VALMONT INDUSTRIES INC
Form 10-K
February 23, 2011

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-K

**(Mark one)**

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 25, 2010**

**or**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**
**Commission file number 1-31429**

# Valmont Industries, Inc.

(Exact name of registrant as specified in its charter)

| **Delaware** | **47-0351813** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **One Valmont Plaza, Omaha, Nebraska** | **68154-5215** |
| (Address of Principal Executive Offices) | (Zip Code) |

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of exchange on which registered |
|---|---|
| Common Stock $1.00 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No ý

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

At February 10, 2011 there were 26,320,671 of the Company's common shares outstanding. The aggregate market value of the voting stock held by non-affiliates of the Company based on the closing sale price the common shares as reported on the New York Stock Exchange on June 26, 2010 was $2,036,509,985.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's proxy statement for its annual meeting of shareholders to be held on April 26, 2011 (the "Proxy Statement"), to be filed within 120 days of the fiscal year ended December 25, 2010, are incorporated by reference in Part III.

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**VALMONT INDUSTRIES, INC.**
**Annual Report Pursuant to Section 13 or 15(d)**
**of the Securities Exchange Act of 1934**
**For the fiscal year ended December 25, 2010**

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## PART I

### ITEM 1. BUSINESS.

**(a) General Description of Business**

***General***

We are a diversified global producer of fabricated metal products and are a leading producer of steel and aluminum pole, tower and other structures in our Engineered Infrastructure Products (EIP) segment, steel and concrete pole structures in our Utilities Support Structures (Utility) segment and are a global producer of mechanized irrigation systems in our Irrigation segment. We also provide metal coating services, including galvanizing, painting and anodizing in our Coatings business. Our products sold through the (EIP) segment include outdoor lighting and traffic control structures, wireless communication structures and components and roadway safety and industrial access systems. Our pole structures sold through our Utility segment support electrical transmission and distribution lines and related power distribution equipment. Our irrigation segment produces mechanized irrigation equipment that delivers water, chemical fertilizers and pesticides to agricultural crops. Customers and end-users of our products include state and federal governments, contractors, utility and telecommunications companies, manufacturers of commercial lighting fixtures and large farms as well as the general manufacturing sector. In 2010, approximately 42% our total sales were either sold in markets or produced by our manufacturing plants outside of North America. We were founded in 1946, went public in 1968 and our shares trade on the New York Stock Exchange (ticker: VMI).

***Business Strategy***

Our strategy is to pursue growth opportunities that leverage our existing product portfolio, knowledge of our principal end-markets and customers and engineering capability to increase our sales, earnings and cash flow, including:

*Increasing the Market Penetration of our Existing Products.* Our strategy is to increase our market penetration by differentiating our products from our competitors' products through superior customer service, technological innovation and consistently high quality. For example, in recent years, our Utility segment increased its sales through our engineering capability, effective coordination of our production capacity and strong customer service to meet our customers' requirements, especially on large, complex projects. Our acquisition of Delta plc in May 2010 was in part intended to improve our market presence and penetration in the Australian lighting, communication and industrial galvanizing markets.

*Bringing our Existing Products to New Markets.* Our strategy is to expand the sales of our existing products into geographic areas where we do not currently have a strong presence as well as into applications for which end-users do not currently purchase our products. In 2009, our Utility business successfully expanded into new markets in Africa. In recent years, for example, we have been expanding our geographic presence in Europe and North Africa for lighting structures. Our strategy of building a manufacturing base in China was based primarily on expanding our offering of pole structures for lighting, utility and wireless communication applications to the Chinese market. In 2008, we acquired Stainton Metal Co, Ltd. (Stainton), a manufacturer of lighting structures in England. We acquired Stainton to expand our geographic presence in the United Kingdom and acquire a leading market position in one of the largest economies in the world.

*Developing New Products for Markets that We Currently Serve.* Our strategy is to grow by developing new products for markets where we have a comprehensive understanding of end-user requirements and longstanding relationships with key distributors and end-users. For example, we developed and sold structures for tramway applications in Europe in 2005 and 2006. The customers for this product line include many of the state and local governments that purchase our lighting structures.

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The Tehomet acquisition that we completed in 2007 also helps us to bring Tehomet decorative product concepts to our current customer base.

*Developing New Products for New Markets to Further Diversify our Business.* Our strategy is to increase our sales and diversify our business by developing new products for new markets. For example, we have been expanding our offering of specialized decorative lighting poles in the U.S. The decorative lighting market has different customers than our traditional markets and the products to serve that market are different than the poles we manufacture for the transportation and commercial markets. The acquisition of Delta gives us a presence in highway safety systems and industrial access systems, products that we believe are complementary to our existing products and provide us with future growth opportunities.

***Acquisitions***

We have grown internally and by acquisition. Our significant business expansions during the past five years include:

2007

Acquisition of 70% of the outstanding shares of a lighting structure manufacturer headquartered in Kangasniemi, Finland

Acquisition of certain assets of a galvanizing operation located in Salina, Kansas

2008

Acquisition of 70% of the outstanding shares of a lighting structure manufacturer headquartered in Canada

Acquisition of the assets of a manufacturer of utility and wireless communication poles in Hazelton, Pennsylvania

Acquisition of the assets of a wireless communication components distributor headquartered on Long Island, New York

Acquisition of the assets of a materials analysis, testing and inspection services business in Pittsburgh, Pennsylvania

Formation of a 51% owned joint venture to manufacture steel structures in Turkey

Acquisition of the assets of a hot-dipped galvanizing operation located near Louisville, Kentucky

Acquisition of Stainton Metals, a steel lighting structure manufacturer located in England

2010

Acquisition of Delta plc, a publicly-traded company headquartered in the United Kingdom that manufactures and distributes steel engineered products, provides galvanizing services and manufactures steel forged grinding media and electrolytic manganese dioxide

There have been no significant divestitures of businesses in the past five years. In 2008, we sold our European machine tool accessories operation. The impact of this event on our financial statements was not significant.

**(b) Operating Segments**

We aggregate our operating segments into four reportable segments. We base our aggregation on similarity of operating segments as to economic characteristics, products, production processes, types or classes of customer and the methods of distribution. In the fourth quarter of 2010, we reorganized our

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segment reporting structure to reflect our management structure as a result of the acquisition of Delta plc. The main business units of Delta are organized as follows in our segment structure:

- Engineered Infrastructure Products segment includes Delta's lighting, communication, access systems and roadway safety products;
- Coatings segment includes Delta's galvanizing operations in the U.S., Australia and Asia;
- Delta's forged steel grinding media and electrolytic manganese dioxide operations are included an "Other", and;
- Delta's management administration expenses are included in "Net corporate expense".

As these changes only affect the 2010 financial statements, no reclassification to our 2008 and 2009 presentation was necessary.

Our reportable segments are as follows:

*Engineered Infrastructure Products:* This segment consists of the manufacture of engineered metal structures and components for the global lighting and traffic, wireless communication, roadway safety and access systems applications;

*Utility Support Structures:* This segment consists of the manufacture of engineered steel and concrete structures for the global utility industry;

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

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

*Other:* In addition to these four reportable segments, we have other operations and activities that individually are not more than 10% of consolidated sales. These activities include the manufacture of forged steel grinding media for the mining industry, tubular products for a variety of industrial customers, electrolytic manganese dioxide for disposable batteries and the distribution of industrial fasteners.

Amounts of sales, operating income and total assets attributable to each segment for each of the last three years is set forth in Note 19 of our consolidated financial statements.

**(c) Narrative Description of Business**

Information concerning the principal products produced and services rendered, markets, competition and distribution methods for each of our four reportable segments is set forth below.

**Engineered Infrastructure Products Segment**

*Products Produced* We manufacture steel and aluminum poles and structures to which lighting and traffic control fixtures are attached for a wide range of outdoor lighting applications, such as streets, highways, parking lots, sports stadiums and commercial and residential developments. The demand for these products is driven by infrastructure, commercial and residential construction and by consumers' desire for well-lit streets, highways, parking lots and common areas to help make these areas safer at night and to support trends toward more active lifestyles and 24-hour convenience. In addition to safety, customers want products that are visually appealing. In Europe, we are a leader in decorative lighting poles, which are attractive as well as functional. We are leveraging this expertise to expand our decorative product sales in North America and China. Traffic poles are structures to which traffic signals are attached and aid the orderly flow of automobile traffic. While standard designs are

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available, poles are often engineered to customer specifications to ensure the proper function and safety of the structure. Product engineering takes into account factors such as weather (e.g. wind, ice) and the products loaded on the structure (e.g. lighting fixtures, traffic signals, signage) to determine the design of the pole. This product line also includes roadway safety systems, including guard rail barrier systems, wire rope safety barriers, crash attenuation barriers and other products designed to redirect vehicles when off course and to prevent collisions between vehicles. Highway safety systems are also designed and engineered to absorb collisions and ultimately reduce roadway fatalities and injury.

We also manufacture and distribute of a broad range of structures (poles and towers) and components serving the wireless communication market. In the wireless communication market, a wireless communication cell site mainly consists of a steel pole or tower, shelter (enclosure where the radio equipment is located), antennas (devices that receive and transmit data and voice information to and from wireless communication devices) and components (items that are used to mount antennas to the structure and to connect cabling and other parts from the antennas to the shelter). For a given cell site, we provide poles, towers and components. We offer a wide range of structures to our customers, including solid rod, tubular and guyed towers, poles (tapered and non-tapered) and disguised products to minimize the visual impact of an antenna on an area. Structures are engineered and designed to customer specifications, which include factors such as the number of antennas on the structure and wind and soil conditions. Due to the size of these structures, design is important to ensure each structure meets performance and safety specifications. We do not provide any significant installation services on the structures we sell.

We also produce access systems which includes the manufacture and distribution of a broad range of structures and components used in the erection of infrastructure, industrial and commercial access systems, including floor gratings, handrails, barriers and sunscreens.

*Markets* The key markets for our lighting, traffic and roadway safety products are the transportation and commercial lighting markets and public roadway building and improvement. The transportation market includes street and highway lighting and traffic control, much of which is driven by government spending programs. For example, the U.S. government funds highway and road improvement through the Federal highway program. This program provides funding to improve the nation's roadway system, which includes roadway lighting and traffic control enhancements. Matching funding from the various states may be required as a condition of federal funding. The current highway program is now expired and operating under extensions issued by Congress and we do not expect that the next multi-year highway spending program will be enacted until at least late 2011. In North America, governments desire to improve road and highway systems by reducing traffic congestion. In the United States, there are approximately 4 million miles of public roadways, with approximately 24% carrying over 80% of the traffic. Accordingly, the need to improve traffic flow through traffic controls and lighting is a priority for many communities. Transportation markets in other areas of the world are also heavily funded by local and national governments. The commercial lighting market is mainly funded privately and includes lighting for applications such as parking lots, shopping centers, sports stadiums and business parks. The commercial lighting market is driven by macro economic factors such as general economic growth rates, interest rates and the commercial construction economy.

The main markets for our communication products has been the wireless telephone carriers and build-to-suit companies (organizations that own cell sites and attach antennas from multiple carriers to the pole or tower structure). We also sell products to state and federal governments for two-way radio communication, radar, broadcasting and security purposes. We believe long-term growth should mainly be driven by increased usage, technologies such as 4G (including applications for smart phones, such as streaming video and internet) and demand for improved emergency response systems, as part of the U.S. Homeland Security initiatives. Subscriber growth should continue to increase, although at a lower rate than in the past. In general, as the number of subscribers and usage of wireless communication devices increase, we believe this will result in demand for communication structure and components.

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Markets for access systems are typically driven by infrastructure, industrial and commercial construction spending and can be cyclical depending on economic conditions in the markets in which we compete. Customers consist of construction firms or installers who participate in infrastructure, industrial and commercial construction projects, resellers such as steel service centers and end users.

All of the products that we manufacture in this segment are customer investments in basic infrastructure and the total cost of these products can be substantial for our customers. Therefore, access to capital is important to their ability to fund future infrastructure needs. Due to the nature of these markets, demand can be cyclical as spending projects sometimes can be delayed due to funding or other issues.

*Competition* Our competitive strategy in all of the markets we serve is to provide high value to the customer at a reasonable price. We compete on the basis of product quality, high levels of customer service, timely, complete and accurate delivery of the product and design capability to provide the best solutions to our customers. There are numerous competitors in our markets, most of which are relatively small companies. Companies compete on the basis of price, product quality, reliable delivery and unique product features. Pricing can be very competitive, especially when demand is weak or when strong local currencies encourage lower cost imported products.

*Distribution Methods* Sales and distribution activities are handled through a combination of a direct sales force and commissioned agents. Lighting agents represent Valmont as well as lighting fixture companies and sell other related products. Sales are typically to electrical distributors, who provide the pole, fixtures and other equipment to the end user as a complete package. Commercial lighting and highway safety sales are normally made through Valmont sales employees, who work on a salary plus incentive, although some sales are made through independent, commissioned sales agents.

**Utility Support Structures Segment:**

*Products Produced* The Utility Support Structures segment (Utility) produces steel and concrete pole structures for electrical transmission, substation and distribution applications. Our products help move electrical power from where it is produced to where it is used. We manufacture tapered steel and pre-stressed concrete poles for high-voltage transmission lines, substations (which transfer high-voltage electricity to low-voltage transmission) and electrical distribution (which carry electricity from the substation to the end-user). In addition, we produce hybrid structures, which are structures with a concrete base section and steel upper sections. Utility structures can be very large, so product design engineering is important to the function and safety of the structure. Our engineering process takes into account weather and loading conditions, such as wind speeds, ice loads and the power lines attached to the structure, in order to arrive at the final design.

*Markets* Our sales in this segment are mainly in the United States, where the key drivers in the utility business are capacity in the electrical transmission grid, industrial growth and deregulation in the utility industry. According to the Edison Electric Institute, the electrical transmission grid in the U.S. operates near capacity in many areas, due to increasing electrical consumption and lack of investment over the past 25 years. The expected increase in electrical consumption also should require substantial investment in new electricity generation capacity in the U.S. and around the world. Furthermore, deregulation and privatization of electrical utilities should require grid systems to interconnect. We believe that the passage of energy legislation in the U.S. in 2005 is encouraging utility companies to invest in transmission and distribution infrastructure. We expect these factors to result in increased demand for electrical utility structures to transport electricity from source to user. In markets outside of North America, growth is due to the recognized need to develop reliable systems to transport and distribute electrical power to support economic growth. The largest markets in which we participate outside of North America are China, the Middle East and Africa. Sales may take place on a bid project basis or through strategic alliance relationships with certain customers.

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*Competition* Our competitive strategy in this segment is to provide high value solutions to the customer at a reasonable price. We compete on the basis of product quality, engineering expertise, high levels of customer service and reliable, timely delivery of the product. There are many competitors. Companies compete on the basis of price, quality and service. Utility sales are often made through a competitive bid process, whereby the lowest bidder is awarded the contract, provided the competitor meets all other qualifying criteria. In weak markets, price is a more important criterion in the bid process.

*Distribution Methods* Products are normally sold through commissioned sales agents or sold directly to electrical utilities.

**Coatings Segment:**

*Services Rendered* We add finishes to metals that inhibit corrosion, extend service lives and enhance physical attractiveness of a wide range of materials and products. Among the services provided include:

Hot-dipped Galvanizing

Anodizing

Powder Coating

E-Coating

In our Coatings segment, we take unfinished products from our customers and return them with a galvanized, anodized or painted finish. Galvanizing is a process that protects steel with a zinc coating that is bonded to the product surface to inhibit rust and corrosion. Anodizing is a process applied to aluminum that oxidizes the surface of the aluminum in a controlled manner, which protects the aluminum from corrosion and allows the material to be dyed a variety of colors. We also paint products using powder coating and e-coating technology (where paint is applied through an electrical charge) for a number of industries and markets.

*Markets* Markets for our products are varied and our profitability is not substantially dependent on any one industry or customer. Demand for coatings services generally follows the local industrial economies. Galvanizing is used in a wide variety of industrial applications where corrosion protection of steel is desired. While markets are varied, our markets for anodized or painted products are more directly dependent on consumer markets than industrial markets.

*Competition* The Coatings markets are very fragmented, with a large number of competitors. Most of these competitors are relatively small, privately held companies who compete on the basis of price and personal relationships with their customers. Our strategy is to compete on the basis of quality of the coating finish and timely delivery of the coated product to the customer. We also use the production capacity at our network of plants to assure that the customer receives quality service.

*Distribution Methods* Due to freight costs, a galvanizing location has an effective service area of an approximate 300 to 500 mile radius. While we believe that we are one of the largest custom galvanizers in North America, our sales are a small percentage of the total market. Sales and customer service are provided directly to the user by a direct sales force, generally assigned to each specific location.

**Irrigation Segment:**

*Products Produced* In our Irrigation segment, we manufacture and distribute mechanical irrigation equipment and related service parts under the "Valley" brand name. A Valmont irrigation machine usually is powered by electricity and propels itself over a farm field and applies water and chemicals to

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crops. Water and, in some instances, chemicals are applied through sprinklers attached to a pipeline that is supported by a series of towers, each of which is propelled via a drive train and tires. A standard mechanized irrigation machine (also known as a "center pivot") rotates in a circle, although we also manufacture and distribute center pivot extensions that can irrigate corners of square and rectangular farm fields as well as conform to irregular field boundaries (referred to as a "corner" machine). Our irrigation machines can also irrigate fields by moving up and down the field as opposed to rotating in a circle (referred to as a "linear" machine). Irrigation machines can be configured to irrigate fields in size from 4 acres to over 500 acres, with a standard size in the U.S. configured for a 160-acre tract of ground. One of the key components of our irrigation machine is the control system. This is the part of the machine that allows the machine to be operated in the manner preferred by the grower, offering control of such factors as on/off timing, individual field sector control, rate and depth of water and chemical application. We also offer growers options to control multiple irrigation machines through centralized computer control or mobile remote control. The irrigation machine used in international markets is substantially the same as the one produced for the North American market.

There are other forms of irrigation available to farmers, two of the most prevalent being flood irrigation and drip irrigation. In flood irrigation, water is applied through a pipe or canal at the top of the field and allowed to run down the field by gravity. Drip irrigation involves plastic pipe or tape resting on the surface of the field or buried a few inches below ground level, with water being applied gradually. We estimate that center pivot and linear irrigation comprises one-third of the irrigated acreage in North America. International markets use predominantly flood irrigation, although all forms are used to some extent.

*Markets* Market drivers in North American and international markets are essentially the same. Since the purchase of an irrigation machine is a capital expenditure, the purchase decision is based on the expected return on investment. The benefits a grower may realize through investment in mechanical irrigation include improved yields through better irrigation, cost savings through reduced labor and lower water and energy usage. The purchase decision is also affected by current and expected net farm income, commodity prices, interest rates, the status of government support programs and water regulations in local areas. In many international markets, the relative strength or weakness of local currencies as compared with the U.S. dollar may affect net farm income, since export markets are generally denominated in U.S. dollars.

The demand for mechanized irrigation comes from the following sources:

Conversion from flood irrigation

Replacement of existing mechanized irrigation machines

Converting land that is not irrigated to mechanized irrigation

One of the key drivers in our Irrigation segment worldwide is that the usable water supply is limited. We estimate that:

Only 2.5% of total worldwide water supply is freshwater

Of that 2.5%, only 30% of freshwater is available to humans

The largest user of that freshwater is agriculture

We believe these factors, along with the trend of a growing worldwide population and improving diets, reflect the need to use water more efficiently while increasing food production to feed this growing population. We believe that mechanized irrigation can improve water application efficiency by 40-90% compared with traditional irrigation methods by applying water uniformly near the root zone and reducing water runoff. Furthermore, reduced water runoff improves water quality in nearby rivers, aquifers and streams, thereby providing environmental benefits in addition to conservation of water.

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*Competition* In North America, there are a number of entities that provide irrigation products and services to agricultural customers. We believe we are the leader of the four main participants in the mechanized irrigation business. Participants compete for sales on the basis of price, product innovation and features, product durability and reliability, quality and service capabilities of the local dealer. Pricing can become very competitive, especially in periods when market demand is low. In international markets, our competitors are a combination of our major U.S. competitors and privately-owned local companies. Competitive factors are similar to those in North America, although pricing tends to be a more prevalent competitive strategy in international markets. Since competition in international markets is local, we believe local manufacturing capability is important to competing effectively in international markets and we have that capability in key regions.

*Distribution Methods* We market our irrigation machines and service parts through independent dealers. There are approximately 200 dealers in North America, with another approximately 130 dealers serving international markets. The dealer determines the grower's requirements, designs the configuration of the machine, installs the machine (including providing ancillary products that deliver water and electrical power to the machine) and provides after-sales service. Our dealer network is supported and trained by our technical and sales teams. Our international dealers are supported through our regional headquarters in South America, South Africa, Western Europe, Australia, China and the Middle East as well as the home office in Valley, Nebraska.

**General**

Certain information generally applicable to each of our four reportable segments is set forth below.

*Suppliers and Availability of Raw Materials.*

Hot rolled steel coil and plate, zinc and other carbon steel products are the primary raw materials utilized in the manufacture of finished products for all segments. We purchase these essential items from steel mills, zinc producers and steel service centers and are usually readily available. While we may experience increased lead times to acquire materials and volatility in our purchase costs, we do not believe that key raw materials would be unavailable for extended periods. We have not experienced extended or wide-spread shortages of steel during this time, due to what we believe are strong relationships with some of the major steel producers. In the past three years, we experienced volatility in zinc and natural gas prices, but we did not experience any disruptions to our operations due to availability.

*Patents, Licenses, Franchises and Concessions.*

We have a number of patents for our manufacturing machinery, poles and irrigation designs. We also have a number of registered trademarks. We do not believe the loss of any individual patent would have a material adverse effect on our financial condition, results of operations or liquidity.

*Seasonal Factors in Business.*

Sales can be somewhat seasonal based upon the agricultural growing season and the infrastructure construction season. Sales of mechanized irrigation equipment and tubing to farmers are traditionally higher during the spring and fall and lower in the summer. Sales of infrastructure products are traditionally higher during prime construction seasons and lower in the winter.

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*Customers.*

We are not dependent for a material part of any segment's business upon a single customer or upon very few customers. The loss of any one customer would not have a material adverse effect on our financial condition, results of operations or liquidity.

*Backlog.*

The backlog of orders for the principal products manufactured and marketed was approximately $411.0 million at the end of the 2010 fiscal year and $354.3 million at the end of the 2009 fiscal year. We anticipate that most of the backlog of orders will be filled during fiscal year 2011. At year-end, the segments with backlog were as follows (dollar amounts in millions):

| | December 25, 2010 | December 26, 2009 |
|---|---|---|
| Engineered Infrastructure Products | $ 167.5 | $ 129.2 |
| Utility Support Structures | 168.3 | 175.6 |
| Irrigation | 57.7 | 43.4 |
| Other | 17.5 | 6.1 |
| | $ 411.0 | $ 354.3 |

*Research Activities.*

The information called for by this item is included in Note 14 of our consolidated financial statements on page 67 of this report.

*Environmental Disclosure.*

We are subject to various federal, state and local laws and regulations pertaining to environmental protection and the discharge of materials into the environment. Although we continually incur expenses and make capital expenditures related to environmental protection, we do not anticipate that future expenditures should materially impact our financial condition, results of operations, or liquidity.

*Number of Employees.*

At December 25, 2010, we had 9,188 employees.

**(d) Financial Information About Geographic Areas**

Our international sales activities encompass over 100 foreign countries. The information called for by this item is included in Note 19 of our consolidated financial statements beginning on page 73 of this report. While Australia and China accounted for approximately 13% and 6%, respectively, of our net sales in 2010, no other foreign country accounted for more than 5% of our net sales. Net sales for purposes of Note 19 include sales to outside customers.

**(e) Available Information**

We make available, free of charge through our Internet web site at *http://www.valmont.com*, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

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**ITEM 1A. RISK FACTORS.**

The following risk factors describe various risks that may affect our business, financial condition and operations.

***Increases in prices and reduced availability of key raw materials such as steel, aluminum and zinc will increase our operating costs and likely reduce our profitability.***

Hot rolled steel coil and other carbon steel products have historically constituted approximately one-third of the cost of manufacturing our products. We also use large quantities of aluminum for lighting structures and zinc for the galvanization of most of our steel products. The markets for the commodities that we use in our manufacturing processes can be volatile. The following factors increase the cost and reduce the availability of steel, aluminum and zinc for us:

- increased demand, which occurs when other industries purchase greater quantities of these commodities at times when we require more steel, aluminum and zinc for manufacturing, which can result in higher prices and lengthen the time it takes to receive material from suppliers;
- increased freight costs, because our manufacturing sites are usually not located near the major steel, aluminum and zinc manufacturers;
- lower production levels of these commodities, due to reduced production capacities or shortages of materials needed to produce these commodities (such as coke and scrap steel for the production of steel) which could result in reduced supplies of these commodities, higher costs for us and increased lead times to acquire material;
- lower inventory levels at suppliers when major steel users, such as the automobile manufacturers, increase their orders, which can reduce available inventory for us to meet our requirements;
- increased cost of major inputs, such as scrap steel, coke, iron ore and energy;
- fluctuations in foreign exchange rates can impact the relative cost of these commodities, which may affect the cost effectiveness of imported materials and limit our options in acquiring these commodities; and
- international trade disputes, import duties and quotas, since we import some steel for our domestic and foreign manufacturing facilities.

Increases in the selling prices of our products may not fully recover additional steel, aluminum and zinc costs and generally lag increases in our costs of these commodities. Consequently, an increase in steel, aluminum and zinc prices will increase our operating costs and likely reduce our profitability.

Rising steel prices in 2008 and early 2010 put pressure on gross profit margins, especially in our Engineered Infrastructure Products and Utility Support Structures segments. In both of these segments, the elapsed time between the quotation of a sales order and the manufacturing of the product ordered can be several months. As some of these sales are fixed price contracts, rapid increases in steel costs likely will result in lower operating income in these businesses. We believe the rapid increase in steel prices in fiscal 2008 was due to significant increases in global steel production and consumption (especially in rapidly growing economies, such as China and India). The strong global demand for steel led to rapidly rising costs in key steel-making materials (such as coke, iron ore and scrap steel), thereby raising prices to companies that manufacture products from steel. Under such circumstances, steel supplies may become tighter and impact our ability to acquire steel and meet customer requirements on a timely basis. The speed with which steel suppliers impose price increases on us may prevent us from fully recovering these price increases and result in reduced operating margins, particularly in our lighting and traffic and utility businesses.

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***Increases in energy prices will increase our operating costs and likely reduce our profitability.***

We use energy to manufacture and transport our products. Our costs of transportation and heating will increase if energy costs rise, which occurred in 2008 due to additional energy usage caused by severe winter weather conditions and higher oil, gasoline and natural gas prices. Our galvanizing operations are susceptible to fluctuations in natural gas prices because we heat our processing tanks with natural gas. During periods of higher energy costs, we may not be able to recover our increased operating costs through sales price increases without reducing demand for our products. While we hedge a portion of our exposure to higher prices via energy futures contracts, increases in energy prices will increase our operating costs and likely reduce our profitability.

***Current negative economic conditions could adversely affect our results***

The continuing difficulties in global credit markets, softening economies and an apprehension among consumers may negatively impact the markets we serve in all of our operating segments. Additionally, unlike the cyclical downturns discussed below which may impact only one of our markets at a time, the current negative economic conditions may affect most or all of the markets we serve at the same time, reducing demand for our products and adversely affecting our operating results. These economic conditions may also impact the financial condition of one or more of our key suppliers, which could affect our ability to secure raw materials and components to meet our customers' demand for our products.

***The ultimate consumers of our products operate in cyclical industries that have been subject to significant downturns which have adversely impacted our sales in the past and may again in the future.***

Our sales are sensitive to the market conditions present in the industries in which the ultimate consumers of our products operate, which in some cases have been highly cyclical and subject to substantial downturns. For example, a significant portion of our sales of support structures is to the electric utility industry. Our sales to the U.S. electric utility industry were nearly $400 million in 2010. Purchases of our products are deferrable to the extent that utilities may reduce capital expenditures for reasons such as unfavorable regulatory environments, a slow U.S. economy or financing constraints. In the event of weakness in the demand for utility structures due to reduced or delayed spending for electrical generation and transmission projects, our sales and operating income likely will decrease.

The end users of our mechanized irrigation equipment are farmers and, as a result, sales of those products are affected by economic changes within the agriculture industry, particularly the level of farm income. In 2009, lower levels of farm income resulted in reduced demand for our mechanized irrigation and tubing products. Farm income decreases when commodity prices, acreage planted, crop yields, government subsidies and export levels decrease. In addition, weather conditions, such as extreme drought may result in reduced availability of water for irrigation, and can affect farmers' buying decisions. Farm income can also decrease as farmers' operating costs increase. In 2008, rapid increases in oil and natural gas prices resulted in higher costs of energy and nitrogen-based fertilizer (which uses natural gas as a major ingredient). Furthermore, uncertainty as to future government agricultural policies may cause indecision on the part of farmers. The status and trend of government farm supports, financing aids and policies regarding the ability to use water for agricultural irrigation can affect the demand for our irrigation equipment. In the United States, certain parts of the country are considering policies that would restrict usage of water for irrigation. All of these factors may cause farmers to delay capital expenditures for farm equipment. Consequently, downturns in the agricultural industry will likely result in a slower, and possibly a negative, rate of growth in irrigation equipment and tubing sales.

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We have also experienced cyclical demand for those of our products that we sell to the wireless communications industry. Sales of wireless structures to wireless carriers and build-to-suit companies that serve the wireless communications industry have historically been cyclical. These customers may elect to curtail spending on new structures to focus on cash flow and capital management. Weak market conditions have led to competitive pricing in recent years, putting pressure on our profit margins on sales to this industry. Changes in the competitive structure of the wireless industry, due to industry consolidation or reorganization, may interrupt capital plans of the wireless carriers as they assess their networks. We believe this factor resulted in reduced demand for wireless communication structures in China in 2008.

As a result of this underlying cyclicality, we have experienced, and in the future we may experience, significant fluctuations in our sales and operating income with respect to a substantial portion of our total product offering, and such fluctuations could be material and adverse to our overall financial condition, results of operations and liquidity.

***Demand for our infrastructure products and coating services is highly dependent upon the overall level of infrastructure spending.***

We manufacture and distribute engineered infrastructure products for lighting and traffic, utility and other specialty applications. Our Coatings segments serve many construction-related industries. Because these products are used primarily in infrastructure construction, sales in these businesses are highly correlated with the level of construction activity, which historically has been cyclical. Construction activity by our private and government customers is impacted by and can decline because of, among other things:

- weakness in the general economy, which reduces funds available for construction;
- interest rate increases, which increase the cost of construction financing; and
- adverse weather conditions which slow construction activity.

The current economic slowness in the United States and Europe will have some negative effect on our business. In our North American lighting product line, some of our lighting structure sales are for new residential and commercial areas. As residential and commercial construction weakens, we have experienced some negative impact on our light pole sales to these markets. In a broader sense, in event of an overall downturn in the economies in Europe or China, we may experience decreased demand if our customers have difficulty securing credit for their purchases from us.

In addition, sales in our Engineered Infrastructure Products segment, particularly our lighting and traffic products, are highly dependent upon federal, state, local and foreign government spending on infrastructure development projects, such as the U.S. federal highway program. The level of spending on such projects may decline for a number of reasons beyond our control, including, among other things, budgetary constraints affecting government spending generally or transportation agencies in particular, decreases in tax revenues and changes in the political climate, including legislative delays, with respect to infrastructure appropriations. The lack of long-term U.S. federal highway spending legislation has had a negative impact on our sales in this market. A substantial reduction in the level of government appropriations for infrastructure projects could have a material adverse effect on our results of operations or liquidity.

***We may lose some of our foreign investment or our foreign sales and profits may be reduced because of risks of doing business in foreign markets.***

We are an international manufacturing company with operations around the world. At December 25, 2010, we operated over 80 manufacturing plants, located on six continents, and sold our products in more than 100 countries. In 2010, over 40% of our total sales were either sold in markets

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or produced by our manufacturing plants outside of North America. We have operations in geographic markets that have recently experienced political instability, such as the Middle East, and economic uncertainty, such as Argentina. We also have a significant manufacturing presence in Australia, Europe and China. We expect that international sales will continue to account for a significant percentage of our net sales into the foreseeable future. Accordingly, our foreign business operations and our foreign sales and profits are subject to the following potential risks:

- political and economic instability where we have foreign business operations, resulting in the reduction of the value of, or the loss of, our investment;
- recessions in economies of countries in which we have business operations, decreasing our international sales;
- difficulties and costs of staffing and managing our foreign operations, increasing our foreign operating costs and decreasing profits;
- difficulties in enforcing our rights outside the United States for patents on our manufacturing machinery, poles and irrigation designs;
- increases in tariffs, export controls, taxes and other trade barriers reducing our international sales and our profit on these sales; and
- acts of war or terrorism.

As a result, we may lose some of our foreign investment or our foreign sales and profits may be materially reduced because of risks of doing business in foreign markets.

***We are subject to currency fluctuations from our international sales, which can negatively impact our reported earnings.***

We sell our products in many countries around the world. Over 40% of our fiscal 2010 sales were generated by export demand or foreign markets and are often made in foreign currencies, mainly the Australian dollar, euro, Brazilian real, Canadian dollar, Chinese renminbi and South African rand. Because our financial statements are denominated in U.S. dollars, fluctuations in currency exchange rates between the U.S. dollar and other currencies have had and will continue to have an impact on our reported earnings. If the U.S. dollar weakens or strengthens versus the foreign currencies mentioned above, the result will be an increase or decrease in our reported sales and earnings, respectively. Currency fluctuations have affected our financial performance in the past and may affect our financial performance in any given period.

We also face risks arising from the imposition of foreign exchange controls and currency devaluations. Exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation. Actions of this nature could have a material adverse effect on our results of operations and financial condition in any given period.

***We face strong competition in our markets.***

We face competitive pressures from a variety of companies in each of the markets we serve. Our competitors include companies who provide the technologies that we provide as well as companies who provide competing technologies, such as drip irrigation. Our competitors include international, national, and local manufacturers, some of whom may have greater financial, manufacturing, marketing and technical resources than we do, or greater penetration in or familiarity with a particular geographic market than we have. In addition, certain of our competitors, particularly with respect to our utility and wireless communication product lines, have sought bankruptcy protection in recent years, and may

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emerge with reduced debt service obligations, which could allow them to operate at pricing levels that put pressures on our margins. Some of our customers have moved manufacturing operations or product sourcing overseas, which can negatively impact our sales of galvanizing and anodizing services. To remain competitive, we will need to invest continuously in manufacturing, product development and customer service, and we may need to reduce our prices, particularly with respect to customers in industries that are experiencing downturns. We cannot provide assurance that we will be able to maintain our competitive position in each of the markets that we serve.

***We could incur substantial costs as the result of violations of, or liabilities under, environmental laws.***

Our facilities and operations are subject to U.S. and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contamination. Failure to comply with these laws and regulations, or with the permits required for our operations, could result in fines or civil or criminal sanctions, third party claims for property damage or personal injury, and investigation and cleanup costs. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future.

Certain of our facilities have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Contaminants have been detected at some of our present and former sites, principally in connection with historical operations. In addition, from time to time we have been named as a potentially responsible party under Superfund or similar state laws. While we are not aware of any contaminated sites, including third-party sites, at which we may have material obligations, the discovery of additional contaminants or the imposition of additional cleanup obligations at these sites could result in significant liability.

***We may not realize the improved operating results that we anticipate from acquisitions we may make in the future, and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses.***

We explore opportunities to acquire businesses that we believe are related to our core competencies from time to time, some of which may be material to us. We expect such acquisitions will produce operating results better than those historically experienced or presently expected to be experienced in the future by us in the absence of the acquisition. We cannot provide assurance that this assumption will prove correct with respect to any acquisition.

The Delta acquisition is our largest acquisition to date. This acquisition presents significant challenges for our management due to the time and resources required to properly integrate management, employees, information systems, accounting controls, personnel and administrative functions of the acquired business with those of Valmont and to manage the combined company on a going forward basis. We may not be able to completely integrate and streamline overlapping functions or, if such activities are successfully accomplished, such integration may be more costly to accomplish than presently contemplated. We may also have difficulty in successfully integrating the product offerings of Valmont and acquired businesses to improve our collective product offering. Our efforts to integrate acquired businesses could be affected by a number of factors beyond our control, including general economic conditions. In addition, the process of integrating acquired businesses could cause the interruption of, or loss of momentum in, the activities of our existing business. The diversion of management's attention and any delays or difficulties encountered in connection with the integration of the Delta businesses could adversely impact our business, results of operations and liquidity, and the benefits we anticipate may never materialize. These factors are relevant to any acquisition we undertake.

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In addition, although we conduct reviews of businesses we acquire, we may be subject to unexpected claims or liabilities, including environmental cleanup costs, as a result of these acquisitions. Such claims or liabilities could be costly to defend or resolve and be material in amount, and thus could materially and adversely affect our business and results of operations and liquidity.

***We have, from time to time, maintained a substantial amount of outstanding indebtedness, which could impair our ability to operate our business and react to changes in our business, remain in compliance with debt covenants and make payments on our debt.***

As of December 25, 2010, we had approximately $477 million of total indebtedness outstanding and our ratio of total interest-bearing debt to shareholders' equity was 52%. We had $255 million of additional borrowing capacity under our revolving credit facility at December 25, 2010. We normally borrow money to make business acquisitions and major capital expenditures. From time to time, our borrowings have been significant. Our level of indebtedness could have important consequences, including:

- our ability to satisfy our obligations under our debt agreements could be affected and any failure to comply with the requirements, including significant financial and other restrictive covenants, of any of our debt agreements could result in an event of default under the agreements governing our indebtedness;
- a substantial portion of our cash flow from operations will be required to make interest and principal payments and will not be available for operations, working capital, capital expenditures, expansion, or general corporate and other purposes, including possible future acquisitions that we believe would be beneficial to our business;
- our ability to obtain additional financing in the future may be impaired;
- we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited; and
- our degree of leverage may make us more vulnerable in the event of a downturn in our business, our industry or the economy in general.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows and business prospects.

The restrictions and covenants in our debt agreements could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business, or the economy in general, or otherwise conduct necessary corporate activities. These covenants may prevent us from taking advantage of business opportunities that arise.

A large share of our consolidated cash balances are outside the United States and most of our interest-bearing debt is carried by U.S. entities. In the event that we would have to repatriate cash from international operations to meet cash needs in the U.S., we are likely to incur significant income tax expenses to repatriate that cash.

A breach of any of these covenants would result in a default under the applicable debt agreement. A default, if not waived, could result in acceleration of the debt outstanding under the agreement and in a default with respect to, and acceleration of, the debt outstanding under our other debt agreements. The accelerated debt would become immediately due and payable. If that should occur, we may not be able to pay all such debt or to borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are favorable to us.

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***We assumed an underfunded pension liability as part of the Delta acquisition and the combined company may be required to increase funding of the plan and/or be subject to restrictions on the use of excess cash.***

Delta is the sponsor of a defined benefit pension plan that, as of December 25, 2010, covered approximately 7,200 members in the United Kingdom, most of whom are inactive and retired former employees. At December 25, 2010, this plan was, for accounting purposes, underfunded by approximately £67.5 million ($104.2 million). Although this underfunded position and the current agreement with the trustees of the pension plan for annual funding until March 31, 2018 of approximately £6.3 million ($9.7 million) in respect of the funding shortfall and approximately £1.0 million ($1.5 million) in respect of administrative expenses were considered in determining the offer price for Delta shares, the underfunded position may adversely affect the combined company as follows:

Laws and regulations normally require a new funding plan to be agreed every three years, with the next few funding plans to be agreed with the plan trustees by June 30, 2013. Changes in actuarial assumptions, including future discount, inflation and interest rates, investment returns and mortality rates, may increase the underfunded position of the pension plan and cause the combined company to increase its funding levels in the pension plan to cover underfunded liabilities.

The pension plan is regulated in the United Kingdom and trustees represent the interests of covered workers. Laws and regulations could create an immediate funding obligation to the pension plan which could be significantly greater than the £67.5 million ($104.2 million) assumed for accounting purposes as of December 25, 2010 and calculated by reference to the cost of buying out liabilities on the insurance market, and could impact the ability to use Delta's existing cash or the combined company's future excess cash to grow the business or finance other obligations. The use of Delta's cash and future cash flows beyond the operation of Delta's business or the satisfaction of Delta's obligations would require negotiations with the trustees and regulators.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

**None.**

## ITEM 2. PROPERTIES.

Our corporate headquarters are located in a leased facility in Omaha, Nebraska, under a lease expiring in 2016. The headquarters of the Company's reportable segments are located in Valley, Nebraska except for the headquarters of the Company's Utility Support Structures segment, which are located in Birmingham, Alabama. We also maintain a management headquarters in Brisbane, Australia. Most of our most significant manufacturing locations are owned or are subject to long-term renewable leases. Our principal manufacturing locations are in Valley, Nebraska, McCook, Nebraska, Tulsa, Oklahoma, Brenham, Texas, Charmeil, France and Shanghai, China. All of these facilities are owned by us. We believe that our manufacturing capabilities and capacities are adequate for us to effectively serve our customers. Our capital spending programs consist of investment for replacement, achieving operational efficiencies and expand capacities where needed. Our principal operating locations by reportable segment are listed below.

Engineered Infrastructure Products segment manufacturing locations North America are in Nebraska, Texas, Indiana, Minnesota, Oregon, Washington and Canada. The largest of these operations are in Valley, Nebraska and Brenham, Texas, Charmeil, France and Shanghai, China, all of which are owned facilities. We have communication components distribution locations in New York, California and Georgia. International locations are in France, the Netherlands, Finland, Estonia, England, Germany Turkey, Poland, Australia, Indonesia, the Philippines, Thailand, Malaysia and China. Access

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systems manufacturing locations are located in Australia, Indonesia, the Philippines, Thailand, Malaysia and China.

Utility Support Structures segment manufacturing locations are in Alabama, Georgia, Florida, California, Texas, Oklahoma, Pennsylvania, Tennessee, Kansas and Mexico. The largest of these operations are in Tulsa, Oklahoma and Mansfield and Bellville, Texas. The Tulsa and Bellville facilities are owned and the Mansfield facility is leased. Principal international manufacturing locations are in China, Turkey and France.

Coatings segment operations are located in Nebraska, Illinois, California, Minnesota, Kansas, Iowa, Indiana, Oregon, Utah, Oklahoma, Virginia, Alabama, Florida and South Carolina. International operations are located in Australia and Malaysia.

Irrigation segment manufacturing operations in the United States are located in Valley and McCook, Nebraska. Our principal manufacturing operations serving international markets are located in Uberaba, Brazil, Nigel, South Africa, Jebel Ali, United Arab Emirates and Madrid, Spain. All facilities are owned.

Our other operations are located in Nebraska and Oregon. International operations are located in Australia (forged steel grinding media) and South Africa (electrolytic manganese dioxide).

**ITEM 3. LEGAL PROCEEDINGS.**

We are not a party to, nor are any of our properties subject to, any material legal proceedings. We are, from time to time, engaged in routine litigation incidental to our businesses.

**ITEM 4. [Removed and Reserved]**

**Executive Officers of the Company**

Our executive officers at December 25, 2010, their ages, positions held, and the business experience of each during the past five years are, as follows:

Mogens C. Bay, age 62, Chairman and Chief Executive Officer since January 1997.

Terry J. McClain, age 63, Senior Vice President and Chief Financial Officer since January 1997.

E. Robert Meaney, age 63, Senior Vice President since September 1998.

John G. Graboski, age 55, Vice President Human Resources since August 2007. Director of Human Resources at Praxair Distribution, Inc. from March 1997 to August 2007.

Mark C. Jaksich, age 53, Vice President and Controller since February 2000.

Walter P. Pasko, age 60, Vice President Procurement since May 2002.

Brian Desigio, age 41, Vice President Corporate Development since April 2008. Senior Vice President at Fairmount Food Group from January 2006 to April 2008. Director of Corporate Development at General Mills from January 2004 to December 2005.

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## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the New York Stock Exchange under the symbol "VMI". We had approximately 7,700 shareholders of common stock at December 25, 2010. Other stock information required by this item is included in "Quarterly Financial Data (unaudited)" on page 88 of this report.

**Issuer Purchases of Equity Securities**

| Period | (a) Total Number of Shares Purchased | (b) Average Price paid per share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| September 26, 2010 to October 23, 2010 | 6,692 | $ 78.63 | | |
| October 24, 2010 to November 27, 2010 | 7,202 | $ 80.56 | | |
| November 28, 2010 to December 25, 2010 | 115 | $ 86.49 | | |
| Total | 14,009 | $ 84.62 | | |

During the fourth quarter, the 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.

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## ITEM 6. SELECTED FINANCIAL DATA.

### SELECTED FIVE-YEAR FINANCIAL DATA

| (Dollars in thousands, except per share amounts) | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Operating Data** | | | | | |
| Net sales | $ 1,975,505 | $ 1,786,601 | $ 1,907,278 | $ 1,499,834 | $ 1,281,281 |
| Operating income | 178,413 | 237,994 | 228,591 | 155,626 | 110,085 |
| Net earnings attributable to Valmont Industries, Inc. | 94,379 | 150,562 | 132,397 | 94,713 | 61,544 |
| Depreciation and amortization | 59,663 | 44,748 | 39,597 | 35,176 | 36,541 |
| Capital expenditures | 36,092 | 44,129 | 50,879 | 56,610 | 27,898 |
| **Per Share Data** | | | | | |
| Earnings: | | | | | |
| Basic | $ 3.62 | $ 5.80 | $ 5.13 | $ 3.71 | $ 2.44 |
| Diluted | 3.57 | 5.73 | 5.04 | 3.63 | 2.38 |
| Cash dividends | 0.645 | 0.580 | 0.495 | 0.410 | 0.370 |
| **Financial Position** | | | | | |
| Working capital | $ 747,312 | $ 458,605 | $ 475,215 | $ 350,561 | $ 277,736 |
| Property, plant and equipment, net | 439,609 | 283,088 | 269,320 | 232,684 | 200,610 |
| Total assets | 2,090,743 | 1,302,169 | 1,326,288 | 1,052,613 | 892,310 |
| Long-term debt, including current installments | 468,834 | 160,482 | 338,032 | 223,248 | 221,137 |
| Total Valmont Industries, Inc. shareholders' equity. | 915,892 | 786,261 | 624,131 | 510,613 | 401,281 |
| **Cash flow data:** | | | | | |
| Net cash flows from operation activities | $ 152,220 | $ 349,520 | $ 52,575 | $ 110,249 | $ 59,130 |
| Net cash flows from investing activities | (262,713) | (43,595) | (194,615) | (71,040) | (36,735) |
| Net cash flows from financing activities | 269,685 | (198,400) | 109,291 | (210) | (6,946) |
| **Financial Measures** | | | | | |
| Invested capital(a) | $ 1,752,891 | $ 1,057,483 | $ 1,066,160 | $ 819,092 | $ 706,855 |
| Return on invested capital(a) | 8.1% | 15.2% | 16.0% | 14.0% | 11.1% |
| EBITDA(b) | $ 243,592 | $ 283,964 | $ 260,474 | $ 191,635 | $ 146,029 |
| Return on beginning shareholders' equity(c) | 12.0% | 24.1% | 25.9% | 23.6% | 18.7% |
| Long-term debt as a percent of invested capital(d) | 26.7% | 15.2% | 31.7% | 27.3% | 31.3% |
| **Year End Data** | | | | | |
| Shares outstanding (000) | 26,374 | 26,297 | 26,168 | 25,945 | 25,634 |
| Approximate number of shareholders | 7,700 | 5,400 | 5,800 | 5,800 | 5,600 |
| Number of employees | 9,188 | 6,626 | 7,380 | 6,029 | 5,684 |

(a) Return on Invested Capital is calculated as Operating Income (after-tax) divided by the average of beginning and ending Invested Capital. Invested Capital represents Total Assets minus Accounts Payable, Accrued Expenses and Dividends Payable. Return on Invested Capital is one of our key operating ratios, as it allows investors to analyze our operating performance in light of the amount of investment required to generate our operating profit. Return on Invested Capital is also a measurement used to determine management incentives. Return on Invested Capital is not a measure of financial performance or liquidity under generally accepted accounting principles (GAAP). Accordingly, Invested Capital and Return on Invested Capital should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or

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liquidity. The table below shows how Invested Capital and Return on Invested Capital are calculated from our income statement and balance sheet.

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Operating income | $ 178,413 | $ 237,994 | $ 228,591 | $ 155,626 | $ 110,085 |
| Effective tax rate | 36.0% | 32.2% | 34.2% | 31.4% | 32.0% |
| Tax effect on Operating income | (64,153) | (76,634) | (78,178) | (48,867) | (35,227) |
| After-tax Operating income | 114,260 | 161,360 | 150,413 | 106,759 | 74,858 |
| Average Invested Capital | 1,405,187 | 1,061,822 | 942,626 | 762,974 | 674,124 |
| Return on Invested Capital | 8.1% | 15.2% | 16.0% | 14.0% | 11.1% |
| Total Assets | $ 2,090,743 | $ 1,302,169 | $ 1,326,288 | $ 1,052,613 | $ 892,310 |
| Less: Accounts Payable | (179,814) | (118,210) | (136,868) | (128,599) | (103,319) |
| Less: Accrued Expenses | (153,686) | (122,532) | (119,858) | (102,198) | (79,699) |
| Less: Dividends Payable | (4,352) | (3,944) | (3,402) | (2,724) | (2,437) |
| Total Invested Capital | $ 1,752,891 | $ 1,057,483 | $ 1,066,160 | $ 819,092 | $ 706,855 |
| Beginning of year Invested Capital | 1,057,483 | 1,066,160 | 819,092 | 706,855 | 641,392 |
| Average Invested Capital | $ 1,405,187 | $ 1,061,822 | $ 942,626 | $ 762,974 | $ 674,124 |

Return on invested capital, as presented, may not be comparable to similarly titled measures of other companies.

(b)

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) is one of our key financial ratios in that it is the basis for determining our maximum borrowing capacity at any one time. Our bank credit agreements contain a financial covenant that our total interest-bearing debt not exceed 3.75x EBITDA for the most recent twelve month period. If this covenant is violated, we may incur additional financing costs or be required to pay the debt before its maturity date. EBITDA is not a measure of financial performance or liquidity under GAAP and, accordingly, should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The calculation of EBITDA is as follows:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Net cash flows from operations | $ 152,220 | $ 349,520 | $ 52,575 | $ 110,249 | $ 59,130 |
| Interest expense | 30,947 | 15,760 | 18,267 | 17,726 | 17,124 |
| Income tax expense | 55,008 | 72,894 | 70,213 | 44,020 | 30,820 |
| Deferred income tax (expense) benefit | (5,017) | (7,375) | 4,502 | 1,620 | 11,027 |
| Noncontrolling interest | (6,034) | (3,379) | (3,823) | (2,122) | (1,290) |
| Equity in earnings/(losses) in nonconsolidated subsidiaries | 2,439 | 751 | 914 | 686 | (2,665) |
| Stock-based compensation | (7,154) | (6,586) | (4,736) | (3,913) | (2,598) |
| Pension plan expense | (5,874) | | | | |
| Payment of deferred compensation | 393 | 267 | 1,260 | 9,186 | |
| Changes in assets and liabilities, net of acquisitions | 26,272 | (136,944) | 123,866 | 16,278 | 34,213 |
| Other | 352 | (944) | (2,564) | (2,095) | 268 |
| EBITDA | $ 243,592 | $ 283,964 | $ 260,474 | $ 191,635 | $ 146,029 |

EBITDA, as presented, may not be comparable to similarly titled measures of other companies.

(c)

Return on beginning shareholders' equity is calculated by dividing Net earnings attributable to Valmont Industries, Inc. by the prior year's ending Total Valmont Industries, Inc. shareholders' equity.

(d)

Long-term debt as a percent of invested capital is calculated as the sum of Current portion of long-term debt and Long-term debt divided by Total Invested Capital. This is one of our key financial ratios in that it measures the amount of financial leverage on our balance sheet at any point in time. We also have covenants under our major debt agreements that relate to the amount of debt we carry. If those covenants are violated, we may incur additional financing costs or be required to pay the debt before its maturity date. We have an internal target to maintain this ratio at or below 40%. This ratio may exceed 40% from time to time to take advantage of opportunities to grow and improve our businesses. Long-term debt as a percent of

invested capital is not a measure of financial performance or liquidity under GAAP and, accordingly, should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other

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income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The calculation of this ratio is as follows:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Current portion of long-term debt | $ 238 | $ 231 | $ 904 | $ 22,510 | $ 18,353 |
| Long-term debt | 468,596 | 160,251 | 337,128 | 200,738 | 202,784 |
| Total Long-term debt | 468,834 | 160,482 | $ 338,032 | $ 223,248 | $ 221,137 |
| Total Invested Capital | 1,752,891 | $ 1,057,483 | $ 1,066,160 | $ 819,092 | $ 706,255 |
| Long-term debt as a percent of invested capital | 26.7% | 15.2% | 31.7% | 27.3% | 31.3% |

Long-term debt as a percent of invested capital, as presented, may not be comparable to similarly titled measures of other companies.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

**Forward-Looking Statements**

Management's discussion and analysis, and other sections of this annual report, contain 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.

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial position. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes.

**General**

In the fourth quarter of 2010, we reorganized our segment reporting structure to reflect our management structure as a result of the acquisition of Delta plc. The main business units of Delta are organized as follows in our segment structure:

Engineered Infrastructure Products (previously referred to as Engineered Support Structures) segment includes Delta's lighting, communication, access systems and roadway safety products;

Coatings segment includes Delta's galvanizing operations in the U.S., Australia and Asia;

Delta's forged steel grinding media and electrolytic manganese dioxide operations are included an "Other", and;

Delta's management administration expenses are included in "Net corporate expense".

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As these changes only affect the 2010 financial statements, no reclassification to our 2008 and 2009 presentation was necessary.

| | 2010 | 2009 | Change 2010 - 2009 | 2008 | Change 2009 - 2008 |
|---|---|---|---|---|---|
| | Dollars in millions, except per share amounts | | | | |
| Consolidated | | | | | |
| Net sales | $ 1,975.5 | $ 1,786.6 | 10.6% | $ 1,907.3 | (6.3)% |
| Gross profit | 519.6 | 532.0 | (2.3)% | 510.5 | 4.2% |
| *as a percent of sales* | 26.3% | 29.8% | | 26.8% | |
| SG&A expense | 341.2 | 294.0 | 16.1% | 281.9 | 4.3% |
| *as a percent of sales* | 17.3% | 16.5% | | 14.8% | |
| Operating income | 178.4 | 238.0 | (25.0)% | 228.6 | 4.1% |
| *as a percent of sales* | 9.0% | 13.3% | | 12.0% | |
| Net interest expense | 26.1 | 14.3 | 82.5% | 15.9 | (10.1)% |
| Effective tax rate | 36.0% | 32.2% | | 34.2% | |
| Net earnings | $ 94.4 | $ 150.6 | (37.3)% | $ 132.4 | 13.8% |
| Diluted earnings per share | $ 3.57 | $ 5.73 | (37.7)% | $ 5.04 | 13.7% |
| Engineered Infrastructure Products Segment | | | | | |
| Net sales | $ 669.2 | $ 582.3 | 14.9% | $ 638.3 | (8.8)% |
| Gross profit | 179.5 | 153.8 | 16.7% | 156.5 | (1.7)% |
| SG&A expense | 127.3 | 108.7 | 17.1% | 109.1 | (0.4)% |
| Operating income | 52.2 | 45.1 | 15.7% | 47.4 | (4.9)% |
| Utility Support Structures Segment | | | | | |
| Net sales | 472.7 | 698.2 | (32.3)% | 508.4 | 37.3% |
| Gross profit | 112.2 | 236.0 | (52.5)% | 136.1 | 73.4% |
| SG&A expense | 60.5 | 71.2 | (15.0)% | 62.6 | 13.7% |
| Operating income | 51.7 | 164.8 | (68.6)% | 73.5 | 124.2% |
| Coatings Segment | | | | | |
| Net sales | 208.4 | 90.6 | 130.0% | 112.0 | (19.1)% |
| Gross profit | 67.8 | 38.0 | 78.4% | 45.2 | (15.9)% |
| SG&A expense | 25.2 | 13.3 | 89.5% | 13.4 | (0.1)% |
| Operating income | 42.6 | 24.7 | 72.5% | 31.8 | (22.3)% |
| Irrigation Segment | | | | | |
| Net sales | 443.4 | 362.2 | 22.4% | 562.7 | (35.6)% |
| Gross profit | 118.8 | 84.3 | 40.9% | 143.2 | (41.1)% |
| SG&A expense | 56.8 | 49.2 | 15.4% | 56.0 | (12.1)% |
| Operating income | 62.0 | 35.1 | 76.6% | 87.2 | (59.7)% |
| Other | | | | | |
| Net sales | 181.8 | 53.3 | 241.1% | 86.0 | (38.0)% |
| Gross profit | 43.4 | 20.5 | 111.7% | 30.1 | (31.9)% |
| SG&A expense | 14.9 | 7.5 | 98.7% | 9.1 | (17.6)% |
| Operating income | 28.5 | 13.0 | 119.2% | 21.0 | (38.1)% |
| Net corporate expense | | | | | |
| Gross profit | (2.1) | (0.6) | 250.0% | (0.6) | 0.0 |
| SG&A expense | 56.5 | 44.1 | 28.1% | 31.7 | 39.1% |
| Operating loss | (58.6) | (44.7) | 31.1% | (32.3) | 38.4% |

NM = Not meaningful

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**RESULTS OF OPERATIONS**

**FISCAL 2010 COMPARED WITH FISCAL 2009**

***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. In December 2010, we acquired all of Delta's preference shares for approximately £2.9 million (approximately $4.4 million).

We began consolidating Delta's financial results in our consolidated financial statements on May 12, 2010. Delta's sales included in our consolidated results for the period of May 12, 2010 to December 25, 2010 were $348.0 million. Delta's operating income over the same period was $26.4 million and includes approximately $10.1 million of expenses related to amortization, depreciation and other items related to purchase accounting adjustments. At December 25, 2010, we recast our reportable segments to align with our management reporting structure, as a result of this reorganization, Delta's:

- Galvanizing operations in the U.S., Asia and Australia are reported as part of our Coatings segment;
- Engineered steel products operations for structures and access systems are reported as part of the Engineered Infrastructure Products segment;
- Grinding media and manganese dioxide operations are reported as "Other"; and
- Head office administration expenses (including expenses associated with the Delta Pension Plan) are reported as part of "Net corporate expense".

In fiscal 2010, certain other expenses were incurred in our consolidated statement of operations that were associated with the Delta acquisition. These expenses included:

- SG&A expenses of $15.3 million related to acquisition costs such as investment banking fees, due diligence costs and other expenses directly associated with the acquisition and integration of Delta with Valmont. These costs, under applicable accounting standards, are required to be recorded as expenses as incurred.
- Interest expenses aggregating $5.1 million incurred in fiscal 2010 related to fees and expenses to establish the bridge loan and borrowing costs incurred to finance the acquisition prior to the May 12, 2010 acquisition date.

The after-tax impact of these expenses on our net earnings in fiscal 2010 was approximately $16.4 million.

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***Overview***

On a consolidated basis, the net sales increase in fiscal 2010, as compared with 2009, was mainly due to:

- The acquisition of Delta, which contributed $348.0 million in net sales beginning May 12, 2010;
- Improved sales unit volumes in the Irrigation and Coatings segments; and
- Lower sales unit volumes and lower average selling prices in the Engineered Infrastructure Products ("EIP") and Utility Support Structure ("Utility") segments;

For the company as a whole, without consideration of Delta sales, our fiscal 2010 sales unit volumes were approximately 3% lower as compared with 2009. On a reportable segment basis, the most significant sales unit volume decrease was in the 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 in 2010, as compared with 2009. Sales price decreases in 2010, as compared with 2009, resulted from a combination of weaker sales demand and increased price competition in most of our businesses.

The gross profit margin (gross profit as a percent of sales) in 2010 was lower than 2009. This decrease in gross profit margins were mainly due to lower gross margins in the Utility and EIP segments, where we were impacted by lower sales volumes, a more competitive pricing environment and an unfavorable sales mix. The impact of these factors on gross profit margins was offset to a degree by lower average raw material costs in 2010, as compared with 2009. Rising raw material prices also resulted in $3.0 million in LIFO expense in 2010, as compared with a $18.6 million LIFO benefit in 2009. On a reportable segment basis, we realized higher LIFO expense in the EIP ($9.6 million), Irrigation ($6.9 million) and Utility ($4.0 million) segments in 2010, as compared with 2009.

Selling, general and administrative (SG&A) spending in fiscal 2010, as compared with 2009, increased due to the following factors:

- Expenses associated with the Delta acquisition and integration of approximately $15.3 million. These expenses were related to investment banking fees, due diligence costs and other direct costs associated with the acquisition and the integration of Delta's operations. These expenses are reported as part of "General corporate expense";
- Delta's SG&A expenses from May 12, 2010 to December 25, 2010 of $54.4 million, were included in 2010 consolidated SG&A expenses.

These increases were somewhat offset by lower employee incentive expenses in 2010, as compared with 2009 (approximately $12.5 million), lower sales commissions related to lower net sales in 2010, as compared with 2009 (approximately $3.7 million). 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 $22.5 million in fiscal 2010, as compared with 2009.

On a reportable segment basis, the EIP and Utility segments reported lower operating income and the Irrigation and Coatings segments reported higher operating income in the fiscal 2010, as compared with 2009.

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

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The increase in the effective income tax rate in fiscal 2010, as compared with 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 $152.2 million in 2010, as compared with $349.5 million in 2009. Lower net earnings in 2010, as compared with 2009, and the significant decrease in inventories in 2009 were the main reasons for the lower operating cash flow in 2010.

***Engineered Infrastructure Products (EIP) segment***

The increase in net sales in fiscal 2010, as compared with 2009, was mainly due the acquisition of Delta's engineered access systems, poles and highway safety products (approximately $136.2 million), offset to a degree by to lower sales volumes and lower sales prices in the lighting and communication structures product lines. In the Lighting Traffic and Roadway Safety product line, we experienced lower sales and average unit selling prices in North American and international markets in 2010, as compared with 2009. The decrease in North American sales in 2010, as compared with 2009, was due to weaker customer demand for lighting and traffic poles in the transportation market channel. Sales unit volumes in North America in 2010 were slightly lower as compared with 2009. We believe sales demand in the transportation market was dampened by the lack of a long-term federal highway funding legislation and state budget deficits, as the lack of long-term funding legislation does not give the various states ample visibility to implement long-term initiatives. Furthermore, highway spending sponsored under the federal program requires the various states to provide part of required funding. Many states are in budget deficits, which may constrain their ability to access federal matching funds to implement roadway projects. While commercial lighting market sales in 2010 were slightly higher as compared with 2009, demand remains relatively weak, due to continued softness in the commercial and residential construction markets. In Europe, sales were lower in 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 competitive selling price pressures and 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 fiscal 2010, as compared with 2009, in both North America and China. In North America, general slowness in the wireless communication structures market and lower sign structure sales resulted in lower 2010 sales, as compared with 2009. In China, sales of wireless communication structures likewise were lower in 2010, as compared with 2009. In 2010, annual supply contracts with the various carriers were settled later than in the past and we believe there is some continuing coordination of the wireless networks in China that is impacting network development at this time.

Operating income in the EIP segment was higher in fiscal 2010, as compared with 2009, due the impact of the Delta infrastructure businesses (approximately $17.6 million), offset somewhat by 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 (approximately $12.0 million). While LIFO expense for the segment was higher in fiscal 2010, as compared with 2009, by approximately $9.6 million, this impact was largely offset by lower average material costs incurred in 2010, as compared with 2009. Aside from the impact of the Delta acquisition, SG&A expenses were approximately $5.3 million lower in 2010, as compared with 2009, due to various cost containment actions in the segment this year.

***Utility Support Structures (Utility) segment***

In the Utility segment, the sales decrease in 2010, as compared with 2009, was due to the combination of lower sales unit volumes in the U.S. and lower average unit selling prices. The decrease in unit sales (in tons) in fiscal 2010 in the U.S. was approximately 24%. The record sales performance

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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. We believe that utility companies invested at lower levels due to a combination of some falling electricity consumption in the U.S. during the recession and uncertainty that they would generate an adequate financial return on transmission and substation investments. In international markets, sales improved over 2009, the result of increased project sales into new markets, offset by lower sales volumes in China.

The decrease in operating income in 2010, as compared with 2009, was a result of lower sales volumes, lower average selling prices and an unfavorable sales mix. Operating profit also was negatively impacted by $4.0 million in increased LIFO expense in 2010, as compared with 2009. The decrease in SG&A expenses in 2010, as compared with 2009, primarily resulted from lower employee incentives related to the decrease in operating income this year (approximately $5.9 million) and lower sales commission expense (approximately $4.0 million) due to the decrease in net sales this year.

***Coatings segment***

Net sales in the Coatings segment increased in fiscal 2010, as compared with 2009, resulted mainly from the inclusion of Delta's galvanizing sales in this segment (approximately $106.9 million) and improved sales unit volumes. Galvanizing unit volumes in 2010 were approximately 6% higher in 2010 as compared with in 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 2010, as compared with 2009, was due to the impact of Delta's galvanizing operations (approximately $13.6 million) and improved sales volumes and the associated operating leverage. These effects were offset somewhat by rising zinc costs that were not recovered through sales price increases. Increases in the average cost of zinc in 2010, as compared with 2009, amounted to approximately $3.6 million. These cost increases were largely offset by factory efficiencies and increased sales volume. SG&A expenses for the segment in 2010 were higher as compared with 2009, mainly due to the impact of Delta's galvanizing operations.

***Irrigation segment***

Irrigation segment net sales in 2010 improved, as compared with 2009, due to stronger sales volumes in North America and International markets and currency translation effects on international sales (approximately $7.0 million). In North America, we believe improved demand for irrigation equipment in 2010 over a weak 2009 resulted from improvement in grower sentiment and expected net farm income. In international markets, the sales improvement in 2010 over 2009 was broad-based, as stronger market conditions drove higher sales in most regions.

Operating income for the segment improved in 2010 over 2009, due to improved sales unit volumes in North America, lower raw material prices (net of increased LIFO expense of $6.8 million) and a stronger international sales mix. SG&A expenses increased mainly due to increased employee incentives associated with improved operating income (approximately $5.2 million) and costs associated with business development activities.

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***Other***

This unit mainly includes our tubing and industrial and fasteners operations and the Delta grinding media and manganese dioxide operations. The increase in sales and operating income in 2010, as compared with 2009, primarily was due to the Delta businesses acquired (approximately $110.3 million and $10.5 million, respectively) and improved sales demand for tubing products.

***Net corporate expense***

Net corporate expense increased in 2010, as compared with 2009, as 2010 expenses included:

- expenses associated with the acquisition of Delta (approximately $15.3 million);
- administrative expenses associated with Delta of $12.7 million (including approximately $5.9 million of pension plan expenses).

These expense increases were offset somewhat by lower employee incentive accruals in 2010 of $11.6 million and other decreases in discretionary spending.

**FISCAL 2009 COMPARED WITH FISCAL 2008**

***Overview***

*Net sales*

The decrease in fiscal 2009 net sales, as compared fiscal 2008, was mainly due to lower unit sales volumes in 2009, as compared with 2008. On a consolidated basis, sales unit volumes for fiscal 2009 were approximately 10% less than in 2008. On a reportable segment basis, we realized a significant sales unit volume increase in the Utility Support Structures ("Utility") segment, driven largely by substantial investment by U.S. utility customers to improve their electrical transmission capacity and reliability. The sales unit volume increase in Utility was more than offset by lower unit sales volumes in our other reportable segments. We believe these decreases were mainly due to the global economic recession that began in late 2008 and persisted throughout 2009. This economic weakness, especially in the U.S. and Europe, resulted in lower sales demand in the ESS, Irrigation and Coatings segments. Sales demand in the Irrigation segment was also adversely impacted by lower net farm income in 2009, as compared with 2008. The net sales volume decrease was offset to a degree by the full-year impact of acquisitions completed in 2008 (approximately $56 million).

Average unit selling prices were slightly higher in 2009, as compared with 2008, due to steel cost increases that occurred throughout most of 2008 and reflected in sales shipments in 2009. Throughout 2009, pricing levels generally decreased as compared with late 2008, due to pricing pressures associated with weaker sales demand and lower raw material prices.

*Gross profit margins*

Gross profit margin (gross profit as a percent of sales) increased in fiscal 2009, as compared with 2008, despite generally lower sales volumes. On a consolidated basis, this improvement was largely due to declining raw materials prices (especially steel) throughout 2009. On a segment basis, the Utility segment realized significantly improved gross profit margins due to its significant sales volume increase in 2009, as compared with 2008. In our other reportable segments, aggressive manufacturing cost control helped us maintain gross margins to some degree despite weaker sales demand and lower factory production levels.

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*Selling, general and administrative expenses*

Selling, general and administrative (SG&A) spending in 2009 increased as compared with 2008 due to:

- increased salary and benefit costs (approximately $8.0 million);
- the full-year effect of acquisitions completed in 2008 (approximately $7.7 million), and;
- increased deferred compensation expense related to the improved investment performance in the marketable securities underlying the deferred compensation plan as compared with of 2008 (approximately $6.8 million). We recorded the related investment gains in these securities as "Other" in our condensed consolidated statements of operations for the fiscal year ended December 26, 2009.

These increases were somewhat offset by:

- currency translation effects (approximately $2.6 million);
- lower management incentive accruals in 2009, as compared with 2008 (approximately $3.8 million), and;
- lower sales commissions due to lower sales in 2009, as compared with 2008 (approximately $4.1 million).

The decrease in net interest expense for fiscal year ended December 26, 2009, as compared with 2008, was due to a combination of lower interest rates on our variable rate debt in 2009 and decreased borrowing levels throughout 2009.

"Other" income was higher in the fiscal year ended December 26, 2009, as compared with 2008, due to improved investment performance in the assets in our deferred compensation plan (approximately $6.8 million) and foreign currency transaction gains realized in 2009.

The effective income tax rate in fiscal 2009 was slightly lower than 2008, due to a 2009 reduction in our income tax contingency liabilities and the realization of additional income tax benefits in certain international tax jurisdictions in 2009.

Our cash flows provided by operations were $349.5 million for the fiscal year ended December 26, 2009, as compared with $52.6 million in fiscal 2008. Improved net earnings and working capital management in 2009, as compared with 2008, were the main reasons for the improved operating cash flow in 2009.

***Engineered Infrastructure Products (EIP) segment (formerly known as the Engineered Support Structures segment)***

The decrease in ESS segment sales for the fiscal year ended December 26, 2009, as compared with fiscal 2008, was mainly due to weaker sales demand in worldwide markets. Foreign currency translation effects (approximately $9.0 million) also contributed to the decrease in segment sales. These decreases were offset somewhat by the impact of acquisitions (approximately $48.0 million).

In North America, lighting and traffic structure sales were lower than 2008 levels due to decreased demand for lighting and traffic control support structures. In particular, sales demand for lighting structures for residential and commercial outdoor lighting applications were lower in 2009, as compared with 2008, due to weaker residential and commercial construction activity that resulted from the global economic recession and tightness in credit markets. Net sales in the transportation market channel likewise were lower in 2009 as compared with 2008. In addition to the recession in the U.S. economy, we believe that state budget deficits and uncertainty over the U.S. federal highway funding legislation also contributed to weaker sales order flows and shipments in 2009. We believe that the lack of

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legislative activity on long-term street and highway funding is negatively impacting street and highway project activity, because the amount and nature of any funding is uncertain. We also believe that the impact from the U.S. economic stimulus spending directed towards street and highway construction projects is not substantial, aside from some potential positive impact of financial aid provided to the various states, which could be used to fund street and highway construction projects. In Europe, sales for the fiscal year ended December 26, 2009 were comparable to 2008. The positive impact from the Mitas and Stainton acquisitions in late 2008 largely offset lower sales demand in our core markets due to economic weakness in Europe and currency translation effects.

Sales of Specialty Structures products in fiscal 2009 were lower than 2008. In North America, market conditions for sales of structures and components for the wireless communication market in 2009 were lower than 2008, reflecting less aggressive wireless network enhancement activity by the major wireless carriers. Sales of wireless communication poles in China in 2009 were comparable to 2008. Sales of sign structure products in 2009 were lower than 2008, as this product line is being discontinued. These sales decreases were offset to a degree by the acquisition of Site Pro 1 (Site Pro) in July 2008.

The decrease in operating income in the EIP segment for fiscal 2009 was largely due to the decrease in sales volumes. The lower raw material costs, operational improvements (including employment and capacity reductions) and the impact of acquisitions (approximately $6.7 million) helped mitigate the operating income impact associated with lower sales.

Segment SG&A expense for the fiscal year ended December 26, 2009 was comparable with fiscal 2008, as the impact from acquisitions (approximately $6.0 million) and impairment charges incurred in the third quarter as part of our evaluation of the goodwill and other intangible assets assigned to our North American sign structure operations (approximately $0.7 million) were offset somewhat by currency translation impacts (approximately $1.9 million) and lower sales commissions associated with lower sales volumes (approximately $5.4 million).

***Utility Support Structures (Utility) segment***

In the Utility segment, the sales increase in fiscal 2009, as compared with 2008, was due to strong sales volume increases in steel and concrete high-voltage transmission and substation structures and higher average sales prices. We entered the 2009 fiscal year with a record backlog and the strong 2009 sales performance relates in part to the large backlog from year-end 2008. In the U.S., our customers, who are mainly utility companies, are continuing their investment commitments in transmission and substation structures which began over the past several years to improve the reliability and capacity of the electrical grid in the U.S. Sales demand for pole structures for low voltage electrical distribution applications was weaker in 2009, as compared with 2008. This weakness relates directly to the downturn in residential and commercial construction in the U.S. that started in late 2008 due to the economic recession and credit crisis. In international markets, sales volumes were higher, due mainly to project sales in developing countries. Order rates in the U.S. in 2009 for transmission and substation structures lagged the record order rates in 2008. We believe that utility companies postponed transmission structure spending due to the economic recession in the U.S. As a result, the sales backlog at the end of 2009 is much lower than at December 2008. Sales of utility structures in China in fiscal 2009 were comparable to fiscal 2008.

The improved operating income in fiscal 2009, as compared with 2008, related to the increased sales levels, improved operating leverage associated with higher sales volumes, lower raw material costs and a more favorable sales mix than 2008. The increase in SG&A spending in 2009, as compared with 2008, was principally due to higher salary and employee benefit costs ($1.8 million), higher employee incentives (approximately $1.1 million) associated with improved operating income of this segment and additional costs associated with developing international markets for our utility structures.

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***Coatings segment***

The decrease in Coatings segment sales in the fiscal year ended December 26, 2009 as compared with 2008 was predominantly due to decreased sales volumes from both internal and external customers along with lower selling prices due to lower per pound zinc costs in 2009, as compared with 2008. The sales volumes in our galvanizing operations for the fiscal year ended December 26, 2009 was approximately 14% lower than fiscal 2008. The decrease in sales demand was related to industrial economic conditions in our served markets due to the U.S. economic recession.

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

***Irrigation segment***

The sales decrease in the Irrigation segment for the fiscal year ended December 26, 2009, as compared with the same period in 2008, was mainly due to weaker sales volumes in both domestic and international markets. In 2009, lower farm commodity prices and net farm income in worldwide agricultural markets, as compared with 2008, resulted in decreased demand for mechanized irrigation machines in global markets. In addition, we believe that the global economic recession and an uncertain outlook for world economies caused customers to delay capital investments in irrigation technology in 2009. In international irrigation markets, the sales decrease in 2009, as compared with 2008, was broad-based across most geographic markets. In both North American and international markets, average selling prices were slightly lower than last year, due to price competition in our various markets and lower raw material prices. Currency translation effects also contributed to lower irrigation segment sales for the fiscal year ended December 26, 2009, as compared with 2008 (approximately $6.3 million).

The decrease in operating income for the fiscal year ended December 26, 2009, as compared with fiscal 2008, was due to the effect of lower sales unit volumes and the associated operating deleverage realized as a result of lower sales and production levels. The decrease in SG&A spending in fiscal 2009, as compared with 2008, was due to lower incentive expense accruals related to decreased operating income this year (approximately $6.0 million) and currency translation effects (approximately $0.7 million), offset somewhat by higher salary and employee benefits costs (approximately $1.4 million).

***Other***

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

***Net corporate expense***

The increase in net corporate expense for the fiscal year ended December 26, 2009, as compared with fiscal 2008, were mainly due to

increased deferred compensation liabilities related to higher investment returns on the assets of the deferred compensation plan (approximately $6.8 million), which is recorded in SG&A expenses. The investment gains and losses were recorded in "Miscellaneous" in our condensed consolidated statements of operations for the fiscal years ended December 26, 2009 and December 27, 2008, respectively, and;

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increased employee incentive expense in fiscal 2009, as compared with 2008 (approximately $4.2 million). The increased incentive expense was principally due to improvement in our common stock price in 2009, which resulted in higher recorded expense in our long-term incentive plan.

**LIQUIDITY AND CAPITAL RESOURCES**

***Cash Flows***

*Working Capital and Operating Cash Flows* Net working capital was $747.3 million at December 25, 2010, as compared with $458.6 million at December 26, 2009. The increase in net working capital in 2010 mainly resulted from the Delta acquisition of $300.3 million, offset to a degree by cash on hand used to fund part of the Delta acquisition. Operating cash flow was $152.2 million in fiscal 2010, as compared with $349.5 million 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 2010 was $36.1 million, as compared with $44.1 million in 2009. We expect our capital spending for the 2011 fiscal year to be approximately $60 million. Investing cash flows for fiscal 2010 included $237.8 million related to Delta, net of cash on Delta's balance sheet at May 12, 2010 and an aggregate of approximately $11.3 million associated with increasing our ownership interest in West Coast Engineering, Ltd. from 70% to 80% , acquiring the remaining 30% of our Polish poles manufacturing operation and the additional purchase price paid to the former shareholders of Stainton related to the performance of the operation after its acquisition in November 2008. Investing cash flows in 2010 also included $11.1 million in proceeds from the sale of a discontinued Delta manganese dioxide site.

*Financing Cash Flows* Our total interest-bearing debt increased from $172.4 million at December 26, 2009 to $477.7 million as of December 25, 2010. The increase in borrowings in 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 December 25, 2010, our long-term debt to invested capital ratio was 26.7%, 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 2011.

Our debt financing at December 25, 2010 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling $51.8 million, $46.8 million of which was unused at December 25, 2010. Our long-term debt principally consists of:

$150 million of senior subordinated notes that bear interest at 6.875% per annum and are due in May 2014. These notes are guaranteed by certain of our subsidiaries. We are allowed to

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repurchase all or a portion of the notes at the following redemption prices (stated as a percentage of face value):

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

$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 December 25, 2010, we had $8.0 million in outstanding borrowings under the revolving credit agreement, at an annual interest rate of 1.47%, not including facility fees. These outstanding borrowings were associated with funding requirements related to the Delta acquisition. The revolving credit agreement has a termination date of October 16, 2013 and contains certain financial covenants that may limit our additional borrowing capability under the agreement. At December 25, 2010, we had the ability to borrow an additional $254.6 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 December 25, 2010, we were in compliance with all covenants related to these debt agreements. The key covenant calculations at December 25, 2010 were as follows (including Delta on a pro forma basis, as per our covenants):

| | | |
|---|---|---|
| Interest-bearing debt | $ | 476,979 |
| EBITDA last 12 months | | 264,710 |
| Leverage ratio | | 1.80x |
| EBITDA last 12 months | $ | 264,710 |
| Interest expense last 12 months | | 30,947 |
| Interest earned ratio | | 8.85x |

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The calculation of pro forma EBITDA is as follows:

| | 2010 |
|---|---|
| Net cash flows from operations | $ 152,220 |
| Interest expense | 30,947 |
| Income tax expense | 55,008 |
| Deferred income tax (expense) benefit | (5,017) |
| Noncontrolling interest | (6,034) |
| Equity in earnings/(losses) in nonconsolidated subsidiaries | 2,439 |
| Stock-based compensation | (7,154) |
| Pension plan expense | (5,874) |
| Payment of deferred compensation | 393 |
| Changes in assets and liabilities, net of acquisitions | 26,272 |
| Delta plc EBITDA January 1, 2010 - May 12, 2010 | 21,118 |
| Other | 392 |
| EBITDA | $ 264,710 |

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. A significant portion of our cash balances are outside the United States. We have not made any provision for U.S. income taxes in our financial statements on approximately $388 million of undistributed earnings of our foreign subsidiaries, as we intend to reinvest those earnings. Therefore, if we need to repatriate foreign cash balances to the United States to meet our cash needs, income taxes would be paid to the extent that those cash repatriations were undistributed earnings of our foreign subsidiaries.

**FINANCIAL OBLIGATIONS AND FINANCIAL COMMITMENTS**

We have future financial obligations related to (1) payment of principal and interest on interest-bearing debt, (2) Delta pension plan contributions, (3) operating leases and (4) purchase obligations. These obligations at December 25, 2010 were as follows (in millions of dollars):

| Contractual Obligations | Total | 2011 | 2012 - 2013 | 2014 - 2015 | After 2015 |
|---|---|---|---|---|---|
| Long-term debt | $ 468.8 | $ 0.2 | $ 8.6 | $ 150.5 | $ 309.5 |
| Interest | 226.2 | 30.4 | 60.7 | 45.0 | 90.1 |
| Delta pension plan contributions | 90.1 | 11.3 | 22.5 | 22.5 | 33.8 |
| Operating leases | 127.8 | 24.2 | 32.4 | 22.7 | 48.5 |
| Unconditional purchase commitments | 35.4 | 35.4 | | | |
| Total contractual cash obligations | $ 948.3 | $ 101.5 | $ 124.2 | $ 240.7 | $ 481.9 |

Long-term debt principally consisted of $150.0 million of senior subordinated notes and $300.0 million of senior unsecured notes. At December 25, 2010, we had $8.0 million of outstanding borrowings under our bank revolving credit agreement. We also had various other borrowing arrangements aggregating $10.8 million at December 25, 2010. Obligations under these agreements may accelerate in event of non-compliance with covenants. The Delta pension plan contributions are related to agreed-upon cash funding commitments to the plan with the plan's trustees, which are re-negotiated

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in conjunction with a triennial valuation. 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 2011, and certain capital investments planned for 2011. 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 December 25, 2010, we had approximately $50.0 million of various long-term liabilities related to certain income tax, environmental and other matters. These items are not scheduled above because we are unable to make a reasonably reliable estimate as to the timing of any potential payments.

**OFF BALANCE SHEET ARRANGEMENTS**

We have operating lease obligations to unaffiliated parties on leases of certain production and office facilities and equipment. These leases are in the normal course of business and generally contain no substantial obligations for us at the end of the lease contracts. We also have certain commercial commitments related to contingent events that could create a financial obligation for us. Our commitments at December 25, 2010 were as follows (in millions of dollars):

| | | Commitment Expiration Period | | | |
|---|---|---|---|---|---|
| **Other Commercial Commitments** | **Total Amounts Committed** | **2011** | **2012 - 2013** | **2014 - 2015** | **Thereafter** |
| Standby Letters of Credit | $ 1.0 | $ 1.0 | $ | $ | $ |
| Total commercial commitments | $ 1.0 | $ 1.0 | $ | $ | $ |

The above commitment is a loan guarantee of a non-consolidated subsidiary in Argentina that is accompanied by a guarantee from the majority owner to us. We also maintain standby letters of credit for contract performance on certain sales contracts.

**MARKET RISK**

*Changes in Prices*

Certain key materials we use are commodities traded in worldwide markets and are subject to fluctuations in price. The most significant materials are steel, aluminum, zinc and natural gas. Over the last several years, prices for these commodities have been volatile. The volatility in these prices was due to such factors as fluctuations in supply and demand conditions, government tariffs and the costs of steel-making inputs. We have also experienced volatility in natural gas prices in the past several years. Our main strategies in managing these risks are a combination of fixed price purchase contracts with our vendors to reduce the volatility in our purchase prices and sales price increases where possible. We use natural gas swap contracts on a limited basis to mitigate the impact of rising gas prices on our operating income.

*Risk Management*

Market Risk  The principal market risks affecting us are exposure to interest rates, foreign currency exchange rates and natural gas. We normally do not use derivative financial instruments to hedge these exposures (except as described below), nor do we use derivatives for trading purposes.

Interest Rates  Our interest-bearing debt at December 25, 2010 was mostly fixed rate debt. Our notes payable and a small portion of our long-term debt accrue interest at a variable rate. Assuming average interest rates and borrowings on variable rate debt, a hypothetical 10% change in interest rates would have impacted our would have impacted our interest expense in 2010 and 2009 by approximately

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$0.1 million and $0.1 million, respectively. Likewise, we have excess cash balances on deposit in interest-bearing accounts in financial institutions. An increase or decrease in interest rates of 10% would have impacted our annual interest earnings in 2010 by approximately $0.5 million

Foreign Exchange Exposures to transactions denominated in a currency other than the entity's functional currency are not material, and therefore the potential exchange losses in future earnings, fair value and cash flows from these transactions are not material. From time to time, as market conditions indicate, we will enter into foreign currency contracts to manage the risks associated with forecasted transactions and balance sheet positions that are in currencies other than the functional currencies of our operations. Much of our cash in non-U.S. entities is denominated in foreign currencies, where fluctuations in exchange rates will impact our cash balances in U.S. dollar terms. A hypothetical 10% change in the value of the U.S. dollar would impact our reported cash balance by approximately $31.0 million in 2010 and $8.1 million in 2009.

We manage our investment risk in foreign operations by borrowing in the functional currencies of the foreign entities where appropriate. The following table indicates the change in the recorded value of our most significant investments at year-end assuming a hypothetical 10% change in the value of the U.S. Dollar.

| | 2010 | 2009 |
|---|---|---|
| | (in millions) | |
| Australian dollar | $ 22.0 | $ 1.0 |
| Chinese renminbi | 11.5 | 8.7 |
| Euro | 7.3 | 8.1 |
| U.K. pound | 4.6 | 2.2 |
| Brazilian real | 3.2 | 2.6 |

Commodity risk Natural gas is a significant commodity used in our factories, especially in our Coatings segment galvanizing operations, where natural gas is used to heat tanks that enable the hot-dipped galvanizing process. Natural gas prices are volatile and we mitigate some of this volatility through the use of derivative commodity instruments. Our current policy is to manage this commodity price risk for 0-50% of our U.S. natural gas requirements for the upcoming 6-12 months through the purchase of natural gas swaps based on NYMEX futures prices for delivery in the month being hedged. The objective of this policy is to mitigate the impact on our earnings of sudden, significant increases in the price of natural gas. At December 25, 2010, our open natural gas contracts were not significant.

**CRITICAL ACCOUNTING POLICIES**

The following accounting policies involve judgments and estimates used in preparation of the consolidated financial statements. There is a substantial amount of management judgment used in preparing financial statements. We must make estimates on a number of items, such as provisions for bad debts, warranties, contingencies, impairments of long-lived assets, and inventory obsolescence. We base our estimates on our experience and on other assumptions that we believe are reasonable under the circumstances. Further, we re-evaluate our estimates from time to time and as circumstances change. Actual results may differ under different assumptions or conditions. The selection and application of our critical accounting policies are discussed annually with our audit committee.

*Allowance for Doubtful Accounts*

In determining an allowance for accounts receivable that will not ultimately be collected in full, we consider:

age of the accounts receivable

customer credit history

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customer financial information

reasons for non-payment (product, service or billing issues).

If our customers' financial condition was to deteriorate, resulting in an impaired ability to make payment, additional allowances may be required.

*Warranties*

All of our businesses must meet certain product quality and performance criteria. We rely on historical product claims data to estimate the cost of product warranties at the time revenue is recognized. In determining the accrual for the estimated cost of warranty claims, we consider our experience with:

costs to correct the product problem in the field, including labor costs

costs for replacement parts

other direct costs associated with warranty claims

the number of product units subject to warranty claims

In addition to known claims or warranty issues, we estimate future claims on recent sales. The key assumptions in our estimates are the rates we apply to those recent sales (which is based on historical claims experience) and our expected future warranty costs for products that are covered under warranty for an extended period of time. Our provision for various product warranties was approximately $12.0 million at December 25, 2010. If our estimate changed by 50%, the impact on operating income would be approximately $6.0 million. If our cost to repair a product or the number of products subject to warranty claims is greater than we estimated, then we would have to increase our accrued cost for warranty claims.

*Inventories*

We use the last-in first-out (LIFO) method to determine the value approximately 30% of our inventory. The remaining 70% of our inventory is valued on a first-in first-out (FIFO) basis. In periods of rising costs to produce inventory, the LIFO method will result in lower profits than FIFO, because higher more recent costs are recorded to cost of goods sold than under the FIFO method. Conversely, in periods of falling costs to produce inventory, the LIFO method will result in higher profits than the FIFO method.

In 2008 and 2010, we experienced higher costs to produce inventory than in the prior respective years, due mainly to higher cost for steel and steel-related products. This resulted in higher cost of goods sold (and lower operating income) in 2008 and 2010 of approximately $22.4 million and $3.0 million, respectively, than had our entire inventory been valued on the FIFO method. In 2009, prices decreased and operating income would have decreased by approximately $18.6 million than had our entire inventory been valued on the FIFO method.

We write down slow-moving and obsolete inventory by the difference between the value of the inventory and our estimate of the reduced value based on potential future uses, the likelihood that overstocked inventory will be sold and the expected selling prices of the inventory. If our ability to realize value on slow-moving or obsolete inventory is less favorable than assumed, additional inventory write downs may be required.

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*Depreciation, Amortization and Impairment of Long-Lived Assets*

Our long-lived assets consist primarily of property, plant and equipment, goodwill and intangible assets acquired in business acquisitions. We have assigned useful lives to our property, plant and equipment and certain intangible assets ranging from 3 to 40 years.

We identified eight reporting units for purposes of evaluating goodwill and we annually evaluate our reporting units for goodwill impairment during the third fiscal quarter, which usually coincides with our strategic planning process. With respect to the Delta acquisition, we carried forward the fair value calculations of the acquired reporting units as of the May 12, 2010 acquisition date and did not test them for impairment in the third quarter of 2010, as no impairment indicators were present. We assess the value of our reporting units using after-tax cash flows from operations (less capital expenses) discounted to present value and as a multiple of earnings before interest, taxes, depreciation and amortization (EBITDA). The key assumptions in the discounted cash flow analysis are the discount rate and the annual free cash flow. We also use sensitivity analysis to determine the impact of changes in discount rates and cash flow forecasts on the valuation of the reporting units. As allowed for under current accounting standards, we rely on our previous valuations for the annual impairment testing provided that the following criteria for each reporting unit are met: (1) the assets and liabilities that make up the reporting unit have not changed significantly since the most recent fair value determination and (2) the most recent fair value determination resulted in an amount that exceeded the carrying amount of the reporting unit by a substantial margin.

The valuation of most of our reporting units exceeded their respective carrying values by a substantial margin, except the North American Communication reporting unit, which has goodwill of $6.1 million and an excess of fair value over carrying value of $5.7 million. Accordingly, no further valuation of our reporting units was necessary. If our assumptions on discount rates and future cash flows change as a result of events or circumstances, and we believe these assets may have declined in value, then we may record impairment charges, resulting in lower profits. Our reporting units are all cyclical and their sales and profitability may fluctuate from year to year. In the evaluation of our reporting units, we look at the long-term prospects for the reporting unit and recognize that current performance may not be the best indicator of future prospects or value, which requires management judgment.

Our indefinite-lived intangible assets consist of trade names. We assess the values of these assets apart from goodwill as part of the annual impairment testing. We use the relief-from-royalty method to evaluate our trade names, under which the value of a trade name is determined based on a royalty that could be charged to a third party for using the trade name in question. The royalty, which is based on a reasonable rate applied against forecasted sales, is tax-effected and discounted to present value. The most significant assumptions in this evaluation include estimated future sales, the royalty rate and the after-tax discount rate. For our evaluation purposes, the royalty rates used vary between 0.5% and 1.5% of sales and the after-tax discount rate of 13.1%, which we estimate to be the after-tax cost of capital for such assets. In 2009, impairment charges of $0.7 million were recorded in connection with our decision to discontinue the use of a trade name for sign structures. In the fourth quarter of 2010, we completed our evaluation of the PiRod trade name, by reviewing with management the valuation assumptions and future business plans associated with the trade name and concluded that the value of the trade name ($4.7 million) was not impaired.

*Income Taxes*

We record valuation allowances to reduce our deferred tax assets to amounts that are more likely than not to be realized. We consider future taxable income expectations and tax-planning strategies in assessing the need for the valuation allowance. If we estimate a deferred tax asset is not likely to be fully realized in the future, a valuation allowance to decrease the amount of the deferred tax asset

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would decrease net earnings in the period the determination was made. Likewise, if we subsequently determine that we are able to realize all or part of a net deferred tax asset in the future, an adjustment reducing the valuation allowance would increase net earnings in the period such determination was made. At December 25, 2010, we had approximately $210.8 million in deferred tax assets relating mainly to operating loss and tax credit carryforwards, with a valuation allowance of $208.1 million. In 2010, both the deferred tax assets as well as the valuation allowances increased significantly. This was due to the acquisition of Delta and did not have an impact on our income tax expense. At December 25, 2010, Delta had $173.2 million of deferred tax assets relating mainly to operating losses and $31.3 million of deferred tax assets associated with its defined benefit pension liability. Because the realization of these deferred tax assets is not likely at this time, we have established a valuation allowance of $204.5 million. Excluding the valuation allowances related to Delta, Valmont had an increase of 0.5 million in valuation allowances that increased our income tax expense during 2010. In 2009, we reduced our valuation allowances by net $4.1 million, resulting in a decrease in our income tax expense of approximately $1.5 million. This changes occurred because we determined that, based on facts and circumstances, the realization of these deferred tax assets was more likely than not. In 2009, the most significant decrease in our valuation allowances that affected our income tax expense related to the realization of operating loss carryforwards due to the strong performance of our Mexican utility support structures operation. If circumstances related to our deferred tax assets change in the future, we may be required to increase or decrease the valuation allowance on these assets, resulting in an increase or decrease in income tax expense and a reduction or increase in net income.

We have not made any U.S. income tax provision in our financial statements for a certain amount of undistributed earnings of our foreign subsidiaries, as we intend to reinvest those earnings. If circumstances change and we determine that we are not permanently invested, we would need to record an income tax expense on our financial statements for the resulting income tax that would be paid upon repatriation.

We are subject to examination by taxing authorities in the various countries in which we operate. The tax years subject to examination vary by jurisdiction. We regularly consider the likelihood of additional income tax assessments in each of these taxing jurisdictions based on our experiences related to prior audits and our understanding of the facts and circumstances of the related tax issues. We include in current income tax expense any changes to accruals for potential tax deficiencies. If our judgments related to tax deficiencies differ from our actual experience, our income tax expense could increase or decrease in a given fiscal period.

*Pension Benefits*

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

We evaluate our critical assumptions at least annually. Key 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.

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Inflation is based on the estimated change in the consumer price index ("CPI"). In the past, this assumption was normally based on changes in the retail price index ("RPI") and usually is higher than CPI. Recent changes in U.K. pension law allow the use of CPI in the calculation of pension benefits for deferred members and we incorporated this into our pension calculations at December 25, 2010. In the event that we are required to use RPI in our pension calculations, there would be an increase in the pension liability of approximately $18.5 million.

The following tables present the key assumptions used to measure pension expense for 2011 and the estimated impact on 2011 pension expense relative to a change in those assumptions:

| **Assumptions** | **Pension** |
|---|---|
| Discount rate | 5.50% |
| Expected return on plan assets | 5.40% |
| Inflation | 2.80% |

| **Assumptions In Millions of Dollars** | **Increase in Pension Expense** |
|---|---|
| 1.00% decrease in discount rate | $ 0.9 |
| 1.00% decrease in expected return on plan assets | $ 3.5 |
| 1.00% increase in inflation | $ 4.5 |

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The information required is included under the captioned paragraph, "Risk Management" on page 36 of this report.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The following consolidated financial statements of the Company and its subsidiaries are included herein as listed below:

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of
Valmont Industries, Inc.
Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of Valmont Industries, Inc. and subsidiaries (the "Company") as of December 25, 2010 and December 26, 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three fiscal years in the period ended December 25, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Valmont Industries, Inc. and subsidiaries as of December 25, 2010 and December 26, 2009, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 25, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 25, 2010, based on the criteria established in *Internal Control  Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Omaha, Nebraska
February 23, 2011

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**Valmont Industries, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**Three-year period ended December 25, 2010**

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

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Product sales | $ 1,737,940 | $ 1,665,862 | $ 1,771,546 |
| Services sales | 237,565 | 120,739 | 135,732 |
| Net sales | 1,975,505 | 1,786,601 | 1,907,278 |
| Product cost of sales | 1,290,446 | 1,177,427 | 1,314,272 |
| Services cost of sales | 165,485 | 77,160 | 82,522 |
| Total cost of sales | 1,455,931 | 1,254,587 | 1,396,794 |
| Gross profit | 519,574 | 532,014 | 510,484 |
| Selling, general and administrative expenses | 341,161 | 294,020 | 281,893 |
| Operating income | 178,413 | 237,994 | 228,591 |
| Other income (expenses): | | | |
| Interest expense | (30,947) | (15,760) | (18,267) |
| Interest income | 4,840 | 1,510 | 2,323 |
| Other | 676 | 2,340 | (7,128) |
| | (25,431) | (11,910) | (23,072) |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 152,982 | 226,084 | 205,519 |
| Income tax expense (benefit): | | | |
| Current | 49,991 | 65,519 | 74,715 |
| Deferred | 5,017 | 7,375 | (4,502) |
| | 55,008 | 72,894 | 70,213 |
| Earnings before equity in earnings of nonconsolidated subsidiaries | 97,974 | 153,190 | 135,306 |
| Equity in earnings of nonconsolidated subsidiaries | 2,439 | 751 | 914 |
| Net earnings | 100,413 | 153,941 | 136,220 |
| Less: Earnings attributable to noncontrolling interests | (6,034) | (3,379) | (3,823) |
| Net earnings attributable to Valmont Industries, Inc. | $ 94,379 | $ 150,562 | $ 132,397 |
| Earnings per share: | | | |
| Basic | $ 3.62 | $ 5.80 | $ 5.13 |
| Diluted | $ 3.57 | $ 5.73 | $ 5.04 |

| | | | |
|---|---|---|---|
| Cash dividends per share | $ 0.645 | $ 0.580 | $ 0.495 |

See accompanying notes to consolidated financial statements.

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**Valmont Industries, Inc. and Subsidiaries**

**CONSOLIDATED BALANCE SHEETS**

**December 25, 2010 and December 26, 2009**

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

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 346,904 | $ 180,786 |
| Receivables, less allowance for doubtful receivables of $8,406 in 2010 and $5,905 in 2009 | 410,566 | 259,521 |
| Inventories | 280,223 | 210,611 |
| Prepaid expenses | 23,806 | 22,143 |
| Refundable and deferred income taxes | 32,727 | 42,361 |
| Total current assets | 1,094,226 | 715,422 |
| Property, plant and equipment, at cost | 865,287 | 675,446 |
| Less accumulated depreciation and amortization | 425,678 | 392,358 |
| Net property, plant and equipment | 439,609 | 283,088 |
| Goodwill | 314,847 | 178,320 |
| Other intangible assets | 185,535 | 96,378 |
| Other assets | 56,526 | 28,961 |
| Total assets | $ 2,090,743 | $ 1,302,169 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current installments of long-term debt | $ 238 | $ 231 |
| Notes payable to banks | 8,824 | 11,900 |
| Accounts payable | 179,814 | 118,210 |
| Accrued employee compensation and benefits | 75,981 | 66,611 |
| Accrued expenses | 77,705 | 55,921 |
| Dividends payable | 4,352 | 3,944 |
| Total current liabilities | 346,914 | 256,817 |
| Deferred income taxes | 89,922 | 49,281 |
| Long-term debt, excluding current installments | 468,596 | 160,251 |
| Defined benefit pension liability | 104,171 | |
| Deferred compensation | 23,300 | 20,503 |
| Other noncurrent liabilities | 47,713 | 7,010 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock of $1 par value | | |
| Authorized 500,000 shares; none issued | | |
| Common stock of $1 par value | | |
| Authorized 75,000,000 shares; issued 27,900,000 shares | 27,900 | 27,900 |
| Additional paid-in capital | | |
| Retained earnings | 850,269 | 767,398 |

| | | |
|---|---|---|
| Accumulated other comprehensive income (loss) | 63,645 | 16,953 |
| Cost of common shares in treasury 1,525,661 shares in 2010 (1,602,860 shares in 2009) | (25,922) | (25,990) |
| Total Valmont Industries, Inc. shareholders' equity | 915,892 | 786,261 |
| Noncontrolling interest in consolidated subsidiaries | 94,235 | 22,046 |
| Total shareholders' equity | 1,010,127 | 808,307 |
| Total liabilities and shareholders' equity | $ 2,090,743 | $ 1,302,169 |

See accompanying notes to consolidated financial statements.

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**Valmont Industries, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Three-year period ended December 25, 2010**

**(Dollars in thousands)**

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Cash flows from operations: | | | |
| Net earnings | $ 100,413 | $ 153,941 | $ 136,220 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | | |
| Depreciation and amortization | 59,663 | 44,748 | 39,597 |
| Stock-based compensation | 7,154 | 6,586 | 4,736 |
| Pension plan expense | 5,874 | | |
| Loss (gain) on sale of property, plant and equipment | 3,203 | 1,182 | (303) |
| Equity in earnings in nonconsolidated subsidiaries | (2,439) | (751) | (914) |
| Deferred income taxes | 5,017 | 7,375 | (4,502) |
| Other | | (238) | 2,867 |
| Changes in assets and liabilities (net of the effect from acquisitions): | | | |
| Receivables | (51,793) | 74,182 | (59,587) |
| Inventories | 22,321 | 107,245 | (83,408) |
| Prepaid expenses | 4,365 | (7,268) | 3,944 |
| Accounts payable | (872) | (19,718) | 9,989 |
| Accrued expenses | (7,542) | (3,020) | 8,424 |
| Other noncurrent liabilities | (598) | (700) | (1,083) |
| Income taxes payable/refundable | 7,847 | (13,777) | (2,145) |
| Payment of deferred compensation | (393) | (267) | (1,260) |
| Net cash flows from operating activities | 152,220 | 349,520 | 52,575 |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | (36,092) | (44,129) | (50,879) |
| Acquisitions (net of cash acquired of $198,810 in fiscal 2010) | (249,057) | | (146,713) |
| Proceeds from sale of assets | 11,387 | 1,331 | 3,829 |
| Dividends from nonconsolidated subsidiaries | 10,125 | | |
| Other, net | 924 | (797) | (314) |
| Net cash flows from investing activities | (262,713) | (43,595) | (194,077) |
| Cash flows from financing activities: | | | |
| Net borrowings under short-term agreements | (3,075) | (7,652) | 1,712 |
| Proceeds from long-term borrowings | 491,680 | 10,001 | 188,893 |
| Principal payments on long-term obligations | (183,285) | (187,969) | (75,474) |
| Dividends paid | (16,588) | (14,695) | (12,251) |
| Dividends to noncontrolling interest | (13,071) | (956) | (538) |
| Retirement of Delta plc preference shares | (4,467) | | |
| Debt issuance fees | (3,858) | | |
| Proceeds from exercises under stock plans | 4,464 | 4,942 | 7,519 |
| Excess tax benefits from stock option exercises | 2,021 | 2,665 | 7,385 |
| Sale/(purchase) of treasury shares | (876) | (669) | 11 |

| | | | |
|---|---|---|---|
| Purchase of common treasury shares stock plan exercises | (3,260) | (4,067) | (8,504) |
| Net cash flows from financing activities | 269,685 | (198,400) | 108,753 |
| Effect of exchange rate changes on cash and cash equivalents | 6,926 | 4,694 | (5,216) |
| Net change in cash and cash equivalents | 166,118 | 112,219 | (37,965) |
| Cash and cash equivalents beginning of year | 180,786 | 68,567 | 106,532 |
| Cash and cash equivalents end of year | $ 346,904 | $ 180,786 | $ 68,567 |

See accompanying notes to consolidated financial statements.

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**Valmont Industries, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

**Three-year period ended December 25, 2010**

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

| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock | Noncontrolling interest in consolidated subsidiaries | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Balance at December 29, 2007** | 27,900 | | 496,388 | 16,996 | (30,671) | 10,373 | 520,986 |
| Comprehensive income: | | | | | | | |
| Net earnings | | | 132,397 | | | 3,823 | 136,220 |
| Currency translation adjustment | | | | (17,529) | | 3,187 | (14,342) |
| Total comprehensive income | | | | | | | 121,878 |
| Cash dividends ($0.495 per share) | | | (12,929) | | | (538) | (13,467) |
| Sale of 147 treasury shares | | | | | 11 | | 11 |
| Purchase of treasury shares: | | | | | | | |
| Stock plan exercises; 47,779 shares | | | | | (8,504) | | (8,504) |
| Stock options exercised; 296,919 shares issued | | (12,586) | 8,398 | | 11,674 | | 7,486 |
| Tax benefit from exercise of stock options | | 7,385 | | | | | 7,385 |
| Stock option expense | | 2,636 | | | | | 2,636 |
| Stock awards; 11,030 shares issued | | 2,565 | | | | | 2,565 |
| **Balance at December 27, 2008** | 27,900 | | 624,254 | (533) | | | |