

VALMONT INDUSTRIES INC
Form 10-Q
May 10, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended April 1, 2006

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)

**One Valmont Plaza,
Omaha, Nebraska**

(Address of principal executive offices)

47-0351813

(I.R.S. Employer
Identification No.)

68154-5215

(Zip Code)

(Registrant's telephone number, including area code)

402-963-1000

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

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

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25,358,383

Outstanding shares of common stock as of April 28, 2006

Index is located on page 2.

Total number of pages 30.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

| | Thirteen Weeks Ended | |
|---|-----------------------------|---------------------------|
| | April 1, 2006 | March 26, 2005 |
| Net Sales | \$ 303,625 | \$ 265,741 |
| Cost of Sales | 227,932 | 204,080 |
| Gross profit | 75,693 | 61,661 |
| Selling, general and administrative expenses | 52,116 | 45,554 |
| Operating income | 23,577 | 16,107 |
| Other income (deductions): | | |
| Interest expense | (4,148) | (4,827) |
| Interest income | 553 | 237 |
| Miscellaneous | 897 | (148) |
| | (2,698) | (4,738) |
| Earnings before income taxes, minority interest and equity in losses of nonconsolidated subsidiaries | 20,879 | 11,369 |
| Income tax expense (benefit): | | |
| Current | 10,900 | 2,612 |
| Deferred | (3,229) | 1,532 |
| | 7,671 | 4,144 |
| Earnings before minority interest and equity in earnings (losses) of nonconsolidated subsidiaries | 13,208 | 7,225 |
| Minority interest | (168) | (349) |
| Equity in earnings (losses) of nonconsolidated subsidiaries | 45 | (66) |
| Net earnings | \$ 13,085 | \$ 6,810 |
| Earnings per share Basic: | | |
| Earnings per share Basic | \$ 0.53 | \$ 0.28 |
| Earnings per share Diluted: | | |
| Earnings per share Diluted | \$ 0.52 | \$ 0.27 |
| Cash dividends per share | \$ 0.085 | \$ 0.08 |
| Weighted average number of shares of common stock outstanding (000 omitted) | 24,620 | 24,111 |
| Weighted average number of shares of common stock outstanding plus dilutive potential common shares (000 omitted) | 25,330 | 25,042 |

See accompanying notes to condensed consolidated financial statements.

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

| | April 1, 2006 | December 31, 2005 |
|--|------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 36,005 | \$ 46,867 |
| Receivables, net | 195,504 | 180,969 |
| Inventories | 172,869 | 158,327 |
| Prepaid expenses | 10,238 | 7,643 |
| Refundable and deferred income taxes | 14,606 | 14,506 |
| Total current assets | 429,222 | 408,312 |
| Property, plant and equipment, at cost | 494,667 | 489,660 |
| Less accumulated depreciation and amortization | 301,474 | 294,984 |
| Net property, plant and equipment | 193,193 | 194,676 |
| Goodwill | 106,710 | 106,695 |
| Other intangible assets, net | 59,228 | 60,140 |
| Other assets | 32,755 | 32,219 |
| Total assets | \$ 821,108 | \$ 802,042 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current liabilities: | | |
| Current installments of long-term debt | \$ 15,306 | \$ 13,583 |
| Notes payable to banks | 4,226 | 4,918 |
| Accounts payable | 103,230 | 90,674 |
| Accrued expenses | 63,018 | 67,869 |
| Dividends payable | 2,125 | 2,107 |
| Total current liabilities | 187,905 | 179,151 |
| Deferred income taxes | 40,068 | 43,199 |
| Long-term debt, excluding current installments | 214,103 | 218,757 |
| Other noncurrent liabilities | 26,262 | 24,889 |
| Minority interest in consolidated subsidiaries | 7,515 | 7,371 |
| Shareholders' equity: | | |
| Preferred stock | | |
| Common stock of \$1 par value | 27,900 | 27,900 |
| Retained earnings | 364,485 | 357,025 |
| Accumulated other comprehensive income | (9) | (2,521) |
| Treasury stock | (47,121) | (50,067) |
| Unearned restricted stock | | (3,662) |
| Total shareholders' equity | 345,255 | 328,675 |
| Total liabilities and shareholders' equity | \$ 821,108 | \$ 802,042 |

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

| | Thirteen Weeks Ended | |
|---|-----------------------------|---------------------------|
| | April 1, 2006 | March 26, 2005 |
| Cash flows from operations: | | |
| Net earnings | \$ 13,085 | \$ 6,810 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | |
| Depreciation and amortization | 9,401 | 9,751 |
| (Gain)/loss on sale of property, plant and equipment | 454 | (50) |
| Equity in losses of nonconsolidated subsidiaries | (45) | 66 |
| Minority interest | 169 | 349 |
| Deferred income taxes | (3,229) | 1,532 |
| Other adjustments | 219 | (684) |
| Changes in assets and liabilities: | | |
| Receivables | (12,913) | 13,996 |
| Inventories | (13,670) | 8,821 |
| Prepaid expenses | (3,114) | (3,504) |
| Accounts payable | 6,444 | 614 |
| Accrued expenses | (5,238) | (7,143) |
| Other noncurrent liabilities | (160) | 828 |
| Income taxes payable | 5,208 | 2,420 |
| Net cash flows from operations | (3,389) | 33,806 |
| Cash flows from investing activities: | | |
| Purchase of property, plant & equipment | (6,676) | (4,045) |
| Proceeds from sale of property and equipment | 837 | 376 |
| Dividends to minority interests | (166) | (90) |
| Other, net | 160 | 562 |
| Net cash flows from investing activities | (5,845) | (3,197) |
| Cash flows from financing activities: | | |
| Net payments under short-term agreements | (692) | (2,845) |
| Proceeds from long-term borrowings | 226 | |
| Principal payments on long-term obligations | (3,157) | (21,916) |
| Dividends paid | (2,107) | (1,932) |
| Proceeds from exercises under stock plans | 6,902 | 3,861 |
| Excess tax benefits from stock option exercises | 3,159 | |
| Purchase of common treasury shares-stock plan exercises | (6,622) | (218) |
| Net cash flows from financing activities | (2,291) | (23,050) |
| Effect of exchange rate changes on cash and cash equivalents | 663 | (738) |
| Net change in cash and cash equivalents | (10,862) | 6,821 |
| Cash and cash equivalents beginning of period | 46,867 | 30,210 |
| Cash and cash equivalents end of period | \$ 36,005 | \$ 37,031 |

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)
(Unaudited)

1. Summary of Significant Accounting Policies

Condensed Consolidated Financial Statements

The Condensed Consolidated Balance Sheet as of April 1, 2006, the Condensed Consolidated Statements of Operations for the thirteen week periods ended April 1, 2006 and March 26, 2005 and the Condensed Consolidated Statements of Cash Flows for the thirteen week periods then ended have been prepared by the Company, without audit. In the opinion of management, all necessary adjustments (which include normal recurring adjustments) have been made to present fairly the financial statements as of April 1, 2006 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, 2005. 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, 2005. The results of operations for the period ended April 1, 2006 are not necessarily indicative of the operating results for the full year.

Inventories

At April 1, 2006, approximately 54% of inventory is valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market. All other inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method or market. Finished goods and manufactured goods inventories include the costs of acquired raw materials and related factory labor and overhead charges required to convert raw materials to manufactured finished goods. The excess of replacement cost of inventories over the LIFO value was \$30,900 and \$29,100 at April 1, 2006 and December 31, 2005, respectively.

Inventories consisted of the following:

| | April 1, 2006 | December 31, 2005 |
|---------------------------------------|--------------------------|------------------------------|
| Raw materials and purchased parts | \$ 101,388 | \$ 97,606 |
| Work-in-process | 21,904 | 19,419 |
| Finished goods and manufactured goods | 80,477 | 70,377 |
| Subtotal | 203,769 | 187,402 |
| LIFO reserve | 30,900 | 29,075 |
| Net inventory | \$ 172,869 | \$ 158,327 |

Stock Plans

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

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

stock. At April 1, 2006, 1,022,560 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 time 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.

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS 123R), *Shared Based Payment*. The Company chose to apply the modified prospective transition method as permitted by SFAS 123R and therefore has not restated prior periods. Under this transition method, compensation cost associated with employee stock options recognized in the quarter ended April 1, 2006 includes amortization related to the remaining unvested portion of stock option awards granted prior to December 31, 2005, and amortization related to awards granted after January 1, 2006. Accordingly, the Company recorded \$329 of compensation expense (included in selling, general and administrative expenses) in the quarter ended April 1, 2006 related to stock options. The associated tax benefit recorded was \$121. Prior to the adoption of SFAS 123(R), the Company accounted for these plans under APB Opinion 25, *Accounting for Stock Issued to Employees*, and related Interpretations. Under APB Opinion 25, no compensation cost associated with stock options was reflected in net income, as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share for the thirteen weeks ended March 26, 2005 if the company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

| | March 26, 2005 |
|---|---------------------------|
| <i>Net earnings</i> | |
| Net earnings as reported | \$ 6,810 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effects | 109 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | 433 |
| Pro forma net earnings | \$ 6,486 |
| <i>Earnings per share</i> | |
| As reported: Basic | \$ 0.28 |
| Diluted | \$ 0.27 |
| Pro forma: Basic | \$ 0.27 |
| Diluted | \$ 0.26 |

2. Goodwill and Intangible Assets

The Company's annual impairment testing on its reporting units was performed during the third quarter of 2005. As a result of that testing, it was determined the goodwill and other intangible assets on the Company's Consolidated Balance Sheet were not impaired.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

Amortized Intangible Assets

The components of amortized intangible assets at April 1, 2006 and December 31, 2005 were as follows:

| | As of April 1, 2006 | | Weighted Average Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | |
| Customer Relationships | \$ 48,133 | \$ 8,549 | 18 years |
| Proprietary Software & Database | 2,609 | 1,918 | 6 years |
| Patents & Proprietary Technology | 2,839 | 368 | 14 years |
| Non-compete Agreements | 331 | 115 | 5 years |
| | \$ 53,912 | \$ 10,950 | |

| | As of December 31, 2005 | | Weighted Average Life |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | |
| Customer Relationships | \$ 48,133 | \$ 7,819 | 18 years |
| Proprietary Software & Database | 2,609 | 1,802 | 6 years |
| Patents & Proprietary Technology | 2,839 | 319 | 14 years |
| Non-compete Agreements | 331 | 98 | 5 years |
| | \$ 53,912 | \$ 10,038 | |

Amortization expense for intangible assets during the first quarter of 2006 and 2005 was \$912 and \$902, respectively. Estimated amortization expense related to amortized intangible assets is as follows:

| | Estimated Amortization Expense |
|------|--------------------------------------|
| 2006 | \$ 3,404 |
| 2007 | 3,321 |
| 2008 | 3,321 |
| 2009 | 3,289 |
| 2010 | 3,255 |

Non-amortized intangible assets

Under the provisions of SFAS 142, intangible assets with indefinite lives are not amortized. The carrying value of the PiRod, Newmark, and Sigma trade names are \$4,750, \$11,111, and \$405 respectively. The Newmark and Sigma amounts arose from the 2004 acquisitions and the PiRod amount (which arose from a 2001 acquisition) has not changed in the thirteen weeks ended April 1, 2006.

The indefinite lived intangible assets were tested for impairment separately from goodwill in the third quarter of 2005. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired as of September 24, 2005.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

Goodwill

The carrying amount of goodwill as of April 1, 2006 was as follows:

| | Engineered Support Structures Segment | Utility Support Structures Segment | Coatings Segment | Irrigation Segment | Tubing Segment | Total |
|------------------------------|--|---|---------------------|-----------------------|-------------------|------------|
| Balance December 31, 2005 | \$ 19,760 | \$ 42,628 | \$ 42,192 | \$ 1,853 | \$ 262 | \$ 106,695 |
| Foreign Currency Translation | 15 | | | | | 15 |
| Balance April 1, 2006 | \$ 19,775 | \$ 42,628 | \$ 42,192 | \$ 1,853 | \$ 262 | \$ 106,710 |

Goodwill in the Company's reporting units was tested in the third quarter of 2005. Based on the evaluation, the Company concluded that goodwill was not impaired as of September 24, 2005.

3. Cash Flows

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

| | April 1, 2006 | March 26, 2005 |
|--------------|------------------|-------------------|
| Interest | \$ 1,766 | \$ 2,292 |
| Income Taxes | 2,363 | 175 |

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 April 1, 2006: | | | |
| Net earnings | \$ 13,085 | | \$ 13,085 |
| Shares outstanding | 24,620 | 710 | 25,330 |
| Per share amount | \$ 0.53 | .01 | \$ 0.52 |
| Thirteen weeks ended March 26, 2005: | | | |
| Net earnings | \$ 6,810 | | \$ 6,810 |
| Shares outstanding | 24,111 | 931 | 25,042 |
| Per share amount | \$ 0.28 | .01 | \$ 0.27 |

At March 26, 2005, there were 0.1 million options outstanding, with exercise prices exceeding the market value of common stock that were therefore excluded from the computation of shares contingently issuable upon exercise of the options. At April 1, 2006 there were no outstanding options with exercise prices exceeding the market price of common stock.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

5. Comprehensive Income

Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. The Company's other comprehensive income for the thirteen weeks ended April 1, 2006 and March 26, 2005, respectively, were as follows:

| | Thirteen Weeks Ended April 1, 2006 | March 26, 2005 |
|---------------------------------|---|---------------------------|
| Net earnings | \$ 13,085 | \$ 6,810 |
| Net derivative adjustment | | 35 |
| Currency translation adjustment | 2,512 | (2,771) |
| Total comprehensive income | \$ 15,597 | \$ 4,074 |

6. Stock Plans

On January 1, 2006, the Company adopted SFAS No. 123R, *Shared Based Payment* (SFAS 123R). The Company chose to apply the modified prospective transition method as permitted by SFAS 123R and therefore has not restated prior periods. Under this transition method, compensation cost associated with employee stock options recognized in the quarter ended April 1, 2006 includes amortization related to the remaining unvested portion of stock options granted prior to December 31, 2005, and amortization related to stock options granted after January 1, 2006. At April 1, 2006, the amount of unrecognized stock option compensation cost, to be recognized over a weighted average period of 1.70 years, was approximately \$2,200.

Upon adoption of SFAS 123R, the Company changed its method of valuation for share-based awards granted beginning in 2006 to a binomial option pricing model from the Black-Scholes-Merton option pricing model which was previously used for the Company's pro forma information required under SFAS 123.

As a result of adopting SFAS 123R, net income before taxes included \$329 of share-based compensation expense, with an associated tax benefit of \$121 for the quarter ended April 1, 2006. Prior to the adoption of SFAS 123R, the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Consolidated Statements of Cash Flows. SFAS 123R requires the cash flows resulting from tax deductions in excess of the compensation cost recognized for share-based payments (excess tax benefits) to be classified as financing cash flows. The excess tax benefit of \$3,159 was classified as financing cash flows for the quarter ended April 1, 2006 and would have been classified as an operating cash inflow before adoption of SFAS 123R.

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Compensation Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards and bonuses of common stock. At April 1, 2006, 1,022,560 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization. The Company's policy is to issue shares upon exercise of stock options from treasury shares held by the Company.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

Under the plans, the exercise price of each option equals the market price at the time 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.

Following is a summary of the activity of the stock plans during the quarter ended April 1, 2006:

| | Number of Shares | Weighted Average Exercise Price |
|--|---------------------|--|
| Outstanding at December 31, 2005 | 2,670,094 | \$ 20.76 |
| Granted | | |
| Exercised | (376,413) | (17.88) |
| Forfeited | (1,250) | (30.51) |
| Outstanding at April 1, 2006 | 2,292,431 | \$ 21.23 |
| Options exercisable at April 1, 2006 | 1,812,893 | \$ 19.37 |
| Weighted average fair value of options granted during 2006 | | \$ |

Following is a summary of the status of stock options outstanding at April 1, 2006:

Outstanding and Exercisable By Price Range
Options Outstanding

| Exercise Price Range | Number | Weighted Average Remaining Contractual Life | Options Exercisable | | Weighted Average Exercise Price |
|-------------------------|-----------|---|---------------------------------------|-----------|---------------------------------------|
| | | | Weighted Average Exercise Price | Number | |
| \$ 13.91-17.58 | 773,873 | 4.19 years | \$ 16.11 | 773,873 | \$ 16.11 |
| 19.00-22.17 | 762,613 | 4.38 years | 20.86 | 705,947 | 20.78 |
| 22.31-34.33 | 755,945 | 6.78 years | 26.85 | 333,073 | 22.58 |
| | 2,292,431 | | | 1,812,893 | |

In accordance with shareholder-approved plans, the Company grants stock under various stock-based compensation arrangements, including non-vested share awards and stock issued in lieu of cash bonuses. Under such arrangements, stock is issued without direct cost to the employee. In addition, the Company grants non-vested share units. The non-vested share units are settled in Company stock when the vesting period ends. There were no grants of non-vested share awards or non-vested share units during the quarter ended April 1, 2006.

At April 1, 2006, there was \$4,054 of unrecognized compensation expense related to these non-vested share awards, which is expected to be recognized over a weighted average period of 3.75 years. The Company recorded expense of \$282 in the first quarter of 2006, with an associated tax benefit of \$109, related to the amortization of non-vested shares and share units. Beginning January 1, 2006, the unamortized balance of the non-vested share awards is a component of retained earnings. Prior to January 1, 2006, this unamortized balance was shown as a separate component of shareholders' equity.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

7. Business Segments

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

Reportable segments are as follows:

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

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

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

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

TUBING: This segment consists of the manufacture of tubular products for industrial customers.

In addition to these five reportable segments, the Company has other businesses that individually are not more than 10% of consolidated sales. These businesses, which include wind energy development, machine tool accessories and industrial fasteners, are reported in the *Other* category. Prior period information is presented in accordance with the current reportable segment structure.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

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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.

| | Thirteen Weeks Ended | |
|--|-----------------------------|---------------------------|
| | April 1, 2006 | March 26, 2005 |
| Sales: | | |
| Engineered Support Structures segment: | | |
| Lighting & Traffic | \$ 90,686 | \$ 88,278 |
| Specialty | 20,523 | 16,148 |
| Utility | 4,330 | 4,416 |
| | 115,539 | 108,842 |
| Utility Support Structures segment | | |
| Steel | 44,870 | 43,572 |
| Concrete | 21,340 | 15,461 |
| | 66,210 | 59,033 |
| Coatings segment | 25,308 | 18,993 |
| Irrigation segment | 86,871 | 69,946 |
| Tubing segment | 23,465 | 22,067 |
| Other | 4,376 | 4,819 |
| | 321,769 | 283,700 |
| Intersegment Sales: | | |
| Engineered Support Structures | 7,338 | 9,072 |
| Utility Support Structures | 871 | 517 |
| Coatings | 4,827 | 3,611 |
| Irrigation | 12 | 7 |
| Tubing | 4,070 | 3,810 |
| Other | 1,026 | 942 |
| | 18,144 | 17,959 |
| Net Sales | | |
| Engineered Support Structures | 108,201 | 99,770 |
| Utility Support Structures | 65,339 | 58,516 |
| Coatings | 20,481 | 15,382 |
| Irrigation | 86,859 | 69,939 |
| Tubing | 19,395 | 18,257 |
| Other | 3,350 | 3,877 |
| Consolidated Net Sales | 303,625 | \$ 265,741 |
| Operating Income (loss): | | |
| Engineered Support Structures | \$ 7,004 | \$ 5,624 |
| Utility Support Structures | 7,959 | 4,388 |
| Coatings | 2,380 | 766 |
| Irrigation | 11,277 | 7,220 |
| Tubing | 3,623 | 3,259 |
| Other | (659) | (759) |
| Net corporate expense | (8,007) | (4,391) |
| Total Operating Income | \$ 23,577 | \$ 16,107 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

8. Guarantor/Non-Guarantor Financial Information

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

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Thirteen Weeks Ended April 1, 2006

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|------------|------------|----------------|--------------|------------|
| Net Sales | \$ 188,761 | \$ 55,255 | \$ 76,004 | \$ (16,395) | \$ 303,625 |
| Cost of Sales | 144,310 | 43,627 | 56,270 | (16,275) | 227,932 |
| Gross profit | 44,451 | 11,628 | 19,734 | (120) | 75,693 |
| Selling, general and administrative expenses | 29,950 | 8,052 | 14,114 | | 52,116 |
| Operating income | 14,501 | 3,576 | 5,620 | (120) | 23,577 |
| Other income (deductions): | | | | | |
| Interest expense | (3,987) | (2) | (166) | 7 | (4,148) |
| Interest income | 183 | 9 | 368 | (7) | 553 |
| Miscellaneous | 1,115 | 11 | (229) | | 897 |
| | (2,689) | 18 | (27) | | (2,698) |
| Earnings before income taxes, minority interest and equity in earnings / (losses) of nonconsolidated subsidiaries | 11,812 | 3,594 | 5,593 | (120) | 20,879 |
| Income tax expense: | | | | | |
| Current | 8,215 | 1,382 | 1,303 | | 10,900 |
| Deferred | (3,569) | 51 | 289 | | (3,229) |
| | 4,646 | 1,433 | 1,592 | | 7,671 |
| Earnings before minority interest, and equity in earnings / (losses) of nonconsolidated subsidiaries | 7,166 | 2,161 | 4,001 | (120) | 13,208 |
| Minority interest | | | (168) | | (168) |
| Equity in earnings / (losses) of nonconsolidated subsidiaries | 6,039 | 96 | 29 | (6,119) | 45 |
| Net earnings | \$ 13,205 | \$ 2,257 | \$ 3,862 | \$ (6,239) | \$ 13,085 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

Condensed Consolidated Statements of Operations

For the Thirteen Weeks Ended March 26, 2005

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|---------------|-------------------|-----------------------|---------------------|--------------|
| Net Sales | \$ 166,080 | \$ 50,456 | \$ 70,514 | \$ (21,309) | \$265,741 |
| Cost of Sales | 129,893 | 42,362 | 53,561 | (21,736) | 204,080 |
| Gross profit | 36,187 | 8,094 | 16,953 | 427 | 61,661 |
| Selling, general and administrative expenses | 24,808 | 7,950 | 12,796 | | 45,554 |
| Operating income | 11,379 | 144 | 4,157 | 427 | 16,107 |
| Other income (deductions): | | | | | |
| Interest expense | (4,716) | (11) | (124) | 24 | (4,827) |
| Interest income | 26 | 4 | 231 | (24) | 237 |
| Miscellaneous | (13) | 6 | (141) | | (148) |
| | (4,703) | (1) | (34) | | (4,738) |
| Earnings before income taxes, minority interest and equity in earnings / (losses) of nonconsolidated subsidiaries | 6,676 | 143 | 4,123 | 427 | 11,369 |
| Income tax expense: | | | | | |
| Current | 877 | 129 | 1,606 | | 2,612 |
| Deferred | 1,888 | (91) | (265) | | 1,532 |
| | 2,765 | 38 | 1,341 | | 4,144 |
| Earnings before minority interest, and equity in earnings / (losses) of nonconsolidated subsidiaries | 3,911 | 105 | 2,782 | 427 | 7,225 |
| Minority interest | | | (349) | | (349) |
| Equity in earnings / (losses) of nonconsolidated subsidiaries | 2,472 | | (82) | (2,456) | (66) |
| Net earnings | \$ 6,383 | \$ 105 | \$ 2,351 | \$ (2,029) | \$ 6,810 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Dollars in thousands)
 (Unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS

April 1, 2006

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|------------|------------|----------------|---------------|------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 7,538 | \$ 1,077 | \$ 27,390 | \$ | \$ 36,005 |
| Receivables, net | 86,040 | 35,462 | 74,027 | (25) | 195,504 |
| Inventories | 78,062 | 42,857 | 51,950 | | 172,869 |
| Prepaid expenses | 3,121 | 1,677 | 5,440 | | 10,238 |
| Refundable and deferred income taxes | 9,231 | 3,365 | 2,010 | | 14,606 |
| Total current assets | 183,992 | 84,438 | 160,817 | (25) | 429,222 |
| Property, plant and equipment, at cost | 324,441 | 68,551 | 101,675 | | 494,667 |
| Less accumulated depreciation and amortization | 210,758 | 26,471 | 64,245 | | 301,474 |
| Net property, plant and equipment | 113,683 | 42,080 | 37,430 | | 193,193 |
| Goodwill | 20,370 | 73,376 | 12,964 | | 106,710 |
| Other intangible assets | 765 | 55,680 | 2,783 | | 59,228 |
| Investment in subsidiaries and intercompany accounts | 353,935 | 41,453 | (1,941) | (393,447) | |
| Other assets | 24,937 | 6,783 | 1,635 | (600) | 32,755 |
| Total assets | 697,682 | 303,810 | 213,688 | (394,072) | \$ 821,108 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current installments of long-term debt | 13,127 | 27 | 2,152 | | \$ 15,306 |
| Notes payable to banks | | | 4,226 | | 4,226 |
| Accounts payable | 48,989 | 11,983 | 42,258 | | 103,230 |
| Accrued expenses | 39,082 | 5,523 | 18,438 | (25) | 63,018 |
| Dividends payable | 2,125 | | | | 2,125 |
| Total current liabilities | 103,323 | 17,533 | 67,074 | (25) | 187,905 |
| Deferred income taxes | 14,954 | 22,076 | 3,038 | | 40,068 |
| Long-term debt, excluding current installments | 212,940 | 60 | 1,703 | (600) | 214,103 |
| Other noncurrent liabilities | 25,242 | | 1,020 | | 26,262 |
| Minority interest in consolidated subsidiaries | | | 7,515 | | 7,515 |
| Shareholders' equity: | | | | | |
| Common stock of \$1 par value | 27,900 | 14,249 | 3,492 | (17,741) | 27,900 |
| Additional paid-in capital | | 159,082 | 67,055 | (226,137) | |
| Retained earnings | 360,444 | 90,810 | 62,800 | (149,569) | 364,485 |
| Accumulated other comprehensive income | | | (9) | | (9) |
| Treasury stock | (47,121) | | | | (47,121) |
| Unearned restricted stock | | | | | |
| Total shareholders' equity | 341,223 | 264,141 | 133,338 | (393,447) | 345,255 |
| Total liabilities and shareholders' equity | \$ 697,682 | \$ 303,810 | \$ 213,688 | \$ (394,072) | \$ 821,108 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS

December 31, 2005

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|------------|------------|----------------|---------------|------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 16,875 | \$ 1,898 | \$ 28,094 | \$ | \$ 46,867 |
| Receivables, net | 74,397 | 36,496 | 70,094 | (18) | 180,969 |
| Inventories | 66,111 | 42,540 | 49,676 | | 158,327 |
| Prepaid expenses | 3,008 | 1,690 | 2,945 | | 7,643 |
| Refundable and deferred income taxes | 8,931 | 3,406 | 2,169 | | 14,506 |
| Total current assets | 169,322 | 86,030 | 152,978 | (18) | 408,312 |
| Property, plant and equipment, at cost | 325,620 | 66,218 | 97,822 | | 489,660 |
| Less accumulated depreciation and amortization | 208,862 | 23,207 | 62,915 | | 294,984 |
| Net property, plant and equipment | 116,758 | 43,011 | 34,907 | | 194,676 |
| Goodwill | 20,370 | 73,375 | 12,950 | | 106,695 |
| Other intangible assets | 778 | 56,498 | 2,864 | | 60,140 |
| Investment in subsidiaries and intercompany accounts | 319,473 | 41,560 | (10,471) | (350,562) | |
| Other assets | 31,305 | | 1,514 | (600) | 32,219 |
| Total assets | \$ 658,006 | \$ 300,474 | \$ 194,742 | \$ (351,180) | \$ 802,042 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| Current liabilities: | | | | | |
| Current installments of long-term debt | \$ 11,624 | \$ 26 | \$ 1,933 | \$ | \$ 13,583 |
| Notes payable to banks | | | 4,918 | | 4,918 |
| Accounts payable | 38,109 | 11,281 | 41,284 | | 90,674 |
| Accrued expenses | 42,608 | 7,357 | 17,922 | (18) | 67,869 |
| Dividends payable | 2,107 | | | | 2,107 |
| Total current liabilities | 94,448 | 18,664 | 66,057 | (18) | 179,151 |
| Deferred income taxes | 18,224 | 22,066 | 2,909 | | 43,199 |
| Long-term debt, excluding current installments | 217,592 | 68 | 1,697 | (600) | 218,757 |
| Other noncurrent liabilities | 23,807 | | 1,082 | | 24,889 |
| Minority interest in consolidated subsidiaries | | | 7,371 | | 7,371 |
| Shareholders' equity: | | | | | |
| Common stock of \$1 par value | 27,900 | 14,249 | 10,343 | (24,592) | 27,900 |
| Additional paid-in capital | | 159,082 | 71,885 | (230,967) | |
| Retained earnings | 329,764 | 86,345 | 35,919 | (95,003) | 357,025 |
| Accumulated other comprehensive income | | | (2,521) | | (2,521) |
| Treasury stock | (50,067) | | | | (50,067) |
| Unearned restricted stock | (3,662) | | | | (3,662) |
| Total shareholders' equity | 303,935 | 259,676 | 115,626 | (350,562) | 328,675 |
| Total liabilities and shareholders' equity | \$ 658,006 | \$ 300,474 | \$ 194,742 | \$ (351,180) | \$ 802,042 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Thirteen Weeks Ended April 1, 2006

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|---|-----------|------------|----------------|--------------|-----------|
| Cash flows from operations: | | | | | |
| Net earnings | \$ 13,205 | \$ 2,257 | \$ 3,862 | \$ (6,239) | \$ 13,085 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | | | | |
| Depreciation and amortization | 5,216 | 2,441 | 1,744 | | 9,401 |
| (Gain) / loss on sale of property, plant and equipment | 470 | | (16) | | 454 |
| Equity in (earnings) / losses of nonconsolidated subsidiaries | 80 | (96) | (29) | | (45) |
| Minority interest | | | 169 | | 169 |
| Deferred income taxes | (3,464) | 51 | 184 | | (3,229) |
| Other adjustments | 79 | | 140 | | 219 |
| Changes in assets and liabilities: | | | | | |
| Receivables | (11,642) | 1,034 | (2,315) | 10 | (12,913) |
| Inventories | (11,951) | (317) | (1,525) | 123 | (13,670) |
| Prepaid expenses | (789) | 12 | (2,337) | | (3,114) |
| Accounts payable | 5,503 | 703 | 238 | | 6,444 |
| Accrued expenses | (3,544) | (1,833) | 147 | (8) | (5,238) |
| Other noncurrent liabilities | (98) | | (62) | | (160) |
| Income taxes payable | 5,272 | | (64) | | 5,208 |
| Net cash flows from operations | (1,663) | 4,252 | 136 | (6,114) | (3,389) |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (2,286) | (691) | (3,699) | | (6,676) |
| Proceeds from sale of property, plant and equipment | 766 | | 71 | | 837 |
| Dividends to minority interest | | | (166) | | (166) |
| Other, net | (4,337) | (4,376) | 2,759 | 6,114 | 160 |
| Net cash flows from investing activities | (5,857) | (5,067) | (1,035) | 6,114 | (5,845) |
| Cash flows from financing activities: | | | | | |
| Net repayments under short-term agreements | | | (692) | | (692) |
| Proceeds from long-term borrowings | | | 226 | | 226 |
| Principal payments on long-term obligations: | | | | | |
| Dividends paid | (3,149) | (6) | (2) | | (3,157) |
| Proceeds from exercises under stock plans | (2,107) | | | | (2,107) |
| Excess tax benefits from stock option exercises | 6,902 | | | | 6,902 |
| Purchase of common treasury shares | 3,159 | | | | 3,159 |
| Purchase of common treasury shares | (6,622) | | | | (6,622) |
| Net cash flows from financing activities | (1,817) | (6) | (468) | | (2,291) |
| Effect of exchange rate changes on cash and cash equivalents | | | | | |
| | | | 663 | | 663 |
| Net change in cash and cash equivalents | (9,337) | (821) | (704) | | (10,862) |
| Cash and cash equivalents beginning of year | 16,875 | 1,898 | 28,094 | | 46,867 |
| Cash and cash equivalents end of year | \$ 7,538 | \$ 1,077 | \$ 27,390 | \$ | \$ 36,005 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Thirteen Weeks Ended March 26, 2005

| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
|--|-----------|------------|----------------|--------------|-----------|
| Cash flows from operations: | | | | | |
| Net earnings | \$ 6,383 | \$ 105 | \$ 2,351 | \$ (2,029) | \$ 6,810 |
| Adjustments to reconcile net earnings to net cash flows from operations: | | | | | |
| Depreciation and amortization | 5,367 | 2,613 | 1,771 | | 9,751 |
| (Gain) / loss on sale of property, plant and equipment | 4 | (5) | (49) | | (50) |
| Equity in (earnings) / losses of nonconsolidated subsidiaries | (16) | | 82 | | 66 |
| Minority interest | | | 349 | | 349 |
| Deferred income taxes | 1,888 | (91) | (265) | | 1,532 |
| Other adjustments | (247) | | (437) | | (684) |
| Changes in assets and liabilities: | | | | | |
| Receivables | 2,301 | 4,439 | 7,256 | | 13,996 |
| Inventories | 17,962 | (2,410) | (6,306) | (425) | 8,821 |
| Prepaid expenses | (1,067) | 73 | (2,510) | | (3,504) |
| Accounts payable | 483 | (2,514) | 2,645 | | 614 |
| Accrued expenses | (5,040) | (1,146) | (933) | (24) | (7,143) |
| Other noncurrent liabilities | 845 | | (17) | | 828 |
| Income taxes payable | 2,334 | | 86 | | 2,420 |
| Net cash flows from operations | 31,197 | 1,064 | 4,023 | (2,478) | 33,806 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (2,042) | (801) | (1,202) | | (4,045) |
| Proceeds from sale of property, plant and equipment | 2 | 7 | 367 | | 376 |
| Proceeds from minority interests | | | (90) | | (90) |
| Other, net | (1,254) | (2,424) | 1,762 | 2,478 | 562 |
| Net cash flows from investing activities | (3,294) | (3,218) | 837 | 2,478 | (3,197) |
| Cash flows from financing activities: | | | | | |
| Net repayments under short-term agreements | | | (2,845) | | (2,845) |
| Principal payments on long-term obligations | (21,257) | (7) | (652) | | (21,916) |
| Dividends paid | (1,932) | | | | (1,932) |
| Proceeds from exercises under stock plans | 3,861 | | | | 3,861 |
| Purchase of common treasury shares: | | | | | |
| Stock plan exercises | (218) | | | | (218) |
| Net cash flows from financing activities | (19,546) | (7) | (3,497) | | (23,050) |
| Effect of exchange rate changes on cash and cash equivalents | | | | | |
| | | | (738) | | (738) |
| Net change in cash and cash equivalents | 8,357 | (2,161) | 625 | | 6,821 |
| Cash and cash equivalents beginning of year | 966 | 3,694 | 25,550 | | 30,210 |
| Cash and cash equivalents end of year | \$ 9,323 | \$ 1,533 | \$ 26,175 | \$ | \$ 37,031 |

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART 1. FINANCIAL INFORMATION

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

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

This discussion should be read in conjunction with the financial statements and the notes thereto, and the management's discussion and analysis, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. We report our businesses as five reportable segments. See Note 7 to the Condensed Consolidated Financial Statements.

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Dollars in thousands, except per share amounts

| | Thirteen Weeks Ended | | % Incr. (Decr) |
|--|----------------------|-------------------|-------------------|
| | April 1, 2006 | March 26, 2005 | |
| Consolidated | | | |
| Net sales | \$ 303,625 | \$ 265,741 | 14.3 % |
| Gross profit | 75,693 | 61,661 | 22.8 % |
| <i>as a percent of sales</i> | 24.9 % | 23.2 % | |
| SG&A expense | 52,116 | 45,554 | 14.4 % |
| <i>as a percent of sales</i> | 17.2 % | 17.1 % | |
| Operating income | 23,577 | 16,107 | 46.4 % |
| <i>as a percent of sales</i> | 7.8 % | 6.1 % | |
| Net interest expense | 3,595 | 4,590 | -21.7 % |
| Effective tax rate | 36.7 % | 36.4 % | |
| Net earnings | 13,085 | 6,810 | 92.1 % |
| Earnings per share diluted | \$ 0.52 | \$ 0.27 | 92.6 % |
| Engineered Support Structures segment | | | |
| Net sales | 108,201 | 99,770 | 8.4 % |
| Gross profit | 27,487 | 24,720 | 11.2 % |
| SG&A expense | 20,483 | 19,096 | 7.3 % |
| Operating income | 7,004 | 5,624 | 24.5 % |
| Utility Support Structures segment | | | |
| Net sales | 65,339 | 58,516 | 11.7 % |
| Gross profit | 15,683 | 11,139 | 40.8 % |
| SG&A expense | 7,724 | 6,751 | 14.4 % |
| Operating income | 7,959 | 4,388 | 81.4 % |
| Coatings segment | | | |
| Net sales | 20,481 | 15,382 | 33.1 % |
| Gross profit | 4,874 | 3,013 | 61.8 % |
| SG&A expense | 2,494 | 2,247 | 11.0 % |
| Operating income | 2,380 | 766 | 210.7 % |
| Irrigation segment | | | |
| Net sales | 86,859 | 69,939 | 24.2 % |
| Gross profit | 21,258 | 16,770 | 26.8 % |
| SG&A expense | 9,981 | 9,550 | 4.5 % |
| Operating income | 11,277 | 7,220 | 56.2 % |
| Tubing segment | | | |
| Net sales | 19,395 | 18,257 | 6.2 % |
| Gross profit | 5,141 | 4,894 | 5.0 % |
| SG&A expense | 1,518 | 1,635 | -7.2 % |
| Operating income | 3,623 | 3,259 | 11.2 % |
| Other | | | |
| Net sales | 3,350 | 3,877 | -13.6 % |
| Gross profit | 1,181 | 1,127 | 4.8 % |
| SG&A expense | 1,840 | 1,886 | -2.4 % |
| Operating loss | (659) | (759) | 13.2 % |
| Net Corporate expense | | | |
| Gross profit | 69 | (2) | NM |
| SG&A expense | 8,076 | 4,389 | 84.0 % |
| Operating loss | (8,007) | (4,391) | -82.4 % |

NM = Not meaningful

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

Overview

The sales increase in the first quarter of fiscal 2006, as compared with 2005, was mainly due to improved sales volumes in all reportable segments. Gross profit as a percent of sales improved in the first quarter of 2006 over the same period in 2005 as a result of these higher sales volumes, which allowed us to achieve greater factory utilization and improved leverage of our fixed factory expenses. Selling, general and administrative (SG&A) spending increased mainly as a result of higher employee incentives related to improved operating performance (approximately \$3.3 million), increased compensation costs (approximately \$1.0 million), higher sales commissions associated with the increased sales volumes (approximately \$0.6 million) and expense related to stock options (approximately \$0.3 million) that is required to be recorded under the provisions of SFAS 123(R), which we adopted during the first quarter of 2006. All reportable segments contributed to the improved operating income in 2006, as compared with 2005.

Interest expense decreased in the first quarter of 2006 as compared with 2005, primarily due to lower average borrowing levels this year. Average borrowing levels in the first quarter of 2006 were approximately \$77 million lower than the first quarter of 2005, which resulted from operating cash inflows throughout 2005 that were used to pay down our interest-bearing debt. Miscellaneous income was higher in 2006 as compared with 2005, due to a \$1.1 million settlement associated with a retirement plan of a former subsidiary in the first quarter of 2006. Our cash flows used by operations were \$3.4 million in the first quarter of 2006, as compared with \$33.8 million provided by operations in the first quarter of 2005. The lower operating cash flows in the first quarter of 2006 resulted from increased working capital required by the increased sales activity in the first quarter of 2006.

Engineered Support Structures (ESS) segment

The improvement in ESS segment sales in the first quarter of 2006, as compared with 2005, was mainly due to stronger sales in Europe and China. In North America, lighting and traffic structure sales were comparable to 2005 levels. In the third quarter of 2005, U.S. highway legislation was enacted after legislative delays and temporary funding extensions over approximately two years. In the first nine months of 2005, sales orders for our lighting and traffic products related to projects funded by the highway bill were slightly lower than historical levels, as we believe that customers delayed highway project decisions until legislation was enacted. While North American sales shipments in the first quarter of 2006 were essentially flat with 2005 levels, our sales orders and sales backlogs increased over 2005 levels. Commercial lighting sales volumes in 2006 were also comparable to 2005 levels. In Europe, lighting sales were higher than 2005, mainly due to new tramway products developed for European market, improved market penetration in certain geographic areas and some improvement in economic conditions in our main market areas.

Sales of Specialty Structures products increased as compared with 2005. In North America, market conditions for sales of structures and components for the wireless communication market were slightly better in the first quarter of 2006, as compared with the first quarter of 2005, especially in component parts. Sign structure sales increased by \$1.4 million over 2005 levels, mainly due to generally favorable winter weather conditions in the first quarter of this year, which enhanced shipping schedules. Sales of

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

wireless communication poles in China improved in the first quarter of 2006 as compared with a relatively weak first quarter of 2005.

The increase in the profitability of the ESS segment for the thirteen weeks ended April 1, 2006 as compared with the same period in 2005 was related to the sales growth Europe and China. For the segment, the main reasons for the increase in SG&A expense in the first quarter of 2006 as compared with 2005 were increased commissions related to higher sales volumes (approximately \$0.5 million), increased international management expenses (approximately \$0.4 million) and start-up expenses related to our new plant in China (approximately \$0.3 million). This plant is essentially complete and will begin commercial shipments in the second quarter of 2006.

Utility Support Structures segment

In the Utility Support Structures segment, the sales increase in the first quarter of 2006 as compared with the first quarter of 2005 was due to improved demand for steel and concrete electrical transmission, substation and distribution pole structures. Throughout 2005 and into 2006, our order rates for structures from utility companies and independent power producers were relatively strong and built our backlog to over \$80 million and positioned us for improved shipment levels in the first quarter of 2006. The improved earnings for this segment as compared with 2005 relate to the improved sales levels and enhanced factory performance resulting from higher sales and production levels. The increase in SG&A spending was related primarily to increased compensation and incentive costs related to higher business activity levels (approximately \$0.6 million) ..

Coatings segment

First quarter 2006 sales in the Coatings segment were well above 2005 levels, due to increased demand for galvanizing services and higher sales prices associated with higher zinc costs. In our galvanizing operations, the sales volume increase of nearly 19% over 2005 volumes was mainly due to generally stronger industrial economic conditions in our market areas, a continuation of conditions that existed in the latter part of 2005. While we raised our sales prices to recover our increased cost of zinc, market prices for zinc rose substantially in the first quarter, which hampered our ability to fully recover these cost increases. The increase in operating income in the first quarter of 2006, as compared with the first quarter of 2005, resulted from higher production levels and improved factory utilization. The increase in SG&A spending in the first quarter of 2006, as compared with the first quarter of 2005 was primarily related to higher employee incentives associated with improved operating income.

Irrigation segment

The sales increase in the Irrigation segment for the first quarter of 2006, as compared with the same period in 2005 was predominantly due to higher sales volumes. In North America, we believe generally dry weather conditions in much of the U.S. contributed to improved demand for irrigation machines and related service parts. Irrigation machines damaged in winter storms also contributed to the growth in the sales of service parts and replacement machines. International sales in the first quarter of 2005 were up approximately \$5 million as compared with the first quarter of 2005, predominantly due to sales in newly-developed international markets. Operating income for the thirteen weeks ended April 1, 2006 increased

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
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(Dollars in thousands)
(Unaudited)

substantially as compared with the same period in 2005 was due to improved sales volumes, and improved factory utilization. The positive impact on operating income related to improved factory operations in light of the higher sales and production levels was approximately \$0.4 million, as compared with the same period in 2005.

Tubing segment

The increase in Tubing sales for the first quarter of 2006 as compared with last year was due to improved demand for tubing products, offset somewhat by lower sales prices associated with generally lower steel costs than in 2005. The increase in the first quarter of 2006 operating income as compared with the first quarter of 2005 was mainly due to the stronger sales volumes and slightly lower SG&A spending in light of the higher sales volumes.

Other

This includes our industrial fastener business, our machine tool accessories operation in France and the development costs associated with our wind energy structure initiative. The main reason for the improvement in operating income this year was lower spending related to wind energy.

Net corporate expense

The increase in net corporate expenses in the first quarter of 2006 as compared with the first quarter of 2005, related to increased employee incentives due to improved earnings this year (approximately \$2.2 million), increased compensation costs partly associated with finance and audit activities (\$0.6 million) and approximately \$0.4 million in expense incurred related to the termination of our synthetic lease on the corporate headquarters building and release of the related residual value guarantee.

Liquidity and Capital Resources

Cash Flows

Working Capital and Operating Cash Flows Net working capital was \$241.3 million at April 1, 2006, as compared with \$229.2 million at December 31, 2005. The ratio of current assets to current liabilities was 2.28:1 at April 1, 2006, the same as of December 31, 2005. Operating cash flow was a net outflow of \$3.4 million for the thirteen week period ended April 1, 2006, as compared with a net inflow of \$33.8 million for the same period in 2005. The main reasons for the lower operating cash flows of 2006, as compared with 2005, were increased receivables and inventories resulting from higher sales volumes this year. In the first quarter of 2005, inventories decreased from December 2004 levels, as we reduced our steel inventories that increased throughout most of 2004 due to rapidly rising prices and availability concerns. In 2006, higher sales backlogs, mainly in the ESS and Utility Support Structures segments, resulted in higher inventory levels to support these sales commitments.

Investing Cash Flows Capital spending during the thirteen weeks ended April 1, 2006 was \$6.7 million, as compared with \$4.0 million for the same period in 2005. Our capital spending for the 2006 fiscal year is expected to be between \$25 million and \$30 million.

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(Unaudited)

Financing Cash Flows Our total interest-bearing debt decreased from \$237.3 million as of December 31, 2005 to \$233.6 million as of April 1, 2006. The decrease in borrowings was related to normal scheduled debt repayments.

Sources of Financing and Capital

We have historically funded our growth, capital spending and acquisitions through a combination of operating cash flows and debt financing. We have an internal long-term objective to maintain long-term debt as a percent of capital at or below 40%. At April 1, 2006, our long-term debt to invested capital ratio was 35.1%, as compared with 36.2% at December 31, 2005. Our internal objective of 40% is exceeded from time to time in order to take advantage of opportunities to grow and improve our businesses, such as the Newmark, Whatley and Sigma acquisitions that were completed in 2004. Subject to our level of acquisition activity and steel and zinc 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 2006.

Our debt financing at April 1, 2006 consisted primarily of long-term debt. We also maintain certain short-term bank lines of credit totaling \$19.9 million, \$17.6 million which was unused at April 1, 2006. Our long-term debt principally consists of:

- \$150 million of senior subordinated notes that bear interest at 6.875% per annum and are due in May 2014. We may repurchase the notes starting in May 2009 at specified prepayment premiums. These notes are guaranteed by certain of our U.S. subsidiaries.
- \$150 million revolving credit agreement that accrues interest at our option at (a) the higher of the prime lending rate and the Federal Funds rate plus 50 basis points or (b) an interest rate spread over the LIBOR of 62.5 to 137.5 basis points (inclusive of facility fees), depending on our ratio of debt to earnings before taxes, interest, depreciation and amortization (EBITDA). In addition, this agreement provides that another \$50 million may be added to the total credit agreement at our request at any time prior to May 31, 2007, subject to the group of banks increasing their current commitment. At April 1, 2006, we had no outstanding balance under the revolving credit agreement. The revolving credit agreement has a termination date of May 4, 2009 and contains certain financial covenants that limit our additional borrowing capability under the agreement. At April 1, 2006, we had the ability to borrow an additional \$145 million under this facility.
- Term loan with a group of banks that accrues interest at our option at (a) the higher of the prime lending rate and the Federal Funds rate plus 50 basis points or (b) LIBOR plus a spread of 62.5 to 137.5 basis points, depending on our debt to EBITDA ratio and had an outstanding balance of \$55.1 million at April 1, 2006. This loan requires quarterly principal payments through 2009. The annualized principal payments beginning in 2006 in millions are: \$7.4, \$10.4, \$19.4, and \$17.9. The effective interest rate on this loan was 5.625% per annum at April 1, 2006.

Under these debt agreements, we are obligated by covenants that require us to maintain certain coverage ratios and may limit us with respect to certain business activities. At April 1, 2006 we were in compliance with all covenants related to these debt agreements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands)
(Unaudited)

FINANCIAL OBLIGATIONS AND FINANCIAL COMMITMENTS

There have been no material changes to our financial obligations and financial commitments as described on page 34 in our Form 10-K for the year ended December 31, 2005.

Off Balance Sheet Arrangements

There have been no changes in our off balance sheet arrangements as described on pages 35-36 in our Form 10-K for the fiscal year ended December 31, 2005. On March 1, 2006, our corporate headquarters building complex was sold to a third party. As a result of the sale, our residual value guarantee to the former owner of the building complex was terminated.

Critical Accounting Policies

There have been no changes in the Company's critical accounting policies during the quarter ended April 1, 2006 other than our adoption of SFAS 123(R) related to the accounting for stock options. These policies are described on pages 37-40 in our Form 10-K for fiscal year ended December 31, 2005.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There are no material changes in the company's market risk during the quarter ended April 1, 2006. For additional information, refer to the section "Risk Management" on pages 36-37 in our Form 10-K for the fiscal year ended December 31, 2005.

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. There have been no significant changes in the Company's internal controls over financial reporting during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, such internal controls.

PART II. OTHER INFORMATION

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

Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares Purchased | (b) Average Price paid per share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|--|--|--|---|---|
| January 1, 2006 to January 28, 2006 | | | | |
| January 29, 2006 to March 4, 2006 | 6,206 | 35.93 | | |
| March 5, 2006 to April 1, 2006 | 157,370 | 41.00 | 0 | 0 |
| Total | 163,576 | 40.80 | 0 | 0 |

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 4. Submission of Matters to a Vote of Security Holders

Valmont's annual meeting of stockholders was held on April 24, 2006. The stockholders elected four directors to serve three-year terms, approved the Valmont Executive Incentive Plan and ratified the appointment of Deloitte & Touche LLP to audit the Company's financial statements for fiscal 2006. For the annual meeting there were 24,814,399 shares outstanding and eligible to vote of which 22,986,457 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 |
|-------------------------|------------|----------|
| Glen A. Barton | 22,807,845 | 178,612 |
| Daniel P. Neary | 22,814,773 | 171,684 |
| Charles D. Peebler, Jr. | 22,817,623 | 168,834 |
| Kenneth E. Stinson | 22,740,915 | 245,542 |

Proposal to approve the Valmont Executive Incentive Plan:

| | |
|---------|------------|
| For | 22,366,929 |
| Against | 591,578 |
| Abstain | 27,950 |

Proposal to ratify the appointment of Deloitte & Touche LLP as independent auditors for fiscal 2006:

| | |
|---------|------------|
| For | 22,508,085 |
| Against | 405,618 |
| Abstain | 72,754 |

Item 6. Exhibits

(a) Exhibits

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

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

Dated this 28th day of April, 2006.