferred income taxes | 35,576 | 42,361 |
| Total current assets | 1,085,475 | 715,422 |
| Property, plant and equipment, at cost | 858,051 | 675,446 |
| Less accumulated depreciation and amortization | (423,595) | (392,358) |
| Net property, plant and equipment | 434,456 | 283,088 |
| Goodwill | 294,111 | 178,320 |
| Other intangible assets, net | 190,595 | 96,378 |
| Other assets | 54,733 | 28,961 |
| Total assets | \$ 2,059,370 | \$ 1,302,169 |

**LIABILITIES AND
SHAREHOLDERS'
EQUITY**

| | | |
|---|-------------|-------------|
| Current liabilities: | | |
| Current installments of long-term debt | \$ 243 | \$ 231 |
| Notes payable to banks | 14,449 | 11,900 |
| Accounts payable | 179,131 | 118,210 |
| Accrued employee compensation and benefits | 78,088 | 66,611 |
| Accrued expenses | 86,641 | 55,921 |
| Dividends payable | 4,348 | 3,944 |
| Total current liabilities | 362,900 | 256,817 |
| Deferred income taxes | 82,932 | 49,281 |
| Long-term debt, excluding current installments | 482,932 | 160,251 |
| Defined benefit pension liability | 124,663 | |
| Deferred compensation | 23,455 | 19,013 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | |
|---|--------------|--------------|
| Other noncurrent liabilities | 45,904 | 8,500 |
| Shareholders' equity: | | |
| Preferred stock | | |
| Authorized 500,000 shares; none issued | | |
| Common stock of \$1 par value | | |
| Authorized 75,000,000 shares; 27,900,000 issued | | |
| | 27,900 | 27,900 |
| Retained earnings | 817,117 | 767,398 |
| Accumulated other comprehensive income (loss) | 24,456 | 16,953 |
| Treasury stock | (25,382) | (25,990) |
| | | |
| Total Valmont Industries, Inc. shareholders' equity | 844,091 | 786,261 |
| | | |
| Noncontrolling interest in consolidated subsidiaries | 92,493 | 22,046 |
| | | |
| Total shareholders' equity | 936,584 | 808,307 |
| | | |
| Total liabilities and shareholders' equity | \$ 2,059,370 | \$ 1,302,169 |

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 | |
|---|-------------------------|-----------------------|
| | September 25, 2010 | September 26, 2009 |
| Cash flows from operating activities: | | |
| Net earnings | \$ 63,504 | \$ 122,458 |
| Adjustments to reconcile net earnings to net cash flow from operations: | | |
| Depreciation and amortization | 41,829 | 33,639 |
| Stock-based compensation | 4,712 | 4,814 |
| Loss on sales of property, plant and equipment | 1,513 | 807 |
| Equity in earnings of nonconsolidated subsidiaries | (1,987) | (579) |
| Deferred income taxes | (4,744) | 5,299 |
| Other | | (238) |
| Changes in assets and liabilities, net of the effects of acquisitions: | | |
| Receivables | (44,046) | 37,945 |
| Inventories | 4,390 | 102,820 |
| Prepaid expenses | 1,063 | (11,556) |
| Accounts payable | (22,674) | (19,949) |
| Accrued expenses | 19,230 | (1,262) |
| Other noncurrent liabilities | 10,254 | (737) |
| Income taxes payable/refundable | 12,295 | (7,035) |
| Net cash flows from operating activities | 85,339 | 266,426 |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (20,283) | (38,718) |
| Proceeds from sale of assets | 11,090 | 595 |
| Acquisitions (net of cash acquired of \$198,810) | (249,057) | |
| Dividends to noncontrolling interests | (12,265) | (289) |
| Dividends from nonconsolidated subsidiaries | 9,606 | |
| Other, net | 2,062 | (2,454) |
| Net cash flows from investing activities | (258,847) | (40,866) |
| Cash flows from financing activities: | | |
| Net borrowings (payments) under short-term agreements | 2,549 | 5,398 |
| Proceeds from long-term borrowings | 491,000 | 10,001 |
| Principal payments on long-term obligations | (168,271) | (175,909) |
| Dividends paid | (12,240) | (10,753) |
| Debt issuance costs | (3,858) | |
| Proceeds from exercises under stock plans | 3,390 | 4,549 |
| Excess tax benefits from stock option exercises | 1,479 | 1,954 |
| Purchase of treasury shares | (878) | |
| Purchase of common treasury shares stock plan exercises | (2,144) | (3,440) |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | |
|--|------------|------------|
| Net cash flows from financing activities | 311,027 | (168,200) |
| Effect of exchange rate changes on cash and cash equivalents | 4,845 | 3,917 |
| Net change in cash and cash equivalents | 142,364 | 61,277 |
| Cash and cash equivalents beginning of year | 180,786 | 68,567 |
| Cash and cash equivalents end of period | \$ 323,150 | \$ 129,844 |

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 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; 49,709 shares purchased | | | | | (3,440) | | (3,440) |
| Stock options exercised; 152,864 shares issued | | (6,410) | 7,254 | | 3,705 | | 4,549 |
| 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 |
| Balance at | | | | | | | |
| December 26, 2009 | \$ 27,900 | \$ | \$ 767,398 | \$ 16,953 | \$ (25,990) | \$ 22,046 | \$ 808,307 |
| Comprehensive income: | | | | | | | |
| Net earnings | | | 59,513 | | | 3,991 | 63,504 |
| Currency translation adjustment | | | | 7,503 | | 2,503 | 10,006 |
| Total comprehensive income | | | | | | | 73,510 |
| Cash dividends (\$0.480 per share) | | | (12,641) | | | | (12,641) |
| Dividends to noncontrolling interests | | | | | | (12,265) | (12,265) |
| Purchase of noncontrolling interest | | (3,754) | | | | (3,311) | (7,065) |
| Acquisition of Delta plc | | | | | | 79,529 | 79,529 |
| Purchase of 12,351 treasury shares | | | | | (878) | | (878) |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | |
|--|-----------|------------|-----------|-------------|
| Stock options exercised; 84,900 shares issued | (2,437) | 2,847 | 2,980 | 3,390 |
| Stock plan exercises; 29,095 shares purchased | | | (2,144) | (2,144) |
| Tax benefit from exercise of stock options | 1,479 | | | 1,479 |
| Stock option expense | 3,675 | | | 3,675 |
| Stock awards; 9,088 shares issued | 1,037 | | 650 | 1,687 |
| Balance at September 25, 2010 | \$ 27,900 | \$ 817,117 | \$ 24,456 | \$ (25,382) |
| | | | \$ 92,493 | \$ 936,584 |

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 25, 2010, the Condensed Consolidated Statements of Operations for the thirteen and thirty-nine week periods ended September 25, 2010 and September 26, 2009, the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the thirty-nine week periods then ended have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of September 25, 2010 and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2009. 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 26, 2009. The results of operations for the periods ended September 25, 2010 are not necessarily indicative of the operating results for the full year.

Inventories

At September 25, 2010, approximately 33.7% 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 and finished goods. The excess of replacement cost of inventories over the LIFO value was approximately \$45,900 and \$39,500 at September 25, 2010 and December 26, 2009, respectively.

Inventories consisted of the following:

| | September 25, 2010 | December 26, 2009 |
|---------------------------------------|-----------------------|----------------------|
| Raw materials and purchased parts | \$ 145,705 | \$ 112,911 |
| Work-in-process | 26,335 | 20,217 |
| Finished goods and manufactured goods | 170,192 | 117,032 |
| Subtotal | 342,232 | 250,160 |
| LIFO reserve | 45,897 | 39,549 |
| Net inventory | \$ 296,335 | \$ 210,611 |

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,

Table of Contents

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)

nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At September 25, 2010, 1,084,185 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the market price at the date of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant. Expiration of grants is from six to ten years from the date of grant. The Company's compensation expense (included in selling, general and administrative expenses) and associated income tax benefits related to stock option for the thirteen and thirty-nine weeks ended September 25, 2010 and September 26, 2009, respectively, were as follows:

| | Thirteen Weeks Ended September 25, 2010 | Thirteen Weeks Ended September 26, 2009 | Thirty-nine Weeks Ended September 25, 2010 | Thirty-nine Weeks Ended September 26, 2009 |
|----------------------|--|--|--|--|
| Compensation expense | \$ 1,218 | \$ 1,021 | \$ 3,675 | \$ 3,061 |
| Income tax benefits | 469 | 394 | 1,415 | 1,178 |

Fair Value

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

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

Table of Contents

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)

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

| | Carrying Value September 25, 2010 | Fair Value Measurement Using: | | |
|--------------------|--|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Trading Securities | \$ 17,776 | \$ 17,776 | \$ | \$ |

| | Carrying Value December 26, 2009 | Fair Value Measurement Using: | | |
|--------------------|---|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Trading Securities | \$ 15,653 | \$ 15,653 | \$ | \$ |

Recently Issued Accounting Pronouncements

In fiscal 2010, the Company implemented the provisions of updated ASC Topic 860, *Transfers and Servicing*, which significantly changed the accounting for transfers of financial assets. The update to ASC 860 eliminated the qualifying special purpose entity ("QSPE") concept, established conditions for reporting a transfer of a portion of a financial asset as a sale, clarified the financial-asset derecognition criteria, revised how interests retained by the transferor in a sale of financial assets initially are measured, and removed the guaranteed mortgage securitization recharacterization provisions. The implementation of this new accounting guidance had no impact on the Company's condensed consolidated financial statements for the fiscal period ended September 25, 2010.

2. Acquisition of Delta plc

On March 10, 2010, the Company commenced a cash offer for all of the issued and to be issued ordinary share capital of Delta, plc. ("Delta") a public limited company incorporated in Great Britain, and listed on the London Stock Exchange (LSE: DLTA). The acquisition was completed on May 12, 2010 and the Company now owns 100% of the ordinary shares of Delta. The price paid per share was 185 pence in cash for each Delta share, or £284,463, or \$436,736 based on the contracted average exchange rate of \$1.5353 / £. Delta has manufacturing operations employing over 2,500 people in Australia, Asia, South Africa and the United States. Delta's businesses include engineered steel products, galvanizing services and manganese materials. The Company financed the acquisition with the net proceeds from an April 2010 sale of \$300 million of senior notes at an interest rate of 6.625% per annum, cash balances of \$83 million and borrowings under the Company's revolving credit agreement. The factors that contributed to a purchase price resulting in the recognition of goodwill,

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Acquisition of Delta plc (Continued)

non-deductable for tax purposes, for the acquisition of Delta were to (i) increase the Company's business presence in the Asia Pacific region, (ii) add to its current business activities in the galvanizing and support structures product lines, and (iii) provide growth opportunities in businesses that are not directly related to the Company's current product offerings.

The Company incurred \$0.5 million and \$14.6 million of expenses (reported as "Selling, general and administrative expenses") in the thirteen and thirty-nine week periods ended September 25, 2010, respectively, related to the Delta acquisition. These expenses included amounts paid for investment banking fees, due diligence costs and other direct expenses related to the purchase of the Delta shares. From a segment reporting standpoint, these expenses were reported as part of "Net corporate expense".

The fair value measurement was preliminary at September 25, 2010, subject to and further management reviews and assessments of the preliminary fair values of the assets acquired and liabilities assumed. The Company expects the fair value measurement process to be completed in the fourth quarter of 2010.

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

| | At May 12, 2010 |
|---|--------------------|
| Current assets | \$ 406,544 |
| Property, plant and equipment | 162,435 |
| Other long-term assets | 28,136 |
| Intangible assets | 100,716 |
| Goodwill | 111,503 |
| Total fair value of assets acquired | \$ 809,334 |
| Current liabilities | 106,255 |
| Defined benefit pension liability | 118,725 |
| Deferred income taxes | 35,871 |
| Other non-current liabilities | 32,218 |
| Non-controlling interests | 79,529 |
| Total fair value of liabilities assumed and non-controlling interests | 372,598 |
| Net assets acquired | \$ 436,736 |

Delta disposed of the shares of its subsidiary UPC Holdings, Inc. in December 2000 for approximately \$100 million. The buyer caused UPC Holdings to dispose of its assets in January 2001. The IRS in 2005 established that the buyer had a tax liability on the asset sale of \$47 million (exclusive of penalties and interest). During 2009-2010, the Internal Revenue Service issued summons requesting documentation related to the UPC Holdings transactions. The summons state that they were issued in connection with UPC's unsatisfied tax liability and Delta's potential transferee liability. Documents have been provided to the IRS in response to the summons. Based on an evaluation of this matter at

Table of Contents**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Acquisition of Delta plc (Continued)

the May 12, 2010 date of acquisition, the Company established a provision in the amount of \$20 million to address certain legal and factual uncertainties, which amount is included in "Other non-current liabilities".

The Company's Condensed Consolidated Statements of Operations for the quarterly and year-to-date periods ended September 25, 2010 included net sales of \$131,357 and \$205,522, respectively and net earnings of \$6,171 and \$9,992, respectively, resulting from Delta's operations from May 12, 2010 until September 25, 2010.

The Company's pro forma results of operations for the thirteen and thirty-nine weeks ended September 26, 2009 and September 25, 2010, assuming that the acquisition occurred at the beginning of 2009 was as follows:

| | Thirteen Weeks Ended September 26, 2009 | Thirty-nine Weeks Ended September 25, 2010 | Thirty-nine Weeks Ended September 26, 2009 |
|----------------------------|--|---|---|
| Net sales | \$ 557,123 | \$ 1,569,210 | \$ 1,762,192 |
| Net earnings | 47,535 | 64,512 | 124,869 |
| Earnings per share diluted | \$ 1.80 | \$ 2.49 | \$ 4.81 |

Based on the results of an independent valuation, the Company allocated \$100,716 of the purchase price to acquired intangible assets. The following table summarizes the major classes of Delta acquired intangible assets and the respective weighted-average amortization periods:

| | Amount | Weighted Average Amortization Period (Years) |
|------------------------|---------------|---|
| Trade Names | \$ 36,540 | Indefinite |
| Customer Relationships | 58,188 | 12.0 |
| Proprietary Technology | 5,988 | 5.0 |
| | \$ 100,716 | |

3. Goodwill and Intangible Assets

The Company's annual impairment testing of goodwill was performed and completed during the third quarter of 2010. As a result of that testing, it was determined that the goodwill on the Company's Condensed Consolidated Balance Sheet was not impaired, although the fair value of the North American Communications Structures reporting unit, which has approximately \$6.1 million of goodwill, was not substantially higher than carrying value. The Company will continue to monitor changes in the global economy and industry operating conditions that could impact future operating results of its reporting units. If such conditions arise, the Company will test a given reporting unit for impairment prior to the annual impairment test.

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)*Amortized Intangible Assets*

The components of amortized intangible assets at September 25, 2010 and December 26, 2009 were as follows:

| | As of September 25, 2010 | | Weighted Average Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | |
| Customer Relationships | \$ 156,547 | \$ 34,898 | 13 years |
| Proprietary Software & Database | 2,626 | 2,540 | 6 years |
| Patents & Proprietary Technology | 9,579 | 1,959 | 8 years |
| Non-compete Agreements | 1,680 | 997 | 6 years |
| | \$ 170,432 | \$ 40,394 | |

| | As of December 26, 2009 | | Weighted Average Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | |
| Customer Relationships | \$ 97,289 | \$ 27,559 | 14 years |
| Proprietary Software & Database | 2,627 | 2,434 | 6 years |
| Patents & Proprietary Technology | 3,466 | 1,257 | 13 years |
| Non-compete Agreements | 1,704 | 823 | 6 years |
| | \$ 105,086 | \$ 32,073 | |

Amortization expense for intangible assets for the thirteen and thirty-nine weeks ended September 25, 2010 and September 26, 2009, respectively was as follows:

| Thirteen Weeks Ended September 25, 2010 | Thirteen Weeks Ended September 26, 2009 | Thirty-nine Weeks Ended September 25, 2010 | Thirty-nine Weeks Ended September 26, 2009 |
|--|--|--|--|
| \$3,521 | \$ 2,419 | \$ 8,295 | \$ 6,534 |

| | Estimated Amortization Expense |
|------|--------------------------------------|
| 2010 | \$ 11,892 |
| 2011 | 14,032 |
| 2012 | 13,984 |
| 2013 | 13,087 |
| 2014 | 12,664 |

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)

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 25, 2010 and December 26, 2009 were as follows:

| | September 25, 2010 | December 26, 2009 |
|--------------------------------|-----------------------|----------------------|
| Webforge | \$ 16,913 | \$ |
| Newmark | 11,111 | 11,111 |
| Ingal EPS/Ingal Civil Products | 8,926 | |
| Donhad | 6,734 | |
| PiRod | 4,750 | 4,750 |
| Industrial Galvanizers | 4,698 | |
| Other | 7,425 | 7,504 |
| | \$ 60,557 | \$ 23,365 |

The Webforge, Ingal, Donhad and Industrial Galvanizers trade names were acquired as part of the Delta acquisition. Trade names were tested for impairment separately from goodwill in the third quarter of 2010. 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, except for the PiRod trade name, which may be impaired and is undergoing further evaluation by the Company. The Company plans to complete its valuation of this trade name in the fourth quarter of 2010.

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.

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)*Goodwill*

The carrying amount of goodwill as of September 25, 2010 was as follows:

| | Engineered Support Structures Segment | Utility Support Structures Segment | Coatings Segment | Irrigation Segment | Delta Segment | Total |
|---------------------------------|--|---|---------------------|-----------------------|------------------|------------|
| Balance December 26, 2009 | \$ 55,338 | \$ 77,141 | \$ 43,777 | \$ 2,064 | \$ | \$ 178,320 |
| Acquisition | | | | | 111,503 | 111,503 |
| Foreign currency translation | (451) | | | | 4,739 | 4,288 |
| Balance September 25, 2010 | \$ 54,887 | \$ 77,141 | \$ 43,777 | \$ 2,064 | \$ 116,242 | \$ 294,111 |

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:

| | September 25, 2010 | September 26, 2009 |
|--------------|-----------------------|-----------------------|
| Interest | \$ 10,258 | \$ 10,104 |
| Income taxes | 25,543 | 59,940 |

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 25, 2010: | | | |
| Net earnings attributable to Valmont Industries, Inc. | \$ 25,935 | | \$ 25,935 |
| Shares outstanding | 26,133 | 271 | 26,404 |
| Per share amount | \$ 0.99 | (.01) | \$ 0.98 |
| 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 |
| Thirty-nine weeks ended September 25, 2010: | | | |
| Net earnings attributable to Valmont Industries, Inc. | \$ 59,513 | | \$ 59,513 |
| Shares outstanding | 26,084 | 336 | 26,420 |
| Per share amount | \$ 2.28 | (.03) | \$ 2.25 |
| 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 |

At September 25, 2010 there were 403,867 of outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share for the thirteen and thirty-nine weeks ended September 25, 2010. At September 26, 2009 there were 185,773 of outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share for the thirteen and thirty-nine weeks ended September 26, 2009.

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

6. Long-term Debt

| | September 25, 2010 | December 26, 2009 |
|--|--------------------|-------------------|
| 6.625% Senior Unsecured Notes(a) | \$ 300,000 | \$ |
| 6.875% Senior Subordinated Notes(b) | 150,000 | 150,000 |
| Revolving credit agreement(c) | 23,000 | |
| IDR Bonds(d) | 8,500 | 8,500 |
| 1.75% to 3.485% notes | 1,675 | 1,982 |
| | | |
| Total long-term debt | 483,175 | 160,482 |
| Less current installments of long-term debt | 243 | 231 |
| | | |
| Long-term debt, excluding current installments | \$ 482,932 | \$ 160,251 |

(a) The \$300 million of senior unsecured notes bear interest at 6.625% per annum and are due in April 2020. These notes may be repurchased at specified prepayment premiums. These notes and the senior subordinated notes are guaranteed by certain subsidiaries of the Company.

(b) The \$150 million of senior subordinated notes bear interest at 6.875% per annum and are due in May 2014. All or part of the notes may be repurchased at the following redemption prices (stated as a percentage of face value):

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

(c) The revolving credit agreement is with a group of banks for up to \$280 million. The Company may increase the credit agreement by up to an additional \$100 million at any time, subject to the participating banks increasing the amount of their lending commitments. The interest rate on outstanding borrowings is, at the Company's option, either:

- (i) LIBOR (based on a 1, 2, 3 or 6 month interest period, as selected by the Company) plus 125 to 200 basis points (inclusive of facility fees), depending on the Company's ratio of debt to EBITDA, or;
- (ii) 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 the Company's ratio of debt to EBITDA, or

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

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

At September 25, 2010, the Company had \$23,000 in outstanding borrowings under the revolving credit agreement, at an annual interest rate of 1.46%, not including facility fees. The

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

6. Long-term Debt (Continued)

revolving credit agreement has a termination date of October 16, 2013 and contains certain financial covenants that may limit additional borrowing capability under the agreement. At September 25, 2010, the Company had the ability to borrow an additional \$233,595 under this facility.

(d)

The Industrial Development Revenue Bonds were issued to finance the construction of a manufacturing facility in Jasper, Tennessee. Variable interest is payable until final maturity June 1, 2025. The effective interest rates at September 25, 2010 and December 26, 2009 were 0.47% and 0.52%, respectively.

The lending agreements include certain maintenance covenants, including financial leverage and interest coverage. The Company was in compliance with all debt covenants at September 25, 2010.

The minimum aggregate maturities of long-term debt for each of the four years following 2010 are: \$296, \$248, \$23,249 and \$150,255.

7. Defined Benefit Retirement Plan

Delta provides defined benefit retirement income to eligible employees in the United Kingdom and is the plan sponsor. Pension retirement benefits to qualified employees are 1.67% of final salary per year of service upon reaching the age of 65 years. This Plan has less than ten active members.

Funded Status

The Company recognizes the overfunded or underfunded status of the pension plan as an asset or liability. The funded status represents the difference between the pension benefit obligation (PBO) and the fair value of the plan assets. The PBO is the present value of benefits earned to date by plan participants, including the effect of assumed future salary increases and inflation. Plan assets are measured at fair value. At the date of the Delta acquisition (May 12, 2010), the Company determined fair value of the PBO and plan assets. Because the pension plan is denominated in British pounds sterling, the Company used exchange rates of \$1.5353/£ and \$1.5679/£ to translate the net pension liability into U.S. dollars at May 12, 2010 and September 25, 2010, respectively.

Projected Benefit Obligation and Fair Value of Plan Asset at date of Delta acquisition The accumulated benefit obligation (ABO) is the present value of benefits earned to date. The underfunded ABO represents the difference between the projected benefit obligation (PBO) and the fair value of plan assets. The PBO, ABO, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of the fair value of the plan assets were as follows at May 12, 2010:

| Underfunded Accumulated Benefit Obligation Thousands of Dollars | May 12, 2010 |
|---|---------------------|
| Projected benefit obligation | \$ (469,780) |
| Fair value of plan assets | 351,055 |
| Underfunded accumulated benefit obligation | \$ (118,725) |

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Defined Benefit Retirement Plan (Continued)

Assumptions The weighted-average actuarial assumptions used to determine the benefit obligation at May 12, 2010 were as follows:

| Percentages | 2010 |
|-----------------|-------|
| Discount rate | 5.60% |
| Salary increase | 4.70% |
| Inflation | 3.70% |

Expense

Pension expense is determined based upon the annual service cost of benefits (the actuarial cost of benefits earned during a period) and the interest cost on those liabilities, less the expected return on plan assets. The expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a five-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns on assets and expected returns based on long-term rate of return assumptions. Differences in actual experience in relation to assumptions are not recognized in net earnings immediately, but are deferred and, if necessary, amortized as pension expense.

The components of the net periodic pension expense were as follows for the period from May 12, 2010 to September 25, 2010:

| Thousands of Dollars | |
|--------------------------------|----------|
| Net Periodic Benefit Cost: | |
| Service cost | \$ 98 |
| Interest cost | 9,755 |
| Expected return on plan assets | (6,404) |
| Net periodic benefit expense | \$ 3,449 |

Assumptions The weighted-average actuarial assumptions used to determine expense are as follows for fiscal 2010:

| Percentages | |
|--------------------------------|-------|
| Discount rate | 5.60% |
| Expected return on plan assets | 5.51% |
| Salary increase | 4.70% |
| Inflation | 3.70% |

The discount rate is based on the annualized yield on the iBoxx over the 15-year AA-rated corporate bonds index with cash flows generally matching the Plan's expected benefit payments. The expected return on plan assets is based on the asset allocation mix and the historical return, taking into account current and expected market conditions.

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Defined Benefit Retirement Plan (Continued)**Cash Contributions**

Employer contributions to the pension plan have been set at \$9,878 (£6.3 million) per annum in accordance with the Plan's 10-year recovery plan, along with a contribution to cover the administrative costs of the Plan of approximately \$1,568 (£1.0 million) per annum.

Benefit Payments

The following table details expected pension benefit payments for the years 2010 through 2019:

Thousands of Dollars

| | | |
|-----------------|----|--------|
| 2010 | \$ | 5,858 |
| 2011 | | 9,537 |
| 2012 | | 9,909 |
| 2013 | | 10,295 |
| 2014 | | 10,698 |
| Years 2015-2019 | | 60,080 |

Asset Allocation Strategy

The investment strategy for pension plan assets is to maintain a diversified portfolio mainly in long-term fixed-income securities that are investment grade or government-backed in nature. The plan, as required by U.K. law, has an independent trustee that sets investment policy and consults with representatives of the plan sponsor and independent advisors regularly on such matters.

The pension plan investments are held in a trust. Most of the pension plan assets are invested in fixed income securities. The debt portfolio is also broadly diversified and invested primarily in U.K. Treasury and corporate securities. The weighted-average maturity of the debt portfolio was 12 years at September 25, 2010.

Fair Value Measurements

The pension plan assets are valued at fair value. The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Index-linked gilts Index-linked gilts are U.K. government-backed securities consisting of bills, notes, bonds, and other fixed income securities issued directly by the U.K. Treasury or by government-sponsored enterprises.

Corporate Bonds Corporate bonds and debentures consist of fixed income securities issued by U.K. corporations.

Corporate Stock This investment category consists of common and preferred stock issued by U.K. and non-U.K. corporations.

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

7. Defined Benefit Retirement Plan (Continued)

These assets are pooled investment funds whereby the underlying investments can be valued using quoted market prices. As the fair values of the pooled investment funds themselves are not publicly quoted, they are classified as Level 2 investments.

At May 12, 2010, the pension plan assets measured at fair value on a recurring basis were as follows:

| Thousands of Dollars | Quoted Prices in Active Markets for Identical Inputs (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|-------------------------------------|--|---|--|------------|
| Plan net assets: | | | | |
| Temporary cash investments | \$ | \$ | \$ | \$ |
| Index-linked gilts | | 39,456 | | 39,456 |
| Corporate bonds | | 294,117 | | 294,117 |
| Corporate stock | | 15,550 | | 15,550 |
| Other investments | | 1,933 | | 1,933 |
| Total plan net assets at fair value | \$ | \$ 351,056 | \$ | \$ 351,055 |

8. Business Segments

The Company aggregates its operating segments into five 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 worldwide and for other specialty applications;

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

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

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

DELTA: This segment consists of the operations of Delta plc, which was purchased by Valmont on May 12, 2010. The primary product lines in this segment are engineered steel products for industrial access systems, road safety, poles and grinding media, galvanizing services, and manganese materials.

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Business Segments (Continued)

In addition to these five 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.

In the fourth quarter of 2009, the Company reorganized its management structure and redefined its Utility segment to include Utility support structure activities on a global basis. Previously, sales of utility support structures outside of North America were reported as part of the ESS segment. This management structure change should help the Company better serve the global utility support structure market. Information presented for 2009 has been reclassified to conform to the 2010 presentation. The Company will reassess the composition of the Delta segment at the end of fiscal 2010 and make any appropriate changes to its reportable segment structure at that time.

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)

8. 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 | |
|--|-----------------------|-----------------------|-------------------------|-----------------------|
| | September 25, 2010 | September 26, 2009 | September 25, 2010 | September 26, 2009 |
| Sales: | | | | |
| Engineered Support Structures segment: | | | | |
| Lighting & Traffic | 115,076 | 128,553 | 312,622 | 347,201 |
| Communication Structures | 29,760 | 32,163 | 73,946 | 99,991 |
| Engineered Support Structures segment | 144,836 | 160,716 | 386,568 | 447,192 |
| Utility Support Structures segment | | | | |
| Steel | 105,097 | 142,362 | 304,006 | 464,661 |
| Concrete | 15,300 | 23,520 | 42,458 | 101,409 |
| Utility Support Structures segment | 120,397 | 165,882 | 346,464 | 566,070 |
| Coatings segment | 35,356 | 29,683 | 96,693 | 88,295 |
| Irrigation segment | 88,255 | 75,230 | 309,054 | 279,339 |
| Delta segment | 131,357 | | 205,522 | |
| Other | 21,338 | 16,697 | 68,459 | 53,457 |
| Total | 541,539 | 448,208 | 1,412,760 | 1,434,353 |
| Intersegment Sales: | | | | |
| Engineered Support Structures segment | 2,936 | 3,196 | 4,712 | 13,961 |
| Utility Support Structures segment | 1,001 | 553 | 1,636 | 1,639 |
| Coatings segment | 5,653 | 7,020 | 17,513 | 19,351 |
| Irrigation segment | 1 | 2 | 7 | 16 |
| Delta segment | 464 | | 464 | |
| Other | 3,653 | 3,427 | 11,636 | 11,412 |
| Total | 13,708 | 14,198 | 35,968 | 46,379 |
| Net Sales: | | | | |
| Engineered Support Structures segment | 141,900 | 157,520 | 381,856 | 433,231 |
| Utility Support Structures segment | 119,396 | 165,329 | 344,828 | 564,431 |
| Coatings segment | 29,703 | 22,662 | 79,180 | 68,944 |
| Irrigation segment | 88,254 | 75,228 | 309,047 | 279,323 |
| Delta segment | 130,893 | | 205,058 | |
| Other | 17,685 | 13,271 | 56,823 | 42,045 |
| Total | \$ 527,831 | \$ 434,010 | \$ 1,376,792 | \$ 1,387,974 |
| Operating Income (Loss): | | | | |
| Engineered Support Structures segment | \$ 11,680 | \$ 13,238 | \$ 22,364 | \$ 31,240 |
| Utility Support Structures segment | 9,255 | 45,220 | 35,903 | 135,538 |
| Coatings segment | 8,649 | 7,581 | 20,767 | 19,965 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | |
|-----------------------|-----------|-----------|------------|------------|
| Irrigation segment | 10,590 | 5,560 | 42,584 | 27,330 |
| Delta segment | 8,170 | | 15,383 | |
| Other | 4,228 | 3,146 | 13,693 | 10,242 |
| Net corporate expense | (5,429) | (12,012) | (34,600) | (33,847) |
| Total | \$ 47,143 | \$ 62,733 | \$ 116,094 | \$ 190,468 |

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Guarantor/Non-Guarantor Financial Information

On April 8, 2010, the Company issued \$300,000,000 of senior unsecured notes at a coupon interest rate of 6.625% per annum. The notes are guaranteed, jointly, severally, fully and unconditionally by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

On May 4, 2004, the Company completed a \$150,000,000 offering of 6⁷/₈% Senior Subordinated Notes. The Notes are guaranteed, jointly, severally, fully and unconditionally, on a senior subordinated basis by the Guarantors.

Subsequent to the issuance of the Company's consolidated financial statements on Form 10-K on February 23, 2010, management identified certain errors in the presentation of the condensed consolidated balance sheet contained in this footnote as of December 26, 2009. The errors were the result of (i) a historical accounting policy to record currency translation adjustments only in the subsidiary ledgers and not in the Parent accounts; (ii) a historical accounting policy not to record non-earnings related transactions (e.g. cash dividends, stock options and stock compensation) in the Parent equity accounts; (iii) a bookkeeping error in the beginning 2008 equity balance that was also subsequently carried forward to 2009; and (iv) not correctly reflecting investments in certain subsidiaries in each of the appropriate entities. Accordingly, the previously presented condensed consolidated balance sheet as of December 26, 2009 has been corrected. The "Guarantors" and "Total" columns are not impacted by any of these corrections. These adjustments did not affect the consolidated financial statements for the periods presented.

The impact to the December 26, 2009 condensed consolidated balance sheet is as follows:

| | Parent As previously reported | Parent As corrected | Non- Guarantors As previously reported | Non- Guarantors As corrected | Eliminations As previously reported | Eliminations As corrected |
|--|--|---------------------------|--|---------------------------------------|--|---------------------------------|
| Investment in subsidiaries and intercompany accounts | \$ 672,135 | \$ 644,836 | \$ (34,722) | \$ (9,725) | \$ (711,318) | \$ (709,016) |
| Total assets | 1,131,254 | 1,103,955 | 475,882 | 500,879 | (711,318) | (709,016) |
| Additional paid-in capital | | | 139,577 | 131,580 | (321,119) | (313,122) |
| Retained earnings | 811,650 | 767,398 | 158,724 | 191,718 | (372,205) | (361,198) |
| Accumulated other comprehensive income | | 16,953 | | | | (16,953) |
| Total Valmont Industries, Inc. shareholders' equity | 813,560 | 786,281 | 318,748 | 343,271 | (711,318) | (709,016) |
| Total liabilities and shareholders' equity | 1,131,254 | 1,103,855 | 475,882 | 500,879 | (711,318) | (709,016) |

The "Guarantors" and "Total" columns have not been impacted by any of the foregoing. There was no impact on the consolidated financial statements for the periods presented.

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Guarantor/Non-Guarantor Financial Information (Continued)

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 25, 2010

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|------------|------------|----------------|--------------|------------|
| Net sales | \$ 200,302 | \$ 84,440 | \$ 280,704 | \$ (37,615) | \$ 527,831 |
| Cost of sales | 147,511 | 64,990 | 220,474 | (37,665) | 395,310 |
| Gross profit | 52,791 | 19,450 | 60,230 | 50 | 132,521 |
| Selling, general and administrative expenses | 31,801 | 11,126 | 42,451 | | 85,378 |
| Operating income | 20,990 | 8,324 | 17,779 | 50 | 47,143 |
| Other income (expense): | | | | | |
| Interest expense | (8,515) | 187 | (159) | | (8,487) |
| Interest income | 4 | 4 | 1,725 | | 1,733 |
| Other | 254 | 428 | (624) | | 58 |
| | (8,257) | 619 | 942 | | (6,696) |
| Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries | 12,733 | 8,943 | 18,721 | 50 | 40,447 |
| Income tax expense (benefit): | | | | | |
| Current | 4,594 | 3,081 | 8,019 | | 15,694 |
| Deferred | (183) | (91) | (1,640) | | (1,914) |
| | 4,411 | 2,990 | 6,379 | | 13,780 |
| Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries | 8,322 | 5,953 | 12,342 | 50 | 26,667 |
| Equity in earnings/(losses) of nonconsolidated subsidiaries | 17,613 | 5,751 | 1,021 | (23,317) | 1,068 |
| Net Earnings | 25,935 | 11,704 | 13,363 | (23,267) | 27,735 |
| Less: Earnings attributable to noncontrolling interests | | | (1,800) | | (1,800) |
| Net Earnings attributable to Valmont Industries, Inc. | \$ 25,935 | \$ 11,704 | \$ 11,563 | \$ (23,267) | \$ 25,935 |

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Thirty-nine Weeks Ended September 25, 2010

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|------------|------------|----------------|--------------|--------------|
| Net sales | \$ 616,823 | \$ 217,203 | \$ 640,764 | \$ (97,998) | \$ 1,376,792 |
| Cost of sales | 456,108 | 165,722 | 491,763 | (98,698) | 1,014,895 |
| Gross profit | 160,715 | 51,481 | 149,001 | 700 | 361,897 |
| Selling, general and administrative expenses | 113,581 | 33,765 | 98,457 | | 245,803 |
| Operating income | 47,134 | 17,716 | 50,544 | 700 | 116,094 |
| Other income (expense): | | | | | |
| Interest expense | (22,198) | | (680) | | (22,878) |
| Interest income | 116 | 31 | 3,034 | | 3,181 |
| Other | 476 | (72) | (376) | | 28 |
| | (21,606) | (41) | 1,978 | | (19,669) |
| Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries | 25,528 | 17,675 | 52,522 | 700 | 96,425 |
| Income tax expense (benefit): | | | | | |
| Current | 15,637 | 6,441 | 17,574 | | 39,652 |
| Deferred | (3,101) | (376) | (1,267) | | (4,744) |
| | 12,536 | 6,065 | 16,307 | | 34,908 |
| Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries | 12,992 | 11,610 | 36,215 | 700 | 61,517 |
| Equity in earnings/(losses) of nonconsolidated subsidiaries | 46,521 | 10,077 | 1,383 | (55,994) | 1,987 |
| Net Earnings | 59,513 | 21,687 | 37,598 | (55,294) | 63,504 |
| Less: Earnings attributable to noncontrolling interests | | | (3,991) | | (3,991) |
| Net Earnings attributable to Valmont Industries, Inc. | \$ 59,513 | \$ 21,687 | \$ 33,607 | \$ (55,294) | \$ 59,513 |

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Guarantor/Non-Guarantor Financial Information (Continued)

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 (expense): | | | | | |
| Interest expense | (3,331) | | (256) | | (3,587) |
| Interest income | 15 | | 355 | | 370 |
| Other | 1,440 | 46 | 620 | | 2,106 |
| | (1,876) | 46 | 719 | | (1,111) |
| Earnings before income taxes, minority interest and equity in earnings/(losses) 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/(losses) of nonconsolidated subsidiaries | 16,571 | 11,396 | 12,747 | 570 | 41,284 |
| Equity in earnings/(losses) of nonconsolidated subsidiaries | 23,333 | | | (23,249) | 84 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | | |
|---|--------|--------|--------|----------|--------|
| 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)

9. 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 (expense): | | | | | |
| Interest expense | (11,003) | (13) | (831) | | (11,847) |
| Interest income | 44 | 1 | 941 | | 986 |
| Other | 2,536 | 149 | (769) | | 1,916 |
| | (8,423) | 137 | (659) | | (8,945) |
| Earnings before income taxes, minority interest and equity in earnings/(losses) 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/(losses) of nonconsolidated subsidiaries | 50,975 | 35,826 | 33,169 | 1,909 | 121,879 |
| Equity in earnings/(losses) of nonconsolidated subsidiaries | 67,684 | | | (67,105) | 579 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | | |
|---|------------|-----------|-----------|-------------|------------|
| Net earnings | 118,659 | 35,826 | 33,169 | (65,196) | 122,458 |
| Less: Earnings attributable to noncontrolling interests | | | (1,890) | | (1,890) |
| 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)

9. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

September 25, 2010

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|--------------|------------|----------------|----------------|--------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 11,946 | \$ 919 | \$ 310,285 | \$ | \$ 323,150 |
| Receivables, net | 94,877 | 47,477 | 258,329 | | 400,683 |
| Inventories | 71,276 | 35,216 | 189,843 | | 296,335 |
| Prepaid expenses | 4,417 | 760 | 24,554 | | 29,731 |
| Refundable and deferred income taxes | 15,004 | 7,261 | 13,311 | | 35,576 |
| Total current assets | 197,520 | 91,633 | 796,322 | | 1,085,475 |
| Property, plant and equipment, at cost | 414,108 | 95,344 | 348,599 | | 858,051 |
| Less accumulated depreciation and amortization | 269,066 | 49,077 | 105,452 | | 423,595 |
| Net property, plant and equipment | 145,042 | 46,267 | 243,147 | | 434,456 |
| Goodwill | 20,108 | 107,542 | 166,461 | | 294,111 |
| Other intangible assets | 863 | 69,813 | 119,919 | | 190,595 |
| Intercompany Note Receivable | 443,702 | | | (443,702) | |
| Investment in subsidiaries and intercompany accounts | 647,189 | 562,390 | (469,018) | (740,561) | |
| Other assets | 28,433 | | 26,300 | | 54,733 |
| Total assets | \$ 1,482,857 | \$ 877,645 | \$ 883,131 | \$ (1,184,263) | \$ 2,059,370 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current installments of long-term debt | \$ 187 | | \$ 56 | \$ | \$ 243 |
| Notes payable to banks | | 2 | 14,447 | | 14,449 |
| Accounts payable | 40,630 | 14,642 | 123,859 | | 179,131 |
| Accrued expenses | 69,675 | 8,033 | 87,021 | | 164,729 |
| Dividends payable | 4,348 | | | | 4,348 |
| Total current liabilities | 114,840 | 22,677 | 225,383 | | 362,900 |
| Deferred income taxes | 15,387 | 24,308 | 43,237 | | 82,932 |
| Long-term debt, excluding current installments | 482,517 | 443,702 | 415 | (443,702) | 482,932 |
| Other noncurrent liabilities | 26,022 | | 168,000 | | 194,022 |
| Shareholders' equity: | | | | | |
| Common stock of \$1 par value | 27,900 | 14,249 | 3,494 | (17,743) | 27,900 |
| Additional paid-in capital | | 181,542 | 129,624 | (311,166) | |
| Retained earnings | 817,117 | 191,167 | 196,029 | (387,196) | 817,117 |
| Accumulated other comprehensive income (loss) | 24,456 | | 24,456 | (24,456) | 24,456 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | | | |
|--|--------------|------------|------------|----------------|--------------|----------|
| Treasury stock | | (25,382) | | | | (25,382) |
| Total Valmont Industries, Inc. shareholders' equity | 844,091 | 386,958 | 353,603 | (740,561) | | 844,091 |
| Noncontrolling interest in consolidated subsidiaries | | | 92,493 | | | 92,493 |
| Total shareholders' equity | 844,091 | 386,958 | 446,096 | (740,561) | | 936,584 |
| Total liabilities and shareholders' equity | \$ 1,482,857 | \$ 877,645 | \$ 883,131 | \$ (1,184,263) | \$ 2,059,370 | |

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

December 26, 2009

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|--------------|------------|----------------|--------------|--------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 82,017 | \$ 1,666 | \$ 97,103 | \$ | \$ 180,786 |
| Receivables, net | 75,202 | 48,655 | 135,664 | | 259,521 |
| Inventories | 77,708 | 42,822 | 90,081 | | 210,611 |
| Prepaid expenses | 3,309 | 455 | 18,379 | | 22,143 |
| Refundable and deferred income taxes | 26,306 | 7,120 | 8,935 | | 42,361 |
| Total current assets | 264,542 | 100,718 | 350,162 | | 715,422 |
| Property, plant and equipment, at cost | 408,411 | 94,139 | 172,896 | | 675,446 |
| Less accumulated depreciation and amortization | 257,632 | 44,272 | 90,454 | | 392,358 |
| Net property, plant and equipment | 150,779 | 49,867 | 82,442 | | 283,088 |
| Goodwill | 20,108 | 107,542 | 50,670 | | 178,320 |
| Other intangible assets | 985 | 74,319 | 21,074 | | 96,378 |
| Investment in subsidiaries and intercompany accounts | 644,836 | 73,905 | (9,725) | (709,016) | |
| Other assets | 22,705 | | 6,256 | | 28,961 |
| Total assets | \$ 1,103,955 | \$ 406,351 | \$ 500,879 | \$ (709,016) | \$ 1,302,169 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current installments of long-term debt | \$ 187 | \$ | \$ 44 | \$ | \$ 231 |
| Notes payable to banks | | 13 | 11,887 | | 11,900 |
| Accounts payable | 36,608 | 13,611 | 67,991 | | 118,210 |
| Accrued expenses | 61,129 | 17,836 | 43,567 | | 122,532 |
| Dividends payable | 3,944 | | | | 3,944 |
| Total current liabilities | 101,868 | 31,460 | 123,489 | | 256,817 |
| Deferred income taxes | 32,389 | 9,620 | 7,272 | | 49,281 |
| Long-term debt, excluding current installments | 159,698 | | 553 | | 160,251 |
| Other noncurrent liabilities | 23,739 | | 3,774 | | 27,513 |
| Shareholders' equity: | | | | | |
| Common stock of \$1 par value | | | | | |
| Additional paid-in capital | 27,900 | 14,249 | 3,494 | (17,743) | 27,900 |
| Retained earnings | | 181,542 | 131,580 | (313,122) | |
| Accumulated other comprehensive income | 767,398 | 169,480 | 191,718 | (361,198) | 767,398 |
| Treasury stock | 16,953 | | 16,953 | (16,953) | 16,953 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | | |
|--|--------------|------------|------------|--------------|--------------|
| Total Valmont Industries, Inc shareholders' equity | (25,990) | | | | (25,990) |
| Noncontrolling interest in consolidated subsidiaries | 786,261 | 365,271 | 343,745 | (709,016) | 786,261 |
| Total shareholders' equity | | | 22,046 | | 22,046 |
| Total liabilities and shareholders' equity | 786,261 | 365,271 | 365,791 | (709,016) | 808,307 |
| | \$ 1,103,955 | \$ 406,351 | \$ 500,879 | \$ (709,016) | \$ 1,302,169 |

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Thirty-nine Weeks Ended September 25, 2010

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|-----------|------------|----------------|--------------|-----------|
| Cash flows from operations: | | | | | |
| Net earnings | \$ 59,513 | \$ 21,687 | \$ 37,598 | \$ (55,294) | \$ 63,504 |
| Adjustments to reconcile net earnings to net cash flow from operations: | | | | | |
| Depreciation | 14,984 | 9,564 | 17,281 | | 41,829 |
| Stock-based compensation | 4,712 | | | | 4,712 |
| Loss on sales of property, plant and equipment | 23 | 4 | 1,486 | | 1,513 |
| Equity in losses of nonconsolidated subsidiaries | (604) | | (1,383) | | (1,987) |
| Deferred income taxes | (3,101) | (376) | (1,267) | | (4,744) |
| Other adjustments | | | | | |
| Changes in assets and liabilities: | | | | | |
| Receivables | (19,675) | 1,177 | (25,548) | | (44,046) |
| Inventories | 6,432 | 7,606 | (9,648) | | 4,390 |
| Prepaid expenses | (1,108) | (305) | 2,476 | | 1,063 |
| Accounts payable | 4,022 | 1,031 | (27,727) | | (22,674) |
| Accrued expenses | 9,199 | (9,803) | 19,834 | | 19,230 |
| Other noncurrent liabilities | 160 | | 10,094 | | 10,254 |
| Income taxes payable/refundable | (2,601) | 14,923 | 27 | | 12,295 |
| Net cash flows from operations | 71,956 | 45,508 | 23,169 | (55,294) | 85,339 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (8,443) | (1,468) | (10,372) | | (20,283) |
| Proceeds from sale of property and equipment | 21 | 7 | 11,062 | | 11,150 |
| Acquisitions, gross of cash acquired | | (436,736) | (11,131) | | (447,867) |
| Cash acquired through acquisitions | | | 198,810 | | 198,810 |
| Dividends to minority interests | | | (12,265) | | (12,265) |
| Dividends from nonconsolidated subsidiaries | 100 | | 9,506 | | 9,606 |
| Other, net | 3,229 | (51,750) | (4,711) | 55,294 | 2,062 |
| Net cash flows from investing activities | (5,093) | (489,947) | 180,899 | 55,294 | (258,847) |
| Cash flows from financing activities: | | | | | |
| Net borrowings (repayments) under short-term agreements | | (10) | 2,559 | | 2,549 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | |
|--|-----------|---------|------------|------------|
| Proceeds from long-term borrowings | 491,000 | | | 491,000 |
| Principal payments on long-term obligations | (168,181) | | (90) | (168,271) |
| Debt issue fees | (3,858) | | | (3,858) |
| Activity under intercompany note | (443,702) | 443,702 | | |
| Dividends paid | (12,240) | | | (12,240) |
| Proceeds from exercises under stock plans | 3,390 | | | 3,390 |
| Excess tax benefits from stock option exercises | 1,479 | | | 1,479 |
| Purchase of treasury shares | (2,678) | | 1,800 | (878) |
| Purchase of common treasury shares stock plan exercises | (2,144) | | | (2,144) |
| Net cash flows from financing activities | (136,934) | 443,692 | 4,269 | 311,027 |
| Effect of exchange rate changes on cash and cash equivalents | | | 4,845 | 4,845 |
| Net change in cash and cash equivalents | (70,071) | (747) | 213,182 | 142,364 |
| Cash and cash equivalents beginning of year | 82,017 | 1,666 | 97,103 | 180,786 |
| Cash and cash equivalents end of period | \$ 11,946 | \$ 919 | \$ 310,285 | \$ 323,150 |

Table of Contents

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

9. 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)/losses 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) |
| Dividends to noncontrolling interests | | | (289) | | |
| Proceeds from sale of assets | 22 | 494 | 79 | | 595 |
| 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 (repayments) under short-term agreements | | (9) | 5,407 | | 5,398 |
| | | | 10,001 | | 10,001 |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | |
|--|-----------|----------|-----------|------------|
| Proceeds from long-term borrowings | | | | |
| 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
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 26, 2009. See Note 7 to the Condensed Consolidated Financial Statements.

In the fourth quarter of 2009, we reorganized our Utility Support Structures reporting structure to include oversight of sales and operating income of utility structures on a world-wide basis. In the second quarter of 2010, we acquired Delta plc. Accordingly, we have changed our segment reporting to match our internal reporting structure and now report five reportable segments. Previously, sales and operating profit associated with utility support structure sales outside of North America were included in the Engineered Support Structures segment. Financial information for 2009 has been reclassified to conform to the 2010 presentation. In our segment reporting structure, Delta's financial information is presented in the "Delta segment".

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

Table of Contents

Results of Operations

Dollars in thousands, except per share amounts

| | Thirteen Weeks Ended | | | Thirty-nine Weeks Ended | | |
|--|----------------------|--------------------|-----------------|-------------------------|--------------------|-----------------|
| | September 25, 2010 | September 26, 2009 | % Incr. (Decr.) | September 25, 2010 | September 26, 2009 | % Incr. (Decr.) |
| Consolidated | | | | | | |
| Net sales | \$ 527,831 | \$ 434,010 | 21.6% | \$ 1,376,792 | \$ 1,387,974 | -0.8% |
| Gross profit | 132,521 | 136,358 | -2.8% | 361,897 | 409,355 | -11.6% |
| <i>as a percent of sales</i> | 25.1% | 31.4% | | 26.3% | 29.5% | |
| SG&A expense | 85,378 | 73,625 | 16.0% | 245,803 | 218,887 | 12.3% |
| <i>as a percent of sales</i> | 16.2% | 17.0% | | 17.9% | 15.8% | |
| Operating income | 47,143 | 62,733 | -24.9% | 116,094 | 190,468 | -39.0% |
| <i>as a percent of sales</i> | 8.9% | 14.5% | | 8.4% | 13.7% | |
| Net interest expense | 6,754 | 3,217 | 109.9% | 19,697 | 10,861 | 81.4% |
| Effective tax rate | 34.1% | 33.0% | | 36.2% | 32.9% | |
| Net earnings attributable to Valmont Industries, Inc. | | | | | | |
| | 25,935 | 40,474 | -35.9% | 59,513 | 120,568 | -50.6% |
| Earnings per share attributable to Valmont Industries, Inc. diluted | | | | | | |
| | 0.98 | \$ 1.53 | | \$ 2.25 | \$ 4.59 | |
| Engineered Support Structures segment | | | | | | |
| Net sales | \$ 141,900 | \$ 157,520 | -9.9% | \$ 381,856 | \$ 433,231 | -11.8% |
| Gross profit | 36,382 | 41,291 | -11.9% | 98,822 | 111,525 | -11.4% |
| SG&A expense | 24,702 | 28,053 | -11.8% | 76,458 | 80,285 | -4.7% |
| Operating income | 11,680 | 13,238 | -12.1% | 22,364 | 31,240 | -28.5% |
| Utility Support Structures segment | | | | | | |
| Net sales | \$ 119,396 | \$ 165,329 | -27.8% | \$ 344,828 | \$ 564,431 | -38.9% |
| Gross profit | 24,171 | 62,388 | -61.2% | 82,010 | 188,653 | -56.5% |
| SG&A expense | 14,916 | 17,168 | -13.4% | 46,107 | 53,115 | -13.3% |
| Operating income | 9,255 | 45,220 | -79.5% | 35,903 | 135,538 | -73.5% |
| Coatings segment | | | | | | |
| Net sales | \$ 29,703 | \$ 22,662 | 31.1% | \$ 79,180 | \$ 68,944 | 14.8% |
| Gross profit | 12,216 | 10,901 | 12.1% | 31,030 | 30,338 | 2.3% |
| SG&A expense | 3,567 | 3,320 | 7.4% | 10,263 | 10,373 | -1.1% |
| Operating income | 8,649 | 7,581 | 14.1% | 20,767 | 19,965 | 4.0% |
| Irrigation segment | | | | | | |
| Net sales | \$ 88,254 | \$ 75,228 | 17.3% | \$ 309,047 | \$ 279,323 | 10.6% |
| Gross profit | 23,709 | 17,450 | 35.9% | 82,840 | 63,601 | 30.2% |
| SG&A expense | 13,119 | 11,890 | 10.3% | 40,256 | 36,271 | 11.0% |
| Operating income | 10,590 | 5,560 | 90.5% | 42,584 | 27,330 | 55.8% |
| Delta | | | | | | |
| Net sales | \$ 130,893 | \$ | NA | \$ 205,058 | \$ | NA |
| Gross profit | 29,554 | | NA | 47,824 | | NA |
| SG&A expense | 21,384 | | NA | 32,441 | | NA |
| Operating income | 8,170 | | NA | 15,383 | | NA |
| Other | | | | | | |
| Net sales | \$ 17,685 | \$ 13,271 | 33.3% | \$ 56,823 | \$ 42,045 | 35.1% |

Edgar Filing: VALMONT INDUSTRIES INC - Form 10-Q

| | | | | | | |
|-----------------------|---------|----------|---------|----------|----------|--------|
| Gross profit | 6,092 | 4,998 | 21.9% | 19,534 | 16,004 | 22.1% |
| SG&A expense | 1,864 | 1,852 | 0.6% | 5,841 | 5,762 | 1.4% |
| Operating income | 4,228 | 3,146 | 34.4% | 13,693 | 10,242 | 33.7% |
| Net Corporate expense | | | | | | |
| Gross profit | \$ 397 | \$ (670) | -159.3% | \$ (163) | \$ (766) | -78.7% |
| SG&A expense | 5,826 | 11,342 | -48.6% | 34,437 | 33,081 | 4.1% |
| Operating loss | (5,429) | (12,012) | -54.8% | (34,600) | (33,847) | 2.2% |

33

Table of Contents

Acquisition of Delta plc

On March 4, 2010, we made an offer to acquire all the ordinary shares of Delta plc ("Delta"), a public company traded on the London Stock exchange under the symbol "DLTA". The offer price was £1.85 per ordinary share, with a total estimated purchase price of \$436.7 million. To manage the foreign exchange risk associated with the offer, we executed a forward foreign exchange contract with a multinational bank, whereby, if the acquisition was completed, the required British pound sterling would be delivered to us at a fixed exchange rate of \$1.5353/£ to complete the acquisition. In accordance with takeover rules in the United Kingdom, we established funding for the purchase price and related acquisition costs by a combination of \$264 million in restricted cash (comprised of cash balances of \$83 million and \$181 million in borrowings under our revolving credit agreement) and a \$200 million bank bridge loan commitment. In April 2010, we issued \$300 million of senior unsecured notes, terminated the bridge loan and reduced our revolving credit agreement borrowings to approximately \$85 million. We completed the acquisition on May 12, 2010 and we now own 100% of Delta's ordinary shares.

We began consolidating Delta's financial results in our consolidated financial statements beginning on May 12, 2010. Delta's sales included in our consolidated results for the third quarter of 2010 and the period of May 12, 2010 to September 25, 2010 were \$131.4 million and \$205.5 million respectively. Operating income over the same periods was \$8.2 million and \$15.4 million, respectively.

In the third quarter and year-to-date 2010, certain expenses were incurred in our condensed consolidated statement of operations that were associated with the Delta acquisition. These expenses included:

SG&A expenses of \$0.5 million and \$14.6 million, respectively, related to acquisition costs such as investment banking fees, due diligence costs and other expenses directly associated with the acquisition and integration of Delta into Valmont. These costs, under applicable accounting standards, are required to be recorded as expenses as incurred.

Interest expenses aggregating \$5.1 million for the year-to-date period ended September 25, 2010 related to fees and expenses to establish the bridge loan and borrowing costs incurred to finance the acquisition prior to the May 12, 2010 acquisition date.

The after-tax impact of these expenses on our net earnings for the quarter and year-to-date periods ended September 25, 2010 was approximately \$0.3 million and \$15.6 million, respectively.

Overview

On a consolidated basis, the increase in net sales in the third quarter and comparable net sales on a year-to-date basis in fiscal 2010, as compared with the same periods of 2009, were mainly due to:

The acquisition of Delta, which contributed \$130.9 million and \$205.1 million to third quarter and year-to-date net sales, respectively, since its acquisition as of May 12, 2010;

Improved sales unit volumes in the Irrigation and Coatings segments;

Lower sales unit volumes and lower average selling prices in the ESS and Utility segments;

For the company as a whole, without consideration of Delta sales, our third quarter and year-to-date 2010 sales unit volumes were approximately 6% and 10% lower, respectively, as compared with 2009. On a reportable segment basis, the most significant sales unit volume decrease was in the Utility Support Structures ("Utility") segment, offset somewhat by increased unit sales volumes in the Irrigation and Coatings segments. Lower unit sales prices and unfavorable sales mix also contributed the lower net sales recorded in the third quarter of 2010, as compared with 2009. Sales price decreases

Table of Contents

in 2010, as compared with 2009, resulted from a combination of weaker sales demand in most of our businesses and falling steel prices throughout much of 2009.

The gross profit margin (gross profit as a percent of sales) in 2010 was lower than 2009, for both the third quarter and year-to-date periods ended September 25, 2010. These decreases in gross profit margins were mainly due to lower gross margins in the Utility segment, where we were impacted by lower sales volumes, a more competitive pricing environment and an unfavorable sales mix. While rising steel costs also impacted gross profit margins to a degree in 2010, steel unit costs moderated somewhat in the third quarter of 2010, as compared with the first half of 2010.

Selling, general and administrative (SG&A) spending for the third quarter and year-to-date fiscal 2010, as compared with the same periods in 2009, increased due to the following factors:

Transaction-related expenses associated with the Delta transaction (\$0.5 million and \$14.6 million, respectively). These expenses were related to investment banking fees, due diligence costs and other direct costs associated with the acquisition and the integration of Delta's operations into ours. These expenses are reported as part of "General corporate expense";

Delta's SG&A expenses from May 12, 2010 to September 25, 2010 of \$21.4 million and \$32.4 million, respectively, were included in 2010 consolidated third quarter and year-to-date SG&A expenses.

These increases were somewhat offset by lower employee incentive expenses in 2010, as compared with 2009 (approximately \$4.4 million and \$9.4 million, respectively), lower sales commissions related to lower net sales in 2010, as compared with 2009 (approximately \$1.4 million and \$3.1 million, respectively) and other expense reductions in 2010 associated with lower sales and profitability this year, as compared with 2009. In the aggregate, exclusive of the SG&A expenses related to Delta's operations and its expenses incidental to its acquisition, SG&A spending was down approximately \$10.1 million and \$20.1 million, respectively for the third quarter and year-to-date periods ended September 25, 2010 as compared with the same periods in 2009.

On a reportable segment basis, the ESS and Utility Support Structures segments reported lower operating income and the Irrigation and Coatings segments reported higher operating income in the third quarter and the year-to-date period ended September 25, 2010, as compared with 2009.

The increase in net interest expense in the third quarter and year-to-date periods ended September 25, 2010, as compared with the same periods in 2009, was mainly due to interest associated with the \$300 million in senior unsecured notes issued in April 2010 (approximately \$5.1 million and 9.4 million, respectively) and approximately \$2.9 million, respectively, of bank fees incurred in the first half of 2010 related to providing the required bridge loan funding commitment for the Delta acquisition. "Other" income was lower in the third quarter and year-to-date periods in 2010, as compared with 2009, mainly due to lower investment income related to our non-qualified deferred compensation plan this year (approximately \$0.9 million and \$1.3 million respectively) and foreign currency transaction gains incurred in 2009 that did not repeat in 2010.

The increase in the effective income tax rate in the third quarter and year-to-date period ended September 25, 2010, as compared with the same periods in 2009, was mainly due to the non-deductibility of a portion of the Delta acquisition expenses incurred in 2010.

Our cash flows provided by operations were approximately \$85.3 million in 2010, as compared with \$266.4 million in 2009. Lower net earnings in 2010, as compared with 2009, and the significant decrease in inventories recorded in the first half of 2009 were the main reasons for the lower operating cash flow in 2010.

Table of Contents

Engineered Support Structures (ESS) segment

The decrease in net sales in the third quarter and year-to-date periods of fiscal 2010, as compared with the same periods in 2009, was mainly due to lower sales volumes and lower sales prices in the lighting and communication structures product lines. In the Lighting product line in the third quarter, we experienced lower sales and average unit selling prices in North American and international markets. The decrease in North American sales in the third quarter of 2010, as compared with the same period in 2009, was due to weaker customer demand for lighting and traffic poles in the transportation market channel. Year-to-date sales unit volumes in North America in 2010 were slightly lower as compared with 2009. We believe sales demand in the transportation market was dampened by the lack of a long-term federal highway funding legislation and state budget deficits, as the lack of long-term funding legislation does not give the various states ample visibility to implement long-term initiatives. Furthermore, highway spending sponsored under the federal program requires the various states to provide part of required funding. Many states are in budget deficits, which may constrain their ability to access federal matching funds to implement roadway projects. While commercial lighting market sales in the third quarter of 2010 were slightly higher as compared with 2009, demand remains relatively weak, due to continued softness in the commercial and residential construction markets. In Europe, sales were lower in the third quarter and first three quarters of 2010, as compared with 2009. As most economies in Europe are weak, governments have cut spending (including for infrastructure projects) to cope with budgetary deficits. The decrease in European lighting sales in the third quarter and year-to-date 2010, as compared with 2009, was also related to competitive selling price pressures, certain project sales in developing markets in 2009 that did not repeat in 2010 and foreign currency translation effects of approximately \$4.2 million and \$2.2 million, respectively. Lighting structure sales in China, while a relatively small portion of global lighting sales, improved in 2010, as compared with 2009, due to increased sales efforts.

Sales in the communication structures product line were lower in the third quarter and year-to-date periods of fiscal 2010, as compared with 2009, in both North America and China. In North America, general slowness in the wireless communication structures market, severe winter weather conditions and lower sign structure sales all contributed to lower sales this year. Lower structures sales in North America were offset to a degree by improved sales of wireless components. In China, sales of wireless communication structures likewise were lower in 2010, as compared with 2009. In 2010, annual supply contracts with the various carriers were settled later than in the past and we believe there is some continuing coordination of the wireless networks in China that is impacting network development at this time.

Operating income in the ESS segment was lower in the third quarter and year-to-date periods of fiscal 2010, as compared with 2009, due mainly to lower lighting and wireless communication sales volumes and pricing pressures due to weak market conditions. The impact of lower sales on operating profit was mitigated to an extent by factory operational improvements. SG&A expenses were lower in 2010, as compared with 2009, due to various cost containment actions in the segment this year.

Utility Support Structures (Utility) segment

In the Utility segment, the sales decrease in 2010, as compared with 2009, was due to the combination of lower sales unit volumes in the U.S. and lower average unit selling prices. The decrease in unit sales (in tons) in the third quarter and year-to-date periods of fiscal 2010 in the U.S. was approximately 27% and 36%, respectively. The record sales performance realized in 2009 was in part related to the large backlog at the end of the 2008 fiscal year, which was the result of substantial order intake in the last half of 2008. At the end of fiscal 2009, our sales order backlog was less than half of the year-end 2008 backlog. During 2009 and continuing into 2010, the economic recession in the U.S. resulted in a drop in electricity demand. Accordingly, our customers reduced their purchases of structures and delayed scheduled projects. In addition, price competition became more significant,

Table of Contents

especially in light of falling steel prices throughout most of 2009 and generally lower levels of transmission and substation spending this year by utility companies. In international markets, sales in the third quarter and first three quarters of 2010 improved over 2009, the result of increased project sales into new markets, offset by lower sales volumes in China.

The decrease in operating income in 2010, as compared with 2009, was a result of lower sales volumes, lower average selling prices and an unfavorable sales mix. The decrease in SG&A expenses in the third quarter and year-to-date 2010, as compared with the same periods in 2009, primarily resulted from lower employee incentives related to the decrease in operating income this year (approximately \$1.5 million and \$4.5 million, respectively) and decreased commissions (approximately \$0.3 million and \$2.0 million, respectively) due to lower net sales this year.

Coatings segment

Net sales in the Coatings segment increased in the third quarter and year-to-date periods of fiscal 2010, as compared with 2009, resulted mainly from improved sales unit volumes, particularly in our painting and anodizing operations. Galvanizing unit volumes in 2010 were approximately 4% higher in the third quarter of 2010 as compared with the same period in 2009. On a year-to-date basis, galvanizing unit volumes in 2010 were comparable to 2009. We attribute the increase in sales demand to slightly stronger industrial economic conditions in our geographic market areas.

The increase in segment operating income in the third quarter of 2010, as compared with the same period in 2009, was due to improved sales volumes and the associated operating leverage, offset somewhat by rising zinc costs that were not recovered through sales price increases. Increases in the average cost of zinc in the third quarter and first three quarters of 2010, as compared with 2009, amounted to approximately \$1.6 million and \$4.8 million, respectively. These cost increases were largely offset by factory efficiencies and increased sales volume. SG&A expenses for the segment in 2010 were comparable with 2009.

Irrigation segment

Irrigation segment net sales in the third quarter and year-to-date periods of 2010 improved, as compared with the same periods in 2009, due to stronger sales volumes in international markets and currency translation effects on international sales (approximately \$0.9 million and \$6.5 million, respectively). In North America, the sales in the third quarter were comparable with 2009, as equipment sales volume in the seasonal low third quarter of 2010 was comparable to 2009. On a year-to-date basis, sales increases were experienced in both North American and international markets. In North America, we believe improved demand for irrigation equipment in 2010 over a weak 2009 resulted from improvement in grower sentiment and expected net farm income. In international markets, improved sales in 2010 over 2009, due to stronger market conditions in Latin America, Europe, Australia and Brazil.

Operating income for the segment improved in 2010 over 2009, due to improved sales unit volumes in North America, lower raw material prices and a stronger international sales mix. SG&A expenses increased mainly due to increased employee incentives associated with improved operating income (approximately \$0.7 million and \$2.3 million, respectively) and costs associated with business development activities.

Delta segment

The Delta segment includes the consolidated operations of Delta plc from May 12, 2010 forward. Included in the operating income for the third quarter of 2010 and the period from May 12, 2010 to September 25, 2010 were approximately \$4.1 million and \$6.1 million, respectively, of depreciation,

Table of Contents

amortization and other expenses associated with the allocation of purchase price of the business to tangible assets and finite-lived intangible assets. Delta's operations include the following product lines:

Galvanizing services, similar to that provided by our Coatings segment;

Engineered steel products, including steel structural grating for industrial and architectural application, poles for lighting, utility and wireless communication applications, grinding media for the mining industry and highway safety products;

Manganese dioxide, mainly for use in disposable batteries

While Delta's financial results are not included in our consolidated accounts for 2009, its performance as compared with results independently reported by Delta plc last year was improved somewhat in its galvanizing services business, stable in the engineered steel products business and down in its manganese dioxide business. Delta's third quarter operating income as a percentage of sales was lower as compared with the partial second quarter of 2010 due to weaker sales and operating challenges in the manganese dioxide operation and lower sales in Australian poles and road safety products.

Other

This unit mainly includes our industrial tubing and fasteners operations. The increase in sales and operating income in 2010, as compared with 2009, primarily was due to improved sales demand for tubing products.

Net corporate expense

Net corporate expense decreased in the third quarter of 2010, as compared with 2009. On a year-to-date basis, net corporate expense increased in 2010, as compared with 2009. Corporate expense in the third quarter and year-to-date periods in 2010 included expenses associated with the acquisition of Delta (approximately \$0.5 million and \$14.6 million, respectively), offset by lower employee incentive accruals in 2010 (\$4.1 million and \$9.1 million, respectively) and other decreases in discretionary spending.

Table of Contents**Liquidity and Capital Resources***Cash Flows*

Working Capital and Operating Cash Flows Net working capital was \$722.6 million at September 25, 2010, as compared with \$458.6 million at December 26, 2009. The increase in net working capital in 2010 mainly resulted from the Delta acquisition of \$300.3 million, offset to a degree by cash on hand used to fund part of the Delta acquisition. Operating cash flow was \$85.3 million for the first three quarters of 2010, as compared with \$266.4 million for the same period in 2009. The decrease in operating cash flow in 2010 mainly was the result of lower net earnings 2010, as compared with 2009 and the significant cash flow generated in 2009 through inventory reductions. Accounts receivable turnover in 2010 was comparable with 2009.

Investing Cash Flows Capital spending in the first three quarters of 2010 was \$20.3 million, as compared with \$38.7 million in 2009. We expect our capital spending for the 2010 fiscal year to be approximately \$40 million. Investing cash flows for fiscal 2010 included \$237.8 million related to the Delta, net of cash on Delta's balance sheet at May 12, 2010 and an aggregate of approximately \$11.3 million associated with increasing our ownership interest in West Coast Engineering, Ltd. from 70% to 80%, acquiring the remaining 30% of our Polish poles manufacturing operation and the additional purchase price paid to the former shareholders of Stainton related to the performance of the operation after its acquisition in November 2008. In 2010, we received \$9.6 million in dividends from our nonconsolidated subsidiaries, which reduced our investment in those subsidiaries. Investing cash flows in 2010 also included \$11.1 million in proceeds from the sale of a discontinued Delta manganese dioxide site concluded in the third quarter of 2010.

Financing Cash Flows Our total interest-bearing debt increased from \$172.4 million at December 26, 2009 to \$497.6 million as of September 25, 2010. The increase in borrowings in of 2010 was predominantly associated with the \$300 million of senior unsecured notes and borrowings under our revolving credit agreement to finance a portion of the Delta acquisition.

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 25, 2010, our long-term debt to invested capital ratio was 28.1%, as compared with 15.2% at December 26, 2009. Subject to our level of acquisition activity and steel industry operating conditions (which could affect the levels of inventory we need to fulfill customer commitments), we plan to maintain this ratio below 40% in 2010.

Our debt financing at September 25, 2010 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$51.0 million, \$45.0 million of which was unused at September 25, 2010. 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 the notes at specified prepayment premiums. These notes are guaranteed by certain of our subsidiaries. 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, 2011 | 102.292% |
| From May 1, 2011 until May 1, 2012 | 101.146% |
| After May 1, 2012 | 100.000% |

Table of Contents

\$300 million of senior unsecured notes that bear interest at 6.625% per annum and are due in April 2020. We are allowed to repurchase the notes at specified prepayment premiums. These notes are guaranteed by the same subsidiaries as our senior subordinated notes.

\$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 25, 2010, we had \$23.0 million in outstanding borrowings under the revolving credit agreement, at an annual interest rate of 1.46%, not including facility fees. These outstanding borrowings were associated with funding requirements related to the Delta acquisition. 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 25, 2010, we had the ability to borrow an additional \$233.6 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 25, 2010, we were in compliance with all covenants related to these debt agreements. The key covenant calculations at September 25, 2010 were as follows (including Delta on a pro forma basis, as per our covenants):

| | |
|---------------------------------|---------|
| Interest-bearing debt | 497,624 |
| EBITDA last 12 months | 264,775 |
| Leverage ratio | 1.88 |
| EBITDA last 12 months | 264,775 |
| Interest expense last 12 months | 26,850 |
| Interest earned ratio | 9.86 |

Table of Contents

The calculation of EBITDA last 12 months (September 25, 2009 - September 25, 2010) is as follows:

| | |
|---|-------------------|
| Net cash flows from operations | \$ 168,433 |
| Interest expense | 26,791 |
| Income tax expense | 48,158 |
| Deferred income tax benefit | 2,668 |
| Noncontrolling interest | (5,480) |
| Equity in earnings/(losses) in nonconsolidated subsidiaries | 2,159 |
| Stock-based compensation | (6,484) |
| Delta plc EBITDA - September 30, 2009-May 12, 2010 | 47,474 |
| Changes in assets and liabilities, net of acquisitions | (17,230) |
| Other | (1,714) |
| EBITDA | \$ 264,775 |

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

Financial Obligations and Financial Commitments

Other than our additional borrowings under our senior unsecured notes and revolving credit agreement related to the Delta acquisition, there have been no material changes to our financial obligations and financial commitments as described beginning on page 37 in our Form 10-K for the year ended December 26, 2009. Our financial commitments at September 25, 2010 were as follows:

| Contractual Obligations | Total | 2010 | 2011-2012 | 2013-2014 | After 2014 |
|---|-----------------|----------------|------------------|------------------|-------------------|
| Long-term debt | \$ 483.2 | \$ 0.1 | \$ 0.5 | \$ 173.5 | \$ 309.1 |
| Interest | 234.1 | 7.6 | 61.2 | 55.5 | 109.8 |
| Delta pension plan contributions | 103.0 | | 22.9 | 22.9 | 57.2 |
| Operating leases | 81.3 | 4.5 | 24.3 | 16.1 | 36.4 |
| Unconditional purchase commitments | 6.0 | 6.0 | | | |
| Total contractual cash obligations | \$ 907.6 | \$ 18.2 | \$ 108.9 | \$ 268.0 | \$ 512.5 |

Long-term debt principally consisted of \$150.0 million of senior subordinated notes and \$300.0 million of senior unsecured notes. At September 25, 2010, we had \$23.0 million of outstanding borrowings under our bank revolving credit agreement. We also had various other borrowing arrangements aggregating \$10.2 million at September 25, 2010. Obligations under these agreements may accelerate in event of non-compliance with covenants. The Delta pension plan contributions are related to agreed-upon cash funding commitments to the plan with the plan's trustees. Operating leases relate mainly to various production and office facilities and are in the normal course of business.

Unconditional purchase obligations relate to purchase orders for zinc, aluminum and steel, all of which we plan to use in 2010. We believe the quantities under contract are reasonable in light of normal fluctuations in business levels and we expect to use the commodities under contract during the contract period.

Table of Contents

At September 25, 2010, we had approximately \$38.7 million of various long-term liabilities that were recorded at fair value related to the Delta acquisition and \$2.3 million of various unrecognized income tax benefits. These items are not scheduled above because we are unable to make a reasonably reliable estimate as to the timing of any potential payments.

Off Balance Sheet Arrangements

There have been no changes in our off balance sheet arrangements as described on page 37 in our Form 10-K for the fiscal year ended December 26, 2009.

Critical Accounting Policies

There have been no changes in our critical accounting policies as described on pages 39-41 on our Form 10-K for the fiscal year ended December 26, 2009 during the quarter ended September 25, 2010. Due to the acquisition of Delta plc in the second quarter of 2010, we have added the following as a critical accounting policy:

Pension Benefits Delta plc maintains a defined benefit pension plan for qualifying employees in the United Kingdom. Third-party actuaries assist in properly measuring the liabilities and expenses associated with accounting for pension benefits to eligible employees. In order to use actuarial methods to value the liabilities and expenses, we must make several assumptions. The critical assumptions used to measure pension obligations and expenses are the discount rate and expected rate of return on pension assets.

We evaluate our critical assumptions at least annually, and selected assumptions are based on the following factors:

Discount rate is based on an annualized yield on the iBoxx over 15-year AA-rated bond index.

Expected return on plan assets is based on our asset allocation mix and our historical return, taking into consideration current and expected market conditions. Most of the assets in the pension plan are invested in corporate bonds, the expected return of which are estimated based on risk-free bonds ("gilts" in the U.K.), plus a risk premium of 75 to 125 basis points. The long-term expected returns on equities are based on historic performance over the long-term.

The following tables present the key assumptions used to measure pension expense for 2010 and the estimated impact on 2010 pension expense relative to a change in those assumptions:

| Assumptions | Pension |
|--------------------------------|---------|
| Discount rate | 5.60% |
| Expected return on plan assets | 5.51% |
| Inflation | 3.70% |

| Assumptions In Millions of Dollars | Increase in Pension Expense |
|--|-----------------------------------|
| 1.00% decrease in discount rate | \$ 0.7 |
| 1.00% decrease in expected return on plan assets | \$ 2.1 |
| 1.00% increase in inflation | \$ 1.5 |

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There were no material changes in the company's market risk during the quarter ended September 25, 2010. For additional information, refer to the section "Risk Management" beginning on page 38 in our Form 10-K for the fiscal year ended December 26, 2009.

Table of Contents

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. We acquired Delta plc ("Delta") in the second quarter of 2010, and it represented approximately 39% of our total assets as of September 25, 2010. As the acquisition occurred in the second quarter of 2010, the scope of our assessment of the effectiveness of internal control over financial reporting does not include Delta. This exclusion is in accordance with the SEC's general guidance that an assessment of a recently acquired business may be omitted from our scope in the year of acquisition. 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 2010, the Company implemented various processes and information system enhancements, principally related to a major upgrade of enterprise resource planning software and related business improvements in its North American steel structures manufacturing operations that are part of the Engineered Support Structures and Utility Support Structures segments. 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) | (d) |
|--|--|--|---|---|
| | | | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
| June 27, 2010 to July 24, 2010 | 1,633 | \$ 72.11 | | |
| July 25, 2010 to August 28, 2010 | 232 | \$ 67.50 | | |
| August 29, 2010 to September 25, 2010 | | | | |
| Total | 1,865 | \$ 71.54 | | |

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 September 8, 2010, the Company's Board of Directors declared a quarterly cash dividend on common stock of 16.5 cents per share, which was paid on October 15, 2010, to stockholders of record September 24, 2010. The indicated annual dividend rate is 66 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 |
| 101 | The following financial information from Valmont's Quarterly Report on Form 10-Q for the quarter ended September 25, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Shareholders' Equity, (v) Notes to Condensed Consolidated Financial Statements (tagged as blocks of text). |

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 29th day of October, 2010.

Table of Contents

Index of 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 |
| 101 | The following financial information from Valmont's Quarterly Report on Form 10-Q for the quarter ended September 25, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Shareholders' Equity, (v) Notes to Condensed Consolidated Financial Statements (tagged as blocks of text). |