

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 September 25, 2004 or

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-31429

Valmont Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

47-0351813

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

One Valmont Plaza,
Omaha, Nebraska

(Address of principal executive offices)

68154-5215

(Zip Code)

(Registrant's telephone number, including area code)

402-963-1000

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

23,921,297

Outstanding shares of common stock as of October 29, 2004

Index is located on page 2.

Total number of pages 35.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements:	
Condensed Consolidated Statements of Operations for the thirteen and thirty-nine weeks ended September 25, 2004 and September 27, 2003	3
Condensed Consolidated Balance Sheets as of September 25, 2004 and December 27, 2003	4
Condensed Consolidated Statements of Cash Flows for the thirty-nine weeks	5

	ended September 25, 2004 and September 27, 2003	6-22
	Notes to Condensed Consolidated Financial Statements	
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23-29
Item 3.	Quantitative and Qualitative Disclosure about Market Risk	29
Item 4.	Controls and Procedures	29
<u>PART II. OTHER INFORMATION</u>		
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 5.	Other Information	30
Item 6.	Exhibits	30
Signatures		31
Form of Stock Option Agreement		
Computation of Ratio of Earnings to Fixed Charges Ratio		
Section 302 Certificate of Chief Executive Officer		
Section 302 Certificate of Chief Financial Officer		
Section 906 Certification of Chief Executive Officer and Chief Financial Officer		
Pro Forma Financial Information		

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 25, 2004	Sept. 27, 2003	Sept. 25, 2004	Sept. 27, 2003
	(Dollars in thousands, except per share amounts) (Unaudited)			
Product sales	\$241,063	\$179,340	\$680,314	\$539,292
Services sales	21,827	23,158	64,486	71,166
Net sales	262,890	202,498	744,800	610,458
Product cost of sales	185,206	136,604	517,528	403,308
Services cost of sales	16,584	18,088	48,812	55,003
Total cost of sales	201,790	154,692	566,340	458,311
Gross profit	61,100	47,806	178,460	152,147
Selling, general and administrative expenses	45,268	37,949	131,870	113,508
Operating income	15,832	9,857	46,590	38,639
Other income (deductions):				
Interest expense	(4,639)	(2,692)	(11,104)	(8,008)
Interest income	687	234	1,382	785
Debt prepayment expenses	—	—	(9,860)	—
Miscellaneous	(23)	51	(283)	(104)
	(3,975)	(2,407)	(19,865)	(7,327)
Earnings before income taxes, minority interest and equity in earnings (losses) of nonconsolidated subsidiaries	11,857	7,450	26,725	31,312
Income tax expense (benefit):				
Current	3,885	2,888	15,811	9,730
Deferred	422	(159)	(6,048)	1,761
	4,307	2,729	9,763	11,491
Earnings before minority interest and equity in earnings (losses) of nonconsolidated subsidiaries	7,550	4,721	16,962	19,821
Minority interest	(668)	(637)	(1,841)	(1,625)
Equity in earnings (losses) of nonconsolidated subsidiaries	222	9	296	(443)
Net earnings	\$ 7,104	\$ 4,093	\$ 15,417	\$ 17,753
Earnings per share — Basic:				
Earnings per share — Basic	\$ 0.30	0.17	\$ 0.65	\$ 0.75
Earnings per share — Diluted:				
Earnings per share — Diluted	\$ 0.29	\$ 0.17	\$ 0.63	\$ 0.73
Cash dividends per share	\$ 0.080	\$ 0.080	\$ 0.240	\$ 0.235
Weighted average number of shares of common stock outstanding (000 omitted)	23,887	23,774	23,866	23,813
Weighted average number of shares of common stock outstanding plus dilutive potential common shares (000 omitted)	24,464	24,285	24,465	24,345

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 25, 2004	December 27, 2003
	(Dollars in thousands) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,557	\$ 33,345
Receivables, net	189,337	151,765
Inventories	197,803	116,475
Prepaid expenses	9,556	8,622
Refundable and deferred income taxes	8,842	10,903
	<hr/>	<hr/>
Total current assets	436,095	321,110
	<hr/>	<hr/>
Property, plant and equipment, at cost	489,240	448,678
Less accumulated depreciation and amortization	280,168	258,575
	<hr/>	<hr/>
Net property, plant and equipment	209,072	190,103
	<hr/>	<hr/>
Goodwill	86,298	56,022
Other intangible assets, net	63,393	14,358
Other assets	31,493	23,204
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Total assets	\$826,351	\$604,797
	<hr/>	<hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ 1,251	\$ 15,009
Notes payable to banks	17,078	15,500
Accounts payable	84,317	63,256
Accrued expenses	71,052	55,856
Dividends payable	1,913	1,921
	<hr/>	<hr/>
Total current liabilities	175,611	151,542
	<hr/>	<hr/>
Deferred income taxes	18,143	22,748
Long-term debt, excluding current installments	324,905	134,653
Minority interest in consolidated subsidiaries	9,005	8,244
Other noncurrent liabilities	22,018	22,116
Shareholders' equity:		
Preferred stock	—	—
Common stock of \$1 par value	27,900	27,900
Retained earnings	316,359	306,920
Accumulated other comprehensive loss	(2,093)	(2,147)
Treasury stock	(64,431)	(65,975)
Unearned restricted stock	(1,066)	(1,204)
	<hr/>	<hr/>
Total shareholders' equity	276,669	265,494
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$826,351	\$604,797
	<hr/>	<hr/>

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Thirty-nine Weeks Ended	
	Sept. 25, 2004	Sept. 27, 2003
	(Dollars in thousands) (Unaudited)	
Cash flows from operations:		
Net earnings	\$ 15,417	\$ 17,753
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	28,616	25,587
Loss on sale of property, plant and equipment	371	535
Equity in (earnings)/losses in nonconsolidated subsidiaries	(296)	443
Minority interest	1,841	1,625
Deferred income taxes	(6,048)	1,761
Other adjustments	523	1,252
Changes in assets and liabilities:		
Receivables	(18,809)	(10,705)
Inventories	(62,435)	11,321
Prepaid expenses	(33)	(5,179)
Accounts payable	12,647	(1,563)
Accrued expenses	11,811	(16,114)
Other noncurrent liabilities	(99)	(902)
Income taxes payable	(76)	6,179
Net cash flows from operations	(16,570)	31,993
Cash flows from investing activities:		
Purchase of property, plant & equipment	(12,343)	(13,685)
Acquisitions, net of cash acquired	(125,438)	—
Investment in nonconsolidated subsidiary	(2,450)	(735)
Proceeds from sale of property and equipment	1,436	90
Proceeds from minority interests	(1,357)	(559)
Other, net	(1,523)	(1,133)
Net cash flows from investing activities	(141,675)	(16,022)
Cash flows from financing activities:		
Net borrowings (payments) under short-term agreements	(9,678)	19,771
Proceeds from long-term borrowings	263,171	800
Principal payments on long-term obligations	(87,976)	(22,026)
Dividends paid	(5,741)	(5,374)
Proceeds from exercises under stock plans	1,681	769
Debt issuance costs	(5,520)	—
Purchase of common treasury shares:		
Stock repurchase program	—	(3,351)
Stock plan exercises	(626)	(369)
Net cash flows from financing activities	155,311	(9,780)
Effect of exchange rate changes on cash and cash equivalents	146	1,029
Net change in cash and cash equivalents	(2,788)	7,220
Cash and cash equivalents — beginning of period	33,345	19,514
Cash and cash equivalents — end of period	\$ 30,557	\$ 26,734

See accompanying notes to condensed consolidated financial statements.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
(Unaudited)

1. Summary of Significant Accounting Policies

Condensed Consolidated Financial Statements

The Condensed Consolidated Balance Sheet as of September 25, 2004 and the Condensed Consolidated Statements of Operations for the thirteen and thirty-nine week periods ended September 25, 2004 and September 27, 2003 and the Condensed Consolidated Statements of Cash Flows for the thirteen and thirty-nine 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 September 25, 2004 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 December 27, 2003 Annual Report to shareholders. 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 27, 2003. The results of operations for the periods ended September 25, 2004 are not necessarily indicative of the operating results for the full year.

Inventories

At September 25, 2004, approximately 53% 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 and finished goods. The excess of replacement cost of inventories over the LIFO value was \$29,694 and \$9,772 at September 25, 2004 and December 27, 2003, respectively.

Inventories consisted of the following:

	September 25, 2004	December 27, 2003
Raw materials and purchased parts	\$121,239	\$ 63,121
Work-in-process	22,065	9,038
Finished goods and manufactured goods	84,193	54,087
Subtotal	227,497	126,246
LIFO reserve	29,694	9,771
Net inventory	\$197,803	\$116,475

Long-Lived Assets

Property, plant and equipment are recorded at historical cost. The Company uses the straight-line method in computing depreciation and amortization for financial reporting purposes and generally uses accelerated methods for income tax purposes. The annual provisions for depreciation and amortization have been computed principally in accordance with the following ranges of asset lives: buildings 15 to 40 years, machinery and equipment 3 to 12 years, transportation equipment 3 to 24 years, office furniture and equipment 3 to 7 years and intangible assets 5 to 20 years.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

An impairment loss is recognized if the carrying amount of an asset may not be recoverable and exceeds estimated future undiscounted cash flows of the asset. A recognized impairment loss reduces the carrying amount of the asset to its fair value

Revenue Recognition

Revenue is recognized upon shipment of the product or delivery of the service to the customer, which coincides with passage of title and risk of loss to the customer. Customer acceptance provisions are at the design stage of the Company's products and no general right of return exists with respect to products delivered. The Company's installation obligations for the products it sells are not material. Installation revenue is recognized upon completion of the installation process, as the sale of the product and the related installation are separate units of accounting under EITF 00-21.

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 stock. At September 25, 2004, 1,383,075 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.

The Company accounts for those plans under the recognition and measurement principles of APB Opinion 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based compensation cost is 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 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.

	Thirteen weeks ended		Thirty-nine weeks ended	
	Sept. 25, 2004	Sept. 27, 2003	Sept. 25, 2004	Sept. 27, 2003
Net earnings				
Net earnings as reported	\$7,104	4,093	15,417	17,753
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	396	492	1,207	1,775
Pro forma net earnings	\$6,708	3,601	14,210	15,978
Earnings per share				
As reported: Basic	\$ 0.30	0.17	0.65	0.75
Diluted	\$ 0.29	0.17	0.63	0.73
Pro forma: Basic	\$ 0.28	0.15	0.60	0.67
Diluted	\$ 0.27	0.15	0.58	0.66

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Acquisitions

On April 16, 2004, the Company acquired all the outstanding shares of Newmark International, Inc. (Newmark), a manufacturer of concrete and steel pole structures serving primarily the electrical utility industry. The results of Newmark are included in the condensed consolidated financial statements of the Company since that date. The Company finalized the purchase price allocation process in the third quarter of 2004. The total cost of the acquisition (including transaction costs) was \$110,147 in cash, plus the assumption of \$11,506 of interest-bearing debt. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the acquisition.

	At April 16, 2004
Current assets	\$ 31,280
Property, plant and equipment	32,356
Intangible assets	48,107
Goodwill	23,669
Total assets acquired	\$135,412
Current liabilities	(17,614)
Deferred income taxes	(4,939)
Long-term debt	(2,712)
Total liabilities assumed	(25,265)
Net assets acquired	\$ 110,147

Of the \$48,107 of acquired intangible assets, \$11,111 was assigned to trademarks and trade names that are not subject to amortization. The assets that make up the remainder of the acquired intangible assets are customer relationships of \$34,068 (20-year useful life), patents and proprietary technology of \$1,969 (weighted average useful life of 14.7 years), and computer software of \$959 (7-year useful life). The goodwill related to the acquisition was \$23,669 and was assigned to the Concrete Support Structures segment. The reasons for the acquisition included broadening the Company's product line to include concrete support structures and combinations of steel and concrete structures to better meet customer needs, acquiring an integrated workforce and capable management team, and providing certain synergies to help the Company compete more effectively in the utility transmission and distribution structures industry.

On May 24, 2004, the Company acquired all the outstanding shares of W.J. Whatley, Inc. (Whatley), a manufacturer of fiberglass poles primarily serving street and area lighting customers. Whatley's operations are included in the Company's condensed consolidated financial statements since the acquisition date. The total purchase price amounted to \$9,327 in cash (including transaction costs). Goodwill of \$6,233 was recognized as part of the purchase price allocation and was assigned to the Engineered Support Structures segment. The Company acquired Whatley to broaden its product line in lighting structures to include fiberglass poles, to acquire an integrated and trained workforce, and to gain leverage from combining the respective sales distribution groups.

On August 2, 2004, the Company acquired substantially all the net assets of Sigma Industries, Inc. (Sigma), a manufacturer of overhead sign structures mainly serving the eastern United States. Sigma's operations are included in the Company's condensed consolidated financial statements since the acquisition date. The purchase price for the net assets of this business was \$6,285 in cash. Goodwill of \$391 was recognized as part of the purchase price allocation and was assigned to the Engineered Support Structures

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

segment. The Company acquired Sigma to broaden its expertise in and coverage of the sign structures industry.

The Company's summary proforma results of operations for the thirteen and thirty-nine weeks ended September 25, 2004 and September 27, 2003, assuming that the transactions occurred at the beginning of the periods presented are as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 25, 2004	September 27, 2003	September 25, 2004	September 27, 2003
Net sales	\$263,390	\$235,765	\$778,723	\$689,695
Net income	7,293	4,546	16,591	18,702
Earnings per share — diluted	\$ 0.30	\$ 0.19	\$ 0.68	\$ 0.77

3. Goodwill and Intangible Assets

The Company's annual impairment testing on its reporting units was performed during the third quarter of 2004. As a result of that testing, it was determined the goodwill and other intangible assets on the Company's Consolidated Balance Sheet at September 25, 2004 were not impaired.

Amortized Intangible Assets

The components of amortized intangible assets at September 25, 2004 and December 27, 2003 were as follows:

	As of September 25, 2004		Weighted Average Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$47,691	\$4,193	18 years
Proprietary Software & Database	2,609	1,218	6 years
Patents & Proprietary Technology	1,989	66	14 years
Non-compete Agreements	331	16	5 years
	<u>\$52,620</u>	<u>\$5,493</u>	
	As of December 27, 2003		Life
	Gross Carrying Amount	Accumulated Amortization	
Customer Relationships	\$11,500	\$2,634	12 years
Proprietary Software & Database	1,650	908	5 years
	<u>\$13,150</u>	<u>\$3,542</u>	

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Amortization expense for intangible assets during the third quarter of 2004 and 2003 was \$858 and \$322, respectively. Amortization expense for intangible assets for the thirty-nine weeks ended September 25, 2004, and September 27, 2003 was \$1,951 and \$966, respectively. Estimated amortization expense related to amortized intangible assets is as follows:

	Estimated Amortization Expense
2004	2,792
2005	3,170
2006	2,887
2007	2,804
2008	2,804
2009	2,787

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 has not changed in the thirteen or thirty-nine weeks ended September 25, 2004.

The indefinite lived intangible assets were tested for impairment separately from goodwill in the third quarter of 2004. The value 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 25, 2004.

Goodwill

The carrying amount of goodwill as of September 25, 2004 was as follows:

	Engineered Support Structures Segment	Concrete Support Structures Segment	Coatings Segment	Irrigation Segment	Tubing Segment	Total
Balance December 27, 2003	\$12,587	\$ —	\$42,192	\$981	\$262	\$56,022
Acquisitions	6,641	23,669	—	—	—	30,310
Foreign Currency Translation	(34)	—	—	—	—	(34)
Balance September 25, 2004	\$19,194	\$23,669	\$42,192	\$981	\$262	\$86,298

4. Cash Flows

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

	Sept. 25, 2004	Sept. 27, 2003
Interest	\$ 7,352	\$7,974
Income Taxes	18,179	2,187

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Long-Term Debt

	Sept. 25, 2004	Dec. 27, 2003
6.875% Senior Subordinated Notes (a)	150,000	—
Term Loan (b)	75,000	—
6.80% to 8.08% promissory notes, unsecured	—	80,000
Revolving credit agreement (c)	74,100	40,000
6.91% secured loan (d)	9,614	9,881
IDR Bonds (e)	8,500	8,500
1.24% to 6.50% notes	8,942	11,281
	<hr/>	<hr/>
Total long-term debt	326,156	149,662
Less current installments of long-term debt	1,251	15,009
	<hr/>	<hr/>
Long-term debt, excluding current installments	\$324,905	\$134,653

- (a) The \$150 million of senior subordinated notes bear interest at 6.875% per annum and are due in May 2014. The notes may be repurchased after five years at specified prepayment premiums and are guaranteed by certain U.S. subsidiaries of the Company.
- (b) The \$75 million term loan is with a group of banks and is unsecured. Principal payments are due beginning in 2005 through 2009. The Company may choose from the following three interest rate alternatives: the higher of prime rate or Federal Funds Rate plus 0.5%, the applicable Eurodollar rate plus a leverage ratio-based spread (which at September 25, 2004 was 1.75%) This loan may be prepaid at any time without penalty. The effective interest rate at September 25, 2004 was 3.4375%.
- (c) The revolving credit agreement is an unsecured facility with a group of banks for a maximum of \$150,000. The facility has a termination date of May 4, 2009. The funds borrowed may be repaid at any time without penalty, or additional funds may be borrowed up to the facility limit. The Company may choose from the following three interest rate alternatives: the higher of prime rate or Federal Funds Rate plus 0.5%, the applicable Eurodollar rate plus a leverage ratio-based spread (which at September 25, 2004 was 1.45%) or up to \$60,000 at a rate determined through a competitive bid process. The effective interest rate at September 25, 2004 was 3.15% and at December 27, 2003 was 1.81%.
- (d) The secured loan is through a finance company and is related to transportation equipment. The loan payments are required until November 2010, with a payment of \$5.9 million due at the end of the loan. The loan may be prepaid at any time without penalty.
- (e) The Industrial Development Revenue Bonds were issued to finance the construction of a manufacturing facility. Variable interest is payable until final maturity June 1, 2025. The effective interest rate at September 25, 2004 was 1.56%.

The lending agreements place certain restrictions on working capital, capital expenditures, payment of dividends, purchase of Company stock and additional borrowings. The company was in compliance with all debt covenants at September 25, 2004.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. Earnings Per Share

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

	Basic EPS	Dilutive Effect of Stock Options	Diluted EPS
Thirteen weeks ended			
September 25, 2004:			
Net earnings	\$ 7,104	—	\$ 7,104
Shares outstanding	23,887	577	24,464
Per share amount	\$ 0.30	.01	\$ 0.29
Thirteen weeks ended			
September 27, 2003:			
Net earnings	\$ 4,093	—	\$ 4,093
Shares outstanding	23,774	511	24,285
Per share amount	\$ 0.17	—	\$ 0.17
Thirty-nine weeks ended			
September 25, 2004:			
Net earnings	\$15,417	—	\$15,417
Shares outstanding	23,866	599	24,465
Per share amount	\$ 0.65	.02	\$ 0.63
Thirty-nine weeks ended			
September 27, 2003:			
Net earnings	\$17,753	—	\$17,753
Shares outstanding	23,813	532	24,345
Per share amount	\$ 0.75	.02	\$ 0.73

7. Comprehensive Income

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

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 25, 2004	Sept. 27, 2003	Sept. 25, 2004	Sept. 27, 2003
Net earnings	\$7,104	\$4,093	\$15,417	\$17,753
Currency translation adjustment	1,313	(58)	54	4,891
Total comprehensive income	<u>\$8,417</u>	<u>\$4,035</u>	<u>\$15,471</u>	<u>\$22,644</u>

8. Business Segments

The Company reports its businesses as five reportable segments:

Engineered Support Structures: This segment consists of the manufacture of engineered metal structures and components for the lighting, traffic, utility and wireless communication industries;

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Concrete Support Structures: The Company added this reportable segment in the second quarter of fiscal 2004 as a result of the April 2004 acquisition of Newmark. This segment consists of the manufacture of engineered concrete structures primarily for the 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.

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.

In the first quarter of fiscal 2004, the Company changed its methodology regarding the reporting of net corporate expense, which is now reported separately rather than allocated to the respective reportable segments. The Company believes this provides for better reporting of the operational performance of its segments. 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. Figures for 2003 have been reclassified to conform to the 2004 presentation.

The Company is reorganizing its management structure to better serve the electrical utility structures industry. This reorganization will result in a change in the Company's segment reporting structure. The Company's plan is to change its segment reporting structure in the fourth quarter of 2004. The future reportable segments are expected to be as follows: Irrigation, Tubing, Coatings, Engineered Support Structures, and Utility (including the prior Utility product line and the current Concrete Support Structures segment).

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 25, 2004	Sept. 27, 2003	Sept. 25, 2004	Sept. 27, 2003
Sales:				
Engineered Support Structures segment:				
Lighting & Traffic	\$ 81,970	\$ 64,367	\$210,654	\$183,378
Utility	29,221	22,547	79,112	61,732
Wireless Communication	24,266	19,832	65,205	46,925
	<u>135,457</u>	<u>106,746</u>	<u>354,971</u>	<u>292,035</u>
Concrete Support Structures segment	24,921	—	41,496	—
Coatings segment	22,486	25,641	68,710	76,359
Irrigation segment	62,593	59,260	230,274	206,173
Tubing segment	21,990	13,343	63,409	43,819
Other	4,117	4,044	12,980	13,121
	<u>271,564</u>	<u>209,034</u>	<u>771,840</u>	<u>631,507</u>

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 25, 2004	Sept. 27, 2003	Sept. 25, 2004	Sept. 27, 2003
Intersegment Sales:				
Engineered Support Structures	630	—	630	—
Concrete Support Structures	466	—	466	—
Coatings	3,897	3,162	11,459	8,723
Irrigation	12	244	175	385
Tubing	2,926	2,448	11,592	9,998
Other	743	682	2,718	1,943
	<u>8,674</u>	<u>6,536</u>	<u>27,040</u>	<u>21,049</u>
Net Sales				
Engineered Support Structures	134,827	106,746	354,341	292,035
Concrete Support Structures	24,455	—	41,030	—
Coatings	18,589	22,479	57,251	67,636
Irrigation	62,581	59,016	230,099	205,788
Tubing	19,064	10,895	51,817	33,821
Other	3,374	3,362	10,262	11,178
	<u>Consolidated Net Sales</u>	<u>\$262,890</u>	<u>\$744,800</u>	<u>\$610,458</u>
Operating Income				
Engineered Support Structures	\$ 7,784	\$ 5,266	\$ 15,192	\$ 14,011
Concrete Support Structures	3,212	—	4,967	—
Coatings	1,471	1,866	4,538	5,434
Irrigation	4,533	4,794	28,386	25,574
Tubing	4,152	1,588	9,658	5,056
Other	(1,247)	(906)	(2,332)	(1,780)
Net corporate expense	(4,073)	(2,751)	(13,819)	(9,656)
	<u>Total Operating Income</u>	<u>\$ 15,832</u>	<u>\$ 46,590</u>	<u>\$ 38,639</u>

9. Guarantor/Non-Guarantor Financial Information

On May 4, 2004, the Company completed a \$150,000,000 offering of 6 7/8% 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.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Thirteen Weeks Ended September 25, 2004

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Product sales	\$144,746	\$43,128	\$71,142	\$(17,953)	241,063
Services sales	13,461	8,697	3,565	(3,896)	21,827
Net sales	158,207	51,825	74,707	(21,849)	262,890
Product cost of sales	114,331	34,049	54,318	(17,492)	185,206
Services cost of sales	10,362	7,639	2,479	(3,896)	16,584
Total cost of sales	124,693	41,688	56,797	(21,388)	201,790
Gross profit	33,514	10,137	17,910	(461)	61,100
Selling, general and administrative expenses	25,505	7,229	12,534	—	45,268
Operating income	8,009	2,908	5,376	(461)	15,832
Other income (deductions):					
Interest expense	(4,330)	(4)	(320)	15	(4,639)
Interest income	48	1	653	(15)	687
Debt prepayment expenses	—	—	—	—	—
Miscellaneous	4	(2,052)	2,025	—	(23)
	(4,278)	(2,055)	2,358	—	(3,975)
Earnings before income taxes, minority interest and equity in earnings/ (losses) of nonconsolidated subsidiaries	3,731	853	7,734	(461)	11,857
Income tax expense:					
Current	1,893	(376)	2,368	—	3,885
Deferred	(377)	945	(146)	—	422
	1,516	569	2,222	—	4,307
Earnings before minority interest, and equity in earnings/ (losses) of nonconsolidated subsidiaries	2,215	284	5,512	(461)	7,550
Minority interest	—	—	(668)	—	(668)
Equity in earnings/ (losses) of nonconsolidated subsidiaries	5,350	—	—	(5,128)	222
Net earnings	\$ 7,565	\$ 284	\$ 4,844	\$ (5,589)	\$ 7,104

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the Thirty-nine Weeks Ended September 25, 2004

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Product sales	\$429,270	\$ 90,723	\$203,652	\$(43,331)	680,314
Services sales	38,612	26,421	10,912	(11,459)	64,486
Net sales	467,882	117,144	214,564	(54,790)	744,800
Product cost of sales	334,836	72,585	153,030	(42,923)	517,528
Services cost of sales	29,888	22,632	7,751	(11,459)	48,812
Total cost of sales	364,724	95,217	160,781	(54,382)	566,340
Gross profit	103,158	21,927	53,783	(408)	178,460
Selling, general and administrative expenses	75,520	18,118	38,232	—	131,870
Operating income	27,638	3,809	15,551	(408)	46,590
Other income (deductions):					
Interest expense	(10,360)	(14)	(824)	94	(11,104)
Interest income	132	2	1,342	(94)	1,382
Debt prepayment expenses	(9,860)	—	—	—	(9,860)
Miscellaneous	(14)	(1,959)	1,690	—	(283)
	(20,102)	(1,971)	2,208	—	(19,865)
Earnings before income taxes, minority interest and equity in earnings/ (losses) of nonconsolidated subsidiaries	7,536	1,838	17,759	(408)	26,725
Income tax expense:					
Current	9,862	(519)	6,468	—	15,811
Deferred	(6,909)	1,487	(626)	—	(6,048)
	2,953	968	5,842	—	9,763
Earnings before minority interest, and equity in earnings/ (losses) of nonconsolidated subsidiaries	4,583	870	11,917	(408)	16,962
Minority interest	—	—	(1,841)	—	(1,841)
Equity in earnings/ (losses) of nonconsolidated subsidiaries	11,242	—	—	(10,946)	296
Net earnings	\$ 15,825	\$ 870	\$ 10,076	\$(11,354)	\$ 15,417

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the Thirteen Weeks Ended September 27, 2003

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Product sales	\$105,090	\$16,309	\$62,894	\$(4,953)	\$179,340
Services sales	11,779	11,653	2,888	(3,162)	23,158
Net sales	116,869	27,962	65,782	(8,115)	202,498
Product cost of sales	80,665	13,409	47,679	(5,149)	136,604
Services cost of sales	9,301	9,683	2,266	(3,162)	18,088
Total cost of sales	89,966	23,092	49,945	(8,311)	154,692
Gross profit	26,903	4,870	15,837	196	47,806
Selling, general and administrative expenses	23,012	4,280	10,657	—	37,949
Operating income	3,891	590	5,180	196	9,857
Other income (deductions):					
Interest expense	(2,269)	(6)	(439)	22	(2,692)
Interest income	29	—	227	(22)	234
Miscellaneous	36	—	15	—	51
	(2,204)	(6)	(197)	—	(2,407)
Earnings before income taxes, minority interest and equity in earnings/ (losses) of nonconsolidated subsidiaries	1,687	584	4,983	196	7,450
Income tax expense:					
Current	944	100	1,844	—	2,888
Deferred	(93)	116	(182)	—	(159)
	851	216	1,662	—	2,729
Earnings before minority interest, and equity in earnings/ (losses) of nonconsolidated subsidiaries	836	368	3,321	196	4,721
Minority interest	—	—	(637)	—	(637)
Equity in losses of nonconsolidated subsidiaries	3,061	—	—	(3,052)	9
Net earnings	\$ 3,897	\$ 368	\$ 2,684	\$(2,856)	\$ 4,093

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the Thirty-nine Weeks Ended September 27, 2003

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Product sales	\$348,716	\$41,555	\$174,038	\$(25,017)	\$539,292
Services sales	35,464	34,591	9,834	(8,723)	71,166
Net sales	384,180	76,146	183,872	(33,740)	610,458
Product cost of sales	261,772	36,197	130,460	(25,121)	403,308
Services cost of sales	27,998	28,488	7,240	(8,723)	55,003
Total cost of sales	289,770	64,685	137,700	(33,844)	458,311
Gross profit	94,410	11,461	46,172	104	152,147
Selling, general and administrative expenses	68,322	13,935	31,251	—	113,508
Operating income	26,088	(2,474)	14,921	104	38,639
Other income (deductions):					
Interest expense	(6,915)	(23)	(1,295)	225	(8,008)
Interest income	244	—	766	(225)	785
Miscellaneous	103	13	(220)	—	(104)
	(6,568)	(10)	(749)	—	(7,327)
Earnings before income taxes, minority interest and equity in earnings/ (losses) of nonconsolidated subsidiaries	19,520	(2,484)	14,172	104	31,312
Income tax expense:					
Current	6,335	(1,603)	4,998	—	9,730
Deferred	1,626	563	(428)	—	1,761
	7,961	(1,040)	4,570	—	11,491
Earnings before minority interest, and equity in earnings/ (losses) of nonconsolidated subsidiaries	11,559	(1,444)	9,602	104	19,821
Minority interest	—	—	(1,625)	—	(1,625)
Equity in losses of nonconsolidated subsidiaries	6,090	—	—	(6,533)	(443)
Net earnings	\$ 17,649	\$(1,444)	\$ 7,977	\$ (6,429)	\$ 17,753

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

September 25, 2004

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 6,120	\$ 1,035	\$ 23,402	\$ —	\$ 30,557
Receivables, net	79,218	28,402	81,738	(21)	189,337
Inventories	103,379	41,568	52,856	—	197,803
Prepaid expenses	2,652	693	6,211	—	9,556
Refundable and deferred income taxes	7,429	1,089	324	—	8,842
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Total current assets	198,798	72,787	164,531	(21)	436,095
Property, plant and equipment, at cost	319,044	72,759	97,437	—	489,240
Less accumulated depreciation and amortization	197,474	23,079	59,615	—	280,168
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Net property, plant and equipment	121,570	49,680	37,822	—	209,072
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Goodwill	20,370	54,417	11,511	—	86,298
Other intangible assets	—	60,588	2,805	—	63,393
Investment in subsidiaries and intercompany accounts	328,743	32,857	(2,973)	(358,627)	—
Other assets	32,832	—	561	(1,900)	31,493
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Total assets	\$702,313	\$270,329	\$214,257	\$(360,548)	\$826,351
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LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current installments of long-term debt	\$ 1,069	\$ 33	\$ 149	\$ —	\$ 1,251
Notes payable to banks	6,400	—	10,678	—	17,078
Accounts payable	35,956	9,807	38,554	—	84,317
Accrued expenses	44,469	6,162	20,442	(21)	71,052
Dividends payable	1,913	—	—	—	1,913
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Total current liabilities	89,807	16,002	69,823	(21)	175,611
Deferred income taxes	13,449	2,245	2,449	—	18,143
Long-term debt, excluding current installments	320,320	100	6,385	(1,900)	324,905
Minority interest in consolidated subsidiaries	—	—	9,005	—	9,005
Other noncurrent liabilities	20,511	—	1,506	—	22,017
Shareholders' equity:					
Common stock of \$1 par value	27,900	14,249	21,435	(35,684)	27,900
Additional paid-in capital	—	159,081	59,622	(218,703)	—
Retained earnings	295,823	78,652	46,125	(104,240)	316,360
Accumulated other comprehensive loss	—	—	(2,093)	—	(2,093)
Treasury stock	(64,431)	—	—	—	(64,431)
Unearned restricted stock	(1,066)	—	—	—	(1,066)
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Total shareholders' equity	258,226	251,982	125,089	(358,627)	276,670
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Total liabilities and shareholders' equity	\$702,313	\$270,329	\$214,257	\$(360,548)	\$826,351
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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

December 27, 2003

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,982	\$ 612	\$ 30,751	\$ —	\$ 33,345
Receivables, net	60,935	17,660	73,269	(99)	151,765
Inventories	62,290	15,659	39,100	(574)	116,475
Prepaid expenses	2,978	451	5,193	—	8,622
Refundable and deferred income taxes	9,784	933	186	—	10,903
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Total current assets	137,969	35,315	148,499	(673)	321,110
Property, plant and equipment, at cost	313,542	38,926	96,210	—	448,678
Less accumulated depreciation and amortization	183,524	18,748	56,303	—	258,575
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Net property, plant and equipment	130,018	20,178	39,907	—	190,103
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Goodwill	20,370	30,747	4,905	—	56,022
Other intangible assets	—	14,358	—	—	14,358
Investment in subsidiaries and intercompany accounts	190,685	50,271	4,073	(245,029)	—
Other assets	26,430	—	174	(3,400)	23,204
Deferred Income Taxes	—	2,757	—	(2,757)	—
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Total assets	\$505,472	\$153,626	\$197,558	\$(251,859)	\$604,797
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LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current installments of long-term debt	\$ 14,843	\$ 61	\$ 105	\$ —	\$ 15,009
Notes payable to banks	—	—	15,500	—	15,500
Accounts payable	15,340	7,893	40,023	—	63,256
Accrued expenses	34,240	4,587	17,128	(99)	55,856
Dividends payable	1,921	—	—	—	1,921
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Total current liabilities	66,344	12,541	72,756	(99)	151,542
Deferred income taxes	22,641	—	2,864	(2,757)	22,748
Long-term debt, excluding current installments	128,191	120	9,742	(3,400)	134,653
Minority interest in consolidated subsidiaries	—	—	8,244	—	8,244
Other noncurrent liabilities	20,081	—	2,035	—	22,116
Shareholders' equity:					
Common stock of \$1 par value	27,900	14,248	21,429	(35,677)	27,900
Additional paid-in capital	—	68,978	46,340	(115,318)	—
Retained earnings	307,494	57,739	36,295	(94,608)	306,920
Accumulated other comprehensive loss	—	—	(2,147)	—	(2,147)
Treasury stock	(65,975)	—	—	—	(65,975)
Unearned restricted stock	(1,204)	—	—	—	(1,204)
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Total shareholders' equity	268,215	140,965	101,917	(245,603)	265,494
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Total liabilities and shareholders' equity	\$505,472	\$153,626	\$197,558	\$(251,859)	\$604,797
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VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Thirty-nine Weeks Ended September 25, 2004

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operations:					
Net earnings	\$ 15,825	\$ 870	\$ 10,076	\$(11,354)	\$ 15,417
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	17,224	6,170	5,222	—	28,616
(Gain)/loss on sale of property, plant and equipment	438	3	(70)	—	371
Equity in (earnings)/losses of nonconsolidated subsidiaries	(296)	—	—	—	(296)
Minority interest	—	—	1,841	—	1,841
Deferred income taxes	(6,908)	1,487	(627)	—	(6,048)
Other adjustments	245	—	278	—	523
Changes in assets and liabilities:					
Receivables	(17,622)	2,351	(3,460)	(78)	(18,809)
Inventories	(41,122)	(10,692)	(10,621)	—	(62,435)
Prepaid expenses	327	481	(841)	—	(33)
Accounts payable	15,351	(784)	(1,920)	—	12,647
Accrued expenses	10,230	(1,199)	2,702	78	11,811
Other noncurrent liabilities	1,119	—	(1,218)	—	(99)
Income taxes payable	711	326	(1,113)	—	(76)
Net cash flows from operations	(4,478)	(987)	249	(11,354)	(16,570)
Cash flows from investing activities:					
Purchase of property, plant and equipment	(8,085)	(1,445)	(2,813)	—	(12,343)
Acquisitions, net of cash acquired	(125,438)	—	—	—	(125,438)
Investment in nonconsolidated subsidiary	(2,450)	—	—	—	(2,450)
Proceeds from sale of property, plant and equipment	64	—	1,372	—	1,436
Proceeds from minority interests	—	—	(1,357)	—	(1,357)
Other, net	(30,024)	14,410	4,237	9,854	(1,523)
Net cash flows from investing activities	(165,933)	12,965	1,439	9,854	(141,675)
Cash flows from financing activities:					
Net repayments under short-term agreements	6,400	(11,388)	(4,690)	—	(9,678)
Proceeds from long-term borrowings	263,100	—	71	—	263,171
Principal payments on long-term obligations	(84,745)	(167)	(4,564)	1,500	(87,976)
Dividends paid	(5,741)	—	—	—	(5,741)
Proceeds from exercises under stock plans	1,681	—	—	—	1,681
Debt issuance costs	(5,520)	—	—	—	(5,520)
Purchase of common treasury shares:					
Stock plan exercises	(626)	—	—	—	(626)
Net cash flows from financing activities	174,549	(11,555)	(9,183)	1,500	155,311
Effect of exchange rate changes on cash and cash equivalents	—	—	146	—	146
Net change in cash and cash equivalents	4,138	423	(7,349)	—	(2,788)
Cash and cash equivalents — beginning of year	1,982	612	30,751	—	33,345
Cash and cash equivalents — end of year	\$ 6,120	\$ 1,035	\$ 23,402	\$ —	\$ 30,557

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
For the Thirty-nine Weeks Ended September 27, 2003

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operations:					
Net earnings	\$ 17,649	\$(1,444)	\$ 7,977	\$(6,429)	\$ 17,753
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	16,847	3,783	4,957	—	25,587
(Gain)/loss on sale of property, plant and equipment	138	(4)	401	—	535
Equity in (earnings) / losses of nonconsolidated subsidiaries	443	—	—	—	443
Minority interest	—	—	1,625	—	1,625
Deferred income taxes	1,626	563	(428)	—	1,761
Other adjustments	383	—	869	—	1,252
Changes in assets and liabilities:					
Receivables	(11,894)	(3)	1,467	(275)	(10,705)
Inventories	12,903	2,770	(3,626)	(726)	11,321
Prepaid expenses	(713)	162	(4,628)	—	(5,179)
Accounts payable	1,675	(3,231)	(7)	—	(1,563)
Accrued expenses	(16,487)	(1,943)	2,041	275	(16,114)
Other noncurrent liabilities	232	—	(1,134)	—	(902)
Income taxes payable	5,763	(3,443)	3,859	—	6,179
Net cash flows from operations	28,565	(2,790)	13,373	(7,155)	31,993
Cash flows from investing activities:					
Purchase of property, plant and equipment	(9,280)	(792)	(3,613)	—	(13,685)
Investment in nonconsolidated subsidiary	(735)	—	—	—	(735)
Proceeds from sale of property, plant and equipment	60	26	4	—	90
Proceeds from minority interests	—	—	(559)	—	(559)
Other, net	(6,150)	3,505	(4,543)	6,055	(1,133)
Net cash flows from investing activities	(16,105)	2,739	(8,711)	6,055	(16,022)
Cash flows from financing activities:					
Net borrowings under short-term agreements	10,000	—	9,771	—	19,771
Proceeds from long-term borrowings	134	—	666	—	800
Principal payments on long-term obligations	(21,483)	(114)	(1,529)	1,100	(22,026)
Dividends paid	(5,374)	—	—	—	(5,374)
Proceeds from exercises under stock plans	769	—	—	—	769
Purchase of common treasury shares:					
Stock repurchase program	(3,351)	—	—	—	(3,351)
Stock plan exercises	(369)	—	—	—	(369)
Net cash flows from financing activities	(19,674)	(114)	8,908	1,100	(9,780)
Effect of exchange rate changes on cash and cash equivalents					
	—	—	1,029	—	1,029
Net change in cash and cash equivalents	(7,214)	(165)	14,599	—	7,220
Cash and cash equivalents — beginning of year	8,166	691	10,657	—	19,514
Cash and cash equivalents — end of year	\$ 952	\$ 526	\$25,256	\$ —	\$ 26,734

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. Readers of this report should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond the Company's control) and assumptions. Although 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.

We report our businesses as five reportable segments. See Note 8 to the Condensed Consolidated Financial Statements. In the first quarter of fiscal 2004, we changed our methodology for reporting net corporate expense in the segment reporting. Starting in 2004, we are reporting net corporate expense separately rather than allocating net corporate expense to the operating segments, as we believe this provides for better reporting of the operational of our segments. Figures for 2003 have been reclassified to conform to the 2004 presentation. We plan to change our segment reporting structure in the fourth quarter of 2004. The future reportable segments are expected to be as follows: Irrigation, Tubing, Coatings, Engineered Support Structures and Utility (including the prior Utility product line and the current Concrete Support Structures segment).

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

Results of Operations

Dollars in thousands, except per share amounts

	Thirteen Weeks Ended			Thirty-nine Weeks Ended		
	Sept. 25, 2004	Sept. 27, 2003	% Incr. (Decr)	Sept. 25, 2004	Sept. 27, 2003	% Incr. (Decr)
Consolidated						
Net sales	\$262,890	\$202,498	29.8%	\$744,800	\$610,458	22.0%
Gross profit	61,100	47,806	27.8%	178,460	152,147	17.3%
<i>as a percent of sales</i>	23.2%	23.6%		24.0%	24.9%	
SG&A expense	45,268	37,949	19.3%	131,870	113,508	16.2%
<i>as a percent of sales</i>	17.2%	18.7%		17.7%	18.6%	
Operating income	15,832	9,857	60.6%	46,590	38,639	20.6%
<i>as a percent of sales</i>	6.0%	4.9%		6.3%	6.3%	
Net interest expense	3,952	2,458	60.7%	9,722	7,223	34.6%
Effective tax rate	36.3%	36.6%		36.5%	36.7%	
Net earnings	7,104	4,093	73.6%	15,417	17,753	-13.2%
Earnings per share	0.29	0.17	70.6%	0.63	0.73	-13.7%

[Table of Contents](#)

	Thirteen Weeks Ended			Thirty-nine Weeks Ended		
	Sept. 25, 2004	Sept. 27, 2003	% Incr. (Decr)	Sept. 25, 2004	Sept. 27, 2003	% Incr. (Decr)
Engineered Structures segment						
Net sales	134,827	106,746	26.9%	354,341	292,035	21.6%
Gross profit	29,967	25,590	17.1%	81,974	74,418	10.2%
SG&A expense	22,183	20,324	9.1%	66,782	60,407	10.6%
Operating income	7,784	5,266	47.8%	15,192	14,011	8.4%
Concrete Structures segment						
Net sales	24,455	—	NM	41,030	—	NM
Gross profit	5,977	—	NM	10,006	—	NM
SG&A expense	2,765	—	NM	5,039	—	NM
Operating income	3,212	—	NM	4,967	—	NM
Coatings segment						
Net sales	18,589	22,479	-17.3%	57,251	67,636	-15.4%
Gross profit	3,891	4,310	-9.7%	11,960	12,900	-7.3%
SG&A expense	2,420	2,444	-1.0%	7,422	7,466	-0.6%
Operating income	1,471	1,866	-21.1%	4,538	5,434	-16.5%
Irrigation segment						
Net sales	62,581	59,016	6.0%	230,099	205,788	11.8%
Gross profit	14,194	14,128	0.5%	57,442	52,934	8.5%
SG&A expense	9,661	9,334	3.5%	29,056	27,360	6.2%
Operating income	4,533	4,794	-5.4%	28,386	25,574	11.0%
Tubing segment						
Net sales	19,064	10,895	75.0%	51,817	33,821	53.2%
Gross profit	6,127	2,769	121.3%	15,219	8,794	73.1%
SG&A expense	1,975	1,181	67.2%	5,561	3,738	48.8%
Operating income	4,152	1,588	161.5%	9,658	5,056	91.0%
Other						
Net sales	3,374	3,362	0.3%	10,262	11,178	-8.2%
Gross profit	942	1,007	-6.5%	3,216	3,710	-13.3%
SG&A expense	2,189	1,913	14.4%	5,548	5,490	1.0%
Operating loss	(1,247)	(906)	-37.5%	(2,332)	(1,780)	-30.9%
Net Corporate expense						
Gross profit	2	2	NM	(1,357)	(609)	NM
SG&A expense	4,075	2,753	48.1%	12,462	9,047	37.7%
Operating loss	(4,073)	(2,751)	-48.1%	(13,819)	(9,656)	-43.1%

Overview

In 2004, we completed three acquisitions. On April 16, 2004, we completed the purchase of Newmark International, Inc. (Newmark), a manufacturer of concrete and steel pole structures mainly for the utility industry. The purchase price was approximately \$110.2 million in cash (including transaction costs), plus the assumption of approximately \$11.5 million in interest-bearing debt. On May 24, 2004, we completed the purchase of W.J. Whatley, Inc. (Whatley), a manufacturer of fiberglass poles principally for outdoor lighting applications. The purchase price for the Whatley shares was approximately \$9.3 million in cash (including transaction costs), plus the assumption of approximately \$0.7 million in interest-bearing debt. On August 2, 2004 we completed the purchase of all the net assets of Sigma Industries, Inc. (Sigma), a manufacturer of overhead sign structures mainly serving the eastern United States. The purchase price for the net assets of this business was approximately \$6.3 million, plus the assumption of approximately \$0.4 million in interest-bearing debt. The results of these operations are included in our consolidated results starting on the closing dates of the acquisitions. The funds used for acquisitions were borrowed through our existing credit facilities. See also "Liquidity and Capital Resources".

[Table of Contents](#)

Net sales increased on a quarterly and year-to-date basis in 2004 as compared with 2003, for all segments except the Coatings segment. The increase in sales came from a combination of acquisitions completed in 2004, sales price increases to offset rising steel costs and overall increased sales in the Irrigation, Engineered Support Structures (ESS) and Tubing segments. The acquisitions of Newmark, Whatley and Sigma collectively contributed \$30.5 and \$48.0 million to consolidated net sales in the thirteen and thirty-nine weeks, respectively, ended September 25, 2004. Sales increases in the Irrigation, Tubing and ESS segments in 2004 were also the result of generally higher selling prices. In response to rapidly rising steel costs this year, we increased our selling prices where possible to offset the impact of higher steel costs. We estimate that the net negative impact of rising steel prices on gross profit was approximately \$3.0 million and \$7.0 million for the thirteen and thirty-nine weeks ended September 25, 2004, respectively. Steel prices continued to increase in the third quarter of 2004, but at a lower rate than the first six months of this year. The increase in selling, general and administrative (SG&A) spending on a quarterly and year-to-date basis in 2004 principally related to the addition of the operations of Newmark, Whatley and Sigma this year (\$3.7 million and \$6.2 million, respectively), increased employee incentives in 2004 (\$2.1 million and \$5.7 million, respectively), and higher sales commissions associated with the increase in sales (\$1.0 million and \$1.5 million, respectively).

Interest expense increased in the third quarter of 2004 as compared with 2003, mainly due to increased borrowing levels this year associated with the Newmark, Whatley and Sigma acquisitions. The \$9.9 million in 2004 year-to-date "Debt prepayment expenses" relates to a charge we incurred in the second quarter as part of the refinancing of our long-term debt. The refinancing included prepaying our promissory notes, issuing \$150 million in senior subordinated notes, and entering into a new \$225 million bank financing arrangement, consisting of a \$75 million term loan and a \$150 million revolving credit agreement. The charge to earnings mainly was related to the prepayment of our promissory notes. Our share of the earnings in our nonconsolidated subsidiaries improved from last year, due to improvement in the operations of our Mexican joint venture, which manufactures utility and wireless communication structures, and in the operations of our irrigation distributor in Argentina.

Engineered Support Structures (ESS) segment

In the ESS segment, sales improved in North America and Europe, both on a quarterly and year-to-date basis. While sales in China were down in the third quarter, year-to-date sales for 2004 increased as compared with 2003. The sales increases were due to pricing increases passed on to the marketplace as well as improvements in industry conditions that led to increased sales volumes.

In the North American lighting and traffic product line, road and highway spending programs have continued, despite delays in the passage of new federal highway legislation. However, the current bill funding has been extended until mid-2005, which should provide some stability for lighting and traffic pole sales in the short term. Sales to commercial lighting customers improved over the last several months, the result of generally improving economic conditions in the U.S. and a low interest rate environment. Lighting sales were also positively impacted by the Whatley acquisition, which was completed in the second quarter of 2004. In Europe, lighting sales were higher than 2003, both on a quarterly and year-to-date basis, due mainly to improving economic conditions and a strike last year at our main galvanizing supplier in France, which hampered third quarter 2003 sales.

The improvement in utility product sales resulted from better market conditions in North America this year as compared with 2003. Industry conditions continued to improve, as utility companies and independent power producers have increased spending for transmission, distribution and substation structures. In 2003, our order rates fell early in the year, as industry pricing became extremely competitive due to relatively weak industry conditions and the number of competitors increased. We did not follow pricing down immediately, but we ultimately decreased prices to gain orders. In 2004, competitive conditions have improved, resulting in higher sales than at this time in 2003. In China, utility structure sales were down slightly from 2003, but up from 2003 on a year-to-date basis. Spending on electrical transmission structures has been curtailed recently, as China has taken fiscal actions to control the growth of its economy. Over the long-term, we believe that, as China increases its electrical generation and transmission capabilities, the demand for utility structures will grow.

[Table of Contents](#)

Sales in Specialty Structures products improved due to improvement in the North American wireless communication marketplace and continued growth in the sales of sign structures. General industry conditions continue to be stronger than in 2003. Quotations, orders and sales all are improved over 2003, as wireless carriers have improved their financial performance and are increasing spending for structures and components to improve their networks and overall service levels. Sales of wireless communication poles in China decreased in the third quarter of 2004 as compared to 2003, but year-to-date sales are higher in 2004 as compared with 2003. We believe the decrease in third quarter sales relates to the very strong growth experienced in the first half of 2004 in that wireless carriers reduced spending in the near term to focus on bringing their new capacity on line to generate revenue. China's continued actions to build out their wireless networks to accommodate growing demand for wireless communication services is driving demand for wireless communication poles.

The increases in profitability in the ESS segment for the thirteen and thirty-nine weeks ended September 25, 2004 as compared with the same periods in 2003 were driven by increased sales volumes and improved pricing in the North American utility industry, offset to some extent by the impact of steel price increases that could not be passed on in the form of sales price increases and lower earnings in China. The increase in SG&A expenses for the third quarter as compared with 2003 related primarily to sales commissions on the sales increase. On a year-to-date basis, the increase in SG&A expenses related mainly to increased sales commissions (\$1.7 million), currency translation effects (\$1.6 million) and costs related to SG&A headcount reductions and management reorganizing activities in Europe (\$1.4 million).

Concrete Support Structures segment

This segment includes the operations of Newmark since the closing of the acquisition on April 16, 2004. Similar to the Utility product line in the ESS segment, utility companies are increasing their spending for electrical utility structures in Newmark's sales areas, which is mainly in the southern U.S. The operating income for the third quarter and year-to-date 2004 includes \$0.9 million and \$1.7 million, respectively, in charges related to depreciation and amortization expenses resulting from the allocation of the purchase price of the acquisition to assets acquired.

Coatings segment

Third quarter and year-to-date sales in 2004 decreased as compared with the same periods in 2003, which was a result in lower anodizing sales to a large customer, offset by stronger sales in our galvanizing locations. The increase in galvanizing sales resulted from generally stronger economic conditions this year as compared with 2003 in our sales areas and improved demand from the ESS and Irrigation segments. The third quarter and year-to-date decreases in operating income in 2004 as compared with 2003 are related to increased workers compensation costs in our California operations (approximately \$0.6 million in the third quarter) and the effects of overall lower sales volumes.

Irrigation segment

Sales volumes were up from 2003 levels on both a quarterly and year-to-date basis. In the third quarter, the sales increase resulted mainly from increased sales in international markets. Year-to-date sales increases were realized in both domestic and international markets. In North America, third quarter sales were essentially flat compared with 2003, as sales price increases associated with rising steel costs were offset by lower unit sales. Market conditions in the third quarter of 2004 were impacted by generally lower farm commodity prices, higher fuel costs for farmers and a late start in the fall harvest in some of our key sales areas. We also believe that some buying decisions were taken earlier in the year to avoid future price increases related to rapidly rising steel prices. On a year-to-date basis, the sales increase was the result of increased selling prices and improved unit volume realized earlier in the year. International sales were up slightly from 2003 levels on a quarterly and year-to-date basis, after taking into account currency translation effects. Sales in Brazil were down slightly from last year's record sales, but this decrease was offset by sales improvements in other regions. Our worldwide network of factory and distribution locations enables us to compete effectively in all major markets and maintain solid profitability despite changing market and economic conditions in any given sales region.

[Table of Contents](#)

Operating income for the thirteen weeks ended September 25, 2004 was slightly down as compared with the same period in 2003. The profitability decrease related mainly related to decreased unit sales in North America. On a year-to-date basis, the increase in operating income was the result of higher sales volumes, offset to a degree by increased steel costs that were not passed on the marketplace.

Tubing segment

The increase in Tubing sales for the third quarter and the year-date 2004 as compared with last year was due to increased sales and production volume of approximately 15%, including increased internal production volume for the Irrigation and ESS segments, as well as sales price increases associated with increased steel costs. Increases in the amount of tubing sold in 2004 are related to improving industrial production levels in the U.S., favorable market conditions in the agricultural economy and purchases by customers attempting to avoid future price increases. In addition, we believe that we have gained some sales due to our stable source of steel. The increase in 2004 operating income as compared with 2003 was due to increased sales volume and improved factory operations associated with higher production levels and factory expense control. SG&A spending in 2004 increased on a quarterly and year-to-date basis as compared with 2003, mainly due to increased employee incentives associated with increased profitability (\$0.6 million and \$1.3 million, respectively) and higher sales commissions related to increased sales (\$0.2 million and \$0.5 million, respectively).

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 decrease in profitability this year was weak demand for machine tools in Europe. Wind energy development efforts are continuing; expenses were similar this year as compared with 2003 on quarterly and year-to-date basis.

Net corporate expense

Increased net corporate expenses in 2004 as compared with 2003 were mainly related to increased employee incentives due to improved operating earnings this year.

Liquidity and Capital Resources

Cash Flows

Working Capital and Operating Cash Flows — Net working capital was \$260.5 million at September 25, 2004, as compared with \$169.6 million at December 27, 2003. The ratio of current assets to current liabilities was 2.45:1 at September 25, 2004, as compared with 2.12:1 at December 27, 2003. The increase in net working capital included approximately \$25.1 million of working capital that was acquired in the Newmark, Whatley and Sigma acquisitions. Operating cash flow was a net outflow of \$16.6 million for the thirty-nine week period ended September 25, 2004, as compared with a net inflow of \$32.0 million for the same period in 2003. The main reasons for the lower 2004 operating cash flows were lower net income (including a \$6.1 million after-tax charge to earnings related to premiums we paid upon prepayment of our promissory notes) and increased receivables and inventories. The increase in receivables related directly to the increase in sales we realized in the second quarter of 2004. Overall, our receivables as a percentage of net sales was similar to past experience. The increase in inventory was associated with overall increased sales levels and the steel industry operating environment in 2004. Backlogs were higher than at the end of 2003, with the increases being in the in the ESS and Tubing segments. Accordingly, we increased our inventories to satisfy this increased sales demand. We believe conditions in the steel industry are stabilizing and availability seems to be improving. As these conditions continue to improve, we are planning to reduce our inventories systematically over the next several months to more historical levels.

Investing Cash Flows — Capital spending the thirty-nine weeks ended September 25, 2004 was \$12.3 million, as compared with \$13.7 million for the same period in 2003. In addition, we invested \$2.5 million in our Mexican nonconsolidated joint venture in 2004 to provide additional capital to support that

[Table of Contents](#)

business going forward. In 2004, we completed the acquisitions of Newmark, Whatley and Sigma for an aggregate purchase price of \$125.4 million in cash, plus assumed interest-bearing debt of \$12.6 million.

Financing Cash Flows — Our total interest-bearing debt increased from \$165.2 as of December 27, 2003 to \$343.2 as of September 25, 2004. The increase in borrowings was related to funding the Newmark, Whatley and Sigma acquisitions, which was an aggregate of \$138.1 million (including debt assumed as part of the acquisitions) and the increase in working capital, especially inventories.

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 September 25, 2004, our long-term debt to invested capital ratio was 48.7%.

Our debt financing at September 25, 2004 consisted mainly of long-term debt. We also maintain certain short-term bank lines of credit totaling \$26.2 million, \$10.2 million which was unused at September 25, 2004. As a result of the Newmark acquisition and to take advantage of a favorable interest rate environment, we refinanced our major long-term credit facilities on May 4, 2004. The refinancing includes \$150 million in subordinated senior notes and a new \$225 million bank financing arrangement consisting of a \$150 million revolving credit facility and a \$75.0 million term loan. The proceeds were used to repay the old revolving credit facility, the bridge loan obligation incurred to fund part of the Newmark acquisition and to prepay \$79.0 million of promissory notes. The prepaid promissory notes contained yield maintenance provisions that required us to pay as a prepayment premium approximately \$9.6 million in addition to the \$79.0 million in debt, plus approximately \$0.7 million in accrued interest.

The \$150 million senior subordinated notes bear interest at 6.875% per annum and are due in May 2014. We may repurchase the notes after five years at specified prepayment premiums and these notes are guaranteed by certain of our U.S. subsidiaries. The new \$150 million revolving credit agreement carries an interest rate spread over the LIBOR of 75 to 175 basis points, depending on our ratio of debt to earnings before taxes, interest, depreciation and amortization (EBITDA). At September 25, 2004, we had \$74.1 million outstanding under the revolving credit agreement at an interest rate of 3.15% annum. The revolving credit agreement contains certain financial covenants that limit our additional borrowing capability under the agreement. At September 25, 2004, we have the ability to borrow an additional \$59.6 million under this facility.

The \$75 million term loan accrues interest based on the LIBOR plus a spread of 75 to 175 basis points, depending on our debt to EBITDA ratio, and requires quarterly principal payments beginning in 2005 through 2009. The annualized principal payments beginning in 2005 in millions are: \$3.8, \$11.2, \$18.8, \$26.2, and \$15.0. The effective interest rate on this loan at September 25, 2004 was 3.4375% per annum.

While our long-term debt to capital ratio is in excess of our 40% objective after the effect of our refinancing, we believe our cash flows will enable us to reduce our debt levels to 40% over the next 18 to 24 months. This estimate is dependent on our level of acquisition activity and steel industry availability and pricing issues, which are causing us to carry more inventory than we customarily maintain.

FINANCIAL OBLIGATIONS AND FINANCIAL COMMITMENTS

There have been no material changes to our financial obligations and financial commitments as described in our Form 10-Q for the quarter ended June 26, 2004.

Off Balance Sheet Arrangements

There have been no changes in our off balance sheet arrangements as described on pages 28-29 in our Form 10-K for the fiscal year ended December 27, 2003.

Outlook for Remainder of 2004

We believe that the fourth quarter of 2004 will result in improved sales and profitability as compared with 2003, although not to the degree of the third quarter improvement. Steel prices appear to be stabilizing, demand for utility and tubing products is currently strong and the lighting markets appear stable. These positive trends should outweigh the impact of any decline in the irrigation and coatings segments due to falling farm commodity prices, rising fuel and other input costs and weaker anodizing volumes.

Critical Accounting Policies

There have been no changes in the Company's critical accounting policies during the quarter ended September 25, 2004. The PiRod trade name was tested for impairment separately from goodwill in the third quarter of 2004 in accordance with the Company's critical accounting policies. The value of the trade name was determined using the relief from royalty method, whereby 2% of projected sales using the trade name are tax-effected and discounted to present value at a rate of 10% per annum. Based on this evaluation, the Company determined that the PiRod trade name was not impaired as of September 25, 2004.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There are no material changes in the company's market risk during the third quarter ended September 25, 2004. For additional information, refer to the section "Risk Management" in our Form 10-K for the fiscal year ended December 27, 2003.

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 provide reasonable assurance that such disclosure controls and procedures are effective in timely providing them with material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic Securities and Exchange Commission filings. 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
June 27, 2004 to July 24, 2004	—	—	—	—
July 25, 2004 to August 28, 2004	—	—	—	—
August 29, 2004 to September 25, 2004	2,349	20.50	0	0
Total	2,349	20.50	0	0

Table of Contents

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

Item 5. Other Information

The unaudited pro forma combined condensed financial statements, which give effect to the acquisition of Newmark by the Company for the thirty-nine weeks ended September 25, 2004 are attached hereto as Exhibit 99.1.

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Description
10.1	Form of Stock Option Agreement
12.1	Computation of Ratio of Earnings to Fixed Charges
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
99.1	Pro Forma Financial Information

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 1st day of November, 2004.

STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT made this [] between Valmont Industries, Inc., a Delaware corporation (“Corporation”), and (Employee Name), an employee of the Corporation (“Employee”).

The Corporation desires, by affording the Employee an opportunity to purchase its common shares as hereinafter provided, to carry out the purpose of the Valmont Stock Plan (the “Plan”). This option is expressly designated not to be an Incentive Stock Option as defined in I.R.C. §422A.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for good and valuable consideration, the parties hereto agree as follows:

1. **Grant of Option.** The Corporation hereby irrevocably grants to the Employee, pursuant to and subject to the terms of the Plan, the right and option, hereinafter called the “Option,” to purchase all or any part of an aggregate of (X,XXX) shares of common stock (the “Common Shares”) of the Corporation (such number being subject to adjustment as provided in Paragraph 8 hereof) on the terms and conditions herein set forth. The holder of the Option shall not have any of the rights of a stockholder with respect to the shares covered by the Option until one or more certificates for such shares shall be delivered to such holder upon the due exercise of the Option.

2. **Purchase Price.** The purchase price of the Common Shares covered by the Option shall be (\$XX.XX) per share. The purchase price of the shares as to which the Option shall be exercised shall be paid in full in cash at the time of exercise or, at the discretion of the Corporation’s Compensation Committee of the Board of Directors (the “Compensation Committee”), the purchase price may be paid in common stock of the Employer already owned by the Employee valued at its fair market value on the date of exercise (if such common stock has been owned by the Employee for at least six months). For purposes of this Paragraph 2 and Paragraph 9, fair market value shall mean the closing sales prices of the Corporation’s common stock as reported on the New York Stock Exchange on the date immediately preceding the exercise, or if there were no transactions on such date, on the immediately preceding date on which common stock transactions were so reported.

3. **Term of Option.** The term of the Option shall be for a period of ten (10) years from the date hereof, subject to earlier termination as provided in Paragraphs 5 & 6 hereof.

4. **Non-Transferability.** The Option shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of the Employee, only by such Employee. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided above), pledged or hypothecated in any way, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof or the levy of any execution, attachment or similar process upon the Option shall be null and void and without effect.

5. **Exercisability.** This Option shall be exercisable [generally: in staggered one-third (1/3) increments], all with a period of exercisability commencing on the date of first exercisability and ending on []. The following exercise table is applicable:

Shares Granted

Exercisable on or After

Last Date Options May be Exercised

In the event of any termination of the Employee's employment (voluntary or involuntary) prior to , any portion of this Option not exercisable upon the date of such termination shall never become exercisable.

The Option may be exercised, at any time or from time to time, as to any part or all the shares exercisable; provided, however, that the Option may not be exercised as to less than one hundred (100) shares at any one time (or the remaining shares then purchasable under the Option, if less than one hundred (100) shares). The Option may not be exercised unless at the date of exercise a Registration Statement under the Securities Act of 1933, as amended, relating to the shares covered by the Option shall be in effect or the Corporation shall have determined that an exemption from such registration is available. Subject to the extension of the exercise periods set forth in Paragraph 6 hereof, the Option may not be exercised at any time unless the Employee shall have been in the continuous employ of the Corporation or a subsidiary from the time hereof to the date of the exercise of the Option.

6. Termination of Employment. In the event that the employment of the Employee shall be terminated (other than by reason of death), the Option may, subject to the provisions of Paragraph 5 hereof, be exercised by the Employee (to the extent that the Employee shall have been entitled to do so at the termination of employment) at or prior to the time of such termination; provided, if the Employee is terminated by the Corporation without cause, the Employee shall have ninety (90) days following such termination to exercise all options exercisable on the date of termination and if the employment of the Employee terminates by reason of the retirement of the Employee at or reaching age 55 and having completed five years of service, all options exercisable on the date of such retirement may be exercised until expiration of the term of the Option. In the event of the Employee's death, the Option may, subject to the provisions of Paragraph 5 hereof, be exercised by the personal representative of the Employee's estate (to the extent the Employee would have been entitled to do so as of the date of death) at any time within three months following the date of the Employee's death (but not more than ten years after the date hereof). So long as the Employee shall continue to be an employee of the Corporation, or an affiliate, or a subsidiary the Option shall not be affected by any change of duties or position. Nothing in this Option Agreement shall confer upon the Employee any right to continue in the employ of the Corporation or interfere in any way with the right of the Corporation to terminate his/her employment at any time. The transfer of employment between any combination of the Corporation and any affiliate or subsidiary shall not be deemed a termination of employment. For purposes of this Agreement, "Cause" shall include the Employee's negligence, neglect of duty, incompetence, dishonesty, violation of any of the terms of the Employee's employment agreement (if any) and the Employee's indictment, conviction or plea of guilty or nolo contendere to a misdemeanor involving moral turpitude or a felony.

7. Non-Compete. The Employee agrees that for a period of twelve (12) months after employment has been terminated for any reason other than by the Corporation without cause, the Employee will not, solicit for sale or sell products or services, which compete with any of the Corporation's products or services to those persons, companies, firms or corporations who were or are customers of the Corporation and with whom the Employee had personal contact during and as a result of his/her employment with the Corporation. The Employee agrees that he/she will not solicit or sell to such customers on behalf of himself/herself or on behalf of any other person, firm, company or corporation. Moreover, during said twelve (12) month period, the Employee shall neither induce nor encourage any employee employed by the Corporation to leave the Corporation's employment. The Employee also agrees that during said twelve (12) month period, he/she will not interfere with the Corporation's contractual or business relationships with its suppliers or vendors.

The Employee acknowledges that a violation of the Employee's covenants above, may result in irreparable and continuing harm to the Corporation. If the Employee violates any of these covenants, the Corporation will be entitled to seek from any court of competent jurisdiction (in addition to other remedies) injunctive relief, to restrain any further violations by Employee and by any persons acting for or on Employee's behalf. In the event the Corporation is required to seek enforcement of any of the provisions of this agreement, the Corporation will be entitled to recover from the Employee reasonable attorneys fees plus costs and expenses.

The Employee recognizes that the limitations in this Agreement are reasonable and necessary to protect the legitimate business interests of the Corporation. In the event that any of the foregoing non-competition covenants are held to be unenforceable by any court of competent jurisdiction, the Employee agrees and understands that such covenants may be modified to impose limitations on the Employee's activities no greater than that allowable under applicable law.

8. Adjustment in Capitalization. If any adjustment in the Company's capitalization as described in Section 5.3 of the Plan occurs, appropriate adjustments shall be made (as provided in Section 5.3 of the Plan) to the number of shares and price per share of stock subject to this Option.

9. Method of Exercising Option. Subject to the terms and conditions of the Option Agreement, the Option may be exercised by written notice to the Corporation, care of its Chief Financial Officer, One Valmont Plaza, Omaha, Nebraska 68154. Such notice shall state the election to execute the Option and the number of shares in respect of which it is being exercised, and shall be signed by the person or persons so exercising the Option. Such notice shall either: (a) be accompanied by payment of the full purchase price of such shares, in which event the Corporation shall deliver a certificate or certificates representing such shares as soon as practicable after the notice shall be received; or (b) fix a date (not less than five (5) nor more than ten (10) business days from the date such notice shall be received by the Chief Financial Officer) for the payment of the full purchase price of such shares at the Company's Transfer Agent Offices, against delivery of a certificate or certificates representing such shares. Payment of such purchase price shall, in either case, be made by check payable to the order of the Corporation or, if applicable pursuant to Paragraph 2 hereof, the transfer of the appropriate shares of stock. The certificate or certificates for the shares as to which the Option shall have been so exercised shall be registered in the name of the person or persons so exercising the Option (or, if the Option shall be exercised by the Employee and if the Employee shall so request in the notice exercising the Option, shall be registered in the name of the Employee and another person jointly, with right of survivorship or in the name of the Employee's spouse) and shall be delivered as provided above to or upon the written order of the person or persons exercising the Option. All shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable.

As a condition of the issuance of shares hereunder, the Employee agrees to remit to the Corporation at the time of any exercise of this Option any taxes required to be withheld by the Corporation under federal, state or local law as a result of exercise. The Employee may remit such amount by an appropriate reduction of the number of shares to be delivered to the Employee upon exercise, or by the Employee delivering sufficient shares of common stock of the Employer valued at its fair market value (if such common stock has been owned by the Employee for at least six months).

If the Employee uses already owned shares to pay the exercise price, tax withholding, or both in accordance with Paragraphs 2 and 9, the Corporation, at the absolute discretion of the Compensation Committee of the Board of Directors of the Corporation, may grant a replacement option to the Employee for the shares so used.

10. General. The Corporation shall at all times during the term of the Option reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Option Agreement, shall pay all original issue and transfer taxes with respect to the issue and transfer of shares pursuant hereto and all other fees and expenses necessarily incurred by the Corporation in connection therewith, and will use its best efforts to comply with all laws and regulations which shall be applicable thereto.

IN WITNESS WHEREOF, the corporation and the Employee have signed this Option Agreement effective as of the day and year first above written.

VALMONT INDUSTRIES, INC.

Employee

By: _____

VALMONT INDUSTRIES, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(dollars in thousands)

	Thirty-nine weeks ended September 25, 2004
Fixed charges, as defined:	
Interest Expense	11,104
Interest component of non-cancelable lease rent (1)	2,734
	<hr/>
Total fixed charges (A)	13,838
	<hr/>
Earnings, as defined:	
Pretax income before minority interest and equity in nonconsolidated subsidiaries	26,725
Fixed charges — from above	13,838
	<hr/>
Total earnings and fixed charges (B)	40,563
	<hr/>
Ratio of earnings to fixed charges (B/A)	2.93

(1) Computed as one-third of non-cancelable lease rent

CERTIFICATIONS

I, Mogens C. Bay, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 25, 2004 of Valmont Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MOGENS C. BAY

Mogens C. Bay
Chairman and Chief Executive Officer

Date: November 1, 2004

I, Terry J. McClain, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 25, 2004 of Valmont Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TERRY J. MCCLAIN

Terry J. McClain
Senior Vice President and Chief Financial Officer

Date: November 1, 2004

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

**Pursuant to 18 U.S.C. Section 1350, as adopted
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The undersigned, Mogens C. Bay, Chairman and Chief Executive Officer of Valmont Industries, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the quarter ended September 25, 2004 (the "Report").

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 1st day of November 2004.

/s/ MOGENS C. BAY

Mogens C. Bay
Chairman and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

**Pursuant to 18 U.S.C. Section 1350, as adopted
pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The undersigned, Terry J. McClain, Senior Vice President and Chief Financial Officer of Valmont Industries, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the quarter ended September 25, 2004 (the "Report").

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge that:

3. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
4. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 1st day of November 2004.

/s/ TERRY J. MCCLAIN

Terry J. McClain
Senior Vice President and Chief Financial Officer

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The unaudited pro forma condensed combined financial data set forth below gives effect to the acquisition (the Acquisition) of Newmark International, Inc. and Pfeleiderer Leasing USA, Inc. (collectively, "Newmark") on April 16, 2004 by the application of the pro forma adjustments to the historical consolidated financial statements of Valmont Industries, Inc. ("Valmont"). The unaudited pro forma condensed financial data should be read in conjunction with the audited and unaudited historical consolidated financial statements and notes of Valmont and the historical audited combined financial statements and notes of Newmark.

The unaudited pro forma condensed combined statement of operations gives effect to the Acquisition as if it occurred as of December 28, 2003. The unaudited pro forma condensed combined financial data do not purport to represent what Valmont's results of operations or financial position would have been if the Acquisition had occurred as of the dates indicated or what such results will be for any future periods.

The Acquisition was accounted for as a purchase business combination in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations." The total purchase price for Newmark was allocated to the net assets based upon preliminary estimates of fair value of the assets acquired and liabilities assumed.

The unaudited pro forma adjustments are based upon available information and certain assumptions that Valmont believes are reasonable, which assumptions are described in the accompanying notes. The unaudited pro forma condensed combined statement of operations excludes certain charges that will be incurred in connection with the Acquisition including an inventory fair value step-up from the Acquisition expected to increase fiscal 2004 cost of sales by \$0.8 million.

Unaudited Pro Forma Condensed Combined Statement of Operations
Thirty-nine Weeks Ended September 25, 2004

(in thousands)	Valmont Industries, Inc.	Newmark International, Inc. Combined	Elimination of Businesses Not Acquisition Acquired (a)	Adjustments	Adjustment for the Refinancing	Proforma for the Acquisition and the Financings
Net sales	\$744,800	\$21,852	\$(2,009)	\$ —	\$ —	\$764,643
Cost of goods sold	566,340	17,305	(1,862)	154(b)	—	581,937
Gross profit	178,460	4,547	(147)	(154)	—	182,706
Impairment loss	—	4,125	(4,125)			—
Selling, general and administrative expenses	131,870	2,648	(234)	579(b)	—	134,863
Operating income	46,590	(2,226)	4,212	(733)	—	47,843
Interest expense	11,104	100	(6)	—	1,112(c)	12,310
Interest income	(1,382)	—	—	—	—	(1,382)
Debt prepayment expenses	9,860	—	—	—	—	9,860
Other expense (income)	283	19	1	—	—	303
Earnings before income taxes	26,725	(2,345)	4,217	(733)	(1,112)	26,752
Income tax expense	9,763	(854)	1,587	(268)(d)	(406)(d)	9,822
Earnings before minority interest and equity in earnings (losses) of nonconsolidated subsidiaries	16,962	(1,491)	2,630	(465)	(706)	16,930
Minority interest	(1,841)	—	—	—	—	(1,841)
Equity in earnings (losses) of nonconsolidated subsidiaries	296	—	—	—	—	296
Net earnings	\$ 15,417	\$(1,491)	\$ 2,630	\$(465)	\$ (706)	\$ 15,385
Earnings per common share:						
Basic	\$ 0.65					\$ 0.64
Diluted	\$ 0.63					\$ 0.63
Weighted average shares outstanding:						
Basic	23,866					23,866
Diluted	24,465					24,465

Notes to Unaudited Pro Forma Condensed Combined Financial Data

- (a) Reflects the elimination of businesses of Newmark that were not acquired in the Acquisition, including the fiberglass business unit and expenses incurred by Newmark which were specific to the former owners and not regular operating expenses.
- (b) Reflects adjustments to record additional depreciation and amortization expenses associated with the fair market value adjustments to property, plant and equipment (mainly included in costs of sales) and finite-lived intangible assets (included in selling, general and administrative expenses):

Property, plant and equipment	\$154
Finite-lived intangible assets	579
	<u>\$733</u>

- (c) Reflects adjustments to interest expense as follows:

Interest on senior subordinated notes	\$ 7,734
Amortization of deferred financing costs	548
Interest on new term loan	1,687
Interest on new revolving credit agreement	1,008
Other interest expense	1,350
Elimination of actual interest expense	(11,104)
Elimination of Newmark interest expense	(111)
	<u>\$ 1,112</u>

- (d) Reflects the tax effect of the pro forma adjustments at an estimated 36.5% tax rate.