

VALMONT INDUSTRIES INC  
Form 10-Q  
August 03, 2010

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

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**Form 10-Q**

(Mark One)

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

For the quarterly period ended June 26, 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)

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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

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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

**26,338,222**

Outstanding shares of common stock as of July 20, 2010

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

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## 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 |                  | Twenty-Six Weeks Ended |                  |
|---|----------------------|------------------|------------------------|------------------|
|   | June 26,<br>2010     | June 27,<br>2009 | June 26,<br>2010       | June 27,<br>2009 |
| Net sales   | \$ 481,559           | \$ 498,810       | \$ 848,961             | \$ 953,964       |
| Cost of sales   | 352,913              | 354,129          | 619,585                | 680,967          |
| Gross profit  | 128,646              | 144,681          | 229,376                | 272,997          |
| Selling, general and administrative expenses  | 91,345               | 75,265           | 160,425                | 145,262          |
| Operating income  | 37,301               | 69,416           | 68,951                 | 127,735          |
| Other income (expenses):  |                      |                  |                        |                  |
| Interest expense  | (8,429)              | (3,976)          | (14,391)               | (8,260)          |
| Interest income   | 1,092                | 284              | 1,448                  | 616              |
| Other   | 47                   | 1,608            | (30)                   | (190)            |
|   | (7,290)              | (2,084)          | (12,973)               | (7,834)          |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 30,011               | 67,332           | 55,978                 | 119,901          |
| Income tax expense (benefit):   |                      |                  |                        |                  |
| Current   | 17,252               | 19,266           | 23,958                 | 31,566           |
| Deferred  | (5,570)              | 2,785            | (2,830)                | 7,740            |
|   | 11,682               | 22,051           | 21,128                 | 39,306           |
| Earnings before equity in earnings (losses) of nonconsolidated subsidiaries         | 18,329               | 45,281           | 34,850                 | 80,595           |
| Equity in earnings (losses) of nonconsolidated subsidiaries                         | 805                  | (71)             | 919                    | 495              |
| Net earnings  | 19,134               | 45,210           | 35,769                 | 81,090           |
| Less: Earnings attributable to noncontrolling interests                             | (2,019)              | (980)            | (2,191)                | (996)            |
| Net earnings attributable to Valmont Industries, Inc.                               | \$ 17,115            | \$ 44,230        | \$ 33,578              | \$ 80,094        |
| Earnings per share attributable to Valmont Industries, Inc. Basic                   | \$ 0.66              | \$ 1.70          | \$ 1.29                | \$ 3.09          |
| Earnings per share attributable to Valmont Industries, Inc. Diluted                 | \$ 0.65              | \$ 1.69          | \$ 1.27                | \$ 3.05          |
| Cash dividends per share  | \$ 0.165             | \$ 0.150         | \$ 0.315               | \$ 0.280         |

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|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Weighted average number of shares of common stock outstanding Basic (000 omitted)   | 26,087 | 25,943 | 26,059 | 25,928 |
| Weighted average number of shares of common stock outstanding Diluted (000 omitted) | 26,448 | 26,223 | 26,434 | 26,224 |

See accompanying notes to condensed consolidated financial statements.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

|   | June 26,<br>2010 | December 26,<br>2009 |
|---|------------------|----------------------|
| <b>ASSETS</b>                                     |                  |                      |
| Current assets:                                   |                  |                      |
| Cash and cash equivalents                         | \$ 314,373       | \$ 180,786           |
| Receivables, net                                  | 376,005          | 259,521              |
| Inventories                                       | 296,634          | 210,611              |
| Prepaid expenses and other<br>current assets      | 39,943           | 22,143               |
| Refundable and deferred income<br>taxes           | 35,930           | 42,361               |
| <br>Total current assets                          | <br>1,062,885    | <br>715,422          |
| Property, plant and equipment, at<br>cost         | 821,701          | 675,446              |
| Less accumulated depreciation<br>and amortization | (396,567)        | (392,358)            |
| <br>Net property, plant and<br>equipment          | <br>425,134      | <br>283,088          |
| Goodwill  | 291,610          | 178,320              |
| Other intangible assets, net                      | 188,916          | 96,378               |
| Other assets                                      | 61,012           | 28,961               |
| <br>Total assets                                  | <br>\$ 2,029,557 | <br>\$ 1,302,169     |

**LIABILITIES AND  
SHAREHOLDERS'  
EQUITY**

|   |             |             |
|---|-------------|-------------|
| Current liabilities:                              |             |             |
| Current installments of<br>long-term debt         | \$ 270      | \$ 231      |
| Notes payable to banks                            | 9,752       | 11,900      |
| Accounts payable                                  | 202,587     | 118,210     |
| Accrued employee<br>compensation and benefits     | 49,254      | 66,611      |
| Accrued expenses                                  | 94,380      | 55,921      |
| Dividends payable                                 | 4,346       | 3,944       |
| <br>Total current liabilities                     | <br>360,589 | <br>256,817 |
| Deferred income taxes                             | 81,696      | 49,281      |
| Long-term debt, excluding current<br>installments | 517,913     | 160,251     |
| Defined benefit pension liability                 | 116,816     |             |
| Deferred compensation                             | 22,704      | 19,013      |

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|   |              |              |
|---|--------------|--------------|
| Other noncurrent liabilities                            | 50,585       | 8,500        |
| Shareholders' equity:                                   |              |              |
| Preferred stock   |              |              |
| Authorized 500,000 shares;<br>none issued               |              |              |
| Common stock of \$1 par value                           |              |              |
| Authorized 75,000,000 shares;<br>27,900,000 issued      |              |              |
|   | 27,900       | 27,900       |
| Retained earnings                                       | 795,797      | 767,398      |
| Accumulated other<br>comprehensive income (loss)        | (13,513)     | 16,953       |
| Treasury stock  | (25,510)     | (25,990)     |
|   |              |              |
| Total Valmont Industries, Inc.<br>shareholders' equity  | 784,674      | 786,261      |
|   |              |              |
| Noncontrolling interest in<br>consolidated subsidiaries | 94,580       | 22,046       |
|   |              |              |
| Total shareholders' equity                              | 879,254      | 808,307      |
|   |              |              |
| Total liabilities and<br>shareholders' equity           | \$ 2,029,557 | \$ 1,302,169 |

See accompanying notes to condensed consolidated financial statements.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

|   | Twenty-six Weeks Ended |                  |
|---|------------------------|------------------|
|   | June 26,<br>2010       | June 27,<br>2009 |
| Cash flows from operating activities:                                   |                        |                  |
| Net earnings  | \$ 35,769              | \$ 81,090        |
| Adjustments to reconcile net earnings to net cash flow from operations: |                        |                  |
| Depreciation and amortization   | 24,580                 | 21,710           |
| Stock-based compensation  | 3,168                  | 2,993            |
| Loss on sales of property, plant and equipment                          | 123                    | 345              |
| Equity in earnings of nonconsolidated subsidiaries                      | (919)                  | (495)            |
| Deferred income taxes   | (2,830)                | 7,740            |
| Other   | 19                     | (239)            |
| Changes in assets and liabilities, net of the effects of acquisitions:  |                        |                  |
| Receivables   | (32,071)               | (5,356)          |
| Inventories   | (6,110)                | 65,061           |
| Prepaid expenses  | 61                     | (10,369)         |
| Accounts payable  | 11,386                 | (6,923)          |
| Accrued expenses  | 1,669                  | (13,234)         |
| Other noncurrent liabilities  | 7,896                  | (993)            |
| Income taxes payable/refundable   | 11,241                 | (5,732)          |
| Net cash flows from operating activities                                | 53,982                 | 135,598          |
| Cash flows from investing activities:                                   |                        |                  |
| Purchase of property, plant and equipment                               | (11,025)               | (24,550)         |
| Proceeds from sale of assets  | 96                     | 74               |
| Acquisitions (net of cash acquired of \$198,810)                        | (245,310)              |                  |
| Dividends to noncontrolling interests                                   | (3,477)                | (289)            |
| Other, net  | 1,516                  | (68)             |
| Net cash flows from investing activities                                | (258,200)              | (24,833)         |
| Cash flows from financing activities:                                   |                        |                  |
| Net payments under short-term agreements                                | (2,148)                | (1,917)          |
| Proceeds from long-term borrowings                                      | 491,000                | 10,001           |
| Principal payments on long-term obligations                             | (133,228)              | (88,628)         |
| Dividends paid  | (7,892)                | (6,813)          |
| Debt issuance costs   | (3,858)                |                  |
| Proceeds from exercises under stock plans                               | 3,197                  | 3,126            |
| Excess tax benefits from stock option exercises                         | 1,216                  | 1,446            |
| Purchase of treasury shares   | (877)                  |                  |
| Purchase of common treasury shares stock plan exercises                 | (1,961)                | (2,146)          |
| Net cash flows from financing activities                                | 345,449                | (84,931)         |



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|  |            |           |
|--|------------|-----------|
| Effect of exchange rate changes on cash and cash equivalents | (7,644)    | 1,861     |
| Net change in cash and cash equivalents                      | 133,587    | 27,695    |
| Cash and cash equivalents beginning of year                  | 180,786    | 68,567    |
| Cash and cash equivalents end of period                      | \$ 314,373 | \$ 96,262 |

See accompanying notes to condensed consolidated financial statements.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

|   | Common<br>stock | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income<br>(loss) | Treasury<br>stock | Noncontrolling<br>interest in<br>consolidated<br>subsidiaries | Total<br>shareholders'<br>equity |
|---|-----------------|----------------------------------|----------------------|---|-------------------|---|----------------------------------|
| <b>Balance at<br/>December 27, 2008</b>           | \$ 27,900       | \$                               | \$ 624,254           | \$ (533)  | \$ (27,490)       | \$ 16,845   | \$ 640,976                       |
| Comprehensive income:                             |                 |                                  |                      |   |                   |   |                                  |
| Net earnings                                      |                 |                                  | 80,094               |   |                   | 996   | 81,090                           |
| Currency translation<br>adjustment                |                 |                                  |                      | 10,244  |                   | 830   | 11,074                           |
| Total comprehensive<br>income                     |                 |                                  |                      |   |                   |   | 92,164                           |
| Cash dividends (\$0.28<br>per share)              |                 |                                  | (7,351)              |   |                   |   | (7,351)                          |
| Stock plan exercises;<br>33,481 shares purchased  |                 |                                  |                      |   | (2,146)           |   | (2,146)                          |
| Stock options exercised;<br>121,345 shares issued |                 | (4,439)                          | 4,717                |   | 2,848             |   | 3,126                            |
| Tax benefit from exercise<br>of stock options     |                 | 1,446                            |                      |   |                   |   | 1,446                            |
| Stock option expense                              |                 | 2,040                            |                      |   |                   |   | 2,040                            |
| Stock awards; 9,746<br>shares issued              |                 | 953                              |                      |   | 436               |   | 1,389                            |
| <b>Balance at June 27,<br/>2009</b>               | \$ 27,900       | \$                               | \$ 701,714           | \$ 9,711  | \$ (26,352)       | \$ 18,671   | \$ 731,644                       |
| <b>Balance at<br/>December 26, 2009</b>           | \$ 27,900       | \$                               | \$ 767,398           | \$ 16,953   | \$ (25,990)       | \$ 22,046   | \$ 808,307                       |
| Comprehensive income:                             |                 |                                  |                      |   |                   |   |                                  |
| Net earnings                                      |                 |                                  | 33,578               |   |                   | 2,191   | 35,769                           |
| Currency translation<br>adjustment                |                 |                                  |                      | (30,466)  |                   | (4,189)   | (34,655)                         |
| Total comprehensive<br>income                     |                 |                                  |                      |   |                   |   | 1,114                            |
| Cash dividends (\$0.315<br>per share)             |                 |                                  | (8,293)              |   |                   |   | (8,293)                          |
| Dividends to<br>noncontrolling interests          |                 |                                  |                      |   |                   | (3,477)   | (3,477)                          |
| Purchase of<br>noncontrolling interest            |                 | (1,875)                          |                      |   |                   | (1,520)   | (3,395)                          |
| Acquisition of Delta plc                          |                 |                                  |                      |   |                   | 79,529  | 79,529                           |
| Purchase of 12,351<br>treasury shares             |                 |                                  |                      |   | (877)             |   | (877)                            |
| Stock options exercised;<br>72,075 shares issued  |                 | (2,509)                          | 3,114                |   | 2,668             |   | 3,273                            |

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|                           |       |  |         |  |  |  |         |
|---------------------------|-------|--|---------|--|--|--|---------|
| Stock plan exercises;     |       |  |         |  |  |  |         |
| 27,230 shares purchased   |       |  | (1,961) |  |  |  | (1,961) |
| Tax benefit from exercise |       |  |         |  |  |  |         |
| of stock options          | 1,216 |  |         |  |  |  | 1,216   |
| Stock option expense      | 2,457 |  |         |  |  |  | 2,457   |
| Stock awards; 9,088       |       |  |         |  |  |  |         |
| shares issued             | 711   |  | 650     |  |  |  | 1,361   |

**Balance at June 26, 2010**                    \$ 27,900   \$                    \$ 795,797   \$ (13,513)   \$ (25,510)   \$ 94,580   \$ 879,254

See accompanying notes to condensed consolidated financial statements.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

**1. Summary of Significant Accounting Policies***Condensed Consolidated Financial Statements*

The Condensed Consolidated Balance Sheet as of June 26, 2010, the Condensed Consolidated Statements of Operations for the thirteen and twenty-six week periods ended June 26, 2010 and June 27, 2009, the Condensed Consolidated Statements of Cash Flows and Shareholders' Equity for the twenty-six 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 June 26, 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 period ended June 26, 2010 are not necessarily indicative of the operating results for the full year.

*Inventories*

At June 26, 2010, approximately 35.1% 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 \$47,000 and \$39,500 at June 26, 2010 and December 26, 2009, respectively.

Inventories consisted of the following:

|                                       | June 26,<br>2010 | December 26,<br>2009 |
|---------------------------------------|------------------|----------------------|
| Raw materials and purchased parts     | \$ 160,850       | \$ 112,911           |
| Work-in-process                       | 23,930           | 20,217               |
| Finished goods and manufactured goods | 158,993          | 117,032              |
| Subtotal                              | 343,773          | 250,160              |
| LIFO reserve                          | 47,139           | 39,549               |
| Net inventory                         | \$ 296,634       | \$ 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, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**1. Summary of Significant Accounting Policies (Continued)**

stock. At June 26, 2010, 1,092,207 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 twenty-six weeks ended June 26, 2010 and June 27, 2009, respectively, were as follows:

|                      | <b>Thirteen<br/>Weeks<br/>Ended<br/>June 26, 2010</b> | <b>Thirteen<br/>Weeks<br/>Ended<br/>June 29, 2009</b> | <b>Twenty-six<br/>Weeks<br/>Ended<br/>June 26, 2010</b> | <b>Twenty-six<br/>Weeks<br/>Ended<br/>June 29, 2009</b> |
|----------------------|---|---|---|---|
| Compensation expense | \$ 1,229  | \$ 1,020  | \$ 2,457  | \$ 2,040  |
| Income tax benefits  | 467   | 393   | 934   | 785   |

*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 as trading securities in accordance with Accounting Standards Codification 320, *Accounting for Certain*



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**1. Summary of Significant Accounting Policies (Continued)**

*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<br>June 26,<br>2010 | Fair Value Measurement Using:   |  |  |
|--------------------|------------------------------------|---|--|--|
|                    |                                    | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Assets:            |                                    |   |  |  |
| Trading Securities | \$ 17,352                          | \$ 17,352   | \$   | \$   |

|                    | Carrying Value<br>December 26,<br>2009 | Fair Value Measurement Using:   |  |  |
|--------------------|--|---|--|--|
|                    |  | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(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 June 26, 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: DLT). 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, non-deductible for tax purposes, for the acquisition of Delta were to increase the Company's business



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**2. Acquisition of Delta plc (Continued)**

presence in the Asia Pacific region, add to its current business activities in the galvanizing and support structures product lines and provide growth opportunities in businesses that are not directly related to the Company's current product offerings.

The Company incurred \$11.9 and \$14.1 million of expenses (reported as "Selling, general and administrative expenses") in the thirteen and twenty-six week periods ended June 26, 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 June 26, 2010, subject to the completion of the valuation of one of Delta's reporting units 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 third 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,<br>2010 |
|---|--------------------|
| Current assets  | \$ 406,544         |
| Property, plant and equipment   | 162,435            |
| Other long-term assets  | 28,136             |
| Intangible assets   | 100,716            |
| Goodwill  | 118,398            |
| <br>Total fair value of assets acquired                                   | <br>\$ 816,229     |
| Current liabilities   | 106,255            |
| Defined benefit pension liability   | 118,725            |
| Deferred income taxes   | 35,871             |
| Other non-current liabilities   | 39,113             |
| Non-controlling interests   | 79,529             |
| <br>Total fair value of liabilities assumed and non-controlling interests | <br>379,493        |
| <br>Net assets acquired   | <br>\$ 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 the May 12, 2010 date of acquisition, the Company established a provision in the amount of \$20 million

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**2. Acquisition of Delta plc (Continued)**

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 period ended June 26, 2010 included \$74,165 and \$3,633 of net sales and net earnings resulting from Delta's operations from May 12, 2010 until June 26, 2010.

The Company's pro forma results of operations for the thirteen and twenty-six weeks ended June 27, 2009 and June 26, 2010, assuming that the acquisition occurred at the beginning of 2009 was as follows:

|                            | Thirteen Weeks<br>Ended<br>June 26, 2010 | Thirteen Weeks<br>Ended<br>June 27, 2009 | Twenty-six<br>Weeks<br>Ended<br>June 26, 2010 | Twenty-six<br>Weeks<br>Ended<br>June 27, 2009 |
|----------------------------|--|--|---|---|
| Net sales                  | \$ 545,195                               | \$ 634,837                               | \$ 1,041,379                                  | \$ 1,204,130                                  |
| Net earnings               | 29,578                                   | 51,506                                   | 37,985  | 77,637  |
| Earnings per share diluted | \$ 1.14                                  | \$ 1.96                                  | \$ 1.46                                       | \$ 2.99                                       |

Based on the preliminary 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<br>Average<br>Amortization<br>Period<br>(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 and intangible assets was performed during the third quarter of 2009. As a result of that testing, it was determined the goodwill and other intangible assets on the Company's Condensed Consolidated Balance Sheet were not impaired. The Company continues to monitor changes in the global economy that could impact future operating results of its reporting units and related components.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**3. Goodwill and Intangible Assets (Continued)***Amortized Intangible Assets*

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

|                                  | As of June 26, 2010         |                             | Weighted<br>Average<br>Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |                             |
| Customer Relationships           | \$ 153,339                  | \$ 31,686                   | 13 years                    |
| Proprietary Software & Database  | 2,625                       | 2,503                       | 6 years                     |
| Patents & Proprietary Technology | 9,297                       | 1,565                       | 8 years                     |
| Non-compete Agreements           | 1,655                       | 930                         | 6 years                     |
|                                  | \$ 166,916                  | \$ 36,684                   |                             |

|                                  | As of December 26, 2009     |                             | Weighted<br>Average<br>Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                  | Gross<br>Carrying<br>Amount | Accumulated<br>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 twenty-six weeks ended June 26, 2010 and June 27, 2009, respectively was as follows:

| Thirteen Weeks<br>Ended<br>June 26, 2010 | Thirteen Weeks<br>Ended<br>June 27, 2009 | Twenty-six<br>Weeks<br>Ended<br>June 26,<br>2010 | Twenty-six<br>Weeks<br>Ended<br>June 27,<br>2009 |
|--|--|--|--|
| \$2,734                                  | \$ 2,070                                 | \$ 4,774   | \$ 4,115   |

|      | Estimated<br>Amortization<br>Expense |
|------|--------------------------------------|
| 2010 | \$ 11,771                            |
| 2011 | 13,728                               |
| 2012 | 13,680                               |
| 2013 | 12,783                               |
| 2014 | 12,360                               |



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**3. Goodwill and Intangible Assets (Continued)**

The useful lives assigned to finite-lived intangible assets included consideration of factors such as the Company's past and expected experience related to customer retention rates, the remaining legal or contractual life of the underlying arrangement that resulted in the recognition of the intangible asset and the Company's expected use of the intangible asset.

*Non-amortized intangible assets*

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at June 26, 2010 and December 26, 2009 were as follows:

|                        | June 26,<br>2010 | December 26,<br>2009 |
|------------------------|------------------|----------------------|
| Webforge               | \$ 16,156        | \$                   |
| Newmark                | 11,111           | 11,111               |
| Ingal                  | 8,527            |                      |
| Donhad                 | 6,437            |                      |
| PiRod                  | 4,750            | 4,750                |
| Industrial Galvanizers | 4,488            |                      |
| Other                  | 7,215            | 7,504                |
|                        | \$ 58,684        | \$ 23,365            |

The Webforge, Ingal, Donhad and Industrial Galvanizers trade names were acquired as part of the Delta acquisition. The other trade names were tested for impairment separately from goodwill at that time in the third quarter of 2009. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired.

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

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**3. Goodwill and Intangible Assets (Continued)***Goodwill*

The carrying amount of goodwill as of June 26, 2010 was as follows:

|                                 | Engineered<br>Support<br>Structures<br>Segment | Utility<br>Support<br>Structures<br>Segment | Coatings<br>Segment | Irrigation<br>Segment | Delta<br>Segment | Total      |
|---------------------------------|--|---|---------------------|-----------------------|------------------|------------|
| Balance December 26,<br>2009    | \$ 55,338                                      | \$ 77,141                                   | \$ 43,777           | \$ 2,064              | \$               | \$ 178,320 |
| Acquisition                     |  |   |                     |                       | 118,398          | 118,398    |
| Foreign currency<br>translation | (1,693)  |   |                     |                       | (3,415)          | (5,108)    |
| Balance June 26, 2010           | \$ 53,645                                      | \$ 77,141                                   | \$ 43,777           | \$ 2,064              | \$ 114,983       | \$ 291,610 |

**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 twenty-six weeks ended were as follows:

|              | June 26,<br>2010 | June 27,<br>2009 |
|--------------|------------------|------------------|
| Interest     | \$ 9,534         | \$ 8,759         |
| Income taxes | 11,869           | 34,550           |

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**5. Earnings Per Share**

The following table reconciles Basic and Diluted earnings per share (EPS):

|   | Basic EPS | Dilutive Effect of<br>Stock Options | Diluted EPS |
|---|-----------|-------------------------------------|-------------|
| <b>Thirteen weeks ended June 26, 2010:</b>            |           |                                     |             |
| Net earnings attributable to Valmont Industries, Inc. | \$ 17,115 |                                     | \$ 17,115   |
| Shares outstanding                                    | 26,087    | 361                                 | 26,448      |
| Per share amount                                      | \$ 0.66   | (.01)                               | \$ 0.65     |
| <b>Thirteen weeks ended June 27, 2009:</b>            |           |                                     |             |
| Net earnings attributable to Valmont Industries, Inc. | \$ 44,230 |                                     | \$ 44,230   |
| Shares outstanding                                    | 25,943    | 280                                 | 26,223      |
| Per share amount                                      | \$ 1.70   | (.01)                               | \$ 1.69     |
| <b>Twenty-six weeks ended June 26, 2010:</b>          |           |                                     |             |
| Net earnings attributable to Valmont Industries, Inc. | \$ 33,578 |                                     | \$ 33,578   |
| Shares outstanding                                    | 26,059    | 375                                 | 26,434      |
| Per share amount                                      | \$ 1.29   | (.02)                               | \$ 1.27     |
| <b>Twenty-six weeks ended June 27, 2009:</b>          |           |                                     |             |
| Net earnings attributable to Valmont Industries, Inc. | \$ 80,094 |                                     | \$ 80,094   |
| Shares outstanding                                    | 25,928    | 296                                 | 26,224      |
| Per share amount                                      | \$ 3.09   | (.04)                               | \$ 3.05     |

At June 26, 2010 there were 455,153 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 twenty-six weeks ended June 26, 2010. At June 27, 2009 there were 188,127 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 twenty-six weeks ended June 27, 2009.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**6. Long-term Debt**

|  | June 26, 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)                  | 58,000        |                   |
| IDR Bonds(d)                                   | 8,500         | 8,500             |
| 1.75% to 3.485% notes                          | 1,683         | 1,982             |
| <br>   |               |                   |
| Total long-term debt                           | 518,183       | 160,482           |
| Less current installments of long-term debt    | 270           | 231               |
| <br>   |               |                   |
| Long-term debt, excluding current installments | \$ 517,913    | \$ 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<br>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



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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 June 26, 2010, the Company had \$58,000 in outstanding borrowings under the revolving credit agreement, at a weighted average annual interest rate of 1.55%, not including facility fees.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**6. Long-term Debt (Continued)**

The 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 June 26, 2010, the Company had the ability to borrow an additional \$198.6 million 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 June 26, 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 June 26, 2010.

The minimum aggregate maturities of long-term debt for each of the four years following 2010 are: \$303, \$248, \$58,249 and \$150,255.

**7. Defined Benefit Retirement Plan**

The Company's subsidiary, Delta plc ("Delta") provides defined benefit retirement income to eligible employees in the United Kingdom. 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 our 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 \$1.4959/£ to translate the net pension liability into U.S. dollars at May 12, 2010 and June 26, 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:

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

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**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 our net periodic pension expense were as follows for the period from May 12, 2010 to June 26, 2010:

| Thousands of Dollars           |          |
|--------------------------------|----------|
| Net Periodic Benefit Cost:     |          |
| Service cost                   | \$ 33    |
| Interest cost                  | 3,217    |
| Expected return on plan assets | (2,113)  |
| Net periodic benefit expense   | \$ 1,137 |

*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 our asset allocation mix and our historical return, taking into account current and expected market conditions.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

Employer contributions to the pension plan have been set at \$9,427 (£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 \$1,496 (£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            | \$ | 5,589  |
| 2011            |    | 9,100  |
| 2012            |    | 9,454  |
| 2013            |    | 9,822  |
| 2014            |    | 10,207 |
| Years 2015-2019 |    | 57,321 |

**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. Most of the participants in the plan are inactive or retired individuals and this investment policy is designed to generally match our long-term benefit payment expectations. The plan, as required by U.K. law, has an independent trustee that sets investment policy and consults with management 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 June 26, 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.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

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

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<br>Active Markets<br>for Identical<br>Inputs (Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>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

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**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**

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

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

**(Unaudited)**

**8. Business Segments (Continued)**

*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 and road safety, galvanizing, and manganese materials.

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

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## 8. Business Segments (Continued)

|  | Thirteen Weeks Ended |               | Twenty-Six Weeks Ended |               |
|--|----------------------|---------------|------------------------|---------------|
|  | June 26, 2010        | June 27, 2009 | June 26, 2010          | June 27, 2009 |
| <b>Sales:</b>                          |                      |               |                        |               |
| Engineered Support Structures segment: |                      |               |                        |               |
| Lighting & Traffic                     | \$ 106,478           | 115,545       | \$ 194,589             | 218,648       |
| Communication Structures               | 28,248               | 34,895        | 47,143                 | 67,828        |
| Engineered Support Structures segment  | 134,726              | 150,440       | 241,732                | 286,476       |
| Utility Support Structures segment     |                      |               |                        |               |
| Steel                                  | 99,836               | 173,727       | 198,909                | 322,299       |
| Concrete                               | 13,003               | 42,501        | 27,158                 | 77,889        |
| Utility Support Structures segment     | 112,839              | 216,228       | 226,067                | 400,188       |
| Coatings segment                       | 33,407               | 28,600        | 61,337                 | 58,612        |
| Irrigation segment                     | 112,160              | 101,047       | 220,799                | 204,109       |
| Delta segment                          | 74,165               |               | 74,165                 |               |
| Other                                  | 24,832               | 17,439        | 47,121                 | 36,760        |
| Total                                  | 492,129              | 513,754       | 871,221                | 986,145       |
| <b>Intersegment Sales:</b>             |                      |               |                        |               |
| Engineered Support Structures segment  | 674                  | 5,088         | 1,776                  | 10,765        |
| Utility Support Structures segment     | 336                  | 528           | 635                    | 1,086         |
| Coatings segment                       | 6,096                | 6,188         | 11,860                 | 12,331        |
| Irrigation segment                     | 3                    | 9             | 6                      | 14            |
| Delta segment                          |                      |               |                        |               |
| Other                                  | 3,461                | 3,131         | 7,983                  | 7,985         |
| Total                                  | 10,570               | 14,944        | 22,260                 | 32,181        |
| <b>Net Sales:</b>                      |                      |               |                        |               |
| Engineered Support Structures segment  | 134,052              | 145,352       | 239,956                | 275,711       |
| Utility Support Structures segment     | 112,503              | 215,700       | 225,432                | 399,102       |
| Coatings segment                       | 27,311               | 22,412        | 49,477                 | 46,281        |
| Irrigation segment                     | 112,157              | 101,038       | 220,793                | 204,095       |
| Delta segment                          | 74,165               |               | 74,165                 |               |
| Other                                  | 21,371               | 14,308        | 39,138                 | 28,775        |
| Total                                  | \$ 481,559           | \$ 498,810    | \$ 848,961             | \$ 953,964    |
| <b>Operating Income (Loss):</b>        |                      |               |                        |               |
| Engineered Support Structures segment  | \$ 8,073             | \$ 11,580     | \$ 10,684              | \$ 18,002     |
| Utility Support Structures segment     | 11,942               | 49,843        | 26,648                 | 90,318        |
| Coatings segment                       | 7,586                | 6,393         | 12,118                 | 12,384        |
| Irrigation segment                     | 16,596               | 9,800         | 31,994                 | 21,770        |
| Delta segment                          | 7,213                |               | 7,213                  |               |
| Other                                  | 5,201                | 3,493         | 9,465                  | 7,096         |
| Net corporate expense                  | (19,310)             | (11,693)      | (29,171)               | (21,835)      |

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|       |    |        |    |        |    |        |    |         |
|-------|----|--------|----|--------|----|--------|----|---------|
| Total | \$ | 37,301 | \$ | 69,416 | \$ | 68,951 | \$ | 127,735 |
|-------|----|--------|----|--------|----|--------|----|---------|



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## 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 6<sup>7</sup>/<sub>8</sub>% 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:

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

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## 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 June 26, 2010**

|  | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|--|------------|------------|----------------|--------------|------------|
| Net sales  | \$ 217,433 | \$ 68,299  | \$ 228,568     | \$ (32,741)  | \$ 481,559 |
| Cost of sales  | 161,324    | 51,803     | 172,746        | (32,960)     | 352,913    |
| Gross profit   | 56,109     | 16,496     | 55,822         | 219          | 128,646    |
| Selling, general and administrative expenses   | 46,088     | 11,206     | 34,051         |              | 91,345     |
| Operating income   | 10,021     | 5,290      | 21,771         | 219          | 37,301     |
| Other income (expense):  |            |            |                |              |            |
| Interest expense   | (7,929)    | (187)      | (313)          |              | (8,429)    |
| Interest income  | 101        | 27         | 964            |              | 1,092      |
| Other  | 64         | (525)      | 508            |              | 47         |
|  | (7,764)    | (685)      | 1,159          |              | (7,290)    |
| Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries | 2,257      | 4,605      | 22,930         | 219          | 30,011     |
| Income tax expense (benefit):  |            |            |                |              |            |
| Current  | 8,240      | 1,766      | 7,246          |              | 17,252     |
| Deferred   | (4,503)    | (256)      | (811)          |              | (5,570)    |
|  | 3,737      | 1,510      | 6,435          |              | 11,682     |
| Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries                  | (1,480)    | 3,095      | 16,495         | 219          | 18,329     |
| Equity in earnings/(losses) of nonconsolidated subsidiaries                                  | 18,595     | 4,326      | 362            | (22,478)     | 805        |
| Net Earnings   | 17,115     | 7,421      | 16,856         | (22,259)     | 19,134     |
| Less: Earnings attributable to noncontrolling interests                                      |            |            | (2,019)        |              | (2,019)    |
| Net Earnings attributable to Valmont Industries, Inc.  | \$ 17,115  | \$ 7,421   | \$ 14,838      | \$ (22,259)  | \$ 17,115  |



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## 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 Twenty-six Weeks Ended June 26, 2010

|  | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|--|------------|------------|----------------|--------------|------------|
| Net sales  | \$ 416,521 | \$ 132,763 | \$ 360,060     | \$ (60,383)  | \$ 848,961 |
| Cost of sales  | 308,597    | 100,732    | 271,289        | (61,033)     | 619,585    |
| Gross profit   | 107,924    | 32,031     | 88,771         | 650          | 229,376    |
| Selling, general and administrative expenses   | 81,780     | 22,639     | 56,006         |              | 160,425    |
| Operating income   | 26,144     | 9,392      | 32,765         | 650          | 68,951     |
| Other income (expense):  |            |            |                |              |            |
| Interest expense   | (13,683)   | (187)      | (521)          |              | (14,391)   |
| Interest income  | 112        | 27         | 1,309          |              | 1,448      |
| Other  | 222        | (500)      | 248            |              | (30)       |
|  | (13,349)   | (660)      | 1,036          |              | (12,973)   |
| Earnings before income taxes and equity in earnings/(losses) of nonconsolidated subsidiaries | 12,795     | 8,732      | 33,801         | 650          | 55,978     |
| Income tax expense (benefit):  |            |            |                |              |            |
| Current  | 11,043     | 3,360      | 9,555          |              | 23,958     |
| Deferred   | (2,918)    | (285)      | 373            |              | (2,830)    |
|  | 8,125      | 3,075      | 9,928          |              | 21,128     |
| Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries                  | 4,670      | 5,657      | 23,873         | 650          | 34,850     |
| Equity in earnings/(losses) of nonconsolidated subsidiaries                                  | 28,908     | 4,326      | 362            | (32,677)     | 919        |
| Net Earnings   | 33,578     | 9,983      | 24,235         | (32,027)     | 35,769     |
| Less: Earnings attributable to noncontrolling interests                                      |            |            | (2,191)        |              | (2,191)    |
| Net Earnings attributable to Valmont Industries, Inc.  | \$ 33,578  | \$ 9,983   | \$ 22,044      | \$ (32,027)  | \$ 33,578  |

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## 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 June 27, 2009

|   | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|---|------------|------------|----------------|--------------|------------|
| Net Sales   | \$ 254,326 | \$ 136,506 | \$ 146,577     | \$ (38,599)  | \$ 498,810 |
| Cost of Sales   | 184,621    | 98,858     | 109,411        | (38,761)     | 354,129    |
| Gross profit  | 69,705     | 37,648     | 37,166         | 162          | 144,681    |
| Selling, general and administrative expenses  | 39,405     | 14,243     | 21,617         |              | 75,265     |
| Operating income  | 30,300     | 23,405     | 15,549         | 162          | 69,416     |
| Other income (expense):   |            |            |                |              |            |
| Interest expense  | (3,709)    | (6)        | (261)          |              | (3,976)    |
| Interest income   | 22         |            | 262            |              | 284        |
| Other   | 1,248      | 40         | 320            |              | 1,608      |
|   | (2,439)    | 34         | 321            |              | (2,084)    |
| Earnings before income taxes, minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries | 27,861     | 23,439     | 15,870         | 162          | 67,332     |
| Income tax expense:   |            |            |                |              |            |
| Current   | 7,373      | 8,171      | 3,722          |              | 19,266     |
| Deferred  | 2,980      | 452        | (647)          |              | 2,785      |
|   | 10,353     | 8,623      | 3,075          |              | 22,051     |
| Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries                                     | 17,508     | 14,816     | 12,795         | 162          | 45,281     |
| Equity in earnings/(losses) of nonconsolidated subsidiaries   | 26,560     |            |                | (26,631)     | (71)       |

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subsidiaries

|   |        |        |        |          |        |
|---|--------|--------|--------|----------|--------|
| Net earnings  | 44,068 | 14,816 | 12,795 | (26,469) | 45,210 |
| Less: Earnings attributable to noncontrolling interests |        |        | (980)  |          | (980)  |

|   |           |           |           |             |           |
|---|-----------|-----------|-----------|-------------|-----------|
| Net Earnings attributable to Valmont Industries, Inc. | \$ 44,068 | \$ 14,816 | \$ 11,815 | \$ (26,469) | \$ 44,230 |
|---|-----------|-----------|-----------|-------------|-----------|

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## 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 Twenty-Six Weeks Ended June 27, 2009

|   | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|---|------------|------------|----------------|--------------|------------|
| Net Sales   | \$ 507,885 | \$ 257,176 | \$ 271,326     | \$ (82,423)  | \$ 953,964 |
| Cost of Sales   | 370,372    | 190,291    | 204,066        | (83,762)     | 680,967    |
| Gross profit  | 137,513    | 66,885     | 67,260         | 1,339        | 272,997    |
| Selling, general and administrative expenses  | 77,175     | 28,280     | 39,807         |              | 145,262    |
| Operating income  | 60,338     | 38,605     | 27,453         | 1,339        | 127,735    |
| Other income (expense):   |            |            |                |              |            |
| Interest expense  | (7,672)    | (13)       | (575)          |              | (8,260)    |
| Interest income   | 29         | 1          | 586            |              | 616        |
| Other   | 1,096      | 103        | (1,389)        |              | (190)      |
|   | (6,547)    | 91         | (1,378)        |              | (7,834)    |
| Earnings before income taxes, minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries | 53,791     | 38,696     | 26,075         | 1,339        | 119,901    |
| Income tax expense:   |            |            |                |              |            |
| Current   | 12,776     | 13,935     | 4,855          |              | 31,566     |
| Deferred  | 6,611      | 331        | 798            |              | 7,740      |
|   | 19,387     | 14,266     | 5,653          |              | 39,306     |
| Earnings before equity in earnings/(losses) of nonconsolidated subsidiaries                                     | 34,404     | 24,430     | 20,422         | 1,339        | 80,595     |
| Equity in earnings/(losses) of nonconsolidated subsidiaries   | 44,351     |            |                | (43,856)     | 495        |

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subsidiaries

|   |        |        |        |          |        |
|---|--------|--------|--------|----------|--------|
| Net earnings  | 78,755 | 24,430 | 20,422 | (42,517) | 81,090 |
| Less: Earnings attributable to noncontrolling interests |        |        | (996)  |          | (996)  |

|  |           |           |           |             |           |
|--|-----------|-----------|-----------|-------------|-----------|
| Net Earnings attributable to Valmont Industries, Inc | \$ 78,755 | \$ 24,430 | \$ 19,426 | \$ (42,517) | \$ 80,094 |
|--|-----------|-----------|-----------|-------------|-----------|



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## 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

June 26, 2010

|  | Parent       | Guarantors | Non-Guarantors | Eliminations   | Total        |
|--|--------------|------------|----------------|----------------|--------------|
| <b>ASSETS</b>  |              |            |                |                |              |
| Current assets:                                      |              |            |                |                |              |
| Cash and cash equivalents                            | \$ 17,537    | \$ 21,230  | \$ 275,606     | \$             | \$ 314,373   |
| Receivables, net                                     | 93,813       | 36,430     | 245,762        |                | 376,005      |
| Inventories  | 75,318       | 38,043     | 183,273        |                | 296,634      |
| Prepaid expenses                                     | 5,339        | 737        | 33,867         |                | 39,943       |
| Refundable and deferred income taxes                 | 16,738       | 7,426      | 11,766         |                | 35,930       |
| Total current assets                                 | 208,745      | 103,866    | 750,274        |                | 1,062,885    |
| Property, plant and equipment, at cost               | 411,982      | 94,622     | 315,097        |                | 821,701      |
| Less accumulated depreciation and amortization       | 265,215      | 47,541     | 83,811         |                | 396,567      |
| Net property, plant and equipment                    | 146,767      | 47,081     | 231,286        |                | 425,134      |
| Goodwill   | 20,108       | 107,542    | 163,960        |                | 291,610      |
| Other intangible assets                              | 903          | 71,316     | 116,697        |                | 188,916      |
| Intercompany Note Receivable                         | 443,702      |            |                | (443,702)      |              |
| Investment in subsidiaries and intercompany accounts | 599,908      | 550,748    | 13,923         | (1,164,579)    |              |
| Other assets   | 28,343       |            | 32,669         |                | 61,012       |
| Total assets   | \$ 1,448,476 | \$ 880,553 | \$ 1,308,809   | \$ (1,608,281) | \$ 2,029,557 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |              |            |                |                |              |
| Current liabilities:                                 |              |            |                |                |              |
| Current installments of long-term debt               | \$ 187       | \$         | \$ 83          | \$             | \$ 270       |
| Notes payable to banks                               |              | 6          | 9,746          |                | 9,752        |
| Accounts payable                                     | 42,858       | 12,185     | 147,544        |                | 202,587      |
| Accrued expenses                                     | 58,060       | 24,842     | 60,732         |                | 143,634      |
| Dividends payable                                    | 4,346        |            |                |                | 4,346        |
| Total current liabilities                            | 105,451      | 37,033     | 218,105        |                | 360,589      |
| Deferred income taxes                                | 15,727       | 24,564     | 41,405         |                | 81,696       |
| Long-term debt, excluding current installments       | 517,517      | 443,702    | 396            | (443,702)      | 517,913      |
| Other noncurrent liabilities                         | 25,107       |            | 164,998        |                | 190,105      |
| Shareholders' equity:                                |              |            |                |                |              |
| Common stock of \$1 par value                        | 27,900       | 14,249     | 62,512         | (76,761)       | 27,900       |
| Additional paid-in capital                           |              | 181,542    | 184,466        | (366,008)      |              |
| Retained earnings                                    | 795,797      | 179,463    | 555,860        | (735,323)      | 795,797      |
| Accumulated other comprehensive income (loss)        | (13,513)     |            | (13,513)       | 13,513         | (13,513)     |

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|  |              |            |              |                |  |              |
|--|--------------|------------|--------------|----------------|--|--------------|
| Treasury stock                                       |              | (25,510)   |              |                |  | (25,510)     |
| Total Valmont Industries, Inc. shareholders' equity  | 784,674      | 375,254    | 789,325      | (1,164,579)    |  | 784,674      |
| Noncontrolling interest in consolidated subsidiaries |              |            | 94,580       |                |  | 94,580       |
| Total shareholders' equity                           | 784,674      | 375,254    | 883,905      | (1,164,579)    |  | 879,254      |
| Total liabilities and shareholders' equity           | \$ 1,448,476 | \$ 880,553 | \$ 1,308,809 | \$ (1,608,281) |  | \$ 2,029,557 |

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## 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        |
|--|--------------|------------|----------------|--------------|--------------|
| <b>ASSETS</b>  |              |            |                |              |              |
| 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 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |              |            |                |              |              |
| 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                        | 27,900       | 14,249     | 3,494          | (17,743)     | 27,900       |
| Additional paid-in capital                           |              | 181,542    | 131,580        | (313,122)    |              |
| Retained earnings                                    | 767,398      | 169,480    | 191,718        | (361,198)    | 767,398      |
| Accumulated other comprehensive income               | 16,953       |            | 16,953         | (16,953)     | 16,953       |
| Treasury stock                                       | (25,990)     |            |                |              | (25,990)     |

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

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## 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 Twenty-Six Weeks Ended June 26, 2010

|   | Parent    | Guarantors | Non-Guarantors | Eliminations | Total     |
|---|-----------|------------|----------------|--------------|-----------|
| <b>Cash flows from operations:</b>                                      |           |            |                |              |           |
| Net earnings  | \$ 33,578 | \$ 9,983   | \$ 24,235      | \$ (32,027)  | \$ 35,769 |
| Adjustments to reconcile net earnings to net cash flow from operations: |           |            |                |              |           |
| Depreciation  | 9,994     | 6,372      | 8,214          |              | 24,580    |
| Stock-based compensation  | 3,168     |            |                |              | 3,168     |
| Loss on sales of property, plant and equipment                          | 7         | 7          | 109            |              | 123       |
| Equity in losses of nonconsolidated subsidiaries                        | (557)     |            | (362)          |              | (919)     |
| Deferred income taxes   | (2,918)   | (285)      | 373            |              | (2,830)   |
| Other adjustments   |           |            | 19             |              | 19        |
| Changes in assets and liabilities:                                      |           |            |                |              |           |
| Receivables   | (18,581)  | 12,224     | (25,714)       |              | (32,071)  |
| Inventories   | 2,390     | 4,779      | (12,629)       | (650)        | (6,110)   |
| Prepaid expenses  | (2,030)   | (281)      | 2,372          |              | 61        |
| Accounts payable  | 6,250     | (1,426)    | 6,562          |              | 11,386    |
| Accrued expenses  | (2,419)   | 7,007      | (2,919)        |              | 1,669     |
| Other noncurrent liabilities  | (341)     |            | 8,237          |              | 7,896     |
| Income taxes payable/refundable   | (4,178)   | 14,923     | 496            |              | 11,241    |
| Net cash flows from operations  | 24,363    | 53,303     | 8,993          | (32,677)     | 53,982    |
| <b>Cash flows from investing activities:</b>                            |           |            |                |              |           |
| Purchase of property, plant and equipment                               | (5,469)   | (589)      | (4,967)        |              | (11,025)  |
| Proceeds from sale of property and equipment                            | 10        | 3          | 83             |              | 96        |
| Acquisitions, gross of cash acquired                                    |           | (436,736)  | (7,383)        |              | (444,119) |
| Cash acquired through acquisitions                                      |           |            | 198,809        |              | 198,809   |
| Dividends to minority interests   |           |            | (3,477)        |              | (3,477)   |
| Other, net  | 14,520    | (40,113)   | (5,568)        | 32,677       | 1,516     |
| Net cash flows from investing activities                                | 9,061     | (477,435)  | 177,497        | 32,677       | (258,200) |
| <b>Cash flows from financing activities:</b>                            |           |            |                |              |           |
| Net repayments under short-term agreements                              |           | (6)        | (2,142)        |              | (2,148)   |
| Proceeds from long-term borrowings                                      | 491,000   |            |                |              | 491,000   |
| Principal payments on long-term obligations                             | (133,228) |            |                |              | (133,228) |

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|  |           |         |         |         |
|--|-----------|---------|---------|---------|
| Debt issue fees  | (3,858)   |         |         | (3,858) |
| Activity under intercompany note                             | (443,702) | 443,702 |         |         |
| Dividends paid   | (7,892)   |         |         | (7,892) |
| Proceeds from exercises under stock plans                    | 3,197     |         |         | 3,197   |
| Excess tax benefits from stock option exercises              | 1,216     |         |         | 1,216   |
| Purchase of treasury shares                                  | (2,676)   |         | 1,799   | (877)   |
| Purchase of common treasury shares stock plan exercises      | (1,961)   |         |         | (1,961) |
| Net cash flows from financing activities                     | (97,904)  | 443,696 | 343     | 345,449 |
| Effect of exchange rate changes on cash and cash equivalents |           |         | (7,644) | (7,644) |
| Net change in cash and cash equivalents                      | (64,480)  | 19,564  | 178,503 | 133,587 |
| Cash and cash equivalents beginning of year                  | 82,017    | 1,666   | 97,103  | 180,786 |
| Cash and cash equivalents end of period                      | 17,537    | 21,230  | 275,606 | 314,373 |

## 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 Twenty-Six Weeks Ended June 27, 2009

|  | Parent    | Guarantors | Non-Guarantors | Eliminations | Total     |
|--|-----------|------------|----------------|--------------|-----------|
| Cash flows from operating activities:                                    |           |            |                |              |           |
| Net earnings   | \$ 78,755 | \$ 24,430  | \$ 20,422      | \$ (42,517)  | \$ 81,090 |
| Adjustments to reconcile net earnings to net cash flows from operations: |           |            |                |              |           |
| Depreciation and amortization  | 9,241     | 6,326      | 6,143          |              | 21,710    |
| Stock based compensation   | 2,993     |            |                |              | 2,993     |
| (Gain)/ Loss on sale of property, plant and equipment                    | (11)      | 54         | 302            |              | 345       |
| Equity in (earnings)/losses of nonconsolidated subsidiaries              | (495)     |            |                |              | (495)     |
| Deferred income taxes  | 6,611     | 331        | 798            |              | 7,740     |
| Other adjustments  |           |            | (239)          |              | (239)     |
| Payment of deferred compensation   |           |            |                |              |           |
| Changes in assets and liabilities:                                       |           |            |                |              |           |
| Receivables  | (5,683)   | (10,591)   | 10,918         |              | (5,356)   |
| Inventories  | 34,236    | 16,376     | 14,449         |              | 65,061    |
| Prepaid expenses   | (1,029)   | 86         | (9,426)        |              | (10,369)  |
| Accounts payable   | 133       | (3,502)    | (3,554)        |              | (6,923)   |
| Accrued expenses   | (6,121)   | (1,346)    | (5,767)        |              | (13,234)  |
| Other noncurrent liabilities   | (1,821)   |            | 828            |              | (993)     |
| Income taxes payable   | (3,913)   |            | (1,819)        |              | (5,732)   |
| Net cash flows from operating activities                                 | 112,896   | 32,164     | 33,055         | (42,517)     | 135,598   |
| Cash flows from investing activities:                                    |           |            |                |              |           |
| Purchase of property, plant and equipment                                | (12,647)  | (5,088)    | (6,815)        |              | (24,550)  |
| Dividends to noncontrolling interests                                    |           |            | (289)          |              | (289)     |
| Proceeds from sale of assets   | 20        | 14         | 40             |              | 74        |
| Other, net   | 12,500    | (26,908)   | (28,177)       | 42,517       | (68)      |
| Net cash flows from investing activities                                 | (127)     | (31,982)   | (35,241)       | 42,517       | (24,833)  |

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Cash flows from financing activities:

|  |           |          |           |
|--|-----------|----------|-----------|
| Net borrowings (repayments) under short-term agreements      | (6)       | (1,911)  | (1,917)   |
| Proceeds from long-term borrowings                           |           | 10,001   | 10,001    |
| Principal payments on long-term obligations                  | (88,505)  | (10)     | (88,628)  |
| Dividends paid   | (6,813)   |          | (6,813)   |
| Proceeds from exercises under stock plans                    | 3,126     |          | 3,126     |
| Excess tax benefits from stock option exercises              | 1,446     |          | 1,446     |
| Purchase of common treasury shares stock plan exercises      | (2,146)   |          | (2,146)   |
| Net cash flows from financing activities                     | (92,892)  | (16)     | 7,977     |
| Effect of exchange rate changes on cash and cash equivalents |           |          | 1,861     |
| Net change in cash and cash equivalents                      | 19,877    | 166      | 7,652     |
| Cash and cash equivalents beginning of year                  | 18,989    | 1,503    | 48,075    |
| Cash and cash equivalents end of period                      | \$ 38,866 | \$ 1,699 | \$ 55,727 |
|  |           |          | \$ 96,262 |



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**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. We aggregate our businesses into four reportable segments. 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. Accordingly, we have changed our segment reporting to match our internal reporting structure. 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 the second quarter of 2010, we acquired Delta plc. In our segment reporting structure, Delta's financial information is presented in the "Delta segment".

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**Results of Operations**

Dollars in thousands, except per share amounts

|  | Thirteen Weeks Ended |                  |                    | Twenty-six Weeks Ended |                  |                    |
|--|----------------------|------------------|--------------------|------------------------|------------------|--------------------|
|  | June 26,<br>2010     | June 27,<br>2009 | % Incr.<br>(Decr.) | June 26,<br>2010       | June 27,<br>2009 | % Incr.<br>(Decr.) |
| <b>Consolidated</b>                              |                      |                  |                    |                        |                  |                    |
| Net sales  | \$ 481,559           | \$ 498,810       | -3.5%              | \$ 848,961             | \$ 953,964       | -11.0%             |
| Gross profit                                     | 128,646              | 144,681          | -11.1%             | 229,376                | 272,997          | -16.0%             |
| <i>as a percent of sales</i>                     | <i>26.7%</i>         | <i>29.0%</i>     |                    | <i>27.0%</i>           | <i>28.6%</i>     |                    |
| SG&A expense                                     | 91,345               | 75,265           | 21.4%              | 160,425                | 145,262          | 10.4%              |
| <i>as a percent of sales</i>                     | <i>19.0%</i>         | <i>15.1%</i>     |                    | <i>18.9%</i>           | <i>15.2%</i>     |                    |
| Operating income                                 | 37,301               | 69,416           | -46.3%             | 68,951                 | 127,735          | -46.0%             |
| <i>as a percent of sales</i>                     | <i>7.7%</i>          | <i>13.9%</i>     |                    | <i>8.1%</i>            | <i>13.4%</i>     |                    |
| Net interest expense                             | 7,337                | 3,692            | 98.7%              | 12,943                 | 7,644            | 69.3%              |
| Effective tax rate                               | 38.9%                | 32.7%            |                    | 37.7%                  | 32.8%            |                    |
| <b>Net earnings</b>                              |                      |                  |                    |                        |                  |                    |
| attributable to Valmont Industries, Inc.         | 17,115               | 44,230           | -61.3%             | 33,578                 | 80,094           | -58.1%             |
| <b>Earnings per share</b>                        |                      |                  |                    |                        |                  |                    |
| attributable to Valmont Industries, Inc. diluted | \$ 0.65              | \$ 1.69          |                    | \$ 1.27                | \$ 3.05          |                    |
| <b>Engineered Support</b>                        |                      |                  |                    |                        |                  |                    |
| <b>Structures segment</b>                        |                      |                  |                    |                        |                  |                    |
| Net sales  | \$ 134,052           | \$ 145,352       | -7.8%              | \$ 239,956             | \$ 275,711       | -13.0%             |
| Gross profit                                     | 34,536               | 38,350           | -9.9%              | 62,440                 | 70,234           | -11.1%             |
| SG&A expense                                     | 26,463               | 26,770           | -1.1%              | 51,756                 | 52,232           | -0.9%              |
| Operating income                                 | 8,073                | 11,580           | -30.3%             | 10,684                 | 18,002           | -40.7%             |
| <b>Utility Support</b>                           |                      |                  |                    |                        |                  |                    |
| <b>Structures segment</b>                        |                      |                  |                    |                        |                  |                    |
| Net sales  | \$ 112,503           | \$ 215,700       | -47.8%             | \$ 225,432             | \$ 399,102       | -43.5%             |
| Gross profit                                     | 27,365               | 69,272           | -60.5%             | 57,839                 | 126,265          | -54.2%             |
| SG&A expense                                     | 15,423               | 19,429           | -20.6%             | 31,191                 | 35,947           | -13.2%             |
| Operating income                                 | 11,942               | 49,843           | -76%               | 26,648                 | 90,318           | -70.5%             |
| <b>Coatings segment</b>                          |                      |                  |                    |                        |                  |                    |
| Net sales  | \$ 27,311            | \$ 22,412        | 21.9%              | \$ 49,477              | \$ 46,281        | 6.9%               |
| Gross profit                                     | 11,157               | 9,958            | 12.0%              | 18,814                 | 19,437           | -3.2%              |
| SG&A expense                                     | 3,571                | 3,565            | 0.2%               | 6,696                  | 7,053            | -5.1%              |
| Operating income                                 | 7,586                | 6,393            | 18.7%              | 12,118                 | 12,384           | -2.1%              |
| <b>Irrigation segment</b>                        |                      |                  |                    |                        |                  |                    |
| Net sales  | \$ 112,157           | \$ 101,038       | 11.0%              | \$ 220,793             | \$ 204,095       | 8.2%               |
| Gross profit                                     | 30,754               | 21,935           | 40.2%              | 59,131                 | 46,151           | 28.1%              |
| SG&A expense                                     | 14,158               | 12,135           | 16.7%              | 27,137                 | 24,381           | 11.3%              |
| Operating income                                 | 16,596               | 9,800            | 69.3%              | 31,994                 | 21,770           | 47.0%              |
| <b>Delta</b>                                     |                      |                  |                    |                        |                  |                    |
| Net sales  | \$ 74,165            | \$               | NA                 | \$ 74,165              | \$               | NA                 |
| Gross profit                                     | 18,270               |                  | NA                 | 18,270                 |                  | NA                 |
| SG&A expense                                     | 11,057               |                  | NA                 | 11,057                 |                  | NA                 |
| Operating income                                 | 7,213                |                  | NA                 | 7,213                  |                  | NA                 |
| <b>Other</b>                                     |                      |                  |                    |                        |                  |                    |
| Net sales  | \$ 21,371            | \$ 14,308        | 49.4%              | \$ 39,138              | \$ 28,775        | 36.0%              |
| Gross profit                                     | 7,256                | 5,279            | 37.5%              | 13,442                 | 11,006           | 22.1%              |
| SG&A expense                                     | 2,055                | 1,786            | 15.1%              | 3,977                  | 3,910            | 1.7%               |
| Operating income                                 | 5,201                | 3,493            | 48.9%              | 9,465                  | 7,096            | 33.4%              |
| <b>Net Corporate expense</b>                     |                      |                  |                    |                        |                  |                    |
| Gross profit                                     | \$ (692)             | \$ (113)         | 512.4%             | \$ (560)               | \$ (96)          | 483.3%             |
| SG&A expense                                     | 18,618               | 11,580           | 60.8%              | 28,611                 | 21,739           | 31.6%              |
| Operating loss                                   | (19,310)             | (11,693)         | 65.1%              | (29,171)               | (21,835)         | 33.6%              |



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*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 and operating income included in our consolidated results were \$74.2 million and \$7.2 million, respectively, for both the second quarter and year-to-date periods ended June 26, 2010.

In the second quarter and first half of 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 \$11.9 million and \$14.1 million, respectively, related to acquisition costs such as investment banking fees, due diligence costs and other expenses directly associated with the acquisition. These costs, under applicable accounting standards, are required to be recorded as expenses as incurred.

Interest expenses aggregating \$2.4 million and \$5.1 million, respectively related to fees and expenses to establish the bridge loan and borrowing costs incurred to finance the acquisition.

The after-tax impact of these expenses on our net earnings for the quarter and year-to-date periods ended June 26, 2010 was approximately \$12.0 million and \$15.3 million, respectively.

*Overview*

On a consolidated basis, the sales decreases in the second quarter and year-to-date periods ended June 26, 2010, as compared with the same periods of 2009, were mainly due to a combination of lower sales unit volumes and lower average selling prices. These decreases were offset somewhat by currency translation effects (approximately \$2.2 million and \$10.5 million, respectively), as the U.S. dollar, on average, was weaker in relation to the Canadian dollar, Brazilian real and South Africa rand in 2010, as compared with 2009. For the company as a whole our second quarter and year-to-date 2010 sales unit volumes were approximately 11% lower in 2010 than 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 first half and second quarter of 2010, as compared with 2009. Sales price decreases 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. Second quarter and year-to-date sales in 2010 also included \$74.2 million reported by Delta plc ("Delta"), a formerly publicly-traded company in the U.K., which was acquired on May 12, 2010. In our segment reporting structure, Delta's financial information was presented as the "Delta" segment.

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The gross profit margin (gross profit as a percent of sales) in 2010 was slightly lower than 2009, for both the second quarter and year-to-date periods ended June 26, 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. During 2010, we experienced rising steel costs, whereas last year, steel costs were falling. Approximately 35% of our inventory is valued using the last-in first-out (LIFO) method of inventory valuation. In periods of rising prices, we report lower gross profit and operating income under the LIFO inventory valuation as compared with average cost or first-in first-out methods. In the second quarter and first half of 2010, we recorded \$4.1 million and \$7.6 million of expense due to LIFO, which reduced 2010 gross profit.

Selling, general and administrative (SG&A) spending for the second quarter and first half of fiscal 2010, as compared with the same periods in 2009, increased due to the following factors:

Transaction-related expenses associated with the Delta transaction (\$11.9 million and \$14.1 million, respectively). These expenses were related to investment banking fees, due diligence costs and other direct costs associated with the acquisition. These expenses are reported as part of "General corporate expense";

Delta's SG&A expenses from May 12, 2010 to June 26, 2010 of \$11.1 million were included in 2010 consolidated second 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 \$2.2 million and \$5.1 million, respectively), lower sales commissions related to lower net sales in 2010, as compared with 2009 (approximately \$0.7 million and \$1.7 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 \$6.9 million and \$10.0 million, respectively for the second quarter and year-to-date periods ended June 26, 2010 as compared with the same periods in 2009.

On a reportable segment basis, all segments except the Irrigation and Coatings segments reported lower operating income in the second quarter of 2010, as compared with 2009. On a year-to-date basis, the Irrigation segment was the only reportable segment to report improved operating income in 2010, as compared with 2009.

The increase in net interest expense in the second quarter and year-to-date periods ended June 26, 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 and approximately \$0.5 million and \$2.9 million, respectively, of bank fees incurred related to providing the required bridge loan funding commitment for the Delta acquisition. Excluding the impact of financing costs incidental to the Delta acquisition, net interest expense was lower in 2010, as compared with 2009, due to average lower borrowing levels in 2010, as compared with 2009. "Other" income was lower in the second quarter of 2010, as compared with 2009, mainly due to lower investment income related to our non-qualified deferred compensation plan this year (approximately \$0.8 million) and foreign currency transaction gains incurred in 2009 that did not repeat in 2010.

The increase in the effective income tax rate in the second quarter and year-to-date period ended June 26, 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 \$54.0 million in the first half of 2010, as compared with \$135.6 million in the first half of 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.

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

The decrease in net sales in the second quarter and first half of 2010, as compared with the same period in 2009, was mainly due to lower sales volumes and lower sales prices in both the lighting and communication structures product lines. In the Lighting product line in the second quarter, lower sales in international markets were offset to a degree by improved sales in North America. The increase in North American sales in the second quarter of 2010, as compared with the same period in 2009, was due to stronger customer demand for lighting and traffic poles in the transportation market channel, while sales were lower in the commercial market channel. Year-to-date sales unit volumes in North America in 2010 were comparable with 2009. In the transportation market, the sales improvement this quarter was the result of better order flow in 2010 over a very weak first half of 2009. Despite the increase in transportation sales, we believe sales demand 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. The commercial lighting market remains weak, due to continued softness in the commercial and residential construction markets. In Europe, sales were lower in the second quarter and first half 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 2010, as compared with 2009, was also related to certain project sales in developing markets in 2009 that did not repeat in 2010. 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 second quarter and first half of 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. 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 are being 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 second quarter and first half of 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 (USS) segment***

In the USS 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 second quarter and first half of 2010 in the U.S. was approximately 40%. 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, 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 second quarter and first half of 2010 improved over 2009, the result of increased project sales into new markets, offset by lower sales volumes in China.

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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 second quarter and first half of 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 \$1.6 million and \$3.0 million, respectively) and decreased commissions (approximately \$1.0 million and \$1.7 million, respectively) due to lower net sales this year.

*Coatings segment*

Net sales in the Coatings segment increased in the second quarter and first half of 2010, as compared with 2009, resulted mainly from improved sales unit volumes. Galvanizing unit volumes in 2010 were approximately 7% higher in the second 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 second 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 second quarter and first half of 2010, as compared with 2009, amounted to approximately \$1.5 million and \$3.2 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 second quarter and first half of 2010 improved, as compared with the same periods in 2009, due to stronger sales volumes in North America and currency translation effects on international sales (approximately \$2.2 million and \$5.6 million, respectively). 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. North American sales of service parts in 2010 lagged 2009, which we believe was due to generally wet weather conditions throughout much of the U.S. this year. Wet weather conditions generally results in less utilization of irrigation machines and, accordingly, lower sales of service parts. In international markets, sales unit volumes were slightly lower in 2010, as compared with 2009, due mainly to lower multi-system project sales in 2010, offset somewhat by stronger market conditions in Latin America, Europe and Australia.

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 the 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 quarter ended June 26, 2010 was approximately \$2.0 million of depreciation and amortization 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;

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Manganese dioxide, mainly for use in disposable batteries

**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 increased in the second quarter and first half of 2010, as compared with 2009, due to expenses incurred in relation to the Delta acquisition (approximately \$11.9 million and \$14.1 million, respectively). This increase was somewhat offset by lower employee incentive accruals (approximately \$2.8 million and \$4.9 million, respectively) and other decreases in discretionary spending.

**Liquidity and Capital Resources**

***Cash Flows***

***Working Capital and Operating Cash Flows*** Net working capital was \$702.3 million at June 26, 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, offset to a degree by cash on hand used to fund part of the Delta acquisition. Operating cash flow was \$54.0 million for the first half of 2010, as compared with \$135.6 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 half of 2010 was \$11.0 million, as compared with \$24.6 million in 2009. We expect our capital spending for the 2010 fiscal year to be approximately \$45 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 \$7.5 million associated with increasing our ownership interest in West Coast Engineering, Ltd. from 70% to 80% 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.

***Financing Cash Flows*** Our total interest-bearing debt increased from \$172.4 million at December 26, 2009 to \$527.9 million as of March 27, 2010. The increase in borrowings in the first half 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 June 26, 2010, our long-term debt to invested capital ratio was 31.0%, 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.



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Our debt financing at June 26, 2010 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$49.8 million, \$45.5 million of which was unused at June 26, 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):

|                                    | <b>Redemption<br/>Price</b> |
|------------------------------------|-----------------------------|
| Until May 1, 2011                  | 102.292%                    |
| From May 1, 2011 until May 1, 2012 | 101.146%                    |
| After May 1, 2012                  | 100.000%                    |

\$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 June 26, 2010, we had \$58.0 million in outstanding borrowings under the revolving credit agreement, at a weighted average annual interest rate of 1.55%, not including facility fees. These outstanding borrowings were associated with funding requirements related to the proposed 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 June 26, 2010, we had the ability to borrow an additional \$198.6 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 June 26, 2010, we were in compliance with all covenants related to these debt

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agreements. The key covenant calculations at June 26, 2010 were as follows (including Delta on a pro forma basis, as per our covenants):

|                                 |         |
|---------------------------------|---------|
| Interest-bearing debt           | 527,935 |
| EBITDA last 12 months           | 295,469 |
| Leverage ratio                  | 1.79    |
| EBITDA last 12 months           | 295,469 |
| Interest expense last 12 months | 22,058  |
| Interest earned ratio           | 13.40   |

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 June 26, 2010 were as follows:

| Contractual Obligations            | Total    | 2010    | 2011-2012 | 2013-2014 | After 2014 |
|------------------------------------|----------|---------|-----------|-----------|------------|
| Long-term debt                     | \$ 518.3 | \$ 0.1  | \$ 0.6    | \$ 208.5  | \$ 309.1   |
| Interest                           | 243.5    | 15.6    | 62.3      | 55.8      | 109.8      |
| Delta pension plan contributions   | 98.2     |         | 21.8      | 21.8      | 54.6       |
| Operating leases                   | 84.2     | 8.8     | 24.0      | 15.8      | 35.6       |
| Unconditional purchase commitments | 6.0      | 6.0     |           |           |            |
| Total contractual cash obligations | \$ 950.2 | \$ 30.5 | \$ 108.7  | \$ 301.9  | \$ 509.1   |

Long-term debt principally consisted of \$150.0 million of senior subordinated notes and \$300.0 million of senior unsecured notes. At June 26, 2010, we had \$58.0 million of outstanding borrowings under our bank revolving credit agreement. We also had various other borrowing arrangements aggregating \$10.3 million at June 26, 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.

At June 26, 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.

Table of Contents**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 June 26, 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** In connection with our acquisition of Delta plc in the 2<sup>nd</sup> quarter of fiscal 2010, we assumed the obligations of its defined benefit pension plan for qualifying employees in the United Kingdom. We use third-party actuaries to assist us 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<br>In Millions of Dollars            | Increase<br>in Pension<br>Expense |
|--|-----------------------------------|
| 1.00% decrease in discount rate                  | \$ 0.6                            |
| 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 June 26, 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.

**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,

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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 June 26, 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.

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

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

|                                  | (a)                              | (b)                          | (c)  | (d)  |
|----------------------------------|----------------------------------|------------------------------|--|--|
| Period                           | Total Number of Shares Purchased | Average Price paid per share | 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 |
| March 28, 2010 to April 24, 2010 | 4,013                            | \$ 85.81                     |  |  |
| April 25, 2010 to May 29, 2010   | 900                              | \$ 79.30                     |  |  |
| May 30, 2010 to June 26, 2010    |                                  |                              |  |  |
| Total                            | 4,913                            | \$ 84.62                     |  |  |

During the second 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 April 27, 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 July 15, 2010, to stockholders of record June 25, 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 June 26, 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). |



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**SIGNATURES**

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

VALMONT INDUSTRIES, INC.  
(Registrant)

/s/ TERRY J. MCCLAIN

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

Dated this 2<sup>nd</sup> day of August, 2010.

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**Index of Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
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