

VALMONT INDUSTRIES INC
Form 10-Q
May 05, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 29, 2008

or

- 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
(State or other jurisdiction of
incorporation or organization)

47-0351813
(I.R.S. Employer
Identification No.)

**One Valmont Plaza,
Omaha, Nebraska**
(Address of principal executive offices)

68154-5215
(Zip Code)

(Registrant's telephone number, including area code)

402-963-1000

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

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

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):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

26,064,654

Outstanding shares of common stock as of April 24, 2008

**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(Unaudited)

| | Thirteen Weeks Ended | |
|---|----------------------|-------------------|
| | March 29, 2008 | March 31, 2007 |
| Net Sales | \$ 422,286 | \$ 340,682 |
| Cost of Sales | 306,478 | 251,915 |
| Gross Profit | 115,808 | 88,767 |
| Selling, general and administrative expenses | 65,342 | 55,353 |
| Operating income | 50,466 | 33,414 |
| Other income (expenses): | | |
| Interest expense | (4,474) | (4,285) |
| Interest income | 621 | 630 |
| Miscellaneous | (1,343) | (279) |
| | (5,196) | (3,934) |
| Earnings before income taxes, minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries | 45,270 | 29,480 |
| Income tax expense (benefit): | | |
| Current | 16,661 | 9,052 |
| Deferred | (1,607) | 1,258 |
| | 15,054 | 10,310 |
| Earnings before minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries | 30,216 | 19,170 |
| Minority interest | (443) | (212) |
| Equity in earnings/(losses) of nonconsolidated subsidiaries | (74) | (230) |
| Net earnings | \$ 29,699 | \$ 18,728 |
| Earnings per share Basic | \$ 1.16 | \$ 0.74 |
| Earnings per share Diluted | \$ 1.13 | \$ 0.72 |
| Cash dividends per share | \$ 0.105 | \$ 0.095 |
| Weighted average number of shares of common stock outstanding Basic (000 omitted) | 25,692 | 25,429 |

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| | Thirteen Weeks Ended | |
|---|-----------------------------|--------|
| | | |
| Weighted average number of shares of common stock outstanding | | |
| Diluted (000 omitted) | 26,224 | 25,970 |

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

| | March 29, 2008 | December 29, 2007 |
|--|-------------------|----------------------|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 67,028 | \$ 106,532 |
| Receivables, net | 282,363 | 254,472 |
| Inventories | 239,358 | 219,993 |
| Prepaid expenses | 18,660 | 17,734 |
| Refundable and deferred income taxes | 24,322 | 22,866 |
| | <u> </u> | <u> </u> |
| Total current assets | 631,731 | 621,597 |
| | <u> </u> | <u> </u> |
| Property, plant and equipment, at cost | 609,321 | 582,015 |
| Less accumulated depreciation and amortization | 358,051 | 349,331 |
| | <u> </u> | <u> </u> |
| Net property, plant and equipment | 251,270 | 232,684 |
| | <u> </u> | <u> </u> |
| Goodwill | 162,723 | 116,132 |
| Other intangible assets, net | 85,052 | 58,343 |
| Other assets | 24,426 | 23,857 |
| | <u> </u> | <u> </u> |
| Total assets | \$ 1,155,202 | \$ 1,052,613 |
| | <u> </u> | <u> </u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current installments of long-term debt | \$ 25,954 | \$ 22,510 |
| Notes payable to banks | 17,335 | 15,005 |
| Accounts payable | 142,130 | 128,599 |
| Accrued employee compensation and benefits | 48,322 | 64,241 |
| Accrued expenses | 49,711 | 37,957 |
| Dividends payable | 2,730 | 2,724 |
| | <u> </u> | <u> </u> |
| Total current liabilities | 286,182 | 271,036 |
| | <u> </u> | <u> </u> |
| Deferred income taxes | 39,131 | 35,547 |
| Long-term debt, excluding current installments | 243,751 | 200,738 |
| Other noncurrent liabilities | 24,982 | 24,306 |
| Minority interest in consolidated subsidiaries | 13,924 | 10,373 |
| Shareholders' equity: | | |
| Preferred stock | | |
| Common stock of \$1 par value | 27,900 | 27,900 |
| Retained earnings | 526,221 | 496,388 |
| Accumulated other comprehensive income | 22,853 | 16,996 |
| Treasury stock | (29,742) | (30,671) |
| | <u> </u> | <u> </u> |
| Total shareholders' equity | 547,232 | 510,613 |
| | <u> </u> | <u> </u> |

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| | March 29, 2008 | December 29, 2007 |
|--|---------------------------|------------------------------|
| Total liabilities and shareholders' equity | \$ 1,155,202 | \$ 1,052,613 |

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

| | Thirteen Weeks Ended | |
|---|----------------------|-------------------|
| | March 29, 2008 | March 31, 2007 |
| Cash flows from operations: | | |
| Net earnings | \$ 29,699 | \$ 18,728 |
| Adjustments to reconcile net earnings to net cash flow from operations: | | |
| Depreciation and amortization | 9,521 | 8,530 |
| Stock-based compensation | 1,399 | 892 |
| Loss/(gain) on sales of property, plant and equipment | (215) | 57 |
| Equity in losses of nonconsolidated subsidiaries | 74 | 230 |
| Minority interest | 443 | 212 |
| Deferred income taxes | (1,607) | 1,258 |
| Other | (118) | (22) |
| Changes in assets and liabilities, before acquisitions: | | |
| Receivables | (12,630) | (15,510) |
| Inventories | (9,203) | (15,961) |
| Prepaid expenses | 62 | (6,835) |
| Accounts payable | (909) | 6,791 |
| Accrued expenses | (8,137) | (8,366) |
| Other noncurrent liabilities | (1,642) | 125 |
| Income taxes payable/refundable | 9,171 | 5,308 |
| Net cash flows from operations | 15,908 | (4,563) |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (10,872) | (12,492) |
| Proceeds from sale of assets | 2,043 | 96 |
| Acquisitions, net of cash acquired | (89,376) | |
| Dividends to minority interests | | (692) |
| Other, net | (746) | (851) |
| Net cash flows from investing activities | (98,951) | (13,939) |
| Cash flows from financing activities: | | |
| Net borrowing/(payments) under short-term agreements | (504) | 581 |
| Proceeds from long-term borrowings | 50,830 | 103 |
| Principal payments on long-term obligations | (6,444) | (3,179) |
| Dividends paid | (2,724) | (2,437) |
| Proceeds from exercises under stock plans | 1,580 | 1,443 |
| Excess tax benefits from stock option exercises | 1,029 | 1,076 |
| Purchase of common treasury shares stock plan exercises | (584) | (647) |
| Net cash flows from financing activities | 43,183 | (3,060) |
| Effect of exchange rate changes on cash and cash equivalents | 356 | 367 |
| Net change in cash and cash equivalents | (39,504) | (21,195) |

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| | Thirteen Weeks Ended | |
|---|----------------------|-----------|
| Cash and cash equivalents beginning of year | 106,532 | 63,504 |
| Cash and cash equivalents end of period | \$ 67,028 | \$ 42,309 |

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

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

The Condensed Consolidated Balance Sheet as of March 29, 2008, the Condensed Consolidated Statements of Operations for the thirteen week periods ended March 29, 2008 and March 31, 2007 and the Condensed Consolidated Statements of Cash Flows for the thirteen week periods then ended have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of March 29, 2008 and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2007. The accounting policies and methods of computation followed in these interim financial statements are the same as those followed in the financial statements for the year ended December 29, 2007. The results of operations for the period ended March 29, 2008 are not necessarily indicative of the operating results for the full year.

Inventories

At March 29, 2008, approximately 48.6% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured finished goods. The excess of replacement cost of inventories over the LIFO value was approximately \$42,200 and \$35,800 at March 29, 2008 and December 29, 2007, respectively.

Inventories consisted of the following:

| | March 29, 2008 | December 29, 2007 |
|---------------------------------------|-------------------|----------------------|
| | <u> </u> | <u> </u> |
| Raw materials and purchased parts | \$ 152,838 | \$ 139,557 |
| Work-in-process | 20,288 | 21,481 |
| Finished goods and manufactured goods | 108,435 | 94,747 |
| | <u> </u> | <u> </u> |
| Subtotal | 281,561 | 255,785 |
| LIFO reserve | 42,203 | 35,792 |
| | <u> </u> | <u> </u> |
| Net inventory | \$ 239,358 | \$ 219,993 |
| | <u> </u> | <u> </u> |

Stock Plans

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Compensation Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies (Continued)

stock. At March 29, 2008, 1,088,882 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the market price at the date of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant. Expiration of grants is from six to ten years from the date of grant. The Company recorded \$736 and \$489 of compensation expense (included in selling, general and administrative expenses) in the quarters ended March 29, 2008 and March 31, 2007, respectively, related to stock options. The associated tax benefits recorded were \$283 and \$188, respectively.

Fair Value

On December 30, 2007, the Company adopted SFAS No. 157, Fair Value Measurements ("SFAS 157") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS 157 apply to other accounting pronouncements that require or permit fair value measurements. As defined in SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In February 2008, the FASB issued FASB Staff Position No. 157-2 (FSP 157-2), "Effective Date of FASB Statement 157." FSP 157-2 delayed for one year the applicability of SFAS 157's fair-value measurements to certain nonfinancial assets and liabilities. The Company adopted SFAS 157 in 2008, except as it applies to those nonfinancial assets and liabilities affected by the one-year delay.

SFAS 157 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refers broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Trading Securities: The assets and liabilities recorded for the investments held in the Valmont Deferred Compensation Plan represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Financial Accounting Standard No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, considering the employee's ability to change investment allocation of their

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

1. Summary of Significant Accounting Policies (Continued)

deferred compensation at any time. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

Fair Value Measurement Using:

| | Carrying Value March 29, 2008 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------|--|---|---|--|
| Assets: | | | | |
| Trading Securities | \$ 13,447 | \$ 13,447 | \$ | \$ |
| Liabilities: | | | | |
| Trading Securities | \$ 13,460 | \$ 13,460 | \$ | \$ |

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued Statement 141R ("SFAS No. 141R"), Business Combinations. This Statement amends accounting and reporting standards associated with the business combinations. This Statement requires the acquiring entity to recognize the assets acquired, liabilities assumed and noncontrolling interests in the acquired entity at the date of acquisition at their fair values, including noncontrolling interests. In addition, SFAS No. 141R requires that direct costs associated with an acquisition be expensed as incurred and sets forth various other changes in accounting and reporting related to business combinations. This Statement is effective at the beginning of the Company's 2009 fiscal year on a prospective basis. The Company is currently assessing the effect of this Statement on its consolidated financial statements.

In December 2007, the FASB issued Statement 160 ("SFAS No. 160"), Noncontrolling Interests in Consolidated Financial Statements. This Statement amended the accounting and reporting for noncontrolling interests in a consolidated subsidiary and for the deconsolidation of a subsidiary. Included in this statement is the requirement that noncontrolling interests be reported in the equity section of the balance sheet. This Statement is effective at the beginning of the Company's 2009 fiscal year. The Company is currently assessing the effect of this Statement on its consolidated financial statements.

2. Acquisitions

In January 2008, the Company acquired substantially all of the assets of Penn Summit LLC (Penn Summit), a manufacturer of steel utility and wireless communication poles located in Hazelton, Pennsylvania, for approximately \$57,904, including transaction costs. In addition, \$96 of interest-bearing debt was assumed as part of the acquisition. The Company recorded \$26,964, of goodwill as part of the preliminary purchase price allocation and assigned the goodwill to the Utility Support Structures segment. The Company financed the acquisition with cash balances and approximately \$7.5 million of borrowings through its revolving credit agreement. The Company acquired Penn Summit to expand its geographic presence in the United States for steel utility support structures.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

2. Acquisitions (Continued)

In February 2008, the Company acquired 70% of the outstanding shares of West Coast Engineering Group, Ltd. (West Coast), a Canadian and U.S. manufacturer of steel and aluminum structures for the lighting, transportation and wireless communication industries headquartered in Delta, British Columbia, for \$31.4 million Canadian dollars (\$31,472 U.S. dollars). In addition, \$6,304 of interest-bearing debt was assumed as part of the acquisition. The purchase price was financed through the Company's revolving credit agreement. The Company recorded \$19,438 of goodwill as part of the preliminary purchase price allocation and assigned the goodwill to the Engineered Support Structures segment. The Company acquired West Coast to expand its geographic presence in Canada and the United States for lighting and transportation structures.

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

| | <u>Penn Summit</u> | <u>West Coast</u> |
|-------------------------------|--------------------|-------------------|
| Current Assets | \$ 12,167 | \$ 12,794 |
| Property, plant and equipment | 4,995 | 10,112 |
| Intangible assets | 17,980 | 9,786 |
| Goodwill | 26,964 | 19,438 |
| | <u> </u> | <u> </u> |
| Total assets acquired | \$ 62,106 | \$ 52,130 |
| | <u> </u> | <u> </u> |
| Current liabilities | 4,106 | 7,765 |
| Deferred income taxes | | 3,364 |
| Long-term debt | 96 | 6,304 |
| Minority Interest | | 3,225 |
| | <u> </u> | <u> </u> |
| Total liabilities assumed | 4,202 | 20,658 |
| | <u> </u> | <u> </u> |
| Net assets acquired | \$ 57,904 | \$ 31,472 |
| | <u> </u> | <u> </u> |

The purchase price allocations on the West Coast and Penn Summit acquisitions were not finalized in the first quarter of 2008, as the fair value determinations on the assets acquired was still in process. The Company expects to finalize the purchase price allocations in the second quarter of 2008.

On April 26, 2007, the Company acquired 70% of the outstanding shares of Tehomet Oy (Tehomet), a Finnish manufacturer of lighting poles. Tehomet's operations are included in the Company's condensed consolidated financial statement since the acquisition date.

The Company's proforma results of operations for the thirteen weeks ended March 31, 2007, assuming that the transaction occurred at the beginning of the periods presented are as follows:

| | <u>Thirteen Weeks Ended March 31, 2007</u> |
|----------------------------|--|
| Net sales | \$ 361,481 |
| Net income | 18,581 |
| Earnings per share diluted | \$ 0.72 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Goodwill and Intangible Assets

The Company's annual impairment testing of goodwill and intangible assets was performed during the third quarter of 2007. As a result of that testing, it was determined the goodwill and other intangible assets on the Company's Consolidated Balance Sheet were not impaired.

Amortized Intangible Assets

The components of amortized intangible assets at March 29, 2008 and December 29, 2007 were as follows:

| | As of March 29, 2008 | | |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Weighted Average Life |
| Customer Relationships | \$ 71,854 | \$ 15,056 | 15 years |
| Proprietary Software & Database | 2,609 | 2,192 | 6 years |
| Patents & Proprietary Technology | 2,839 | 765 | 14 years |
| Non-compete Agreements | 1,525 | 340 | 6 years |
| | <u>\$ 78,827</u> | <u>\$ 18,353</u> | |
| | As of December 29, 2007 | | |
| | Gross Carrying Amount | Accumulated Amortization | Weighted Average Life |
| Customer Relationships | \$ 51,459 | \$ 13,819 | 16 years |
| Proprietary Software & Database | 2,609 | 2,158 | 6 years |
| Patents & Proprietary Technology | 2,839 | 715 | 14 years |
| Non-compete Agreements | 1,007 | 285 | 7 years |
| | <u>\$ 57,914</u> | <u>\$ 16,977</u> | |

Amortization expense for intangible assets during the first quarter of 2008 and 2007 was \$1,385 and \$830, respectively. Estimated amortization expense related to amortized intangible assets is as follows:

| | Estimated Amortization Expense |
|------|--------------------------------------|
| 2008 | \$ 5,613 |
| 2009 | 5,582 |
| 2010 | 5,551 |
| 2011 | 5,454 |
| 2012 | 5,414 |

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The useful lives assigned to finite-lived intangible assets included consideration of factors such as the Company's past and expected experience related to customer retention rates, the remaining legal or

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Goodwill and Intangible Assets (Continued)

contractual life of the underlying arrangement that resulted in the recognition of the intangible asset and the Company's expected use of the intangible asset.

Non-amortized intangible assets

Under the provisions of SFAS 142, intangible assets with indefinite lives are not amortized. The carrying values of trade names at March 29, 2008 and December 29, 2007 were as follows:

| | March 29, 2008 | December 29, 2007 | Year Acquired |
|-------------|-------------------|----------------------|------------------|
| PiRod | \$ 4,750 | \$ 4,750 | 2001 |
| Newmark | 11,111 | 11,111 | 2004 |
| Tehomet | 1,590 | 1,373 | 2007 |
| Feralux | 176 | 172 | 2007 |
| Penn Summit | 4,658 | | 2008 |
| West Coast | 2,293 | | 2008 |
| | <u>\$ 24,578</u> | <u>\$ 17,406</u> | |

The PiRod and Newmark trade names were tested for impairment separately from goodwill in the third quarter of 2007. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired as of September 29, 2007.

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

Goodwill

The carrying amount of goodwill as of March 29, 2008 was as follows:

| | Engineered Support Structures Segment | Utility Support Structures Segment | Coatings Segment | Irrigation Segment | Other | Total |
|------------------------------|--|---|---------------------|-----------------------|-----------|-------------------|
| Balance December 29, 2007 | \$ 28,570 | \$ 43,517 | \$ 42,192 | \$ 1,853 | \$ | \$ 116,132 |
| Acquisitions | 19,438 | 26,964 | | | | 46,402 |
| Foreign currency translation | 189 | | | | | 189 |
| Balance March 29, 2008 | <u>\$ 48,197</u> | <u>\$ 70,481</u> | <u>\$ 42,192</u> | <u>\$ 1,853</u> | <u>\$</u> | <u>\$ 162,723</u> |

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In January 2008, the Company acquired substantially all of the net operating assets of a steel utility pole manufacturer in Hazelton, Pennsylvania. This acquisition resulted in a \$26,964 increase to

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

3. Goodwill and Intangible Assets (Continued)

goodwill in the Utility Support Structure segment. In February 2008, the Company acquired 70% of the outstanding shares of a Canadian and U.S. manufacturer of steel and aluminum structures for the lighting, transportation and wireless communication industries headquartered in Delta, British Columbia. This acquisition resulted in a \$19,438 increase to goodwill in the Engineered Support Structures segment.

4. Cash Flows

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

| | March 29, 2008 | March 31, 2007 |
|--------------|---------------------------|---------------------------|
| Interest | \$ 1,805 | \$ 1,991 |
| Income taxes | 9,604 | 2,807 |

5. Earnings Per Share

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

| | Basic EPS | Dilutive Effect of Stock Options | Diluted EPS |
|---|------------------|---|--------------------|
| Thirteen weeks ended March 29, 2008: | | | |
| Net earnings | \$ 29,699 | | \$ 29,699 |
| Shares outstanding | 25,692 | 532 | 26,224 |
| Per share amount | \$ 1.16 | \$ (0.03) | \$ 1.13 |
| Thirteen weeks ended March 31, 2007: | | | |
| Net earnings | \$ 18,728 | | \$ 18,728 |
| Shares outstanding | 25,429 | 541 | 25,970 |
| Per share amount | \$ 0.74 | \$ (0.02) | \$ 0.72 |

At March 29, 2008 and March 31, 2007, there were no outstanding stock options with exercise prices exceeding the market price of common stock. Therefore, there were no shares contingently issuable upon exercise of stock options excluded from the computation of fully diluted earnings per share for the thirteen weeks ended March 29, 2008 and March 31, 2007.

6. Comprehensive Income

Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. Currency translation adjustment is the Company's only component of accumulated other

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

6. Comprehensive Income (Continued)

comprehensive income. The Company's other comprehensive income for the thirteen weeks ended March 29, 2008 and March 31, 2007, respectively, were as follows:

| | Thirteen Weeks Ended | |
|-----------------------------------|----------------------|-------------------|
| | March 29, 2008 | March 31, 2007 |
| Net earnings | \$ 29,699 | \$ 18,728 |
| Currency translation adjustment | 5,857 | 1,690 |
| Total comprehensive income | \$ 35,556 | \$ 20,418 |

7. Business Segments

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

Reportable segments are as follows:

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

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

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

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

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

In 2007, the Company determined that its Tubing business did not meet the quantitative thresholds as a reportable segment. Accordingly, the Tubing business and its financial results are included in "Other". Information related to the Tubing business for the first quarter of 2007 has been reclassified to conform to the first quarter of 2008 presentation.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its business segments based upon operating income and invested capital. The Company does not allocate interest expense, non-operating income and deductions, or income taxes to its business segments.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

| | Thirteen Weeks Ended | |
|--|----------------------|----------------|
| | March 29, 2008 | March 31, 2007 |
| SALES: | | |
| Engineered Support Structures segment: | | |
| Lighting & Traffic | \$ 115,980 | \$ 100,603 |
| Specialty | 25,292 | 20,727 |
| Utility | 8,166 | 3,912 |
| | <u>149,438</u> | <u>125,242</u> |
| Utility Support Structures segment: | | |
| Steel | 79,506 | 59,674 |
| Concrete | 21,664 | 20,807 |
| | <u>101,170</u> | <u>80,481</u> |
| Coatings segment | 35,128 | 33,639 |
| Irrigation segment | 130,778 | 92,917 |
| Other | 25,449 | 31,510 |
| | <u>441,963</u> | <u>363,789</u> |
| Total | 441,963 | 363,789 |
| INTERSEGMENT SALES: | | |
| Engineered Support Structures | 5,987 | 9,352 |
| Utility Support Structures | 681 | 233 |
| Coatings | 7,681 | 7,309 |
| Irrigation | 9 | 18 |
| Other | 5,319 | 6,195 |
| | <u>19,677</u> | <u>23,107</u> |
| Total | 19,677 | 23,107 |
| NET SALES: | | |
| Engineered Support Structures segment | 143,451 | 115,890 |
| Utility Support Structures segment | 100,489 | 80,248 |
| Coatings segment | 27,447 | 26,330 |
| Irrigation segment | 130,769 | 92,899 |
| Other | 20,130 | 25,315 |
| | <u>422,286</u> | <u>340,682</u> |
| Total | \$ 422,286 | \$ 340,682 |
| OPERATING INCOME (LOSS): | | |
| Engineered Support Structures segment | \$ 10,082 | \$ 8,680 |
| Utility Support Structures segment | 14,673 | 9,551 |
| Coatings segment | 6,546 | 5,204 |
| Irrigation segment | 22,395 | 12,245 |
| Other | 4,412 | 4,543 |
| Net corporate expense | (7,642) | (6,809) |
| | <u>46,466</u> | <u>33,413</u> |

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| | Thirteen Weeks Ended | |
|-------|-----------------------------|-----------|
| Total | \$ 50,466 | \$ 33,414 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

8. Guarantor/Non-Guarantor Financial Information

On May 4, 2004, the Company completed a \$150,000,000 offering of 6⁷/₈% Senior Subordinated Notes. The Notes are guaranteed, jointly, severally, fully and unconditionally, on a senior subordinated basis by certain of the Company's current and future direct and indirect domestic subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

Condensed consolidated financial information for the Company ("Parent"), the Guarantor subsidiaries and the Non-Guarantor subsidiaries is as follows:

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Thirteen Weeks Ended March 29, 2008

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|------------|
| Net Sales | \$ 251,707 | \$ 79,739 | \$ 116,414 | \$ (25,574) | \$ 422,286 |
| Cost of Sales | 183,422 | 62,655 | 86,541 | (26,140) | 306,478 |
| Gross Profit | 68,285 | 17,084 | 29,873 | 566 | 115,808 |
| Selling, general and administrative expenses | 35,544 | 11,116 | 18,682 | | 65,342 |
| Operating income | 32,741 | 5,968 | 11,191 | 566 | 50,466 |
| Other income (expenses): | | | | | |
| Interest expense | (3,878) | (6) | (590) | | (4,474) |
| Interest income | 80 | 12 | 529 | | 621 |
| Miscellaneous | (907) | 47 | (483) | | (1,343) |
| | (4,705) | 53 | (544) | | (5,196) |
| Earnings before income taxes, minority interest and equity in equity in earnings/(losses) of nonconsolidated subsidiaries | 28,036 | 6,021 | 10,647 | 566 | 45,270 |
| Income tax expense (benefit): | | | | | |
| Current | 11,816 | 2,126 | 2,719 | | 16,661 |
| Deferred | (1,663) | 62 | (6) | | (1,607) |
| | 10,153 | 2,188 | 2,713 | | 15,054 |
| Earnings before minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries | 17,883 | 3,833 | 7,934 | 566 | 30,216 |
| Minority interest | | | (443) | | (443) |
| | 11,250 | | 6 | (11,330) | (74) |

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| | <u>Parent</u> | <u>Guarantors</u> | <u>Non-Guarantors</u> | <u>Eliminations</u> | <u>Total</u> |
|--|---------------|-------------------|-----------------------|---------------------|--------------|
| Equity in earnings/(losses) of nonconsolidated subsidiaries | | | | | |
| Net Earnings | \$ 29,133 | \$ 3,833 | \$ 7,497 | \$ (10,764) | \$ 29,699 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Thirteen Weeks Ended March 31, 2007

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|------------|
| Net Sales | \$ 219,381 | \$ 55,898 | \$ 91,438 | \$ (26,035) | \$ 340,682 |
| Cost of Sales | 162,869 | 44,796 | 69,930 | (25,680) | 251,915 |
| Gross Profit | 56,512 | 11,102 | 21,508 | (355) | 88,767 |
| Selling, general and administrative expenses | 31,091 | 8,608 | 15,654 | | 55,353 |
| Operating income | 25,421 | 2,494 | 5,854 | (355) | 33,414 |
| Other income (expenses): | | | | | |
| Interest expense | (3,988) | (2) | (466) | 171 | (4,285) |
| Interest income | 166 | 204 | 431 | (171) | 630 |
| Miscellaneous | (12) | 16 | (283) | | (279) |
| | (3,834) | 218 | (318) | | (3,934) |
| Earnings before income taxes, minority interest and equity in equity in earnings/(losses) of nonconsolidated subsidiaries | 21,587 | 2,712 | 5,536 | (355) | 29,480 |
| Income tax expense (benefit): | | | | | |
| Current | 6,699 | 1,134 | 1,219 | | 9,052 |
| Deferred | 1,283 | (213) | 188 | | 1,258 |
| | 7,982 | 921 | 1,407 | | 10,310 |
| Earnings before minority interest and equity in earnings/(losses) of nonconsolidated subsidiaries | 13,605 | 1,791 | 4,129 | (355) | 19,170 |
| Minority interest | | | (212) | | (212) |
| Equity in earnings/(losses) of nonconsolidated subsidiaries | 5,478 | | (88) | (5,620) | (230) |
| Net Earnings | \$ 19,083 | \$ 1,791 | \$ 3,829 | \$ (5,975) | \$ 18,728 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS

March 29, 2008

| | <u>Parent</u> | <u>Guarantors</u> | <u>Non- Guarantors</u> | <u>Eliminations</u> | <u>Total</u> |
|--|-------------------|-------------------|----------------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 24,629 | \$ 821 | \$ 41,578 | \$ | \$ 67,028 |
| Receivables, net | 114,074 | 40,797 | 127,492 | | 282,363 |
| Inventories | 95,282 | 49,290 | 94,786 | | 239,358 |
| Prepaid expenses | 4,166 | 795 | 13,699 | | 18,660 |
| Refundable and deferred income taxes | 15,127 | 3,351 | 5,844 | | 24,322 |
| | <u>253,278</u> | <u>95,054</u> | <u>283,399</u> | | <u>631,731</u> |
| Property, plant and equipment, at cost | 363,974 | 85,507 | 159,840 | | 609,321 |
| Less accumulated depreciation and amortization | 235,543 | 35,796 | 86,712 | | 358,051 |
| | <u>128,431</u> | <u>49,711</u> | <u>73,128</u> | | <u>251,270</u> |
| Goodwill | 20,108 | 104,983 | 37,632 | | 162,723 |
| Other intangible assets | 657 | 62,788 | 21,067 | | 85,052 |
| Investment in subsidiaries and intercompany accounts | 508,187 | 38,224 | (45,512) | (500,899) | |
| Other assets | 18,894 | | 5,532 | | 24,426 |
| | <u>\$ 929,555</u> | <u>\$ 350,760</u> | <u>\$ 375,786</u> | <u>\$ (500,899)</u> | <u>\$ 1,155,202</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current installments of long-term debt | \$ 21,684 | \$ 78 | \$ 4,192 | \$ | \$ 25,954 |
| Notes payable to banks | | | 17,335 | | 17,335 |
| Accounts payable | 63,438 | 13,270 | 65,422 | | 142,130 |
| Accrued employee compensation & benefits | 29,535 | 4,163 | 14,624 | | 48,322 |
| Accrued expenses | 22,892 | 3,444 | 23,375 | | 49,711 |
| Dividends payable | 2,730 | | | | 2,730 |
| | <u>140,279</u> | <u>20,955</u> | <u>124,948</u> | | <u>286,182</u> |
| Deferred income taxes | 10,623 | 20,840 | 7,668 | | 39,131 |
| Long-term debt, excluding current installments | 229,150 | 38 | 14,563 | | 243,751 |
| Other noncurrent liabilities | 21,803 | | 3,179 | | 24,982 |
| Minority interest in consolidated subsidiaries | | | 13,924 | | 13,924 |
| Shareholders' equity: | | | | | |

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| | <u>Parent</u> | <u>Guarantors</u> | <u>Non- Guarantors</u> | <u>Eliminations</u> | <u>Total</u> |
|--|----------------|-------------------|----------------------------|---------------------|------------------|
| Common stock of \$1 par value | 27,900 | 14,248 | 3,493 | (17,741) | 27,900 |
| Additional paid-in capital | | 159,082 | 98,102 | (257,184) | |
| Retained earnings | 529,542 | 112,744 | 109,909 | (225,974) | 526,221 |
| Accumulated other comprehensive income | | 22,853 | | | 22,853 |
| Treasury stock | (29,742) | | | | (29,742) |
| Total shareholders' equity | 527,700 | 308,927 | 211,504 | (500,899) | 547,232 |
| Total liabilities and shareholders' equity | \$ 929,555 | \$ 350,760 | \$ 375,786 | \$ (500,899) | \$ 1,155,202 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS
December 29, 2007

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|------------|------------|----------------|--------------|--------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 58,344 | \$ 464 | \$ 47,724 | \$ | \$ 106,532 |
| Receivables, net | 101,637 | 34,141 | 118,694 | | 254,472 |
| Inventories | 87,887 | 50,248 | 81,858 | | 219,993 |
| Prepaid expenses | 4,636 | 474 | 12,624 | | 17,734 |
| Refundable and deferred income taxes | 13,407 | 3,351 | 6,108 | | 22,866 |
| Total current assets | 265,911 | 88,678 | 267,008 | | 621,597 |
| Property, plant and equipment, at cost | 359,003 | 79,631 | 143,381 | | 582,015 |
| Less accumulated depreciation and amortization | 231,838 | 34,535 | 82,958 | | 349,331 |
| Net property, plant and equipment | 127,165 | 45,096 | 60,423 | | 232,684 |
| Goodwill | 20,108 | 73,375 | 22,649 | | 116,132 |
| Other intangible assets | 670 | 50,533 | 7,140 | | 58,343 |
| Investment in subsidiaries and intercompany accounts | 409,892 | 66,674 | (18,986) | (457,580) | |
| Other assets | 19,137 | | 4,720 | | 23,857 |
| Total assets | \$ 842,883 | \$ 324,356 | \$ 342,954 | \$ (457,580) | \$ 1,052,613 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current installments of long-term debt | \$ 20,183 | \$ 32 | \$ 2,295 | \$ | \$ 22,510 |
| Notes payable to banks | | | 15,005 | | 15,005 |
| Accounts payable | 47,570 | 13,307 | 67,722 | | 128,599 |
| Accrued expenses | 60,066 | 7,991 | 34,141 | | 102,198 |
| Dividends payable | 2,724 | | | | 2,724 |
| Total current liabilities | 130,543 | 21,330 | 119,163 | | 271,036 |
| Deferred income taxes | 10,566 | 20,778 | 4,203 | | 35,547 |
| Long-term debt, excluding current installments | 185,274 | 6 | 15,458 | | 200,738 |
| Other noncurrent liabilities | 20,504 | | 3,802 | | 24,306 |
| Minority interest in consolidated subsidiaries | | | 10,373 | | 10,373 |

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| | <u>Parent</u> | <u>Guarantors</u> | <u>Non-Guarantors</u> | <u>Eliminations</u> | <u>Total</u> |
|---|-------------------|-------------------|-----------------------|---------------------|---------------------|
| Shareholders' equity: | | | | | |
| Common stock of \$1 par value | 27,900 | 14,249 | 3,492 | (17,741) | 27,900 |
| Additional paid-in capital | | 159,082 | 67,055 | (226,137) | |
| Retained earnings | 498,767 | 108,911 | 102,412 | (213,702) | 496,388 |
| Accumulated other comprehensive income | | | 16,996 | | 16,996 |
| Treasury stock | (30,671) | | | | (30,671) |
| Total shareholders' equity | 495,996 | 282,242 | 189,955 | (457,580) | 510,613 |
| Total liabilities and shareholders' equity | \$ 842,883 | \$ 324,356 | \$ 342,954 | \$ (457,580) | \$ 1,052,613 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Thirteen Weeks Ended March 29, 2008

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|-----------|------------|----------------|--------------|-----------|
| Cash flows from operations: | | | | | |
| Net earnings | \$ 29,133 | \$ 3,833 | \$ 7,497 | \$ (10,764) | \$ 29,699 |
| Adjustments to reconcile net earnings to net cash flow from operations: | | | | | |
| Depreciation | 4,295 | 2,591 | 2,635 | | 9,521 |
| Stock-based compensation | 1,399 | | | | 1,399 |
| Loss on sales of property, plant and equipment | 21 | 30 | (266) | | (215) |
| Equity in losses of nonconsolidated subsidiaries | 80 | | (6) | | 74 |
| Minority interest | | | 443 | | 443 |
| Deferred income taxes | (1,663) | 61 | (5) | | (1,607) |
| Other adjustments | | | (118) | | (118) |
| Changes in assets and liabilities: | | | | | |
| Receivables | (12,438) | 961 | (1,153) | | (12,630) |
| Inventories | (7,395) | 5,398 | (7,206) | | (9,203) |
| Prepaid expenses | 470 | (210) | (198) | | 62 |
| Accounts payable | 7,725 | (3,123) | (5,511) | | (909) |
| Accrued expenses | (7,264) | (1,404) | 531 | | (8,137) |
| Other noncurrent liabilities | (1,883) | | 241 | | (1,642) |
| Income taxes payable/refundable | 8,142 | | 1,029 | | 9,171 |
| Net cash flows from operations | 20,622 | 8,137 | (2,087) | (10,764) | 15,908 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (5,446) | (1,176) | (4,250) | | (10,872) |
| Proceeds from sale of property and equipment | 88 | 15 | 1,940 | | 2,043 |
| Acquisitions, net of cash acquired | | (57,904) | (31,472) | | (89,376) |
| Dividends to minority interests | | | | | |
| Other, net | (93,656) | 51,304 | 30,842 | 10,764 | (746) |
| Net cash flows from investing activities | (99,014) | (7,761) | (2,940) | 10,764 | (98,951) |
| Cash flows from financing activities: | | | | | |
| Net repayments under short-term agreements | | | (504) | | (504) |
| Proceeds from long-term borrowings | 50,000 | (11) | 841 | | 50,830 |
| Principal payments on long-term obligations | (4,624) | (8) | (1,812) | | (6,444) |
| Dividends paid | (2,724) | | | | (2,724) |
| Proceeds from exercises under stock plans | 1,580 | | | | 1,580 |
| Excess tax benefits from stock option exercises | 1,029 | | | | 1,029 |
| Purchase of common treasury shares | (584) | | | | (584) |
| Net cash flows from financing activities | 44,677 | (19) | (1,475) | | 43,183 |

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| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|-----------|------------|----------------|--------------|-----------|
| Effect of exchange rate changes on cash and cash equivalents | | | 356 | | 356 |
| Net change in cash and cash equivalents | (33,715) | 357 | (6,146) | | (39,504) |
| Cash and cash equivalents beginning of year | 58,344 | 464 | 47,724 | | 106,532 |
| Cash and cash equivalents end of period | \$ 24,629 | \$ 821 | \$ 41,578 | \$ | \$ 67,028 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Thirteen Weeks Ended March 31, 2007

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|-----------|------------|----------------|--------------|-----------|
| Cash flows from operations: | | | | | |
| Net earnings | \$ 19,083 | \$ 1,791 | \$ 3,829 | \$ (5,975) | \$ 18,728 |
| Adjustments to reconcile net earnings to net cash flow from operations: | | | | | |
| Depreciation | 4,558 | 2,189 | 1,783 | | 8,530 |
| Stock-based compensation | 892 | | | | 892 |
| Loss on sales of property, plant and equipment | 9 | 14 | 34 | | 57 |
| Equity in losses of nonconsolidated subsidiaries | 142 | | 88 | | 230 |
| Minority interest | | | 212 | | 212 |
| Deferred income taxes | 1,284 | (214) | 188 | | 1,258 |
| Other adjustments | | | (22) | | (22) |
| Changes in assets and liabilities: | | | | | |
| Receivables | (18,482) | 2,605 | 360 | 7 | (15,510) |
| Inventories | (4,702) | (7,072) | (4,187) | | (15,961) |
| Prepaid expenses | (211) | (138) | (6,486) | | (6,835) |
| Accounts payable | 9,162 | (1,109) | (1,262) | | 6,791 |
| Accrued expenses | (5,436) | (1,690) | (1,233) | (7) | (8,366) |
| Other noncurrent liabilities | (10) | | 135 | | 125 |
| Income taxes payable/refundable | 5,110 | | 198 | | 5,308 |
| Net cash flows from operations | 11,399 | (3,624) | (6,363) | (5,975) | (4,563) |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (7,863) | (2,010) | (2,619) | | (12,492) |
| Proceeds from sale of property and equipment | 4 | | 92 | | 96 |
| Dividends to minority interests | | | (692) | | (692) |
| Other, net | (15,680) | 3,972 | 4,882 | 5,975 | (851) |
| Net cash flows from investing activities | (23,539) | 1,962 | 1,663 | 5,975 | (13,939) |
| Cash flows from financing activities: | | | | | |
| Net repayments under short-term agreements | | | 581 | | 581 |
| Proceeds from long-term borrowings | | | 103 | | 103 |
| Principal payments on long-term obligations | (3,162) | (7) | (10) | | (3,179) |
| Dividends paid | (2,437) | | | | (2,437) |
| Proceeds from exercises under stock plans | 1,443 | | | | 1,443 |
| Excess tax benefits from stock option exercises | 1,076 | | | | 1,076 |
| Purchase of common treasury shares | (647) | | | | (647) |
| Net cash flows from financing activities | (3,727) | (7) | 674 | | (3,060) |

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| | <u>Parent</u> | <u>Guarantors</u> | <u>Non-Guarantors</u> | <u>Eliminations</u> | <u>Total</u> |
|--|---------------|-------------------|-----------------------|---------------------|--------------|
| Effect of exchange rate changes on cash and cash equivalents | | | 367 | | 367 |
| Net change in cash and cash equivalents | (15,867) | (1,669) | (3,659) | | (21,195) |
| Cash and cash equivalents beginning of year | 25,438 | 2,962 | 35,104 | | 63,504 |
| Cash and cash equivalents end of period | \$ 9,571 | \$ 1,293 | \$ 31,445 | \$ | \$ 42,309 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART 1. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on assumptions that management has made in light of experience in the industries in which the Company operates, as well as management's perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances. These statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond the Company's control) and assumptions. Management believes that these forward-looking statements are based on reasonable assumptions. Many factors could affect the Company's actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. These factors include, among other things, risk factors described from time to time in the Company's reports to the Securities and Exchange Commission, as well as future economic and market circumstances, industry conditions, company performance and financial results, operating efficiencies, availability and price of raw materials, availability and market acceptance of new products, product pricing, domestic and international competitive environments, and actions and policy changes of domestic and foreign governments.

This discussion should be read in conjunction with the financial statements and the notes thereto, and the management's discussion and analysis, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2007. We aggregate our businesses into four reportable segments. See Note 7 to the Condensed Consolidated Financial Statements.

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Dollars in thousands, except per share amounts

| | Thirteen Weeks Ended | | |
|--|----------------------|----------------|--------------------------|
| | March 29, 2008 | March 31, 2007 | % Increase (Decrease) |
| Consolidated | | | |
| Net sales | \$ 422,286 | \$ 340,682 | 24.0% |
| Gross profit | 115,808 | 88,767 | 30.5% |
| <i>as a percent of sales</i> | <i>27.4%</i> | <i>26.1%</i> | |
| SG&A expense | 65,342 | 55,353 | 18.0% |
| <i>as a percent of sales</i> | <i>15.5%</i> | <i>16.2%</i> | |
| Operating income | 50,466 | 33,414 | 51.0% |
| <i>as a percent of sales</i> | <i>12.0%</i> | <i>9.8%</i> | |
| Net interest expense | 3,853 | 3,655 | 5.4% |
| Effective tax rate | 33.3% | 35.0% | |
| Net earnings | 29,699 | 18,728 | 58.6% |
| Earnings per share diluted | \$ 1.13 | \$ 0.72 | 56.9% |
| Engineered Support Structures segment | | | |
| Net sales | \$ 143,451 | \$ 115,890 | 23.8% |
| Gross profit | 37,591 | 31,687 | 18.6% |
| SG&A expense | 27,509 | 23,007 | 19.6% |
| Operating income | 10,082 | 8,680 | 16.2% |
| Utility Support Structures segment | | | |
| Net sales | \$ 100,489 | \$ 80,248 | 25.2% |
| Gross profit | 26,600 | 18,439 | 44.3% |
| SG&A expense | 11,927 | 8,888 | 34.2% |
| Operating income | 14,673 | 9,551 | 53.6% |
| Coatings segment | | | |
| Net sales | \$ 27,447 | \$ 26,330 | 4.2% |
| Gross profit | 9,932 | 7,818 | 27.0% |
| SG&A expense | 3,386 | 2,614 | 29.5% |
| Operating income | 6,546 | 5,204 | 25.8% |
| Irrigation segment | | | |
| Net sales | \$ 130,769 | \$ 92,899 | 40.8% |
| Gross profit | 35,143 | 22,748 | 54.5% |
| SG&A expense | 12,748 | 10,503 | 21.4% |
| Operating income | 22,395 | 12,245 | 82.9% |
| Other | | | |
| Net sales | \$ 20,130 | \$ 25,315 | -20.5% |
| Gross profit | 6,493 | 7,790 | -16.6% |
| SG&A expense | 2,081 | 3,247 | -35.9% |
| Operating income | 4,412 | 4,543 | -2.9% |
| Net Corporate expense | | | |
| Gross profit | \$ 49 | \$ 285 | -82.8% |
| SG&A expense | 7,691 | 7,094 | 8.4% |
| Operating loss | (7,642) | (6,809) | 12.2% |

Overview

The sales increase in the first quarter of fiscal 2008, as compared with 2007, was due to improved sales volumes in all reportable segments, increased selling prices to recover higher raw material costs, the impact of acquisitions completed after the close of the first quarter of 2007 and the effects of currency translation. The most significant sales volume increase occurred in the Irrigation segment, due to strong conditions in the global agricultural economy. We acquired three businesses after the first quarter of 2007, which recorded an aggregate of \$18.5 million in sales in the first quarter of 2008. These acquired businesses were as follows:

Tehomet Oy (Tehomet), a manufacturer of lighting structures located in Finland and Estonia that we acquired in April 2007;

Penn Summit Tubular LLC (Penn Summit), a manufacturer of steel utility and wireless communication structures located in Hazelton, Pennsylvania that we acquired in January 2008, and;

West Coast Engineering Group, Ltd. (West Coast), a manufacturer of steel lighting and wireless communication structures located in Canada and the U.S. that we acquired in February 2008.

Tehomet and West Coast are included in the ESS segment and Penn Summit is in the Utility Support Structures segment. In the first quarter of 2008, we realized approximately \$9.0 million of increased sales related to the financial statement translation of our international operations into U.S. dollars. As foreign currencies such as the Euro and the Brazilian real have strengthened in relation to the U.S. dollar in 2008, as compared with 2007, our sales denominated in those currencies translate to a higher amount of U.S. dollars.

The increase in gross profit margin (gross profit as a percent of sales) in the first quarter of 2008 over the same period in 2007 was due to improved sales volumes and the related operational leverage of fixed manufacturing costs. Gross profit was also positively affected in 2008 by improved sales pricing, foreign currency translation effects (approximately \$2.5 million) and our acquisitions of Tehomet, West Coast and Penn Summit (approximately \$2.7 million).

Selling, general and administrative (SG&A) spending increased mainly as a result of higher salary and benefit costs required to support the increased sales activity (approximately \$2.6 million), increased employee incentives associated with the improvement in operating performance (\$2.0 million), the effect of our acquisitions (approximately \$2.5 million) and foreign currency translation (approximately \$1.5 million). These increases in SG&A expenses were offset to an extent by lower group medical expenses in 2008, as compared with 2007 (approximately \$1.1 million) and decreased deferred compensation expense related to the investment performance in the marketable securities underlying the deferred compensation plan (approximately \$1.0 million). We recorded the investment losses in these securities as "Other Expense" in our condensed consolidated statement of operations for the thirteen weeks ended March 29, 2008.

All reportable segments contributed to the improved operating income in the first quarter of 2008, as compared with 2007. The Irrigation and Utility Support Structures segments achieved the largest increases in operating profit.

The increase in net interest expense in the first quarter of 2008, as compared with the same period of 2007, was due to higher average borrowing levels in 2008, offset somewhat by lower interest rates on our variable rate debt. "Miscellaneous" expense was higher in 2008, as compared with 2007, mainly due to \$1.0 million in investment losses in assets related to our deferred compensation plan. We recorded the related reduction in the deferred compensation liability as a reduction in SG&A expense in 2008. The impact of the investment returns on these assets on our financial statements was not significant in the first quarter of 2007.

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The decrease in the effective income tax rate in the first quarter of 2008, as compared with the same period in 2007, was mainly due to lower overall income tax rates on our foreign earnings. Our cash flows provided by operations was \$15.9 million in the first quarter of 2008, as compared with \$4.6 million used by operations in the first quarter of 2007. Improved net earnings and a smaller increase working capital in 2008, as compared with 2007, were the main reasons for the improved operating cash flow in 2008.

Engineered Support Structures (ESS) segment

The improvement in ESS segment sales in the first quarter of 2008, as compared with 2007, was mainly due to increased sales prices, the West Coast and Tehomet acquisitions (approximately \$8.4 million) and foreign currency translation effects (approximately \$7.0 million). In North America, lighting and traffic structure sales were higher than 2007 levels due to a combination of increased volume and sales price increases. Net sales in the transportation market channel improved in 2008, as compared with 2007, due mainly to increased spending funded through the federal highway program. In the commercial market channel, sales improved through expanded relationships with lighting fixture manufacturers and expansion into new markets, such as lighting structures for decorative applications. These increases in North America were essentially offset by lower special project and intercompany utility sales in 2008, as compared with 2007. In Europe, lighting sales in local currency terms in 2008 were comparable with 2007.

Sales of Specialty Structures products in the first quarter of 2008 increased as compared with the same period in 2007. In North America, market conditions for sales of structures and components for the wireless communication market in 2008 were comparable to 2007, but sales were higher due mainly to improved sales prices. Sales of wireless communication poles in China were stronger in the first quarter of 2008 as compared with 2007, due to continued strong demand from the Chinese wireless carriers as they continue the development of their wireless networks. China's sales also improved due to increased demand for utility structures in the first quarter of 2008, as compared with 2007.

The increase in the operating income of the ESS segment in the first quarter of 2008 as compared with the same period in 2007 was due to improvement in North American operations. In particular, operating income improved due to the combining of certain North American specialty structures facilities in late 2007. The operating income of international operations was comparable with 2007, as we did not completely recover rapidly rising raw material prices in China through higher sales prices, which offset much of the effect of higher sales on operating income. For the segment, the main reasons for the increase in SG&A expense in the first quarter of 2008 as compared with the same period in 2007 were increased salary and employee benefit costs (\$1.0 million), foreign currency translation effects (\$1.3 million) and the West Coast and Tehomet acquisitions (\$1.2 million).

Utility Support Structures segment

In the Utility Support Structures segment, the sales increase in the first quarter of 2008 as compared with the first quarter of 2007 was due to the Penn Summit acquisition (\$10.1 million), improved demand for steel transmission, substation and distribution pole structures and higher average sales prices. The improved operating earnings for this segment as compared with 2007 related to the improved sales levels, improved operating leverage associated with higher sales volumes and a more favorable sales mix than the first quarter of 2007. The increase in SG&A spending was mainly due to the Penn Summit acquisition (\$2.1 million) and higher salary and employee benefit costs (\$0.5 million) to support the higher sales volumes.

Coatings segment

The increase in Coatings segment sales in the first quarter of 2008 as compared with the first quarter of 2007 was predominantly due to increased sales volumes due to stronger demand from both internal and external customers, offset to a degree by slightly lower selling prices due to lower per pound zinc costs in 2008, as compared with 2007. The increase in operating income in the first quarter of 2008, as compared with the first quarter of 2007, resulted from improved factory performance, sales volume increases and lower zinc costs in 2008. The increase in SG&A spending in the first quarter of 2008, as compared with the first quarter of 2007 was related to higher employee incentives associated with improved operating income and increased professional fees related to ongoing business growth initiatives.

Irrigation segment

The sales increase in the Irrigation segment for the first quarter of 2008, as compared with the same period in 2007, was mainly due to higher sales volumes in both domestic and international markets. A very strong global agricultural economy driven by high farm commodity prices resulted in improved demand for irrigation machines and related service parts in all major markets around the world. In North America, average selling prices likewise were higher than last year, in response to increasing raw material prices. On a regional basis, international sales in the first quarter of 2008 were up in all major markets, as compared with the first quarter of 2007 and were further enhanced by increased sales in emerging Asian markets.

Operating income for the first quarter of 2008 increased over the same period in 2007 due to the increase in sales volume, margin expansion through a more favorable pricing environment in 2008 and operating leverage achieved as a result of the higher sales and production levels. The most significant factors related to the increase in SG&A spending in 2008, as compared with 2007, were higher incentive expense accruals related to increased operating income this year (\$1.0 million) and larger salary and employee benefits costs of approximately \$0.7 million.

Other

This mainly includes our tubing, industrial fastener and machine tool operations. The decrease in sales in the first quarter of 2008, as compared with the same period in 2007 mainly related to the sale of the machine tool accessories business in early 2008 and the closure of a small tubing facility in late 2007. The impact of these actions on our operating income was not significant.

Net corporate expense

The increase in net corporate expense in the first quarter of 2008 as compared with the first quarter of 2007 was due to increased employee incentive accruals related to the improvement in net earnings in 2008 (approximately \$1.2 million) and higher professional fees expenses associated with various operational and consulting activities (\$0.6 million). These increases were offset to a degree by reduced deferred compensation liabilities related to investment losses in the assets of the deferred compensation plan of approximately \$1.0 million. The investment losses were recorded in "Other expense" in our condensed consolidated statement of earnings for the thirteen-week period ended March 29, 2008.

Liquidity and Capital Resources

Cash Flows

Working Capital and Operating Cash Flows Net working capital was \$345.5 million at March 29, 2008, as compared with \$350.6 million at December 29, 2007. The ratio of current assets to current

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liabilities was 2.21:1 at March 29, 2008, as compared with 2.29:1 at December 29, 2007. Operating cash flow was \$15.9 million for the thirteen week period ended March 29, 2008, as compared with a net outflow of \$4.6 million for the same period in 2007. The improved operating cash flow in 2008 was the result of higher net earnings and improved working capital management, as compared with 2007.

Investing Cash Flows Capital spending during the thirteen weeks ended March 29, 2008 was \$10.9 million, as compared with \$12.5 million for the same period in 2007. We expect our capital spending for the 2008 fiscal year to be between \$60 million and \$70 million. Investing cash flows in 2008 also reflected the aggregate of \$89.4 million of cash paid for the West Coast and Penn Summit acquisitions that were completed this year.

Financing Cash Flows Our total interest-bearing debt increased from \$238.3 million as of December 29, 2007 to \$287.0 million as of March 29, 2008. The increase in borrowings in the first quarter of 2008 was predominantly associated with the debt that we incurred to fund the Penn Summit and West Coast acquisitions (approximately \$39 million) and approximately \$6.4 million of debt that we assumed as part of the West Coast and Penn Summit acquisitions. We funded the Penn Summit acquisition in part through approximately \$50 million of our cash balances.

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 March 29, 2008, our long-term debt to invested capital ratio was 29.7%, as compared with 27.3% at December 29, 2007. Our long-term debt may exceed 40% invested capital from time to time in order to take advantage of opportunities to grow and improve our businesses, such as the Newmark, Whatley and Sigma acquisitions that were completed in 2004. 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 2008.

Our debt financing at March 29, 2008 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$22.7 million, \$9.6 million of which was unused at March 29, 2008. Our long-term debt principally consists of:

\$150 million of senior subordinated notes that bear interest at 6.875% per annum and are due in May 2014. We are allowed to repurchase the notes starting in May 2009 at specified prepayment premiums. These notes are guaranteed by certain of our U.S. subsidiaries.

\$150 million revolving credit agreement with a group of banks that accrues interest at our option at (a) the higher of the prime lending rate and the Federal Funds rate plus 50 basis points or (b) an interest rate spread over the LIBOR of 62.5 to 137.5 basis points (inclusive of facility fees), depending on our ratio of debt to earnings before taxes, interest, depreciation and amortization (EBITDA). At March 29, 2008, we had outstanding balances under the revolving credit agreement totaling \$61.2 million. The revolving credit agreement has a termination date of May 4, 2009 and contains certain financial covenants that limit our additional borrowing capability under the agreement. At March 29, 2008, we had the ability to borrow an additional \$79.7 million under this facility. The effective interest rate on borrowings outstanding under this agreement at March 29, 2008 was 3.841% per annum.

Term loan with a group of banks that accrues interest at our option at (a) the higher of the prime lending rate and the Federal Funds rate plus 50 basis points or (b) LIBOR plus a spread of 62.5 to 137.5 basis points, depending on our debt to EBITDA ratio and had an outstanding balance of \$32.8 million at March 29, 2008. This loan requires quarterly principal payments through May 2009. The future principal payments due in 2008 and 2009 in millions are \$20.9

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and \$11.9, respectively. The effective interest rate on this loan was 3.875% per annum at March 29, 2008.

Under these debt agreements, we are required to maintain certain coverage ratios and may limit us with respect to certain business activities. At March 29, 2008, we were in compliance with all covenants related to these debt agreements.

Financial Obligations and Financial Commitments

There have been no material changes to our financial obligations and financial commitments as described on page 37 in our Form 10-K for the year ended December 29, 2007.

Off Balance Sheet Arrangements

There have been no changes in our off balance sheet arrangements as described on page 37 in our Form 10-K for the fiscal year ended December 29, 2007.

Critical Accounting Policies

There have been no changes in our critical accounting policies during the quarter ended March 29, 2008. We described these policies on pages 39-42 in our Form 10-K for fiscal year ended December 29, 2007.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There were no material changes in the company's market risk during the quarter ended March 31, 2007. For additional information, refer to the section "Risk Management" on pages 38-39 in our Form 10-K for the fiscal year ended December 30, 2006.

Item 4. Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports the Company files or submits under the Securities Exchange Act of 1934 is (1) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (2) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

In the first quarter of fiscal 2008, the company implemented various process and information system enhancements, principally related to the implementation of enterprise resource planning software and related business improvements in the Elkhart, Indiana operation that are reported as part of the Engineered Supports Structures segment. These process and information systems enhancements resulted in modifications to internal controls over sales, customer service, inventory management and accounts payable processes. There were no other changes in the Company's internal controls over financial reporting during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares Purchased | (b) Average Price paid per share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---------------------------------------|---|--|---|---|
| December 30, 2007 to January 26, 2008 | | | | |
| January 27, 2008 to March 1, 2008 | 6,605 | \$ 80.29 | | |
| March 2, 2008 to March 29, 2008 | 635 | \$ 84.58 | | |
| Total | 7,240 | \$ 80.66 | | |

During the first 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.

Item 4. Submission of Matters to a Vote of Security Holders

Valmont's annual meeting of stockholders was held on April 28, 2008. The stockholders elected two directors to serve three-year terms, approved the Valmont 2008 Stock Plan, approved the Valmont 2008 Executive Incentive Plan and ratified the appointment of Deloitte & Touche LLP to audit the Company's financial statements for fiscal 2008. For the annual meeting there were 25,981,044 shares outstanding and eligible to vote of which 24,793,261 were present at the meeting in person or by proxy. The tabulation for each matter voted upon at the meeting was as follows:

Election of Directors:

| | For | Withheld |
|-----------------|------------|----------|
| Mogens C. Bay | 24,568,978 | 224,283 |
| Walter Scott Jr | 24,561,424 | 231,837 |

Proposal to approve the Valmont 2008 Stock Plan:

| | |
|-----------------|------------|
| For | 20,485,151 |
| Against | 1,579,503 |
| Abstain | 14,434 |
| Broker non-vote | 3,901,956 |

Proposal to approve the Valmont 2008 Executive Incentive Plan:

| | |
|-----------------|------------|
| For | 21,927,171 |
| Against | 133,547 |
| Abstain | 18,370 |
| Broker non-vote | 3,901,956 |

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Proposal to ratify the appointment of Deloitte & Touche LLP as independent auditors for fiscal 2008:

| | |
|-----------------|------------|
| For | 24,406,415 |
| Against | 379,139 |
| Abstain | 7,707 |
| Broker non-vote | 1,187,783 |

Item 6. Exhibits

- (a) Exhibits

| Exhibit No. | Description |
|------------------------|---|
| 31.1 | Section 302 Certificate of Chief Executive Officer |
| 31.2 | Section 302 Certificate of Chief Financial Officer |
| 32.1 | Section 906 Certifications of Chief Executive Officer and Chief Financial Officer |

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[VALMONT INDUSTRIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS \(Dollars in thousands\) \(Unaudited\)](#)

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[CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS For the Thirteen Weeks Ended March 31, 2007](#)

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