VALMONT INDUSTRIES INC
Form 10-Q
November 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

Or

o **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	**47-0351813**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Valmont Plaza, Omaha, Nebraska	**68154-5215**
(Address of principal executive offices)	(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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

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

25,583,508
Outstanding shares of common stock as of October 30, 2006

Index is located on page 2.

Total number of pages 36.

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
INDEX TO FORM 10-Q

VALMONT INDUSTRIES, INC. AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept 30, 2006	Sept. 24, 2005	Sept. 30, 2006	Sept. 24, 2005
Net sales	$ 310,904	$ 265,942	$ 953,320	$ 796,817
Cost of sales	230,234	196,332	711,895	597,953
Gross profit	80,670	69,610	241,425	198,864
Selling, general and administrative expenses	51,651	47,579	158,920	139,520
Operating income	29,019	22,031	82,505	59,344
Other income (deductions):				
Interest expense	(4,328)	(5,002)	(12,815)	(14,713)
Interest income	549	408	1,497	1,237
Miscellaneous	113	(462)	1,297	(577)
	(3,666)	(5,056)	(10,021)	(14,053)
Earnings before income taxes, minority interest and equity in earnings (losses) of nonconsolidated subsidiaries	25,353	16,975	72,484	45,291
Income tax expense (benefit):				
Current	9,636	8,239	33,629	15,980
Deferred	(2,141)	(1,780)	(9,969)	748
	7,495	6,459	23,660	16,728
Earnings before minority interest and equity in earnings (losses) of nonconsolidated subsidiaries	17,858	10,516	48,824	28,563
Minority interest	(393)	(480)	(902)	(1,142)
Equity in earnings (losses) of nonconsolidated subsidiaries	(2,403)	170	(2,490)	38
Net earnings	$ 15,062	$ 10,206	$ 45,432	$ 27,459
Earnings per share Basic	$ 0.60	$ 0.42	$ 1.82	$ 1.13
Earnings per share Diluted	$ 0.58	$ 0.40	$ 1.76	$ 1.09
Cash dividends per share	$ 0.095	$ 0.085	$ 0.275	$ 0.250
Weighted average number of shares of common stock outstanding (000 omitted)	25,255	24,382	25,027	24,262
Weighted average number of shares of common stock outstanding plus dilutive potential common shares (000 omitted)	25,851	25,380	25,743	25,197

See accompanying notes to condensed consolidated financial statements.

3

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

	September 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,249	$ 46,867
Receivables, net	219,744	180,969
Inventories	176,160	158,327
Prepaid expenses	11,438	7,643
Refundable and deferred income taxes	18,723	14,506
Total current assets	481,314	408,312
Property, plant and equipment, at cost	505,970	489,660
Less accumulated depreciation and amortization	316,164	294,984
Net property, plant and equipment	189,806	194,676
Goodwill	106,807	106,695
Other intangible assets, net	57,163	60,140
Other assets	36,095	32,219
Total assets	$ 871,185	$ 802,042
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current installments of long-term debt	$ 18,254	$ 13,583
Notes payable to banks	8,708	4,918
Accounts payable	99,502	90,674
Accrued expenses	80,411	67,869
Dividends payable	2,430	2,107
Total current liabilities	209,305	179,151
Deferred income taxes	36,863	43,199
Long-term debt, excluding current installments	205,880	218,757
Other noncurrent liabilities	27,868	24,889
Minority interest in consolidated subsidiaries	7,559	7,371
Shareholders equity:		
Preferred stock		
Common stock of $1 par value	27,900	27,900
Retained earnings	391,827	357,025
Accumulated other comprehensive income	1,246	(2,521)
Treasury stock	(37,263)	(50,067)
Unearned restricted stock		(3,662)
Total shareholders equity	383,710	328,675
Total liabilities and shareholders equity	$ 871,185	$ 802,042

See accompanying notes to condensed consolidated financial statements.

4

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

	Thirty-nine Weeks Ended Sept. 30, 2006	Sept. 24, 2005
Cash flows from operations:		
Net earnings	$ 45,432	$ 27,459
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization	28,326	30,205
Stock based compensation	1,157	
(Gain)Loss on sale of assets	(376)	353
Equity in earnings (losses) in nonconsolidated subsidiaries	2,490	(38)
Minority interest	902	1,142
Deferred income taxes	(9,969)	748
Other adjustments	(339)	427
Changes in assets and liabilities		
Receivables	(36,102)	4,117
Inventories	(16,936)	19,804
Prepaid expenses	(5,256)	(535)
Accounts payable	11,920	(495)
Accrued expenses	11,985	(248)
Other noncurrent liabilities	326	1,244
Income taxes payable	(4,519)	6,752
Net cash flows from operations	29,041	90,935
Cash flows from investing activities:		
Purchase of property, plant & equipment	(18,789)	(29,991)
Investment in nonconsolidated subsidiary	(4,824)	
Proceeds from sale of assets	3,316	733
Dividends to minority interests	(377)	(318)
Other, net	(780)	152
Net cash flows from investing activities	(21,454)	(29,424)
Cash flows from financing activities:		
Net borrowings under short-term agreements	3,790	747
Proceeds from long-term borrowings	475	16,500
Principal payments on long-term obligations	(8,679)	(75,513)
Dividends paid	(6,658)	(5,954)
Proceeds from exercises under stock plans	26,543	9,441
Excess tax benefits from stock option exercises	16,102	
Purchase of common treasury shares stock plan exercises	(31,367)	(2,717)
Net cash flows from financing activities	206	(57,496)
Effect of exchange rate changes on cash and cash equivalents	589	(284)
Net change in cash and cash equivalents	8,382	3,731
Cash and cash equivalents beginning of period	46,867	30,210
Cash and cash equivalents end of period	$ 55,249	$ 33,941

See accompanying notes to condensed consolidated financial statements.

5

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 30, 2006 and the Condensed Consolidated Statements of Operations for the thirteen and thirty-nine week periods ended September 30, 2006 and September 24, 2005 and the Condensed Consolidated Statements of Cash Flows for the 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 30, 2006 and for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005. The accounting policies and methods of computation followed in these interim financial statements are the same as those followed in the financial statements for the year ended December 31, 2005, except for the January 1, 2006 adoption of SFAS 123(R). The results of operations for the periods ended September 30, 2006 are not necessarily indicative of the operating results for the full year.

Cash overdrafts

Cash book overdrafts totaling $11,300 and $7,243 were classified as accounts payable at September 30, 2006 and December 31, 2005, respectively. The Company s policy is to report the change in book overdrafts as an operating activity in the Condensed Consolidated Statement of Cash Flows.

Inventories

At September 30, 2006, 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 finished goods. The excess of replacement cost of inventories over the LIFO value was approximately $37,700 and $29,100 at September 30, 2006 and December 31, 2005, respectively.

Inventories consisted of the following:

	September 30, 2006	**December 31, 2005**
Raw materials and purchased parts	$ 118,009	$ 97,606
Work-in-process	20,668	19,419
Finished goods and manufactured goods	75,198	70,377
Subtotal	213,875	187,402
LIFO reserve	37,715	29,075
Net inventory	$ 176,160	$ 158,327

6

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

Income Tax Expense

In the third quarter of 2006, the Company realized approximately $1.2 million in income tax benefits related to activities from prior tax years but were recognized in 2006 when the additional credits were taken on its income tax returns. Management had previously determined it was not probable that these tax benefits would be realized and therefore had not recognized these benefits in prior years.

Equity in Earnings (Losses) Nonconsolidated Subsidiaries

The Company realized a loss in its nonconsolidated subsidiary in the third quarter of 2006, due principally to losses in its 49% owned structures operation in Mexico. This loss mainly related to adjustment of receivable and inventory valuations, which reduced its share of earnings from this nonconsolidated subsidiary by $2.1 million, after tax. These valuation adjustments resulted from the Company s due diligence reviews related to its planned purchase of the remaining 51% ownership interest in this subsidiary.

Stock Plans

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Compensation Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At September 30, 2006, 1,298,323 shares of common stock remained available for issuance under the plans. Shares and options issued and available for issuance are subject to changes in capitalization.

Under the plans, the exercise price of each option equals the market price at the time of the grant. Options vest beginning on the first anniversary of the grant in equal amounts over three to six years or on the fifth anniversary of the grant. Expiration of grants is from six to ten years from the date of grant. On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS 123(R)*), Shared Based Payment*. The Company chose to apply the modified prospective transition method as permitted by SFAS 123(R) and therefore has not restated prior periods. Under this transition method, compensation cost associated with employee stock options recognized in the thirteen and thirty-nine weeks ended September 30, 2006 includes amortization related to the remaining unvested portion of stock option awards granted prior to December 31, 2005, and amortization related to new awards granted after January 1, 2006. Accordingly, the Company recorded $444 and $1,157 of compensation expense (included in selling, general and administrative expenses) for the thirteen and thirty-nine weeks ended September 30, 2006, respectively. The associated tax benefits recorded were $171 and $445, respectively. Prior to the adoption of SFAS 123(R), the Company accounted for these plans under APB Opinion 25, *Accounting for Stock Issued to Employees*, and related Interpretations. Under APB Opinion 25, no compensation cost associated with stock options was reflected in net income, as all options granted under these plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share for the thirteen and thirty-nine weeks ended September 24, 2005 if the company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

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

			Thirteen Weeks Ended Sept. 24, 2005	Thirty-nine Weeks Ended Sept. 24, 2005
Net earnings as reported			$ 10,206	$ 27,459
Add:	Stock-based employee compensation expense included in reported net income, net of related tax effects		115	346
Deduct:	Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		190	1,003
Pro forma net earnings			$ 10,131	$ 26,802
Earnings per share				
As reported:		Basic	$ 0.42	$ 1.13
		Diluted	$ 0.40	$ 1.09
Pro forma:		Basic	$ 0.42	$ 1.10
		Diluted	$ 0.40	$ 1.06

Recently Issued Accounting Pronouncements

On July 13, 2006, the FASB issued Interpretation 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No 109.* FIN 48 provides a consistent recognition threshold and measurement attribute, as well as clear criteria for subsequently recognizing, derecognizing and measuring uncertain tax positions for financial statement purposes. The Interpretation also requires expanded disclosure with respect to uncertain income tax positions. FIN 48 will be effective at the beginning of the Company s 2007 fiscal year. The Company is currently assessing the effect of this pronouncement on the consolidated financial statements.

In September 2006, the FASB issued Statement 157 (SFAS 157), *Fair Value Measurements*. This Statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. While SFAS 157 does not require any new fair value measurements, it may change the application of fair value measurements embodied in other accounting standards. SFAS 157 will be effective at the beginning of the Company s 2008 fiscal year. The Company is currently assessing the effect of this pronouncement on the consolidated financial statements.

2. Goodwill and Intangible Assets

The Company s annual impairment testing on its reporting units was performed during the third quarter of 2006. As a result of that testing, it was determined the goodwill on the Company s Consolidated Balance Sheet was not impaired. Non-amortized intangible assets were also tested for impairment and determined not to be impaired.

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

Amortized Intangible Assets

The components of amortized intangible assets at September 30, 2006 and December 31, 2005 were as follows:

	As of September 30, 2006		
	Gross Carrying Amount	Accumulated Amortization	Weighted Average Life
Customer Relationships	$ 48,133	$ 10,008	18 years
Proprietary Software & Database	2,609	1,987	6 years
Patents & Proprietary Technology	2,839	467	14 years
Non-compete Agreements	331	148	5 years
	$ 53,912	$ 12,610	

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

Amortization expense for intangible assets for the thirteen weeks ended September 30, 2006 and September 24, 2005, was $756 and $901, respectively. Amortization expense for intangible assets for the thirty-nine weeks ended September 30, 2006, and September 24, 2005 was $2,572 and $2,704, respectively. Estimated amortization expense related to finite-lived intangible assets is as follows:

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

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

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

Non-amortized intangible assets

Under the provisions of SFAS 142, intangible assets with indefinite lives are not amortized. The carrying value of the PiRod and Newmark trade names are $4,750 and $11,111, as of September 30, 2006 and December 31, 2005. The Newmark trade name arose from the 2004 acquisition and the PiRod amount arose from the 2001 acquisition. The indefinite-lived intangible assets were tested for impairment separately from goodwill in the third quarter of 2006. The values of the trade names were determined using the relief-from-royalty method. Based on this evaluation, the Company determined that its trade names were not impaired as of September 30, 2006.

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

In addition, the Company acquired the Sigma trade name as part of the acquisition of Sigma s assets in 2004 and recorded an associated indefinite-lived intangible asset of $405. In the second quarter of 2006, the Company determined it would no longer use the Sigma trade name and, accordingly, a complete impairment of the $405 value assigned to the Sigma trade name was recorded in the second quarter of 2006.

Goodwill

The carrying amount of goodwill as of September 30, 2006 was as follows:

	Engineered Support Structures Segment	**Utility Support Structures Segment**	**Coatings Segment**	**Irrigation Segment**	**Tubing Segment**	**Total**
Balance December 31, 2005	$ 19,760	$ 42,628	$ 42,192	$ 1,853	$ 262	$ 106,695
Foreign currency translation	112					112
Balance September 30, 2006	$ 19,872	$ 42,628	$ 42,192	$ 1,853	$ 262	$ 106,807

Goodwill in the Company s reporting units was tested in the third quarter of 2006 using a discounted cash flow methodology. Based on the evaluation, the Company concluded that goodwill was not impaired as of September 30, 2006.

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

3. Cash Flows

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

	Sept. 30, 2006	Sept. 24, 2005
Interest	$ 10,358	$ 12,060
Income Taxes	22,306	8,156

4. 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 30, 2006:			
Net earnings	$ 15,062		$ 15,062
Shares outstanding	25,255	596	25,851
Per share amount	$ 0.59	(.01)	$ 0.58
Thirteen weeks ended September 24, 2005:			
Net earnings	$ 10,206		$ 10,206
Shares outstanding	24,382	998	25,380
Per share amount	$ 0.42	(.02)	$ 0.40
Thirty-nine weeks ended September 30, 2006:			
Net earnings	$ 45,432		$ 45,432
Shares outstanding	25,027	716	25,743
Per share amount	$ 1.82	(.06)	$ 1.76
Thirty-nine weeks ended September 24, 2005:			
Net earnings	$ 27,459		$ 27,459
Shares outstanding	24,262	935	25,197
Per share amount	$ 1.13	(.04)	$ 1.09

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

5. Comprehensive Income

Results of operations for foreign subsidiaries are translated using the average exchange rates during the period. Assets and liabilities are translated at the exchange rates in effect on the balance sheet dates. The Company s other comprehensive income for the thirteen and thirty-nine weeks ended September 30, 2006 and September 24, 2005, respectively, were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 30, 2006	Sept. 24, 2005	Sept. 30, 2006	Sept. 24, 2005
Net earnings	$ 15,062	$ 10,206	$ 45,432	$ 27,459
Currency translation adjustment	(264)	1,686	3,767	(3,124)
Total comprehensive income	$ 14,798	$ 11,892	$ 49,199	$ 24,335

6. Stock Plans

On January 1, 2006, the Company adopted SFAS No. 123R, *Shared Based Payment* (SFAS 123R). The Company chose to apply the modified prospective transition method as permitted by SFAS 123R and therefore has not restated prior periods. Under this transition method, compensation cost associated with employee stock options recognized in the thirteen and thirty-nine weeks ended September 30, 2006 includes amortization related to the remaining unvested portion of stock options granted prior to December 31, 2005, and amortization related to stock options granted after January 1, 2006. At September 30, 2006, the amount of unrecognized stock option compensation cost, to be recognized over a weighted average period of 1.30 years, was approximately $2,000.

Upon adoption of SFAS 123R, the Company changed its method of valuation for share-based awards granted beginning in 2006 to a binomial option pricing model from the Black-Scholes-Merton option pricing model which was previously used for the Company s pro forma information required under SFAS 123. The fair value of each option grant made in 2006 was estimated using the following assumptions:

Expected volatility	27	%
Risk-free interest rate	4.40	%
Expected life from vesting date	2.7 yrs.	
Dividend yield	1.51	%

As a result of adopting SFAS 123R, earnings before income taxes included $444 and $1,157 of share-based compensation expense related to stock options, with associated tax benefit of $171 and $445 for the thirteen and thirty-nine weeks ended September 30, 2006, respectively. Prior to the adoption of SFAS 123R, the Company presented all benefits of tax deductions resulting from the exercise of stock options as operating cash flows in the Consolidated Statements of Cash Flows. SFAS 123R requires the cash flows resulting from tax deductions in excess of the compensation cost recognized for share-based payments (excess tax benefits) to be classified as financing cash flows. The excess tax benefit of $16,102 was classified as a financing cash flow for the thirty-nine weeks ended September 30, 2006.

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

The Company maintains stock-based compensation plans approved by the shareholders, which provide that the Compensation Committee of the Board of Directors may grant incentive stock options, nonqualified stock options, stock appreciation rights, non-vested stock awards and bonuses of common stock. At September 30, 2006, 1,298,323 shares of common stock remained available for issuance under the plans. Shares and options issued and available are subject to changes in capitalization. The Company s policy is to issue shares upon exercise of stock options from treasury shares held by the Company.

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

Following is a summary of the activity of the stock plans during the thirty-nine weeks ended September 30, 2006:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2005	2,670,094	$ 20.76
Granted	40,500	51.87
Exercised	(1,403,255)	(18.79)
Forfeited	(45,998)	(26.04)
Outstanding at September 30, 2006	1,261,341	$ 23.76
Options exercisable at September 30, 2006	823,717	$ 19.89
Weighted average fair value of options granted during 2006		$ 51.87

Following is a summary of the status of stock options outstanding at September 30, 2006:

Outstanding and Exercisable By Price Range

Options Outstanding				**Options Exercisable**	
Exercise Price Range	**Number**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
$ 13.91-19.97	453,298	4.10 years	$ 17.29	453,298	$17.29
20.53-24.78	561,614	6.70 years	23.33	355,490	22.99
24.86-53.01	246,429	6.12 years	36.66	14,929	25.13
	1,261,341			823,717	

In accordance with shareholder-approved plans, the Company grants stock under various stock-based compensation arrangements, including non-vested share awards and stock issued in lieu of cash bonuses. Under such arrangements, stock is issued without direct cost to the employee. In addition, the Company grants non-vested share units. The non-vested share units are settled in Company stock when the vesting period ends. Non-vested awards of 18,000 shares of Company common stock were issued to non-employee directors of the Company during the second quarter of 2006. There were no non-vested share units issued during the thirteen weeks ended September 30, 2006.

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

At September 30, 2006, there was $4,425 of unrecognized compensation expense related to these non-vested share awards, which is expected to be recognized over a weighted average period of approximately 4 years. The Company recorded expense of $331 and $915 in the thirteen and thirty-nine weeks ended September 30, 2006 (with associated tax benefits of $127 and $352, respectively), related to the amortization of non-vested shares and share units. Beginning January 1, 2006, the unamortized balance of the non-vested share awards is a component of retained earnings. Prior to January 1, 2006, this unamortized balance was shown as a separate component of shareholders equity.

7. Business Segments

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

Reportable segments are as follows:

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

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

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

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

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

In addition to these five reportable segments, the Company has other businesses that individually are not more than 10% of consolidated sales. These businesses, which include wind energy development, machine tool accessories and industrial fasteners, are reported in the Other category.

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

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

	Thirteen Weeks Ended Sept. 30, 2006	Sept. 24, 2005	Thirty-nine Weeks Ended Sept. 30 2006	Sept. 24, 2005
Sales:				
Engineered Support Structures segment:				
Lighting & Traffic	$ 96,488	$ 92,090	$ 286,893	$ 266,891
Specialty	26,203	27,079	79,097	68,772
Utility	10,577	6,211	20,440	18,961
	133,268	125,380	386,430	354,624
Utility Support Structures segment				
Steel	51,622	36,380	154,782	109,485
Concrete	14,718	14,918	54,024	43,754
	66,340	51,298	208,806	153,239
Coatings segment	29,936	22,196	82,534	62,392
Irrigation segment	67,803	55,467	242,527	190,838
Tubing segment	22,997	20,386	70,134	65,196
Other	4,328	4,558	13,397	14,007
	324,672	279,285	1,003,828	840,296
Intersegment Sales:				
Engineered Support Structures	2,222	4,754	17,624	16,829
Utility Support Structures	306	1,258	1,749	2,843
Coatings	6,172	3,511	16,258	10,662
Irrigation	29	3	46	14
Tubing	4,002	2,814	11,560	10,212
Other	1,037	1,003	3,271	2,919
	13,768	13,343	50,508	43,479
Net Sales				
Engineered Support Structures	131,046	120,626	368,806	337,795
Utility Support Structures	66,034	50,040	207,057	150,396
Coatings	23,764	18,685	66,276	51,730
Irrigation	67,774	55,464	242,481	190,824
Tubing	18,995	17,572	58,574	54,984
Other	3,291	3,555	10,126	11,088
Consolidated Net Sales	$ 310,904	$ 265,942	$ 953,320	$ 796,817
Operating Income				
Engineered Support Structures	$ 14,469	$ 13,160	$ 32,547	$ 29,492
Utility Support Structures	6,710	4,888	22,804	12,859
Coatings	5,917	2,584	13,180	5,458
Irrigation	5,583	4,870	27,867	19,614
Tubing	3,812	3,725	11,114	10,881
Other	(373)	(532)	(1,438)	(1,948)
Net corporate expense	(7,099)	(6,664)	(23,569)	(17,012)
Total Operating Income	$ 29,019	$ 22,031	$ 82,505	$ 59,344

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

8. Guarantor/ Non-Guarantor Financial Information

On May 4, 2004, the Company completed a $150,000,000 offering of 6⅞% Senior Subordinated Notes. The Notes are guaranteed, jointly, severally, fully and unconditionally, on a senior subordinated basis by certain of the Company s current and future direct and indirect domestic subsidiaries (collectively the Guarantors), excluding its other current domestic and foreign subsidiaries which do not guarantee the debt (collectively referred to as the Non-Guarantors). All Guarantors are 100% owned by the parent company.

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Thirteen Weeks Ended September 30, 2006

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 191,740	$ 52,635	$ 87,953	$ (21,424)	$ 310,904
Cost of sales	146,183	39,165	66,468	(21,582)	230,234
Gross profit	45,557	13,470	21,485	158	80,670
Selling, general and administrative expenses	28,884	8,168	14,599		51,651
Operating income	16,673	5,302	6,886	158	29,019
Other income (deductions):					
Interest expense	(4,052)	(2)	(282)	8	(4,328)
Interest income	182	31	344	(8)	549
Miscellaneous	(2)	16	99		113
	(3,872)	45	161		(3,666)
Earnings before income taxes, minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	12,801	5,347	7,047	158	25,353
Income tax expense:					
Current	5,229	2,087	2,320		9,636
Deferred	(1,510)	13	(644)		(2,141)
	3,719	2,100	1,676		7,495
Earnings before minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	9,082	3,247	5,371	158	17,858
Minority interest			(393)		(393)
Equity in earnings/(losses) of nonconsolidated subsidiaries	5,822	142	143	(8,510)	(2,403)
Net earnings	$ 14,904	$ 3,389	$ 5,121	$ (8,352)	$ 15,062

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

For the Thirty-nine Weeks Ended September 30, 2006

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 592,035	$ 167,942	$ 251,959	$ (58,616)	$ 953,320
Cost of sales	453,916	128,973	187,731	(58,725)	711,895
Gross profit	138,119	38,969	64,228	109	241,425
Selling, general and administrative expenses	89,573	24,409	44,938		158,920
Operating income	48,546	14,560	19,290	109	82,505
Other income (deductions):					
Interest expense	(12,135)	(6)	(697)	23	(12,815)
Interest income	331	66	1,123	(23)	1,497
Miscellaneous	1,113	41	143		1,297
	(10,691)	101	569		(10,021)
Earnings before income taxes, minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	37,855	14,661	19,859	109	72,484
Income tax expense:					
Current	21,246	6,338	6,045		33,629
Deferred	(7,746)	(684)	(1,539)		(9,969)
	13,500	5,654	4,506		23,660
Earnings before minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	24,355	9,007	15,353	109	48,824
Minority interest			(902)		(902)
Equity in earnings/(losses) of nonconsolidated subsidiaries	20,968		300	(23,758)	(2,490)
Net earnings	$ 45,323	$ 9,007	$ 14,751	$ (23,649)	$ 45,432

17

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

For the Thirteen Weeks Ended September 24, 2005

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 155,688	$ 49,176	$ 78,348	$ (17,270)	$ 265,942
Cost of sales	116,698	38,268	58,424	(17,058)	196,332
Gross profit	38,990	10,908	19,924	(212)	69,610
Selling, general and administrative expenses	27,485	7,401	12,693		47,579
Operating income	11,505	3,507	7,231	(212)	22,031
Other income (deductions):					
Interest expense	(4,708)	(3)	(297)	6	(5,002)
Interest income	12	3	399	(6)	408
Miscellaneous	2	13	(477)		(462)
	(4,694)	13	(375)		(5,056)
Earnings before income taxes, minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	6,811	3,520	6,856	(212)	16,975
Income tax expense:					
Current	4,791	1,157	2,291		8,239
Deferred	(1,750)	331	(361)		(1,780)
	3,041	1,488	1,930		6,459
Earnings before minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	3,770	2,032	4,926	(212)	10,516
Minority interest			(480)		(480)
Equity in earnings/(losses) of nonconsolidated subsidiaries	6,648		108	(6,586)	170
Net earnings	$ 10,418	$ 2,032	$ 4,554	$ (6,798)	$ 10,206

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

For the Thirty-nine Weeks Ended September 24, 2005

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Net sales	$ 482,378	$ 142,147	$ 226,079	$ (53,787)	$ 796,817
Cost of sales	368,314	114,126	169,654	(54,141)	597,953
Gross profit	114,064	28,021	56,425	354	198,864
Selling, general and administrative expenses	77,779	22,740	39,001		139,520
Operating income	36,285	5,281	17,424	354	59,344
Other income (deductions):					
Interest expense	(14,124)	(19)	(619)	49	(14,713)
Interest income	67	15	1,204	(49)	1,237
Miscellaneous	(139)	27	(465)		(577)
	(14,196)	23	120		(14,053)
Earnings before income taxes, minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	22,089	5,304	17,544	354	45,291
Income tax expense:					
Current	8,055	1,914	6,011		15,980
Deferred	977	338	(567)		748
	9,032	2,252	5,444		16,728
Earnings before minority interest, and equity in earnings/(losses) of nonconsolidated subsidiaries	13,057	3,052	12,100	354	28,563
Minority interest			(1,142)		(1,142)
Equity in earnings/(losses) of nonconsolidated subsidiaries	14,048		87	(14,097)	38
Net earnings	$ 27,105	$ 3,052	$ 11,045	$ (13,743)	$ 27,459

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

CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, 2006

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 21,793	$ 1,340	$ 32,116		$ 55,249
Receivables, net	102,105	29,717	87,962	(40)	219,744
Inventories	74,280	44,285	57,595		176,160
Prepaid expenses	2,764	368	8,306		11,438
Refundable and deferred income taxes	12,195	3,653	2,875		18,723
Total current assets	213,137	79,363	188,854	(40)	481,314
Property, plant and equipment, at cost	328,719	71,636	105,615		505,970
Less accumulated depreciation and amortization	218,835	29,330	67,999		316,164
Net property, plant and equipment	109,884	42,306	37,616		189,806
Goodwill	20,370	73,375	13,062		106,807
Other intangible assets	738	54,210	2,215		57,163
Investment in subsidiaries and intercompany accounts	358,633	52,479	(2,917)	(408,195)	
Other assets	26,422	7,572	2,701	(600)	36,095
Total assets	$ 729,184	$ 309,305	$ 241,531	$ (408,835)	$ 871,185
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities:					
Current installments of long-term debt	$ 16,117	$ 28	$ 2,109	$	$ 18,254
Notes payable to banks			8,708		8,708
Accounts payable	38,608	12,619	48,275		99,502
Accrued expenses	49,844	6,757	23,850	(40)	80,411
Dividends payable	2,430				2,430
Total current liabilities	106,999	19,404	82,942	(40)	209,305
Deferred income taxes	13,158	21,628	2,077		36,863
Long-term debt, excluding current installments	204,730	46	1,704	(600)	205,880
Minority interest in consolidated subsidiaries			7,559		7,559
Other noncurrent liabilities	26,104		1,764		27,868
Shareholders equity:					
Common stock of $1 par value	27,900	14,249	3,493	(17,742)	27,900
Additional paid-in capital		159,082	67,055	(226,137)	
Retained earnings	387,556	94,896	73,691	(164,316)	391,827
Accumulated other comprehensive loss			1,246		1,246
Treasury stock	(37,263)				(37,263)
Unearned restricted stock					
Total shareholders equity	378,193	268,227	145,485	(408,195)	383,710
Total liabilities and shareholders equity	$ 729,184	$ 309,305	$ 241,531	$ (408,835)	$ 871,185

20

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

December 31, 2005

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

21

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Thirty-nine Weeks Ended September 30, 2006

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operations:					
Net earnings	$ 45,323	$ 9,007	$ 14,751	$ (23,649)	$ 45,432
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	15,342	7,028	5,956		28,326
Stock based compensation	1,157				1,157
(Gain)/ Loss on sale of property, plant and equipment	(533)	(42)	199		(376)
Equity in (earnings)/losses of nonconsolidated subsidiaries	125	2,665	(300)		2,490
Minority interest			902		902
Deferred income taxes	(7,746)	(684)	(1,539)		(9,969)
Other adjustments			(339)		(339)
Changes in assets and liabilities:					
Receivables	(27,708)	6,780	(15,214)	40	(36,102)
Inventories	(8,169)	(1,746)	(7,021)		(16,936)
Prepaid expenses	(1,557)	1,322	(5,021)		(5,256)
Accounts payable	4,694	1,338	5,888		11,920
Accrued expenses	7,347	(601)	5,279	(40)	11,985
Other noncurrent liabilities	(355)		681		326
Income taxes payable	(4,779)		260		(4,519)
Net cash flows from operations	23,141	25,067	4,482	(23,649)	29,041
Cash flows from investing activities:					
Purchase of property, plant and equipment	(7,696)	(4,069)	(7,024)		(18,789)
Investment in nonconsolidated subsidiary	(4,824)				(4,824)
Dividends to minority interests			(377)		(377)
Proceeds from sale of assets	3,057	77	182		3,316
Proceeds from minority interests					
Other, net	(5,012)	(21,613)	2,196	23,649	(780)
Net cash flows from investing activities	(14,475)	(25,605)	(5,023)	23,649	(21,454)
Cash flows from financing activities:					
Net borrowings under short-term agreements			3,790		3,790
Proceeds from long-term borrowings			475		475
Principal payments on long-term obligations	(8,370)	(20)	(289)		(8,679)
Dividends paid	(6,658)				(6,658)
Proceeds from exercises under stock plans	26,543				26,543
Excess tax benefits from stock option exercises	16,102				16,102
Purchase of common treasury shares stock plan exercises	(31,367)				(31,367)
Net cash flows from financing activities	(3,750)	(20)	3,976		206
Effect of exchange rate changes on cash and cash equivalents			589		589
Net change in cash and cash equivalents	4,916	(558)	4,024		8,382
Cash and cash equivalents beginning of year	16,875	1,898	28,094		46,867
Cash and cash equivalents end of year	$ 21,791	$ 1,340	$ 32,118		$ 55,249

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

For the Thirty-nine Weeks Ended September 24, 2005

	Parent	Guarantors	Non-Guarantors	Eliminations	Total
Cash flows from operations:					
Net earnings	$ 27,105	$ 3,052	$ 11,045	$ (13,743)	$ 27,459
Adjustments to reconcile net earnings to net cash flows from operations:					
Depreciation and amortization	16,829	7,766	5,610		30,205
(Gain)/ Loss on sale of property, plant and equipment	13	1	339		353
Equity in (earnings)/losses of nonconsolidated subsidiaries	49		(87)		(38)
Minority interest			1,142		1,142
Deferred income taxes	977	338	(567)		748
Other adjustments	145	(2)	284		427
Changes in assets and liabilities:					
Receivables	3,782	(1,407)	1,750	(8)	4,117
Inventories	30,008	(5,855)	(4,349)		19,804
Prepaid expenses	(1,186)	94	557		(535)
Accounts payable	1,205	1,151	(2,851)		(495)
Accrued expenses	(1,057)	508	293	8	(248)
Other noncurrent liabilities	1,382		(138)		1,244
Income taxes payable	6,577		175		6,752
Net cash flows from operations	85,829	5,646	13,203	(13,743)	90,935
Cash flows from investing activities:					
Purchase of property, plant and equipment	(24,073)	(2,124)	(3,794)		(29,991)
Proceeds from sale of assets	21	13	699		733
Proceeds from minority interests			(318)		(318)
Other, net	(5,602)	(6,375)	(314)	12,443	152
Net cash flows from investing activities	(29,654)	(8,486)	(3,727)	12,443	(29,424)
Cash flows from financing activities:					
Net borrowings under short-term agreements			747		747
Proceeds from long-term borrowings	16,500				16,500
Principal payments on long-term obligations	(73,965)	(20)	(2,828)	1,300	(75,513)
Dividends paid	(5,954)				(5,954)
Proceeds from exercises under stock plans	9,441				9,441
Purchase of common treasury shares stock plan exercises	(2,717)				(2,717)
Net cash flows from financing activities	(56,695)	(20)	(2,081)	1,300	(57,496)
Effect of exchange rate changes on cash and cash equivalents			(284)		(284)
Net change in cash and cash equivalents	(520)	(2,860)	7,111		3,731
Cash and cash equivalents beginning of year	966	3,694	25,550		30,210
Cash and cash equivalents end of year	$ 446	$ 834	$ 32,661	$	$ 33,941

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

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

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

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

Results of Operations

Dollars in thousands, except per share amounts

	Thirteen Weeks Ended			Thirty-nine Weeks Ended		
	September 30, 2006	September 24, 2005	% Incr. (Decr)	September 30, 2006	September 24, 2005	% Incr. (Decr)
Consolidated						
Net sales	$ 310,904	$ 265,942	16.9 %	$ 953,320	$ 796,817	19.6 %
Gross profit	80,670	$ 69,610	15.9 %	241,425	$ 198,864	21.4 %
as a percent of sales	*25.9 %*	*26.2 %*		*25.3 %*	*25.0 %*	
SG&A expense	51,651	47,579	8.6 %	158,920	139,520	13.9 %
as a percent of sales	*16.6 %*	*17.9 %*		*16.7 %*	*17.5 %*	
Operating income	29,019	22,031	31.7 %	82,505	59,344	39.0 %
as a percent of sales	*9.3 %*	*8.3 %*		*8.7 %*	*7.4 %*	
Net interest expense	3,779	4,594	-17.7 %	11,318	13,476	-16.0 %
Effective tax rate	29.6 %	38.1 %		32.6 %	36.9 %	
Net earnings	15,062	10,206	47.6 %	45,432	27,459	65.5 %
Earnings per share - Diluted	0.58	0.40	45.0 %	1.76	1.09	61.5 %
Engineered Structures segment						
Net sales	131,046	120,626	8.6 %	368,806	337,795	9.2 %
Gross profit	35,565	33,297	6.8 %	97,273	88,726	9.6 %
SG&A expense	21,096	20,137	4.8 %	64,726	59,234	9.3 %
Operating income	14,469	13,160	9.9 %	32,547	29,492	10.4 %
Utility Support Structures segment						
Net sales	66,034	50,040	32.0 %	207,057	150,396	37.7 %
Gross profit	14,550	11,731	24.0 %	45,866	32,810	39.8 %
SG&A expense	7,840	6,843	14.6 %	23,062	19,951	15.6 %
Operating income	6,710	4,888	37.3 %	22,804	12,859	77.3 %
Coatings segment						
Net sales	23,764	18,685	27.2 %	66,276	51,730	28.1 %
Gross profit	8,812	4,848	81.8 %	21,229	12,339	72.0 %
SG&A expense	2,895	2,264	27.9 %	8,049	6,881	17.0 %
Operating income	5,917	2,584	129.0 %	13,180	5,458	141.5 %
Irrigation segment						
Net sales	67,774	55,464	22.2 %	242,481	190,824	27.1 %
Gross profit	15,738	13,508	16.5 %	58,636	46,223	26.9 %
SG&A expense	10,155	8,638	17.6 %	30,769	26,609	15.6 %
Operating income	5,583	4,870	14.6 %	27,867	19,614	42.1 %
Tubing segment						
Net sales	18,995	17,572	8.1 %	58,574	54,984	6.5 %
Gross profit	5,270	5,235	0.7 %	15,647	15,693	-0.3 %
SG&A expense	1,458	1,510	-3.4 %	4,533	4,812	-5.8 %
Operating income	3,812	3,725	2.3 %	11,114	10,881	2.1 %
Other						
Net sales	3,291	3,555	-7.4 %	10,126	11,088	-8.7 %
Gross profit	1,202	1,112	8.1 %	3,647	3,337	9.3 %
SG&A expense	1,575	1,644	-4.2 %	5,085	5,285	-3.8 %
Operating income (loss)	(373)	(532)	29.9 %	(1,438)	(1,948)	26.2 %
Net Corporate expense						