

VALMONT INDUSTRIES INC  
Form 10-Q  
April 30, 2012

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

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**Form 10-Q**

(Mark One)

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

**For the quarterly period ended March 31, 2012**

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)

**(402) 963-1000**

(Registrant's telephone number, including area code)

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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by 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  No

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

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

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

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

**26,547,150**

Outstanding shares of common stock as of April 24, 2012

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## PART I. FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in thousands, except per share amounts)

(Unaudited)

|   | Thirteen Weeks Ended |                   |
|---|----------------------|-------------------|
|   | March 31,<br>2012    | March 26,<br>2011 |
| Product sales   | \$ 641,987           | \$ 501,168        |
| Services sales  | 75,363               | 66,781            |
| Net sales   | 717,350              | 567,949           |
| Product cost of sales   | 482,708              | 385,000           |
| Services cost of sales  | 48,328               | 46,456            |
| Total cost of sales   | 531,036              | 431,456           |
| Gross profit  | 186,314              | 136,493           |
| Selling, general and administrative expenses  | 103,496              | 91,192            |
| Operating income  | 82,818               | 45,301            |
| Other income (expenses):  |                      |                   |
| Interest expense  | (7,807)              | (8,271)           |
| Interest income   | 2,078                | 1,787             |
| Other   | 1,577                | 390               |
|   | (4,152)              | (6,094)           |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 78,666               | 39,207            |
| Income tax expense:   |                      |                   |
| Current   | 27,029               | 12,504            |
| Deferred  | 737                  | 784               |
|   | 27,766               | 13,288            |
| Earnings before equity in earnings of nonconsolidated subsidiaries                  | 50,900               | 25,919            |
| Equity in earnings of nonconsolidated subsidiaries                                  | 1,688                | 954               |
| Net earnings  | 52,588               | 26,873            |
| Less: Earnings attributable to noncontrolling interests                             | (263)                | (1,264)           |
| Net earnings attributable to Valmont Industries, Inc.                               | \$ 52,325            | \$ 25,609         |
| Earnings per share:   |                      |                   |
| Basic   | \$ 1.98              | \$ 0.98           |
| Diluted   | \$ 1.96              | \$ 0.97           |

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|   |    |        |    |        |
|---|----|--------|----|--------|
| Cash dividends declared per share   | \$ | 0.180  | \$ | 0.165  |
| Weighted average number of shares of common stock outstanding Basic (000 omitted)   |    | 26,396 |    | 26,271 |
| Weighted average number of shares of common stock outstanding Diluted (000 omitted) |    | 26,678 |    | 26,537 |

See accompanying notes to condensed consolidated financial statements.

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**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Dollars in thousands)

(Unaudited)

|   | Thirteen Weeks Ended |                   |
|---|----------------------|-------------------|
|   | March 31,<br>2012    | March 26,<br>2011 |
| Net earnings  | \$ 52,588            | \$ 26,873         |
| Other comprehensive income, net of tax:                       |                      |                   |
| Foreign currency translation adjustments:                     |                      |                   |
| Unrealized translation gains                                  | 29,562               | 22,071            |
| Actuarial gain in defined benefit pension plan                | 1,871                | 1,411             |
| Amortization of loss on cash flow hedge                       | 100                  |                   |
| Other comprehensive income                                    | 31,533               | 23,482            |
| Comprehensive income  | 84,121               | 50,355            |
| Comprehensive income attributable to noncontrolling interests | (5,014)              | (3,242)           |
| Comprehensive income attributable to Valmont Industries, Inc. | \$ 79,107            | \$ 47,113         |

See accompanying notes to condensed consolidated financial statements.

Table of Contents**VALMONT INDUSTRIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except shares and per share amounts)****(Unaudited)**

|   | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|---|---------------------------|------------------------------|
| <b>ASSETS</b>                                   |                           |                              |
| Current assets:                                 |                           |                              |
| Cash and cash equivalents                       | \$ 339,568                | \$ 362,894                   |
| Receivables, net                                | 450,280                   | 426,683                      |
| Inventories                                     | 440,600                   | 393,782                      |
| Prepaid expenses                                | 27,881                    | 25,765                       |
| Refundable and deferred income taxes            | 42,263                    | 43,819                       |
| <br>Total current assets                        | <br>1,300,592             | <br>1,252,943                |
| <br>Property, plant and equipment, at cost      | <br>945,457               | <br>911,642                  |
| Less accumulated depreciation and amortization  | 476,125                   | 456,765                      |
| <br>Net property, plant and equipment           | <br>469,332               | <br>454,877                  |
| <br>Goodwill                                    | <br>320,617               | <br>314,662                  |
| Other intangible assets                         | 168,259                   | 168,083                      |
| Other assets                                    | 124,169                   | 115,511                      |
| <br>Total assets                                | <br>\$ 2,382,969          | <br>\$ 2,306,076             |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>     |                           |                              |
| Current liabilities:                            |                           |                              |
| Current installments of long-term debt          | \$ 264                    | \$ 235                       |
| Notes payable to banks                          | 12,293                    | 11,403                       |
| Accounts payable                                | 235,743                   | 234,537                      |
| Accrued employee compensation and benefits      | 68,907                    | 83,613                       |
| Accrued expenses                                | 82,479                    | 73,515                       |
| Dividends payable                               | 4,778                     | 4,767                        |
| <br>Total current liabilities                   | <br>404,464               | <br>408,070                  |
| <br>Deferred income taxes                       | <br>86,798                | <br>85,497                   |
| Long-term debt, excluding current installments  | 474,015                   | 474,415                      |
| Defined benefit pension liability               | 60,577                    | 68,024                       |
| Deferred compensation                           | 33,348                    | 30,741                       |
| Other noncurrent liabilities                    | 42,764                    | 41,418                       |
| 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; 27,900,000 issued |                           |                              |
|   | 27,900                    | 27,900                       |
| Retained earnings                               | 1,130,655                 | 1,079,698                    |
| Accumulated other comprehensive income          | 90,834                    | 64,052                       |
| Treasury stock                                  | (23,918)                  | (24,688)                     |

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|  |              |              |
|--|--------------|--------------|
| Total Valmont Industries, Inc. shareholders' equity  | 1,225,471    | 1,146,962    |
| Noncontrolling interest in consolidated subsidiaries | 55,532       | 50,949       |
| Total shareholders' equity                           | 1,281,003    | 1,197,911    |
| Total liabilities and shareholders' equity           | \$ 2,382,969 | \$ 2,306,076 |

See accompanying notes to condensed consolidated financial statements.



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

|  | Thirteen Weeks Ended |                   |
|--|----------------------|-------------------|
|  | March 31,<br>2012    | March 26,<br>2011 |
| Cash flows from operating activities:                                    |                      |                   |
| Net earnings   | \$ 52,588            | \$ 26,873         |
| Adjustments to reconcile net earnings to net cash flows from operations: |                      |                   |
| Depreciation and amortization  | 17,340               | 17,165            |
| Stock-based compensation   | 1,563                | 1,312             |
| Defined benefit pension plan expense                                     | 1,021                | 1,497             |
| Contribution to defined benefit pension plan                             | (10,750)             |                   |
| Loss (gain) on sale of property, plant and equipment                     | (1)                  | 67                |
| Equity in earnings in nonconsolidated subsidiaries                       | (1,688)              | (954)             |
| Deferred income taxes  | 737                  | 784               |
| Changes in assets and liabilities:                                       |                      |                   |
| Receivables  | (22,702)             | (9,850)           |
| Inventories  | (41,032)             | (40,044)          |
| Prepaid expenses   | (1,052)              | (4,746)           |
| Accounts payable   | (5,445)              | 22,952            |
| Accrued expenses   | (7,417)              | (11,451)          |
| Other noncurrent liabilities   | 318                  | (1,490)           |
| Income taxes payable   | 3,648                | 3,572             |
| Net cash flows from operating activities                                 | (12,872)             | 5,687             |
| Cash flows from investing activities:                                    |                      |                   |
| Purchase of property, plant and equipment                                | (20,134)             | (12,609)          |
| Proceeds from sale of assets   | 45                   | 99                |
| Other, net   | 2,673                | 999               |
| Net cash flows from investing activities                                 | (17,416)             | (11,511)          |
| Cash flows from financing activities:                                    |                      |                   |
| Net borrowings under short-term agreements                               | 725                  | 816               |
| Proceeds from long-term borrowings                                       | 3,000                | 23,000            |
| Principal payments on long-term borrowings                               | (3,035)              | (7,040)           |
| Dividends paid   | (4,767)              | (4,358)           |
| Dividends to noncontrolling interest                                     | (431)                |                   |
| Proceeds from exercises under stock plans                                | 8,230                | 15,993            |
| Excess tax benefits from stock option exercises                          | 2,134                | 2,659             |
| Purchase of treasury shares  |                      | (4,802)           |
| Purchase of common treasury shares stock plan exercises                  | (7,747)              | (18,153)          |
| Net cash flows from financing activities                                 | (1,891)              | 8,115             |
| Effect of exchange rate changes on cash and cash equivalents             | 8,853                | 9,076             |
| Net change in cash and cash equivalents                                  | (23,326)             | 11,367            |

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|                           |                   |            |            |
|---------------------------|-------------------|------------|------------|
| Cash and cash equivalents | beginning of year | 362,894    | 346,904    |
| Cash and cash equivalents | end of period     | \$ 339,568 | \$ 358,271 |

See accompanying notes to condensed consolidated financial statements.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

|  | Common<br>stock | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income<br>(loss) | Treasury<br>stock | Noncontrolling<br>interest in<br>consolidated<br>subsidiaries | Total<br>shareholders'<br>equity |
|--|-----------------|----------------------------------|----------------------|---|-------------------|---|----------------------------------|
| <b>Balance at December 25, 2010</b>            | \$ 27,900       | \$                               | \$ 850,269           | \$ 63,645   | \$ (25,922)       | \$ 94,235   | \$ 1,010,127                     |
| Net earnings                                   |                 |                                  | 25,609               |   |                   | 1,264   | 26,873                           |
| Other comprehensive income                     |                 |                                  |                      | 21,504  |                   | 1,978   | 23,482                           |
| Cash dividends declared                        |                 |                                  | (4,358)              |   |                   |   | (4,358)                          |
| Purchase of 53,847 treasury shares             |                 |                                  |                      |   | (4,802)           |   | (4,802)                          |
| Stock plan exercises; 165,735 shares acquired  |                 |                                  |                      |   | (18,153)          |   | (18,153)                         |
| Stock options exercised; 253,133 shares issued |                 | (3,971)                          | (3,124)              |   | 23,088            |   | 15,993                           |
| Tax benefit from stock option exercises        |                 | 2,659                            |                      |   |                   |   | 2,659                            |
| Stock option expense                           |                 | 1,252                            |                      |   |                   |   | 1,252                            |
| Stock awards; 2,992 shares issued              |                 | 60                               |                      |   | 324               |   | 384                              |
| <b>Balance at March 26, 2011</b>               | \$ 27,900       | \$                               | \$ 868,396           | \$ 85,149   | \$ (25,465)       | \$ 97,477   | \$ 1,053,457                     |
| <b>Balance at December 31, 2011</b>            | \$ 27,900       | \$                               | \$ 1,079,698         | \$ 64,052   | \$ (24,688)       | \$ 50,949   | \$ 1,197,911                     |
| Net earnings                                   |                 |                                  | 52,325               |   |                   | 263   | 52,588                           |
| Other comprehensive income                     |                 |                                  |                      | 26,782  |                   | 4,751   | 31,533                           |
| Cash dividends declared                        |                 |                                  | (4,778)              |   |                   |   | (4,778)                          |
| Dividends to noncontrolling interests          |                 |                                  |                      |   |                   | (431)   | (431)                            |
| Stock plan exercises; 69,376 shares acquired   |                 |                                  |                      |   | (7,747)           |   | (7,747)                          |
| Stock options exercised; 133,510 shares issued |                 | (3,605)                          | 3,410                |   | 8,425             |   | 8,230                            |
| Tax benefit from stock option exercises        |                 | 2,134                            |                      |   |                   |   | 2,134                            |
| Stock option expense                           |                 | 1,245                            |                      |   |                   |   | 1,245                            |
| Stock awards; 402 shares issued                |                 | 226                              |                      |   | 92                |   | 318                              |
| <b>Balance at March 31, 2012</b>               | \$ 27,900       | \$                               | \$ 1,130,655         | \$ 90,834   | \$ (23,918)       | \$ 55,532   | \$ 1,281,003                     |

See accompanying notes to condensed consolidated financial statements.



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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

(Unaudited)

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

The Condensed Consolidated Balance Sheet as of March 31, 2012, the Condensed Consolidated Statements of Earnings, Comprehensive Income, Cash Flows and Shareholders' Equity for the thirteen week periods ended March 31, 2012 and March 26, 2011 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 31, 2012 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 31, 2011. 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 31, 2011. The results of operations for the period ended March 31, 2012 are not necessarily indicative of the operating results for the full year.

*Inventories*

Approximately 37% and 40% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market as of March 31, 2012 and December 31, 2011, respectively. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured and finished goods. The excess of replacement cost of inventories over the LIFO value is approximately \$52,062 and \$49,536 at March 31, 2012 and December 31, 2011, respectively.

Inventories consisted of the following:

|                                       | March 31,<br>2012 | December 31,<br>2011 |
|---------------------------------------|-------------------|----------------------|
| Raw materials and purchased parts     | \$ 216,182        | \$ 202,953           |
| Work-in-process                       | 30,342            | 28,053               |
| Finished goods and manufactured goods | 246,138           | 212,312              |
| Subtotal                              | 492,662           | 443,318              |
| Less: LIFO reserve                    | 52,062            | 49,536               |
|                                       | \$ 440,600        | \$ 393,782           |

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries for the thirteen week periods ended March 31, 2012 and March 26, 2011, were as follows:

|               | 2012      | 2011      |
|---------------|-----------|-----------|
| United States | \$ 62,695 | \$ 26,117 |
| Foreign       | 15,971    | 13,090    |
|               | \$ 78,666 | \$ 39,207 |

*Stock Plans*

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Human Resource Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At March 31, 2012, 861,939 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the market price at the date of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant.

Expiration of grants is from six to ten years from the date of grant. The Company's compensation expense (included in selling, general and administrative expenses) and associated income tax benefits related to stock options for the thirteen week periods ended March 31, 2012 and March 26, 2011, were as follows:

|                      | 2012     | 2011     |
|----------------------|----------|----------|
| Compensation expense | \$ 1,245 | \$ 1,252 |
| Income tax benefits  | 479      | 482      |

*Fair Value*

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

ASC 820 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refers broadly to the assumptions that market participants would use in pricing the asset or liability, including

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

assumptions about risk. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

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

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

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

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

Trading Securities: The assets and liabilities recorded for the investments held in the Valmont Deferred Compensation Plan represent mutual funds, invested in debt and equity securities, classified as trading securities in accordance with Accounting Standards Codification 320, *Accounting for Certain Investments in Debt and Equity Securities*, considering the employee's ability to change investment allocation of their deferred compensation at any time. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

|                    | Carrying Value | Fair Value Measurement Using:                                  |   |   |
|--------------------|----------------|--|---|---|
|                    |                | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets:            |                |  |   |   |
| Trading Securities | \$ 21,491      | \$ 21,491  | \$  | \$  |

|                    | Carrying Value | Fair Value Measurement Using:                                  |   |   |
|--------------------|----------------|--|---|---|
|                    |                | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets:            |                |  |   |   |
| Trading Securities | \$ 19,152      | \$ 19,152  | \$  | \$  |

*Comprehensive Income*

Comprehensive income includes net income, currency translation adjustments, certain derivative-related activity and changes in net actuarial gains/losses from a pension plan. Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and





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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

liabilities are translated at the exchange rates in effect on the balance sheet dates. Accumulated other comprehensive income (loss) consisted of the following at March 31, 2012 and December 31, 2011:

|  | March 31,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| Foreign currency translation adjustment        | \$ 40,881         | \$ 16,070            |
| Actuarial gain in defined benefit pension plan | 53,188            | 51,317               |
| Loss on cash flow hedge                        | (3,235)           | (3,335)              |
|  | \$ 90,834         | \$ 64,052            |

**2. Goodwill and Intangible Assets***Amortized Intangible Assets*

The components of amortized intangible assets at March 31, 2012 and December 31, 2011 were as follows:

|                                  | March 31, 2012              |                             | Weighted<br>Average<br>Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |                             |
| Customer Relationships           | \$ 158,255                  | \$ 53,668                   | 13 years                    |
| Proprietary Software & Database  | 3,130                       | 2,739                       | 6 years                     |
| Patents & Proprietary Technology | 9,707                       | 4,323                       | 8 years                     |
| Non-compete Agreements           | 1,826                       | 1,377                       | 6 years                     |
|                                  | \$ 172,918                  | \$ 62,107                   |                             |

|                                  | December 31, 2011           |                             | Weighted<br>Average<br>Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |                             |
| Customer Relationships           | \$ 155,629                  | \$ 50,107                   | 13 years                    |
| Proprietary Software & Database  | 3,116                       | 2,711                       | 6 years                     |
| Patents & Proprietary Technology | 9,489                       | 3,863                       | 8 years                     |
| Non-compete Agreements           | 1,812                       | 1,307                       | 6 years                     |
|                                  | \$ 170,046                  | \$ 57,988                   |                             |

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

Amortization expense for intangible assets for the thirteen week periods ended March 31, 2012 and March 26, 2011 was \$3,545 and \$3,532, respectively. Estimated annual amortization expense related to finite-lived intangible assets is as follows:

|      | Estimated<br>Amortization<br>Expense |
|------|--------------------------------------|
| 2012 | \$ 14,243                            |
| 2013 | 13,383                               |
| 2014 | 12,957                               |
| 2015 | 12,060                               |
| 2016 | 11,479                               |

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

*Non-amortized intangible assets*

Intangible assets with indefinite lives are not amortized. The carrying values of trade names at and were as follows:

|                                | March 31,<br>2012 | December 31,<br>2011 | Year<br>Acquired |
|--------------------------------|-------------------|----------------------|------------------|
| Webforge                       | \$ 17,266         | \$ 16,659            | 2010             |
| Newmark                        | 11,111            | 11,111               | 2004             |
| Ingal EPS/Ingal Civil Products | 9,113             | 8,792                | 2010             |
| Donhad                         | 6,875             | 6,633                | 2010             |
| PiRod                          | 1,750             | 1,750                | 2001             |
| Industrial Galvanizers         | 3,997             | 3,856                | 2010             |
| Other                          | 7,336             | 7,224                |                  |
|                                | \$ 57,448         | \$ 56,025            |                  |

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.

The Company's trade names were tested for impairment in the third quarter of 2011. The values of the trade names were determined using the relief-from-royalty method. The Company determined that the value of its trade names were not impaired, except for the PiRod and Industrial Galvanizers of

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

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

America trade names. The evaluations of these trade names were completed in the fourth quarter of 2011, which resulted in a write down of \$3,779.

*Goodwill*

The carrying amount of goodwill by segment as of March 31, 2012 and December 31, 2011 was as follows:

|                                 | Engineered<br>Infrastructure<br>Products<br>Segment | Utility<br>Support<br>Structures<br>Segment | Coatings<br>Segment | Irrigation<br>Segment | Other     | Total      |
|---------------------------------|---|---|---------------------|-----------------------|-----------|------------|
| Balance December 31,<br>2011    | \$ 151,558  | \$ 77,141                                   | \$ 64,820           | \$ 2,576              | \$ 18,567 | \$ 314,662 |
| Foreign currency<br>translation | 5,204   |   | 51                  | 23                    | 677       | 5,955      |
| Balance March 31, 2012          | \$ 156,762  | \$ 77,141                                   | \$ 64,871           | \$ 2,599              | \$ 19,244 | \$ 320,617 |

The Company's goodwill was tested for impairment during the third quarter of 2011. As a result of that testing, the Company determined that its goodwill was not impaired. The valuation of reporting units exceeded their respective carrying values by a substantial margin, except the Webforge reporting unit in the Engineered Infrastructures Products segment, which has goodwill of \$64,500 and an excess of fair value over carrying value of \$3.1 million. The Company continues to monitor changes in the global economy that could impact future operating results of its reporting units. If such conditions arise, the Company will test a given reporting unit for impairment prior to the annual test.

**3. Cash Flow Supplementary Information**

The Company considers all highly liquid temporary cash investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash payments for interest and income taxes (net of refunds) for the thirteen week periods ended March 31, 2012 and March 26, 2011 were as follows:

|              | 2012   | 2011   |
|--------------|--------|--------|
| Interest     | \$ 367 | \$ 366 |
| Income taxes | 21,246 | 5,296  |

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**4. Earnings Per Share**

The following table provides a reconciliation between Basic and Diluted earnings per share (EPS):

|   | Basic<br>EPS | Dilutive<br>Effect of<br>Stock<br>Options | Diluted<br>EPS |
|---|--------------|---|----------------|
| <b>Thirteen weeks ended March 31, 2012:</b>           |              |   |                |
| Net earnings attributable to Valmont Industries, Inc. | \$ 52,325    | \$  | \$ 52,325      |
| Shares outstanding                                    | 26,396       | 282                                       | 26,678         |
| Per share amount                                      | \$ 1.98      | \$ (0.02)                                 | \$ 1.96        |
| <b>Thirteen weeks ended March 26, 2011:</b>           |              |   |                |
| Net earnings attributable to Valmont Industries, Inc. | \$ 25,609    | \$  | \$ 25,609      |
| Shares outstanding                                    | 26,271       | 266                                       | 26,537         |
| Per share amount                                      | \$ 0.98      | \$ (0.01)                                 | \$ 0.97        |

At March 31, 2012, there were no outstanding stock options with exercise prices exceeding the market price of common stock. At March 26, 2011 there were 8,962 of outstanding stock options with exercise prices exceeding the market price of common stock that were excluded from the computation of diluted earnings per share for the thirteen weeks ended March 26, 2011.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

**5. 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 on the basis of employee headcounts and sales dollars.

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.

In addition to these four reportable segments, the Company has other businesses and activities that individually are not more than 10% of consolidated sales. These include the manufacture of forged steel grinding media for the mining industry, tubular products for industrial customers, the electrolytic manganese dioxide for disposable batteries and the distribution of industrial fasteners and are reported in the "Other" category.

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

**Summary by Business Segment**

|   | <b>Thirteen Weeks Ended</b> |                  |
|---|-----------------------------|------------------|
|   | <b>March 31,</b>            | <b>March 26,</b> |
|   | <b>2012</b>                 | <b>2011</b>      |
| Sales:                                      |                             |                  |
| Engineered Infrastructure Products segment: |                             |                  |
| Lighting, Traffic, and Roadway Products     | \$ 133,297                  | \$ 117,311       |
| Communication Products                      | 26,695                      | 20,423           |
| Access Systems                              | 37,907                      | 31,196           |
| Engineered Infrastructure Products segment  | 197,899                     | 168,930          |
| Utility Support Structures segment:         |                             |                  |
| Steel                                       | 166,964                     | 109,898          |
| Concrete                                    | 24,268                      | 15,749           |
| Utility Support Structures segment          | 191,232                     | 125,647          |

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## 5. Business Segments (Continued)

|  | Thirteen Weeks Ended |                   |
|--|----------------------|-------------------|
|  | March 31,<br>2012    | March 26,<br>2011 |
| Coatings segment                           | 82,847               | 73,450            |
| Irrigation segment                         | 196,266              | 151,048           |
| Other                                      | 86,063               | 73,986            |
| Total                                      | 754,307              | 593,061           |
| Intersegment Sales:                        |                      |                   |
| Engineered Infrastructure Products         | 12,392               | 5,944             |
| Utility Support Structures                 | 1,980                | 308               |
| Coatings                                   | 12,697               | 11,505            |
| Irrigation                                 | 425                  | 3                 |
| Other                                      | 9,463                | 7,352             |
| Total                                      | 36,957               | 25,112            |
| Net Sales:                                 |                      |                   |
| Engineered Infrastructure Products segment | 185,507              | 162,986           |
| Utility Support Structures segment         | 189,252              | 125,339           |
| Coatings segment                           | 70,150               | 61,945            |
| Irrigation segment                         | 195,841              | 151,045           |
| Other                                      | 76,600               | 66,634            |
| Total                                      | \$ 717,350           | \$ 567,949        |
| Operating Income:                          |                      |                   |
| Engineered Infrastructure Products         | \$ 8,024             | \$ 2,203          |
| Utility Support Structures                 | 25,104               | 13,499            |
| Coatings                                   | 16,512               | 10,292            |
| Irrigation                                 | 38,408               | 23,894            |
| Other                                      | 11,411               | 8,914             |
| Corporate                                  | (16,641)             | (13,501)          |
| Total                                      | \$ 82,818            | \$ 45,301         |

## 6. Guarantor/Non-Guarantor Financial Information

The Company has \$450,000 principal amount of senior unsecured notes outstanding at a coupon interest rate of 6.625% per annum. The notes are guaranteed, jointly, severally, fully and unconditionally by certain of the Company's current and future direct and indirect domestic and foreign subsidiaries (collectively the "Guarantors"), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the "Non-Guarantors"). All Guarantors are 100% owned by the parent company.

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## 6. Guarantor/Non-Guarantor Financial Information (Continued)

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

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**  
For the Thirteen Weeks ended March 31, 2012

|   | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|---|------------|------------|----------------|--------------|------------|
| Net sales   | \$ 364,840 | \$ 128,712 | \$ 293,942     | \$ (70,144)  | \$ 717,350 |
| Cost of sales   | 267,512    | 103,642    | 229,923        | (70,041)     | 531,036    |
| Gross profit  | 97,328     | 25,070     | 64,019         | (103)        | 186,314    |
| Selling, general and administrative expenses  | 43,272     | 13,788     | 46,436         |              | 103,496    |
| Operating income  | 54,056     | 11,282     | 17,583         | (103)        | 82,818     |
| Other income (expense):   |            |            |                |              |            |
| Interest expense  | (7,682)    | (12,257)   | (125)          | 12,257       | (7,807)    |
| Interest income   | 9          | 194        | 14,132         | (12,257)     | 2,078      |
| Other   | 1,459      | 14         | 104            |              | 1,577      |
|   | (6,214)    | (12,049)   | 14,111         |              | (4,152)    |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 47,842     | (767)      | 31,694         | (103)        | 78,666     |
| Income tax expense (benefit):   |            |            |                |              |            |
| Current   | 17,185     | (901)      | 10,745         |              | 27,029     |
| Deferred  | 194        | 1,170      | (627)          |              | 737        |
|   | 17,379     | 269        | 10,118         |              | 27,766     |
| Earnings before equity in earnings of nonconsolidated subsidiaries                  | 30,463     | (1,036)    | 21,576         | (103)        | 50,900     |
| Equity in earnings of nonconsolidated subsidiaries                                  | 21,862     | 23,108     | 1,656          | (44,938)     | 1,688      |
| Net earnings  | 52,325     | 22,072     | 23,232         | (45,041)     | 52,588     |
| Other comprehensive income  | 26,782     | (16,367)   | 47,800         | (26,682)     | 31,533     |
| Comprehensive income  | 79,107     | 5,705      | 71,032         | (71,723)     | 84,121     |
| Less: Comprehensive income attributable to noncontrolling interests                 |            |            | (5,014)        |              | (5,014)    |
| Comprehensive income attributable to Valmont Industries, Inc                        | \$ 79,107  | \$ 5,705   | \$ 66,018      | \$ (71,723)  | \$ 79,107  |





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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## 6. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME  
For the Thirteen Weeks Ended March 26, 2011

|   | Parent     | Guarantors | Non-Guarantors | Eliminations | Total      |
|---|------------|------------|----------------|--------------|------------|
| Net sales   | \$ 262,646 | \$ 73,841  | \$ 270,069     | \$ (38,607)  | \$ 567,949 |
| Cost of sales   | 198,303    | 58,306     | 213,385        | (38,538)     | 431,456    |
| Gross profit  | 64,343     | 15,535     | 56,684         | (69)         | 136,493    |
| Selling, general and administrative expenses  | 37,109     | 10,751     | 43,332         |              | 91,192     |
| Operating income  | 27,234     | 4,784      | 13,352         | (69)         | 45,301     |
| Other income (expense):   |            |            |                |              |            |
| Interest expense  | (8,189)    |            | (82)           |              | (8,271)    |
| Interest income   | 5          |            | 1,782          |              | 1,787      |
| Other   | 371        | 11         | 8              |              | 390        |
|   | (7,813)    | 11         | 1,708          |              | (6,094)    |
| Earnings before income taxes and equity in earnings of nonconsolidated subsidiaries | 19,421     | 4,795      | 15,060         | (69)         | 39,207     |
| Income tax expense (benefit):   |            |            |                |              |            |
| Current   | 6,489      | 2,104      | 3,911          |              | 12,504     |
| Deferred  | 60         | (261)      | 985            |              | 784        |
|   | 6,549      | 1,843      | 4,896          |              | 13,288     |
| Earnings before equity in earnings of nonconsolidated subsidiaries                  | 12,872     | 2,952      | 10,164         | (69)         | 25,919     |
| Equity in earnings of nonconsolidated subsidiaries                                  | 12,737     | 6,367      | 886            | (19,036)     | 954        |
| Net earnings  | 25,609     | 9,319      | 11,050         | (19,105)     | 26,873     |
| Other comprehensive income  | 21,504     |            | 23,482         | (21,504)     | 23,482     |
| Comprehensive income  | 47,113     | 9,319      | 34,532         | (40,609)     | 50,355     |
| Less: Comprehensive income attributable to noncontrolling interests                 |            |            | (3,242)        |              | (3,242)    |
| Comprehensive income attributable to Valmont Industries, Inc.                       | \$ 47,113  | \$ 9,319   | \$ 31,290      | \$ (40,609)  | \$ 47,113  |

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## 6. Guarantor/Non-Guarantor Financial Information (Continued)

## CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2012

|  | Parent       | Guarantors   | Non-Guarantors | Eliminations   | Total        |
|--|--------------|--------------|----------------|----------------|--------------|
| <b>ASSETS</b>  |              |              |                |                |              |
| Current assets:                                      |              |              |                |                |              |
| Cash and cash equivalents                            | \$ 24,482    | \$ 16,405    | \$ 298,681     | \$             | \$ 339,568   |
| Receivables, net                                     | 139,551      | 59,989       | 250,740        |                | 450,280      |
| Inventories  | 128,643      | 83,101       | 228,856        |                | 440,600      |
| Prepaid expenses                                     | 1,966        | 945          | 24,970         |                | 27,881       |
| Refundable and deferred income taxes                 | 20,889       | 5,051        | 16,323         |                | 42,263       |
| Total current assets                                 | 315,531      | 165,491      | 819,570        |                | 1,300,592    |
| Property, plant and equipment, at cost               | 435,785      | 110,066      | 399,606        |                | 945,457      |
| Less accumulated depreciation and amortization       | 287,559      | 56,418       | 132,148        |                | 476,125      |
| Net property, plant and equipment                    | 148,226      | 53,648       | 267,458        |                | 469,332      |
| Goodwill   | 20,108       | 107,542      | 192,967        |                | 320,617      |
| Other intangible assets                              | 620          | 57,921       | 109,718        |                | 168,259      |
| Investment in subsidiaries and intercompany accounts | 1,401,488    | 1,256,907    | 612,826        | (3,271,221)    |              |
| Other assets   | 32,349       |              | 91,820         |                | 124,169      |
| Total assets   | \$ 1,918,322 | \$ 1,641,509 | \$ 2,094,359   | \$ (3,271,221) | \$ 2,382,969 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |              |              |                |                |              |
| Current liabilities:                                 |              |              |                |                |              |
| Current installments of long-term debt               | \$ 187       | \$           | \$ 77          | \$             | \$ 264       |
| Notes payable to banks                               |              |              | 12,293         |                | 12,293       |
| Accounts payable                                     | 87,990       | 21,299       | 126,454        |                | 235,743      |
| Accrued expenses                                     | 73,720       | 8,996        | 68,670         |                | 151,386      |
| Dividends payable                                    | 4,778        |              |                |                | 4,778        |
| Total current liabilities                            | 166,675      | 30,295       | 207,494        |                | 404,464      |
| Deferred income taxes                                | 20,922       | 27,664       | 38,212         |                | 86,798       |
| Long-term debt, excluding current installments       | 473,077      | 600,309      | 938            | (600,309)      | 474,015      |
| Other noncurrent liabilities                         | 32,177       |              | 104,512        |                | 136,689      |
| Commitments and contingencies                        |              |              |                |                |              |
| Shareholders' equity:                                |              |              |                |                |              |

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|  |                     |                     |                     |                       |                     |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Common stock of \$1 par value                              | 27,900              | 457,950             | 254,982             | (712,932)             | 27,900              |
| Additional paid-in capital                                 |                     | 150,286             | 893,884             | (1,044,170)           |                     |
| Retained earnings  | 1,130,655           | 392,330             | 430,646             | (822,976)             | 1,130,655           |
| Accumulated other comprehensive income                     | 90,834              | (17,325)            | 108,159             | (90,834)              | 90,834              |
| Treasury stock   | (23,918)            |                     |                     |                       | (23,918)            |
| <b>Total Valmont Industries, Inc. shareholders' equity</b> | <b>1,225,471</b>    | <b>983,241</b>      | <b>1,687,671</b>    | <b>(2,670,912)</b>    | <b>1,225,471</b>    |
| Noncontrolling interest in consolidated subsidiaries       |                     |                     | 55,532              |                       | 55,532              |
| <b>Total shareholders' equity</b>                          | <b>1,225,471</b>    | <b>983,241</b>      | <b>1,743,203</b>    | <b>(2,670,912)</b>    | <b>1,281,003</b>    |
| <b>Total liabilities and shareholders' equity</b>          | <b>\$ 1,918,322</b> | <b>\$ 1,641,509</b> | <b>\$ 2,094,359</b> | <b>\$ (3,271,221)</b> | <b>\$ 2,382,969</b> |

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## 6. Guarantor/Non-Guarantor Financial Information (Continued)

## CONDENSED CONSOLIDATED BALANCE SHEETS

December 31, 2011

|  | Parent       | Guarantors   | Non-Guarantors | Eliminations   | Total        |
|--|--------------|--------------|----------------|----------------|--------------|
| <b>ASSETS</b>  |              |              |                |                |              |
| Current assets:                                      |              |              |                |                |              |
| Cash and cash equivalents                            | \$ 27,545    | \$ 18,257    | \$ 317,092     | \$             | \$ 362,894   |
| Receivables, net                                     | 122,409      | 53,567       | 250,707        |                | 426,683      |
| Inventories  | 125,862      | 77,838       | 190,082        |                | 393,782      |
| Prepaid expenses                                     | 3,448        | 1,009        | 21,308         |                | 25,765       |
| Refundable and deferred income taxes                 | 22,053       | 6,218        | 15,548         |                | 43,819       |
| Total current assets                                 | 301,317      | 156,889      | 794,737        |                | 1,252,943    |
| Property, plant and equipment, at cost               | 427,398      | 107,315      | 376,929        |                | 911,642      |
| Less accumulated depreciation and amortization       | 283,786      | 54,740       | 118,239        |                | 456,765      |
| Net property, plant and equipment                    | 143,612      | 52,575       | 258,690        |                | 454,877      |
| Goodwill   | 20,108       | 107,542      | 187,012        |                | 314,662      |
| Other intangible assets                              | 661          | 59,389       | 108,033        |                | 168,083      |
| Investment in subsidiaries and intercompany accounts | 1,338,299    | 695,745      | 596,301        | (2,630,345)    |              |
| Other assets   | 30,192       |              | 85,319         |                | 115,511      |
| Total assets   | \$ 1,834,189 | \$ 1,072,140 | \$ 2,030,092   | \$ (2,630,345) | \$ 2,306,076 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>          |              |              |                |                |              |
| Current liabilities:                                 |              |              |                |                |              |
| Current installments of long-term debt               | \$ 187       | \$           | \$ 48          | \$             | \$ 235       |
| Notes payable to banks                               |              |              | 11,403         |                | 11,403       |
| Accounts payable                                     | 85,974       | 21,428       | 127,135        |                | 234,537      |
| Accrued expenses                                     | 72,341       | 14,259       | 70,528         |                | 157,128      |
| Dividends payable                                    | 4,767        |              |                |                | 4,767        |
| Total current liabilities                            | 163,269      | 35,687       | 209,114        |                | 408,070      |
| Deferred income taxes                                | 21,891       | 27,661       | 35,945         |                | 85,497       |
| Long-term debt, excluding current installments       | 473,419      |              | 996            |                | 474,415      |
| Other noncurrent liabilities                         | 28,648       |              | 111,535        |                | 140,183      |
| Commitments and contingencies                        |              |              |                |                |              |
| Shareholders' equity:                                |              |              |                |                |              |

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|  |                     |                     |                     |                       |                     |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Common stock of \$1 par value                              | 27,900              | 457,950             | 254,982             | (712,932)             | 27,900              |
| Additional paid-in capital                                 |                     | 181,542             | 893,884             | (1,075,426)           |                     |
| Retained earnings  | 1,079,698           | 370,258             | 407,677             | (777,935)             | 1,079,698           |
| Accumulated other comprehensive income                     | 64,052              | (958)               | 65,010              | (64,052)              | 64,052              |
| Treasury stock   | (24,688)            |                     |                     |                       | (24,688)            |
| <b>Total Valmont Industries, Inc. shareholders' equity</b> | <b>1,146,962</b>    | <b>1,008,792</b>    | <b>1,621,553</b>    | <b>(2,630,345)</b>    | <b>1,146,962</b>    |
| Noncontrolling interest in consolidated subsidiaries       |                     |                     | 50,949              |                       | 50,949              |
| <b>Total shareholders' equity</b>                          | <b>1,146,962</b>    | <b>1,008,792</b>    | <b>1,672,502</b>    | <b>(2,630,345)</b>    | <b>1,197,911</b>    |
| <b>Total liabilities and shareholders' equity</b>          | <b>\$ 1,834,189</b> | <b>\$ 1,072,140</b> | <b>\$ 2,030,092</b> | <b>\$ (2,630,345)</b> | <b>\$ 2,306,076</b> |

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## 6. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Thirteen Weeks Ended March 31, 2012

|  | Parent    | Guarantors | Non-Guarantors | Eliminations | Total     |
|--|-----------|------------|----------------|--------------|-----------|
| Cash flows from operating activities:                                    |           |            |                |              |           |
| Net earnings   | \$ 52,325 | \$ 22,072  | \$ 23,232      | \$ (45,041)  | \$ 52,588 |
| Adjustments to reconcile net earnings to net cash flows from operations: |           |            |                |              |           |
| Depreciation and amortization  | 4,595     | 3,171      | 9,574          |              | 17,340    |
| Stock-based compensation   | 1,563     |            |                |              | 1,563     |
| Defined benefit pension plan expense                                     |           |            | 1,021          |              | 1,021     |
| Contribution to defined benefit pension plan                             |           |            | (10,750)       |              | (10,750)  |
| Loss (gain) on sale of property, plant and equipment                     | (9)       | 7          | 1              |              | (1)       |
| Equity in earnings of nonconsolidated subsidiaries                       | (32)      |            | (1,656)        |              | (1,688)   |
| Deferred income taxes  | 194       | 1,170      | (627)          |              | 737       |
| Changes in assets and liabilities:                                       |           |            |                |              |           |
| Receivables  | (17,142)  | (6,418)    | 858            |              | (22,702)  |
| Inventories  | (2,780)   | (5,263)    | (32,167)       | (822)        | (41,032)  |
| Prepaid expenses   | 1,482     | 64         | (2,598)        |              | (1,052)   |
| Accounts payable   | (1,667)   | (129)      | (3,649)        |              | (5,445)   |
| Accrued expenses   | 1,379     | (5,264)    | (3,532)        |              | (7,417)   |
| Other noncurrent liabilities   | 1,190     |            | (872)          |              | 318       |
| Income taxes payable (refundable)  | 3,684     | 10         | (46)           |              | 3,648     |
| Net cash flows from operating activities                                 | 44,782    | 9,420      | (21,211)       | (45,863)     | (12,872)  |
| Cash flows from investing activities:                                    |           |            |                |              |           |
| Purchase of property, plant and equipment                                | (9,189)   | (2,784)    | (8,161)        |              | (20,134)  |
| Proceeds from sale of assets   | 11        | 1          | 33             |              | 45        |
| Other, net   | (36,517)  | (8,934)    | 2,261          | 45,863       | 2,673     |
| Net cash flows from investing activities                                 | (45,695)  | (11,717)   | (5,867)        | 45,863       | (17,416)  |
| Cash flows from financing activities:                                    |           |            |                |              |           |
| Net borrowings under short-term agreements                               |           |            | 725            |              | 725       |
| Proceeds from long-term borrowings                                       | 3,000     |            |                |              | 3,000     |
| Principal payments on long-term borrowings                               | (3,000)   |            | (35)           |              | (3,035)   |
| Dividends paid   | (4,767)   |            |                |              | (4,767)   |
| Dividends to noncontrolling interest                                     |           |            | (431)          |              | (431)     |
| Proceeds from exercises under stock plans                                | 8,230     |            |                |              | 8,230     |
| Excess tax benefits from stock option exercises                          | 2,134     |            |                |              | 2,134     |
| Purchase of common treasury shares stock plan exercises:                 | (7,747)   |            |                |              | (7,747)   |
| Net cash flows from financing activities                                 | (2,150)   |            | 259            |              | (1,891)   |
| Effect of exchange rate changes on cash and cash equivalents             |           | 445        | 8,408          |              | 8,853     |
| Net change in cash and cash equivalents                                  | (3,063)   | (1,852)    | (18,411)       |              | (23,326)  |
| Cash and cash equivalents beginning of year                              | 27,545    | 18,257     | 317,092        |              | 362,894   |

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|   |           |           |            |            |
|---|-----------|-----------|------------|------------|
| Cash and cash equivalents end of period | \$ 24,482 | \$ 16,405 | \$ 298,681 | \$ 339,568 |
|---|-----------|-----------|------------|------------|

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## VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

## 6. Guarantor/Non-Guarantor Financial Information (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Thirteen Weeks Ended March 26, 2011

|  | Parent    | Guarantors | Non-Guarantors | Eliminations | Total     |
|--|-----------|------------|----------------|--------------|-----------|
| Cash flows from operations:  |           |            |                |              |           |
| Net earnings   | \$ 25,609 | \$ 9,319   | \$ 11,050      | \$ (19,105)  | \$ 26,873 |
| Adjustments to reconcile net earnings to net cash flows from operations: |           |            |                |              |           |
| Depreciation and amortization  | 5,002     | 3,130      | 9,033          |              | 17,165    |
| Stock-based compensation   | 1,312     |            |                |              | 1,312     |
| Defined benefit pension plan expense                                     |           |            | 1,497          |              | 1,497     |
| Loss (gain) on sale of property, plant and equipment                     | (13)      | (13)       | 93             |              | 67        |
| Equity in earnings of nonconsolidated subsidiaries                       | (67)      |            | (887)          |              | (954)     |
| Deferred income taxes  | 60        | (261)      | 985            |              | 784       |
| Changes in assets and liabilities:                                       |           |            |                |              |           |
| Receivables  | (23,752)  | 13,939     | (37)           |              | (9,850)   |
| Inventories  | (19,368)  | (5,276)    | (15,400)       |              | (40,044)  |
| Prepaid expenses   | (602)     | (89)       | (4,055)        |              | (4,746)   |
| Accounts payable   | 11,238    | 216        | 11,498         |              | 22,952    |
| Accrued expenses   | 4,418     | 229        | (16,098)       |              | (11,451)  |
| Other noncurrent liabilities   | (1,063)   |            | (427)          |              | (1,490)   |
| Income taxes payable (refundable)  | 15,143    |            | (11,571)       |              | 3,572     |
| Net cash flows from operations   | 17,917    | 21,194     | (14,319)       | (19,105)     | 5,687     |
| Cash flows from investing activities:                                    |           |            |                |              |           |
| Purchase of property, plant and equipment                                | (2,024)   | (4,133)    | (6,452)        |              | (12,609)  |
| Proceeds from sale of assets   | 14        | 13         | 72             |              | 99        |
| Other, net   | (15,881)  | (16,512)   | 14,287         | 19,105       | 999       |
| Net cash flows from investing activities                                 | (17,891)  | (20,632)   | 7,907          | 19,105       | (11,511)  |
| Cash flows from financing activities:                                    |           |            |                |              |           |
| Net borrowings under short-term agreements                               |           |            | 816            |              | 816       |
| Proceeds from long-term borrowings                                       | 23,000    |            |                |              | 23,000    |
| Principal payments on long-term borrowings                               | (7,000)   |            | (40)           |              | (7,040)   |
| Dividends paid   | (4,358)   |            |                |              | (4,358)   |
| Proceeds from exercises under stock plans                                | 15,993    |            |                |              | 15,993    |
| Excess tax benefits from stock option exercises                          | 2,659     |            |                |              | 2,659     |
| Purchase of treasury shares  | (4,802)   |            |                |              | (4,802)   |
| Purchase of common treasury shares stock plan exercises                  | (18,153)  |            |                |              | (18,153)  |
| Net cash flows from financing activities                                 | 7,339     |            | 776            |              | 8,115     |
| Effect of exchange rate changes on cash and cash equivalents             |           |            | 9,076          |              | 9,076     |
| Net change in cash and cash equivalents                                  | 7,365     | 562        | 3,440          |              | 11,367    |
| Cash and cash equivalents beginning of year                              | 8,015     | 619        | 338,270        |              | 346,904   |



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|   |    |        |    |       |    |         |    |         |
|---|----|--------|----|-------|----|---------|----|---------|
| Cash and cash equivalents end of period | \$ | 15,380 | \$ | 1,181 | \$ | 341,710 | \$ | 358,271 |
|---|----|--------|----|-------|----|---------|----|---------|

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

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

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

This discussion should be read in conjunction with the financial statements and 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 31, 2011.

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Dollars in millions, except per share amounts

|   | <b>Thirteen Weeks Ended</b> |                           |                            |
|---|-----------------------------|---------------------------|----------------------------|
|   | <b>March 31,<br/>2012</b>   | <b>March 26,<br/>2011</b> | <b>% Incr.<br/>(Decr.)</b> |
| <b>Consolidated</b>                               |                             |                           |                            |
| Net sales   | \$ 717.4                    | \$ 567.9                  | 26.3%                      |
| Gross profit                                      | 186.3                       | 136.5                     | 36.5%                      |
| <i>as a percent of sales</i>                      | <i>26.0%</i>                | <i>24.0%</i>              |                            |
| SG&A expense                                      | 103.5                       | 91.2                      | 13.5%                      |
| <i>as a percent of sales</i>                      | <i>14.4%</i>                | <i>16.1%</i>              |                            |
| Operating income                                  | 82.8                        | 45.3                      | 82.8%                      |
| <i>as a percent of sales</i>                      | <i>11.5%</i>                | <i>8.0%</i>               |                            |
| Net interest expense                              | (5.7)                       | (6.5)                     | (12.3)%                    |
| Effective tax rate                                | 35.3%                       | 33.9%                     |                            |
| Net earnings                                      | \$ 52.3                     | \$ 25.6                   | 104.3%                     |
| Diluted earnings per share                        | \$ 1.96                     | \$ 0.97                   | 102.1%                     |
| <b>Engineered Infrastructure Products Segment</b> |                             |                           |                            |
| Net sales   | \$ 185.5                    | \$ 163.0                  | 13.8%                      |
| Gross profit                                      | 45.6                        | 36.2                      | 26.0%                      |
| SG&A expense                                      | 37.6                        | 34.0                      | 10.6%                      |
| Operating income                                  | 8.0                         | 2.2                       | 263.6%                     |
| <b>Utility Support Structures Segment</b>         |                             |                           |                            |
| Net sales   | \$ 189.3                    | \$ 125.3                  | 51.1%                      |
| Gross profit                                      | 43.3                        | 29.3                      | 47.8%                      |
| SG&A expense                                      | 18.2                        | 15.8                      | 15.2%                      |
| Operating income                                  | 25.1                        | 13.5                      | 85.9%                      |
| <b>Coatings Segment</b>                           |                             |                           |                            |
| Net sales   | \$ 70.2                     | \$ 62.0                   | 13.2%                      |
| Gross profit                                      | 25.3                        | 18.6                      | 36.0%                      |
| SG&A expense                                      | 8.8                         | 8.3                       | 6.0%                       |
| Operating income                                  | 16.5                        | 10.3                      | 60.2%                      |
| <b>Irrigation Segment</b>                         |                             |                           |                            |
| Net sales   | \$ 195.8                    | \$ 151.0                  | 29.7%                      |
| Gross profit                                      | 56.0                        | 38.4                      | 45.8%                      |
| SG&A expense                                      | 17.6                        | 14.5                      | 21.4%                      |
| Operating income                                  | 38.4                        | 23.9                      | 60.7%                      |
| <b>Other</b>                                      |                             |                           |                            |
| Net sales   | \$ 76.6                     | \$ 66.6                   | 15.0%                      |
| Gross profit                                      | 16.3                        | 13.9                      | 17.3%                      |
| SG&A expense                                      | 4.9                         | 5.0                       | (2.0)%                     |
| Operating income                                  | 11.4                        | 8.9                       | 28.1%                      |
| <b>Net corporate expense</b>                      |                             |                           |                            |
| Gross profit                                      | (0.2)                       | 0.1                       | (300.0)%                   |
| SG&A expense                                      | 16.4                        | 13.6                      | 20.6%                      |
| Operating loss                                    | (16.6)                      | (13.5)                    | 23.0%                      |

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*Overview*

On a consolidated basis, the increase in net sales in fiscal 2012, as compared with 2011, reflected improved sales in all reportable segments. For the company as a whole, the increase in net sales in 2012, as compared with 2011, was due to the following factors:

Unit sales volumes increased approximately \$140 million. All reportable segments experienced improved net sales in fiscal 2012, as compared with 2011. The most significant sales increases were in the Irrigation and Utility Support Structures segments.

Sales prices overall were up modestly in fiscal 2012, as compared with 2011. In the aggregate, the sales increase in 2012, as compared with 2011, due to price increases and sales mix changes was approximately \$9 million.

Foreign currency translation, in the aggregate, did not have a significant effect on 2012 sales and operating profit, as compared with 2011.

The increase in gross profit margin (gross profit as a percent of sales) in fiscal 2012, as compared with 2011, was primarily due to moderating raw material costs in 2012 as compared with 2011. In general, steel prices in the first quarter of 2012 were comparable with the same period in 2011. Average zinc costs were somewhat lower in 2012, as compared with 2011. In addition, LIFO expense in the first quarter of 2012 was \$7.9 million lower than the same period in 2011, contributing to comparatively higher gross profit margin in 2012, as compared with 2011.

Selling, general and administrative (SG&A) spending in fiscal 2012, as compared with 2011, increased mainly due to the following factors:

Increased employee incentive accruals of \$3.6 million, due to improved operating results;

Increased compensation expenses of \$3.5 million, associated with increased employment levels and salary increases;

Deferred compensation expense of \$1.2 million associated with the increase in deferred compensation plan liabilities. The corresponding increase in deferred compensation plan assets was recorded as a decrease in "Other" expense; and,

Australia stamp duty expense of \$1.2 million related to the legal restructuring that was completed in fiscal 2011. This expense was non-recurring in nature

The increase in operating income on a reportable segment basis in 2012, as compared with 2011, was due to improved operating performance in all reportable segments. The "Other" category also reported improved operating profit in 2012, as the grinding media and tubing operations were improved over 2011.

The decrease in net interest expense in fiscal 2012, as compared with 2011, was attributable to interest savings realized from the refinancing of our \$150 million of senior subordinated debt in June 2011 and a slight increase in interest income from our invested cash balances. Average borrowing levels in 2012 were comparable with 2011.

The decrease in "Other" expenses in fiscal 2012, as compared with 2011, was mainly due to increased investment gains in the assets held in our deferred compensation plan of \$1.2 million. The increase in the value of these assets was offset by a corresponding increase in our deferred compensation liabilities, which was reflected as an increase in SG&A expense. Accordingly, there was no effect on net earnings from these investment gains.

Our effective income tax rate in fiscal 2012 was higher than 2011, mainly due to a higher percentage of our total pre-tax earnings realized from U.S. operations. Income tax rates in the U.S. are

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higher than in other countries where we operate. As our share of earnings before income taxes from U.S. operations increases, the effective income tax rate normally increases as well.

Earnings attributable to noncontrolling interests was lower in 2012, as compared with 2011, mainly due to our purchase of the noncontrolling interest in our grinding media operation in June 2011. This operation was previously 40% owned by noncontrolling interests. Earnings in non-consolidated subsidiaries improved in 2012, as compared with 2011, as our 49% owned manganese materials operation experienced improved profitability.

The improvement in net earnings and earnings per share in 2012, as compared with 2011, were mainly attributed to the improved operating income.

Our cash flows used by operations were approximately \$12.9 million in 2012, as compared with \$5.7 million provided by operations in 2011. The slight decrease in operating cash flow resulted from increased working capital associated with higher sales levels and the annual contribution to the Delta Pension Plan being made in the first quarter of 2012 of \$10.8 million (the 2011 contribution was made in the second quarter), offset somewhat by higher net earnings in 2012, as compared with 2011.

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

The increase in net sales in fiscal 2012 as compared with 2011 was due to improved sales volumes of approximately \$20 million and \$3 million of favorable pricing and sales mix changes. Global lighting sales were higher in fiscal 2012, as compared with 2011, mainly due to improved sales in North America. While North American order rates for lighting and traffic structures were stable as compared with 2011, sales volumes in 2012 were positively affected by generally mild weather conditions throughout much of the U.S. The transportation market for lighting and traffic structures continues to be challenging, as the lack of long-term highway funding legislation and state budget challenges we believe are limiting roadway project activity. Sales in other market channels such as sales to lighting fixture manufacturers and commercial construction projects were stronger in 2012, as compared with 2011. In Europe, sales in fiscal 2012 were comparable with 2011, as stronger sales in France, Scandinavia and the U.K. were offset by a decrease of \$5.5 million in sales from our Turkish and Italian operations that were discontinued late in 2011 and weaker sales volumes in northern Europe.

Communication product line sales in fiscal 2012 were improved over 2011. North America sales were \$7.0 million higher in 2012, as compared with 2011. The increase in sales was attributable to improved market conditions, mild weather conditions in 2012 and the resolution of the proposed AT&T/T-Mobile merger, which we believe slowed sales activity for structures and components in 2011. In China, sales of wireless communication structures in 2012 were comparable with 2011.

Sales in the access systems product line in 2012 were improved as compared with 2011, as industrial production investments in the mining and energy economic sectors are increasing in the Asia Pacific region.

Sales of highway safety products in 2012 were higher as compared with 2011. Floods in parts of Australia affected infrastructure spending in the first quarter of 2011, as public spending priorities shifted from roadway development to supporting recovery from the floods. The improvement in 2012 reflects a more normal demand pattern for this product line.

Operating income for the segment in fiscal 2012 was higher than 2011. Improved operating income resulted from higher sales volumes and moderating raw material costs (including \$1.1 million of lower LIFO expense). The increase in SG&A spending mainly was attributable to higher compensation costs of \$1.4 million and increased employee incentives of \$0.7 million.

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

In the Utility segment, the sales increase in fiscal 2012, as compared with 2011, was due to improved unit sales volumes in the U.S., offset to a degree by an unfavorable sales mix in the U.S. (approximately \$5 million) and slightly lower sales volumes in international markets. In U.S. markets, electrical utility companies are increasing their investment in the electrical grid, as evidenced by a very high order rate throughout 2011 and record backlogs at December 31, 2011. Sales pricing on new orders is slowly improving but continues to be very competitive. In international markets, the sales decrease was mainly due to lower sales through our European operations, offset to a degree by higher sales in the Asia Pacific region.

Operating income in fiscal 2012, as compared with 2011, increased due to the substantial increase in North America sales volume and associated operational leverage. Gross profit margins were negatively affected by the unfavorable sales mix in North America and increased outsourcing of manufactured products in light of the strong sales demand. The increase in SG&A expense for the segment in fiscal 2012 was higher than in 2011, mainly due to increased employee compensation (\$0.9 million) and incentives (\$0.6 million) associated with the increase in business levels and operating income.

***Coatings segment***

Net sales in the Coatings segment increased in fiscal 2012, as compared with 2011, and improved sales unit volumes in North America and Asia Pacific. In North America, we experienced improved demand from customers in the agriculture and energy economic sectors. Asia Pacific volumes in 2011 were negatively affected by severe weather events in Australia that hampered its economy. Unit pricing effects on sales for the segment were modestly favorable in 2012, as compared with 2011.

The increase in segment operating income in fiscal 2012, as compared with 2011, was mainly due to improved productivity and operating leverage through volume increases and lower zinc costs. The effect of lower zinc costs on operating income for the segment was approximately \$2.4 million. SG&A expenses for the segment in fiscal 2012 were higher than the comparable periods in 2011, mainly due to employee incentives associated with improved operating income.

***Irrigation segment***

The increase in Irrigation segment net sales in fiscal 2012, as compared with 2011, was mainly due to improved sales volumes of approximately \$38 million, favorable pricing and sales mix of approximately \$8 million, offset by a modest unfavorable currency translation effect. The pricing and sales mix effect was generally due to sales price increases that took effect after the first quarter of 2011 to recover higher material costs in early 2011. In global markets, the sales growth was due to very strong agricultural economies around the world. Farm commodity prices continue to be favorable, with a positive outlook for net farm income in most markets around the world. We believe that farm commodity prices have been favorable due to strong demand, including consumption in the production of ethanol and other fuels, and traditionally low inventories of major farm commodities. In addition, weather conditions in North America in 2012 were generally favorable, further enhancing delivery schedules for irrigation machines and demand for related service parts. In international markets, the sales improvement in fiscal 2012, as compared with 2011, was realized in most markets, especially Europe.

Operating income for the segment improved in 2012 over 2011, due to improved sales unit volumes in North America and the associated operational leverage. Moderating raw material prices in light of higher selling prices (including \$4.9 million in lower LIFO expenses) also contributed to improved operating income in 2012, as compared with 2011. The most significant reason for the increase in SG&A expense in 2012, as compared with 2011, was related to employee compensation

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costs to support the increase in sales activity (\$1.5 million) and increased product development expenses of \$0.6 million.

*Other*

This unit includes the grinding media, industrial tubing, electrolytic manganese and industrial fasteners operations. The increase in sales and operating income in fiscal 2012, as compared with 2011, was mainly due improved sales volumes in the tubing and grinding media operations. The tubing operation benefited from improved demand from steel service centers and agricultural equipment manufacturers and the grinding media operation realized increased demand from mining industry customers in Australia.

*Net corporate expense*

Net corporate expense in fiscal 2012 increased over 2011, due to higher employee incentives associated with improved net earnings and share price, which affected long-term incentive plans (approximately \$2.1 million). Net corporate expense also increased due to higher deferred compensation expenses of \$1.2 million and stamp duties incurred in Australia related to the 2011 Delta legal restructuring of \$1.2 million. These increases were offset somewhat by lower expenses related to the Delta Pension Plan of \$0.5 million.

**Liquidity and Capital Resources**

*Cash Flows*

*Working Capital and Operating Cash Flows* Net working capital was \$896.1 million at March 31, 2012, as compared with \$844.9 million at December 31, 2011. The increase in net working capital in 2012 mainly resulted from increased receivables and inventories to support the increase in sales. Cash flow used by operations was \$12.9 million in fiscal 2012, as compared with \$5.7 million provided by operations in fiscal 2011. The decrease in operating cash flow in 2012 was the result of increased net working capital and the annual contribution of \$10.8 million to the Delta Pension Plan (the 2011 contribution was made in the second quarter), offset to an extent by higher net earnings in fiscal 2012, as compared with 2011.

*Investing Cash Flows* Capital spending in the fiscal 2012 was \$20.1 million, as compared with \$12.6 million in 2011. The most significant capital spending projects in 2012 included certain capacity expansions in the Utility segment. We expect our capital spending for the 2012 fiscal year to be approximately \$100 million. The increase in expected capital spending over 2011 is mainly due to capacity increases to meet the growing need for utility structures in the U.S. and additional manufacturing investment in the Irrigation segment.

*Financing Cash Flows* Our total interest-bearing debt increased slightly to \$486.6 million at March 31, 2012 from \$486.1 million at December 31, 2011. Financing cash flows overall were similar in 2012, as compared with 2011.

*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 31, 2012, our long-term debt to invested capital ratio was 25.6%, as compared with 26.8% at December 31, 2011. 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 2012.

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Our debt financing at March 31, 2012 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$51.9 million, \$48.6 million of which was unused at March 31, 2012. Our long-term debt principally consists of:

\$450 million face value (\$464 million carrying value) 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 certain of our subsidiaries.

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

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

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

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

At March 31, 2012 and December 31, 2011, we had no outstanding borrowings under the revolving credit agreement. 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 March 31, 2012, we had the ability to borrow an additional \$264.9 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 as follows:

Interest-bearing debt is not to exceed 3.75x EBITDA of the prior four quarters;

Senior interest-bearing debt is not to exceed 2.50x EBITDA over the prior four quarters; and,

Our EBITDA over our prior four quarters must be at least 2.50x our interest expense over the same period.

At March 31, 2012, we were in compliance with all covenants related to these debt agreements. The key covenant calculations at March 31, 2012 were as follows:

|                                 |            |
|---------------------------------|------------|
| Interest-bearing debt           | \$ 486,572 |
| EBITDA last 12 months           | 384,787    |
| Leverage ratio                  | 1.26       |
| Senior Interest-bearing debt    | \$ 486,572 |
| EBITDA last 12 months           | 384,787    |
| Senior debt ratio               | 1.26       |
| EBITDA last 12 months           | \$ 384,787 |
| Interest expense last 12 months | 35,959     |



|                       |       |
|-----------------------|-------|
| Interest earned ratio | 10.70 |
|-----------------------|-------|

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The calculation of EBITDA last 12 months (March 26, 2011 - March 31, 2012) is as follows:

|   |                   |
|---|-------------------|
| Net cash flows from operations                        | \$ 131,112        |
| Interest expense                                      | 35,959            |
| Income tax expense                                    | 19,068            |
| Deferred income tax benefit                           | 85,009            |
| Noncontrolling interest                               | (7,915)           |
| Equity in earnings of nonconsolidated subsidiaries    | 8,793             |
| Stock-based compensation                              | (6,182)           |
| Pension plan expense                                  | (4,973)           |
| Contribution to pension plan                          | 22,610            |
| Changes in assets and liabilities                     | 101,930           |
| Other   | (624)             |
| <b>EBITDA</b>   | <b>\$ 384,787</b> |
| Net earnings attributable to Valmont Industries, Inc. | \$ 255,025        |
| Interest expense                                      | 35,959            |
| Income tax expense                                    | 19,068            |
| Depreciation and amortization expense                 | 74,735            |
| <b>EBITDA</b>   | <b>\$ 384,787</b> |

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.

We have not made any provision for U.S. income taxes in our financial statements on approximately \$531 million of undistributed earnings of our foreign subsidiaries, as we intend to reinvest those earnings. Of our cash balances at March 31, 2012, approximately \$310 million is held in entities outside the United States. 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. The income taxes that we would pay if cash were repatriated depends on the amounts to be repatriated and from which country. If all of our cash outside the United States were to be repatriated to the United States, we estimate that we would pay approximately \$38.4 million in income taxes to repatriate that cash.

**Financial Obligations and Financial Commitments**

There have been no material changes to our financial obligations and financial commitments as described on page 39 in our Form 10-K for the fiscal year ended December 31, 2011.

**Off Balance Sheet Arrangements**

There have been no changes in our off balance sheet arrangements as described on page 39 in our Form 10-K for the fiscal year ended December 31, 2011.

**Critical Accounting Policies**

There have been no changes in our critical accounting policies as described on pages 41-44 in our Form 10-K for the fiscal year ended December 31, 2011 during the quarter ended March 31, 2012.

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**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, 2012. For additional information, refer to the section "Risk Management" on page 40 in our Form 10-K for the fiscal year ended December 31, 2011.

**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.

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

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

| Period                              | (a)<br>Total<br>Number of<br>Shares<br>Purchased | (b)<br>Average Price<br>paid<br>per share | (c)<br>Total Number of<br>Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or Programs | (d)<br>Maximum<br>Number of<br>Shares that May<br>Yet Be Purchased<br>Under the<br>Plans or Programs |
|-------------------------------------|--|---|---|--|
| January 1, 2012 to January 28, 2012 |  |   |   |  |
| January 29, 2012 to March 3, 2012   | 39,065   | \$ 110.23                                 |   |  |
| March 4, 2012 to March 31, 2012     | 30,311   | 113.52                                    |   |  |
| Total                               | 69,376   | \$ 111.67                                 |   |  |

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

**Item 5. Other Information**

Valmont's annual meeting of stockholders was held on April 24, 2012. The stockholders elected four directors to serve three-year terms, ratified the appointment of Deloitte & Touche LLP to audit the Company's financial statements for fiscal 2012 and approved, on an advisory basis, a resolution approving our named executive officer compensation. For the annual meeting there were 26,527,445 shares outstanding and eligible to vote of which 24,746,565 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 | Broker Non-Votes |
|------------------------|------------|----------|------------------|
| Glen A. Barton         | 23,137,826 | 58,490   | 1,550,249        |
| Daniel P. Neary        | 22,855,900 | 340,416  | 1,550,249        |
| Kenneth E. Stinson     | 23,037,660 | 158,656  | 1,550,249        |
| Catherine James Paglia | 23,031,706 | 164,610  | 1,550,249        |

## Proposal to ratify the appointment of Deloitte &amp; Touche LLP as independent auditors for fiscal 2012:

|         |            |
|---------|------------|
| For     | 24,219,742 |
| Against | 525,545    |
| Abstain | 1,278      |

## Advisory vote on executive compensation:

|                  |            |
|------------------|------------|
| For              | 22,798,603 |
| Against          | 341,067    |
| Abstain          | 56,646     |
| Broker non-votes | 1,550,249  |

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**Item 6. Exhibits**

(a) Exhibits

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 31.1               | Section 302 Certificate of Chief Executive Officer   |
| 31.2               | Section 302 Certificate of Chief Financial Officer   |
| 32.1               | Section 906 Certifications of Chief Executive Officer and Chief Financial Officer  |
| 101                | The following financial information from Valmont's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Shareholders' Equity, (vi) Notes to Condensed Consolidated Financial Statements and (vii) document and entity information. |

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**SIGNATURES**

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

VALMONT INDUSTRIES, INC.  
(Registrant)

/s/ TERRY J. MCCLAIN

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

Dated this 27th day of April, 2012.

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**Index of Exhibits**

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