

VALMONT INDUSTRIES INC
Form 10-Q
April 30, 2012

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

Form 10-Q

(Mark One)

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

For the quarterly period ended 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)

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, 2012	March 26, 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, 2012	March 26, 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.

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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

(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
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
 Total current assets	 1,300,592	 1,252,943
 Property, plant and equipment, at cost	 945,457	 911,642
Less accumulated depreciation and amortization	476,125	456,765
 Net property, plant and equipment	 469,332	 454,877
 Goodwill	 320,617	 314,662
Other intangible assets	168,259	168,083
Other assets	124,169	115,511
 Total assets	 \$ 2,382,969	 \$ 2,306,076
LIABILITIES AND SHAREHOLDERS' EQUITY		
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
 Total current liabilities	 404,464	 408,070
 Deferred income taxes	 86,798	 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, 2012	March 26, 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 stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Noncontrolling interest in consolidated subsidiaries	Total shareholders' equity
Balance at December 25, 2010	\$ 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
Balance at March 26, 2011	\$ 27,900	\$	\$ 868,396	\$ 85,149	\$ (25,465)	\$ 97,477	\$ 1,053,457
Balance at December 31, 2011	\$ 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
Balance at March 31, 2012	\$ 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, 2012	December 31, 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, 2012	December 31, 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 Average Life
	Gross Carrying Amount	Accumulated 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 Average Life
	Gross Carrying Amount	Accumulated 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 Amortization 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, 2012	December 31, 2011	Year 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 Infrastructure Products Segment	Utility Support Structures Segment	Coatings Segment	Irrigation Segment	Other	Total
Balance December 31, 2011	\$ 151,558	\$ 77,141	\$ 64,820	\$ 2,576	\$ 18,567	\$ 314,662
Foreign currency 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 EPS	Dilutive Effect of Stock Options	Diluted EPS
Thirteen weeks ended March 31, 2012:			
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
Thirteen weeks ended March 26, 2011:			
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

	Thirteen Weeks Ended	
	March 31,	March 26,
	2012	2011
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, 2012	March 26, 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					