VALMONT INDUSTRIES INC
Form 10-K
February 24, 2009

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-K

(Mark one)

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

**For the fiscal year ended December 27, 2008**

**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) |

**(402) 963-1000**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Name of exchange on which registered** |
|---|---|
| Common Stock $1.00 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No ý

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

At February 9, 2009 there were 26,225,729 of the Company's common shares outstanding. The aggregate market value of the voting stock held by non-affiliates of the Company based on the closing sale price the common shares as reported on the New York Stock Exchange on June 28, 2008 was $1,529,143,000.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's proxy statement for its annual meeting of shareholders to be held on April 27, 2009 (the "Proxy Statement"), to be filed within 120 days of the fiscal year ended December 27, 2008, are incorporated by reference in Part III.

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**VALMONT INDUSTRIES, INC.**
**Annual Report Pursuant to Section 13 or 15(d)**
**of the Securities Exchange Act of 1934**
**For the fiscal year ended December 27, 2008**

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## PART I

***Available Information***

We make available, free of charge through our Internet web site at *http://www.valmont.com*, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. We submitted the annual Chief Executive Officer certification to the NYSE for 2008, as required by Section 303A.12(a) of the NYSE Corporate Governance rules.

We have also posted on our website our (1) Corporate Governance Principles, (2) charters for the Audit Committee, Compensation Committee, and Governance and Nominating Committee of the Board, (3) Code of Business Conduct, and (4) Code of Ethics for Senior Officers applicable to the Chief Executive Officer, Chief Financial Officer and Controller. Valmont shareholders may also obtain copies of these items at no charge by writing to: Investor Relations Department, Valmont Industries, Inc., One Valmont Plaza, Omaha, NE, 68154.

### ITEM 1. BUSINESS.

**(a) General Description of Business**

***General***

We are a diversified global producer of fabricated metal products and a leading producer of metal and concrete pole and tower structures in our Engineered Support Structures and Utilities Support Structures businesses, and are a global producer of mechanized irrigation systems in our Irrigation business. We also provide metal coating services, including galvanizing, painting and anodizing in our Coatings business. Our pole and tower structures support outdoor lighting and traffic control fixtures, electrical transmission lines and related power distribution equipment, wireless communications equipment and highway signs. Our mechanized irrigation equipment delivers water, chemical fertilizers and pesticides to agricultural crops. Customers and end-users of our products include state and federal governments, contractors, utility and telecommunications companies, manufacturers of commercial lighting fixtures and large farms as well as the general manufacturing sector. In 2008, approximately 28% our total sales were either sold in markets or produced by our manufacturing plants outside of North America. We were founded in 1946, went public in 1968 and our shares trade on the New York Stock Exchange (ticker: VMI).

***Business Strategy***

Our strategy is to pursue growth opportunities that leverage our existing product portfolio, knowledge of our principal end-markets and customers and engineering capability to increase our sales, earnings and cash flow, including:

*Increasing the Market Penetration of our Existing Products.* Our strategy is to increase our market penetration by differentiating our products from our competitors' products through superior customer service, technological innovation and consistently high quality. For example, in recent years, our Irrigation segment increased the flexibility of its product offering to meet the needs of more customer types to increase our sales and compete more effectively with other companies offering irrigation products.

*Bringing our Existing Products to New Markets.* Our strategy is to expand the sales of our existing products into geographic areas where we do not currently have a strong presence as well as into applications for which end-users do not currently purchase our products. In 2006 and 2007, our

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Irrigation business successfully expanded its sales of center pivot and linear irrigation machines into new markets in North Africa and Central Asia. In recent years, for example, we have been expanding our geographic presence in Europe and North Africa for lighting structures. Our strategy of building a manufacturing base in China was based primarily on expanding our offering of pole structures for lighting, utility and wireless communication applications to the Chinese market. In 2008, we acquired Stainton Metal Co, Ltd. (Stainton), a manufacturer of lighting structures in England. We acquired Stainton to expand our geographic presence in the United Kingdom and acquire a leading market position in one of the largest economies in the world.

*Developing New Products for Markets that We Currently Serve.* Our strategy is to grow by developing new products for markets where we have a comprehensive understanding of end-user requirements and longstanding relationships with key distributors and end-users. For example, we developed and sold structures for tramway applications in Europe in 2005 and 2006. The customers for this product line include many of the state and local governments that purchase our lighting structures. The Tehomet acquisition that we completed in 2007 also helps us to bring Tehomet decorative product concepts to our current customer base.

*Developing New Products for New Markets to Further Diversify our Business.* Our strategy is to increase our sales and diversify our business by developing new products for new markets. For example, we have been expanding our offering of specialized decorative lighting poles in the U.S. The decorative lighting market has different customers than our traditional markets and the products to serve that market are different than the poles we manufacture for the transportation and commercial markets.

***Acquisitions***

We have grown internally and by acquisition. Our business expansions during the past five years include:

| | |
|---|---|
| 2004 | Acquisition of Newmark International, Inc., a manufacturer of concrete and steel pole structures, headquartered in Birmingham, Alabama |
| | Acquisition of a fiberglass pole manufacturer in Commerce City, Colorado |
| | Acquisition of an overhead sign structure manufacturer in Selbyville, Delaware |
| | Purchase of equipment for the manufacture of poles in El Dorado, Kansas |
| 2006 | Acquisition of remaining 51% of a nonconsolidated steel pole manufacturing business in Monterrey, Mexico |
| 2007 | Acquisition of 70% of the outstanding shares of a lighting structure manufacturer headquartered in Kangasniemi, Finland |
| | Acquisition of certain assets of a galvanizing operation located in Salina, Kansas |
| 2008 | Acquisition of 70% of the outstanding shares of a lighting structure manufacturer headquartered in Canada |
| | Acquisition of the assets of a manufacturer of utility and wireless communication poles in Hazelton, Pennsylvania |
| | Acquisition of the assets of a wireless communication components distributor headquartered on Long Island, New York |
| | Acquisition of the assets of a materials analysis, testing and inspection services business in Pittsburgh, Pennsylvania |
| | Formation of a 51% owned joint venture to manufacture steel structures in Turkey |
| | Acquisition of the assets of a hot-dipped galvanizing operation located near Louisville, Kentucky |
| | Acquisition of a steel lighting structure manufacturer located in England |

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There have been no significant divestitures of businesses in the past five years. In the fourth quarter of 2006, we decided to suspend our activities to develop support structures to serve the wind energy industry. In the fourth quarter of 2007, we consolidated operations in our North American Specialty Structures product line, which includes the closure of our sign structure facility in Selbyville, Delaware. In 2008, we sold our European machine tool accessories operation. The impact of these events on our financial statements was not significant.

**(b) Operating Segments**

We aggregate our operating segments into four reportable segments. We base our aggregation on similarity of operating segments as to economic characteristics, products, production processes, types or classes of customer and the methods of distribution. Our 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 for the North American utility industry;

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

*Irrigation:* This segment consists of the manufacture of agricultural irrigation equipment and related parts and services.

*Other:* In addition to these four reportable segments, we have other operations and activities that individually are not more than 10% of consolidated sales. These activities include the manufacture of tubular products for a variety of industrial customers and the distribution of industrial fasteners. In early 2008, we divested of our machine tool accessories operation.

Amounts of revenues, operating income and total assets attributable to each segment for each of the last three years is set forth in Note 18 of our consolidated financial statements beginning on page 57.

**(c) Narrative Description of Business**

Information concerning the principal products produced and services rendered, markets, competition and distribution methods for each of our four reportable segments is set forth below.

**Engineered Support Structures Segment:**

The Engineered Support Structures segment manufactures and markets engineered metal structures in three broad product lines:

(1) *Lighting and Traffic*

*Products Produced* This product line primarily includes steel and aluminum poles and structures to which lighting and traffic control fixtures are attached for a wide range of outdoor lighting applications, such as streets, highways, parking lots, sports stadiums and commercial and residential developments. The demand for these products is driven by commercial and residential construction and by consumers' desire for well-lit streets, highways, parking lots and common areas to help make these areas safer at night and to support trends toward more active lifestyles and 24-hour convenience. In addition to safety, customers want products that are visually appealing. In Europe, we believe we are a leader in decorative lighting poles, which are attractive as well as functional. We are leveraging this expertise to expand our decorative product sales in North America and China. Traffic poles are structures to which traffic signals are attached and aid the orderly flow of automobile traffic. While

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standard designs are available, poles are often engineered to customer specifications to ensure the proper function and safety of the structure. Product engineering takes into account factors such as weather (e.g. wind, ice) and the products loaded on the structure (e.g. lighting fixtures, traffic signals, signage) to determine the design of the pole.

*Markets* The key markets for our lighting and traffic products are the transportation and commercial lighting markets. The transportation market includes street and highway lighting and traffic control, much of which is driven by government spending programs. For example, the U.S. government funds highway and road improvement through the Federal highway program. This program provides funding to improve the nation's roadway system, which includes roadway lighting and traffic control enhancements. Matching funding from the various states may be required as a condition of federal funding. The current highway program will expire in 2009 and Congress is starting to develop that next multi-year highway spending program. In the United States, economic stimulus legislation was enacted in response to a weak U.S. economy. Part of that stimulus package may include increased infrastructure spending, including road and highway construction. Enactment of such legislation could result in increased demand for lighting and traffic structures. In North America, governments desire to improve road and highway systems by reducing traffic congestion. In the United States, there are approximately 4 million miles of public roadways, with approximately 24% carrying over 80% of the traffic. Accordingly, the need to improve traffic flow through traffic controls and lighting is a priority for many communities. Transportation markets in other areas of the world are also heavily funded by local and national governments.

The commercial lighting market is mainly funded privately and includes lighting for applications such as parking lots, shopping centers, sports stadiums and business parks. The commercial lighting market is driven by macro economic factors such as general economic growth rates, interest rates and the commercial construction economy.

*Competition* Our competitive strategy in the Lighting and Traffic product line is to provide high value to the customer at a reasonable price. We compete on the basis of product quality, high levels of customer service and reliable, timely delivery of the product. There are numerous competitors in the U.S., most of which are relatively small companies. Companies compete on the basis of price, product quality, reliable delivery and unique product features. Some competitors offer decorative products, which not all competitors are capable of manufacturing.

These competitive factors also apply to European markets. There are many competitors in the European market, as most countries have several manufacturers of lighting and traffic poles, many of which compete primarily on the basis of price and local product specifications. In the Chinese market, there are a large number of local competitors, many of which are small companies who use pricing as their main strategy, especially for standard lighting poles. In China, we are most competitive in markets where product and service quality are highly valued or in products that require significant engineering content.

*Distribution Methods* Transportation market sales are generally through independent, commissioned sales agents. These agents represent Valmont as well as lighting fixture companies and sell other related products. Sales are typically to electrical distributors, who provide the pole, fixtures and other equipment to the end user as a complete package. Commercial lighting sales are normally made through Valmont sales employees, who work on a salary plus incentive, although some sales are made through independent, commissioned sales agents. Sales to the commercial lighting market are primarily to lighting fixture manufacturers, who package the pole and fixture for customers.

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(2) *Specialty*

*Products Produced* In our Specialty product line, we manufacture and sell a broad range of structures (poles and towers) and components serving the wireless communication and highway sign markets. Specialty products also include special use structures for a variety of applications.

In the wireless communication market, a wireless communication cell site will mainly consist of a steel pole or tower, shelter (enclosure where the radio equipment is located), antennas (devices that receive and transmit data and voice information to and from wireless communication devices) and components (items that are used to mount antennas to the structure and connect cabling and other parts from the antennas to the shelter).

For a given cell site, we provide poles, towers and components. We offer a wide range of structures to our customers, including solid rod, tubular and guyed towers, poles (tapered and non-tapered) and disguised products to minimize the visual impact of an antenna on an area.

Structures are engineered and designed to customer specifications, which include factors such as the number of antennas on the structure and wind and soil conditions. Due to the size of these structures, design is important to ensure each structure meets performance and safety specifications. We do not provide any significant installation services on the structures we sell.

In the highway sign market, structures are either on the side of or span over a motorway and support items such as roadway directional signage and intelligent message systems. Structures sold may be either steel or aluminum and the product design may be in the form of a bent tube, tubular lattice or cantilevered. Like wireless communication structures, sign structures are engineered, with the design taking into consideration factors such as the weight and size of the signage being supported and wind, soil and other weather-related conditions.

*Markets* The main market for our specialty products has been the wireless telephone industry, although we also sell products to state and federal governments for two-way radio communication, radar, broadcasting and security purposes. Over the past number of years, the main market driver has been the growth of subscribers to wireless telephone services. The number of wireless phone subscribers has increased substantially worldwide. The number of cell phone subscribers in the U.S. has grown substantially in the past 15 years, as cellular telephone technology has become commonplace worldwide. The growth in the number of subscribers and related services has continued in recent years, although at lower rates than in the 1990's. In general, as the number of users and the usage of wireless devices by these users increase, more cell sites and, accordingly, more structures, antennas and components should be needed. While demand for structures and components in recent years was substantially lower than in the late 1990's and 2000, we believe long-term growth should be driven by subscriber growth (although at a lower rate of growth than the past), increased usage, technologies, such as 3G (the third generation of wireless technology), and demand for improved emergency response systems, as part of the U.S. Homeland Security initiatives.

The two broad customer groups for our specialty products are wireless carriers, (companies that provide wireless services to subscribers) and build-to-suit (BTS) companies (organizations that own cell sites and attach antennas from multiple carriers to the pole or tower structure). BTS companies generate rental revenue from the wireless carriers who use those cell sites.

Infrastructure costs can be substantial for these customers, so access to capital is important to their ability to fund future infrastructure needs. Many of these companies have, from time to time, experienced reduced access to capital for infrastructure development, due to factors such as downturns in equity prices for telecommunication stocks and capital needs for acquisitions of competitors. Accordingly, their infrastructure spending on network development has been cyclical. We believe that infrastructure spending will grow moderately in the future, in order to improve and maintain service

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levels demanded by users. We also believe that increased subscriber utilization of wireless devices will lead to an increase in the number of cell sites.

The market for sign structures generally is related to highway construction and the desire for improved roadway signage and intelligent messaging for motorists to improve traffic flow. Specifications vary by state and the individual state highway departments are key contacts for the sales of these structures.

*Competition* There are a number of competitors in the wireless communication market in the U.S. Since market conditions have been relatively weak and ample manufacturing capacity has been available, pricing has become extremely competitive in recent years and we believe it is the main strategy for most of our competitors. We compete on the basis of product quality, service quality and design capability, although we must also remain price competitive to gain orders. We also face a number of competitors when we compete for sign structure sales, most of which compete on a regional basis.

*Distribution Methods* Sales and distribution activities are normally handled through a direct sales force. In the sale of sign structures, we work through the same commissioned sales agent organization as our Lighting and Traffic product line as well as our direct sales force. These agents generally sell to construction contractors.

(3) *Utility*

*Products Produced* Steel pole structures used for electrical transmission, substation and distribution applications. These products are similar to those produced in the Utility Support Structures segment.

*Markets* Our sales in this product line are outside the United States, where the key drivers are the building of capacity in the electrical transmission grid to support economic growth. Sales typically take place on a bid project basis with utility companies in a wide range of geographic areas, such as China, the Middle East and the Pacific Rim.

*Competition* Our competitive strategy in this product line is to provide high value solutions to the customer at a reasonable price. There are many competitors. Companies compete on the basis of price, quality, service and engineering expertise. Utility sales are often made through a competitive bid process, whereby the lowest bidder is awarded the contract, provided the competitor meets all other qualifying criteria. In weak markets, price is a more important criterion in the bid process.

*Distribution Methods* Products are sold through commissioned sales agents or sold directly to electrical utilities.

**Utility Support Structures Segment:**

*Products Produced* The Utility Support Structures segment produces steel and concrete pole structures for electrical transmission, substation and distribution applications. Our products help move electrical power from where it is produced to where it is used. We manufacture tapered steel and pre-stressed concrete poles for high-voltage transmission lines, substations (which transfer high-voltage electricity to low-voltage transmission) and electrical distribution (which carry electricity from the substation to the end-user). In addition, we produce hybrid structures, which are structures with a concrete base section and steel upper sections. Utility structures can be very large, so product design engineering is important to the function and safety of the structure. Our engineering process takes into account weather and loading conditions, such as wind speeds, ice loads and the power lines attached to the structure, in order to arrive at the final design.

*Markets* Our sales in this segment are mostly in the United States, where the key drivers in the utility business are capacity in the electrical transmission grid, industrial growth and deregulation in the

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utility industry. According to the Edison Electric Institute, the electrical transmission grid in the U.S. operates near capacity in many areas, due to increasing electrical consumption and lack of investment over the past 25 years. The expected increase in electrical consumption also should require substantial investment in new electricity generation capacity in the U.S. and around the world. Furthermore, deregulation and privatization of electrical utilities should require grid systems to interconnect. We believe that the passage of energy legislation in the U.S. in 2005 is encouraging utility companies to invest in transmission and distribution infrastructure. We expect these factors to result in increased demand for electrical utility structures to transport electricity from source to user. Sales may take place on a bid project basis or through strategic alliance relationships with certain customers.

*Competition* Our competitive strategy in this segment is to provide high value solutions to the customer at a reasonable price. We compete on the basis of product quality, engineering expertise, high levels of customer service and reliable, timely delivery of the product. There are many competitors. Companies compete on the basis of price, quality and service. Utility sales are often made through a competitive bid process, whereby the lowest bidder is awarded the contract, provided the competitor meets all other qualifying criteria. In weak markets, price is a more important criterion in the bid process.

*Distribution Methods* Products are normally sold through commissioned sales agents or sold directly to electrical utilities.

**Coatings Segment:**

*Services Rendered* We add finishes to metals that inhibit corrosion, extend service lives and enhance physical attractiveness of a wide range of materials and products. Among the services provided include:

Hot-dipped Galvanizing

Anodizing

Powder Coating

E-Coating

In our Coatings segment, we take unfinished products from our customers and return them with a galvanized, anodized or painted finish. Galvanizing is a process that protects steel with a zinc coating that is bonded to the product surface to inhibit rust and corrosion. Anodizing is a process applied to aluminum that oxidizes the surface of the aluminum in a controlled manner, which protects the aluminum from corrosion and allows the material to be dyed a variety of colors. We also paint products using powder coating and e-coating technology (where paint is applied through an electrical charge) for a number of industries and markets.

*Markets* Markets for our products are varied and our profitability is not substantially dependent on any one industry or customer. Demand for coatings services generally follows the industrial U.S. economy, as all of our operations are in the U.S. Galvanizing is used in a wide variety of industrial applications where corrosion protection of steel is desired. While markets are varied, our markets for anodized or painted products are more directly dependent on consumer markets than industrial markets.

*Competition* The Coatings industry is very fragmented, with a large number of competitors. Most of these competitors are relatively small, privately held companies who compete on the basis of price and personal relationships with their customers. Our strategy is to compete on the basis of quality of the coating finish and timely delivery of the coated product to the customer. We also use the production capacity at our network of plants to assure that the customer receives quality service.

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*Distribution Methods* Due to freight costs, a galvanizing location has an effective service area of an approximate 300 to 500 mile radius. While we believe that we are one of the largest custom galvanizers in North America, our sales are a small percentage of the total market. Sales and customer service are provided directly to the user by a direct sales force, generally assigned to each specific location.

**Irrigation Segment:**

*Products Produced* In our Irrigation segment, we manufacture and distribute mechanical irrigation equipment and related service parts under the "Valley" brand name. A Valmont irrigation machine usually is powered by electricity and propels itself over a farm field and applies water and chemicals to crops. Water and, in some instances, chemicals are applied through sprinklers attached to a pipeline that is supported by a series of towers, each of which is propelled via a drive train and tires. A standard mechanized irrigation machine (also known as a "center pivot") rotates in a circle, although we also manufacture and distribute center pivot extensions that can irrigate corners of square and rectangular farm fields as well as conform to irregular field boundaries (referred to as a "corner" machine). Our irrigation machines can also irrigate fields by moving up and down the field as opposed to rotating in a circle (referred to as a "linear" machine). Irrigation machines can be configured to irrigate fields in size from 4 acres to over 500 acres, with a standard size in the U.S. configured for a 160-acre tract of ground. One of the key components of our irrigation machine is the control system. This is the part of the machine that allows the machine to be operated in the manner preferred by the grower, offering control of such factors as on/off timing, individual field sector control, rate and depth of water and chemical application. We also offer growers options to control multiple irrigation machines through centralized computer control or mobile remote control. The irrigation machine used in international markets is substantially the same as the one produced for the North American market.

There are other forms of irrigation available to farmers, two of the most prevalent being flood irrigation and drip irrigation. In flood irrigation, water is applied through a pipe or canal at the top of the field and allowed to run down the field by gravity. Drip irrigation involves plastic pipe or tape resting on the surface of the field or buried a few inches below ground level, with water being applied gradually. We estimate that center pivot and linear irrigation comprises one-third of the irrigated acreage in North America. International markets use predominantly flood irrigation, although all forms are used to some extent.

*Markets* Market drivers in North American and international markets are essentially the same. Since the purchase of an irrigation machine is a capital expenditure, the purchase decision is based on the expected return on investment. The benefits a grower may realize through investment in mechanical irrigation include improved yields through better irrigation, cost savings through reduced labor and lower water and energy usage. The purchase decision is also affected by current and expected net farm income, commodity prices, interest rates, the status of government support programs and water regulations in local areas. In many international markets, the relative strength or weakness of local currencies as compared with the U.S. dollar may affect net farm income, since export markets are generally denominated in U.S. dollars.

The demand for mechanized irrigation comes from the following sources:

Conversion from flood irrigation

Replacement of existing mechanized irrigation machines

Converting land that is not irrigated to mechanized irrigation

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One of the key drivers in our Irrigation segment worldwide is that the usable water supply is limited. We estimate that:

Only 2.5% of total worldwide water supply is freshwater

Of that 2.5%, only 30% of freshwater is available to humans

The largest user of that freshwater is agriculture

We believe these factors, along with the trend of a growing worldwide population and improving diets, reflect the need to use water more efficiently while increasing food production to feed this growing population. We believe that mechanized irrigation can improve water application efficiency by 40-90% compared with traditional irrigation methods by applying water uniformly near the root zone and reducing water runoff. Furthermore, reduced water runoff improves water quality in nearby rivers, aquifers and streams, thereby providing environmental benefits in addition to conservation of water.

*Competition* In North America, there are a number of entities that provide irrigation products and services to agricultural customers. We believe we are the leader of the four main participants in the mechanized irrigation business. Participants compete for sales on the basis of price, product innovation and features, product durability and reliability, quality and service capabilities of the local dealer. Pricing can become very competitive, especially in periods when market demand is low. In international markets, our competitors are a combination of our major U.S. competitors and privately-owned local companies. Competitive factors are similar to those in North America, although pricing tends to be a more prevalent competitive strategy in international markets. Since competition in international markets is local, we believe local manufacturing capability is important to competing effectively in international markets and we have that capability in key regions.

*Distribution Methods* We market our irrigation machines and service parts through independent dealers. There are approximately 200 dealers in North America, with another approximately 130 dealers serving international markets. The dealer determines the grower's requirements, designs the configuration of the machine, installs the machine (including providing ancillary products that deliver water and electrical power to the machine) and provides after-sales service. Our dealer network is supported and trained by our technical and sales teams. Our international dealers are supported through our regional headquarters in South America, South Africa, Western Europe, Australia, China and the Middle East as well as the home office in Valley, Nebraska.

**General**

Certain information generally applicable to each of our four reportable segments is set forth below.

*Suppliers and Availability of Raw Materials.*

Hot rolled steel coil and plate, zinc and other carbon steel products are the primary raw materials utilized in the manufacture of finished products for all segments. We purchase these essential items from steel mills, zinc producers and steel service centers and are usually readily available. While we may experience increased lead times to acquire materials and volatility in our purchase costs, we do not believe that key raw materials would be unavailable for extended periods. We have not experienced extended or wide-spread shortages of steel during this time, due to what we believe are strong relationships with some of the major steel producers. In the past three years, we experienced volatility in zinc and natural gas prices, but we did not experience any disruptions to our operations due to availability.

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*Patents, Licenses, Franchises and Concessions.*

We have a number of patents for our manufacturing machinery, poles and irrigation designs. We also have a number of registered trademarks. We do not believe the loss of any individual patent would have a material adverse effect on our financial condition, results of operations or liquidity.

*Seasonal Factors in Business.*

Sales can be somewhat seasonal based upon the agricultural growing season and the infrastructure construction season. Sales of mechanized irrigation equipment and tubing to farmers are traditionally higher during the spring and fall and lower in the summer. Sales of infrastructure products are traditionally higher during prime construction seasons and lower in the winter.

*Customers.*

We are not dependent for a material part of any segment's business upon a single customer or upon very few customers. The loss of any one customer would not have a material adverse effect on our financial condition, results of operations or liquidity.

*Backlog.*

The backlog of orders for the principal products manufactured and marketed was approximately $611.0 million at the end of the 2008 fiscal year and $369.0 million at the end of the 2007 fiscal year. We anticipate that most of the backlog of orders will be filled during fiscal year 2009. At year-end, the segments with backlog were as follows (dollar amounts in millions):

| | Dec. 27, 2008 | Dec. 29, 2007 |
|---|---|---|
| Engineered Support Structures | $ 184.4 | $ 171.7 |
| Utility Support Structures | 381.6 | 143.6 |
| Irrigation | 37.8 | 41.6 |
| Other | 7.2 | 12.1 |
| | $ 611.0 | $ 369.0 |

*Research Activities.*

The information called for by this item is included in Note 14 of our consolidated financial statements on page of this report.

*Environmental Disclosure.*

We are subject to various federal, state and local laws and regulations pertaining to environmental protection and the discharge of materials into the environment. Although we continually incur expenses and make capital expenditures related to environmental protection, we do not anticipate that future expenditures should materially impact our financial condition, results of operations, or liquidity.

*Number of Employees.*

At December 27, 2008, we had 7,300 employees.

**(d) Financial Information About Geographic Areas**

Our international sales activities encompass over 100 foreign countries. The information called for by this item is included in Note 18 of our consolidated financial statements beginning on page 58 of this report. While China accounted for approximately 7% of our net sales in 2008, no other foreign country accounted for more than 5% of our net sales. Net sales for purposes of Note 18 include sales to outside customers.

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**ITEM 1A. RISK FACTORS.**

The following risk factors describe various risks that may affect our business, financial condition and operations.

***Increases in prices and reduced availability of key raw materials such as steel, aluminum and zinc will increase our operating costs and likely reduce our profitability.***

Hot rolled steel coil and other carbon steel products have historically constituted approximately one-third of the cost of manufacturing our products. We also use large quantities of aluminum for lighting structures and zinc for the galvanization of most of our steel products. The markets for the commodities that we use in our manufacturing processes can be volatile. The following factors increase the cost and reduce the availability of steel, aluminum and zinc for us:

increased demand, which occurs when other industries purchase greater quantities of these commodities at times when we require more steel, aluminum and zinc for manufacturing, which can result in higher prices and lengthen the time it takes to receive material from suppliers;

increased freight costs, because our manufacturing sites are usually not located near the major steel, aluminum and zinc manufacturers;

lower production levels of these commodities, due to reduced production capacities or shortages of materials needed to produce these commodities (such as coke and scrap steel for the production of steel) which could result in reduced supplies of these commodities, higher costs for us and increased lead times to acquire material;

lower inventory levels at suppliers when major steel users, such as the automobile manufacturers, increase their orders, which can reduce available inventory for us to meet our requirements;

increased cost of major inputs, such as scrap steel, coke, iron ore and energy;

fluctuations in foreign exchange rates can impact the relative cost of these commodities, which may affect the cost effectiveness of imported materials and limit our options in acquiring these commodities; and

international trade disputes, import duties and quotas, since we import some steel for our domestic and foreign manufacturing facilities.

Increases in the selling prices of our products may not fully recover additional steel, aluminum and zinc costs and generally lag increases in our costs of these commodities. Consequently, an increase in steel, aluminum and zinc prices will increase our operating costs and likely reduce our profitability.

Rising steel prices in 2006 and 2008 put pressure on gross profit margins, especially in our Engineered Support Structures and Utility Support Structures segments. In both of these segments, the elapsed time between the quotation of a sales order and the manufacturing of the product ordered can be several months. As some of these sales are fixed price contracts, rapid increases in steel costs likely will result in lower operating income in these businesses. In the 2008 fiscal year, we experienced rapid increases in steel prices. We believe this situation was due to significant increases in global steel production and consumption (especially in rapidly growing economies, such as China and India). The strong global demand for steel led to rapidly rising costs in key steel-making materials (such as coke, iron ore and scrap steel), thereby raising prices to companies that manufacture products from steel. Under such circumstances, steel supplies may become tighter and impact our ability to acquire steel and meet customer requirements on a timely basis. The speed with which steel suppliers impose price increases on us may prevent us from fully recovering these price increases and result in reduced operating margins, particularly in our lighting and traffic and utility businesses.

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***Increases in energy prices will increase our operating costs and likely reduce our profitability.***

We use energy to manufacture and transport our products. Our costs of transportation and heating will increase if energy costs rise, which occurred in 2007 and 2008 due to additional energy usage caused by severe winter weather conditions and higher oil, gasoline and natural gas prices. Our galvanizing operations are susceptible to fluctuations in natural gas prices because we heat our processing tanks with natural gas. During periods of higher energy costs, we may not be able to recover our increased operating costs through sales price increases without reducing demand for our products. While we may hedge a portion of our exposure to higher prices via energy futures contracts, increases in energy prices will increase our operating costs and likely reduce our profitability.

***Current negative economic conditions could adversely affect our results***

The current difficulties in global credit markets, softening economies and a growing apprehension among consumers may negatively impact the markets we serve in all of our operating segments. Additionally, unlike the cyclical downturns discussed below which may impact only one of our markets at a time, the current negative economic conditions may affect most or all of the markets we serve at the same time, reducing demand for our products and adversely affecting our operating results. These economic conditions may also impact the financial condition of one or more of our key suppliers, which could affect our ability to secure raw materials and components to meet our customers' demand for our products.

***The ultimate consumers of our products operate in cyclical industries that have been subject to significant downturns which have adversely impacted our sales in the past and may again in the future.***

Our sales are sensitive to the market conditions present in the industries in which the ultimate consumers of our products operate, which in some cases have been highly cyclical and subject to substantial downturns. For example, a significant portion of our sales of support structures is to the electric utility industry. Our sales to the U.S. electric utility industry were nearly $440 million in 2008. Purchases of our products are deferrable to the extent that utilities may reduce capital expenditures for reasons such as unfavorable regulatory environments, a slow U.S. economy or financing constraints. In the event of weakness in the demand for utility structures due to reduced or delayed spending for electrical generation and transmission projects, our sales and operating income likely will decrease.

The end users of our mechanized irrigation equipment are farmers and, as a result, sales of those products are affected by economic changes within the agriculture industry, particularly the level of farm income. Lower levels of farm income generally result in reduced demand for our mechanized irrigation and tubing products. Farm income decreases when commodity prices, acreage planted, crop yields, government subsidies and export levels decrease. In addition, weather conditions, such as extreme drought may result in reduced availability of water for irrigation, and can affect farmers' buying decisions. Farm income can also decrease as farmers' operating costs increase. In 2008, rapid increases in oil and natural gas prices resulted in higher costs of energy and nitrogen-based fertilizer (which uses natural gas as a major ingredient). Furthermore, uncertainty as to future government agricultural policies may cause indecision on the part of farmers. The status and trend of government farm supports, financing aids and policies regarding the ability to use water for agricultural irrigation can affect the demand for our irrigation equipment. In the United States, certain parts of the country are considering policies that would restrict usage of water for irrigation. All of these factors may cause farmers to delay capital expenditures for farm equipment. Consequently, downturns in the agricultural industry, will likely result in a slower, and possibly a negative, rate of growth in irrigation equipment and tubing sales.

We have also experienced cyclical demand for those of our products that we sell to the wireless communications industry. Our sales to the wireless communications industry were approximately

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$110 million in 2008. Sales of wireless structures to wireless carriers and build-to-suit companies that serve the wireless communications industry have historically been cyclical. These customers may elect to curtail spending on new structures to focus on cash flow and capital management. Weak market conditions have led to competitive pricing in recent years, putting pressure on our profit margins on sales to this industry. Changes in the competitive structure of the wireless industry, due to industry consolidation or reorganization, may interrupt capital plans of the wireless carriers as they assess their networks. We believe this factor resulted in reduced demand for wireless communication structures in China in 2008.

As a result of this underlying cyclicality, we have experienced, and in the future we may experience, significant fluctuations in our sales and operating income with respect to a substantial portion of our total product offering, and such fluctuations could be material and adverse to our overall financial condition, results of operations and liquidity.

***Demand for our engineered support structures and coating services is highly dependent upon the overall level of infrastructure spending.***

We manufacture and distribute engineered support structures for lighting and traffic, utility and other specialty applications. Our Coatings segments serve many construction-related industries. Because these products are used primarily in infrastructure construction, sales in these businesses are highly correlated with the level of construction activity, which historically has been cyclical. Construction activity by our private and government customers is impacted by and can decline because of, among other things:

weakness in the general economy, which reduces funds available for construction;

interest rate increases, which increase the cost of construction financing; and

adverse weather conditions which slow construction activity.

The current economic recession in the United States will have some negative effect on our business. In our North American lighting product line, some of our lighting structure sales are for new residential areas. As residential and commercial construction weakens, we have experienced some negative impact on our light pole sales to these markets. In a broader sense, in event of an overall downturn in the economies in Europe or China, we may experience decreased demand if our customers have difficulty securing credit for their purchases from us.

In addition, sales in our Engineered Support Structures segment, particularly our lighting and traffic products, are highly dependent upon federal, state, local and foreign government spending on infrastructure development projects, such as the U.S. federal highway program. The level of spending on such projects may decline for a number of reasons beyond our control, including, among other things, budgetary constraints affecting government spending generally or transportation agencies in particular, decreases in tax revenues and changes in the political climate, including legislative delays, with respect to infrastructure appropriations. A substantial reduction in the level of government appropriations for infrastructure projects could have a material adverse effect on our results of operations or liquidity.

***We may lose some of our foreign investment or our foreign sales and profits may be reduced because of risks of doing business in foreign markets.***

We are an international manufacturing company with operations around the world. At December 27, 2008, we operated over 50 manufacturing plants, located on five continents, and sold our products in more than 100 countries. In 2008, approximately 28% of our total sales were either sold in markets or produced by our manufacturing plants outside of North America. We have operations in geographic markets that have recently experienced political instability, such as the Middle East, and

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economic uncertainty, such as Argentina. We also have a significant manufacturing presence in China. We expect that international sales will continue to account for a significant percentage of our net sales into the foreseeable future. Accordingly, our foreign business operations and our foreign sales and profits are subject to the following potential risks:

- political and economic instability where we have foreign business operations, resulting in the reduction of the value of, or the loss of, our investment;
- recessions in economies of countries in which we have business operations, decreasing our international sales;
- difficulties and costs of staffing and managing our foreign operations, increasing our foreign operating costs and decreasing profits;
- difficulties in enforcing our rights outside the United States for patents on our manufacturing machinery, poles and irrigation designs;
- increases in tariffs, export controls, taxes and other trade barriers reducing our international sales and our profit on these sales; and
- acts of war or terrorism.

As a result, we may lose some of our foreign investment or our foreign sales and profits may be materially reduced because of risks of doing business in foreign markets.

***We are subject to currency fluctuations from our international sales, which can negatively impact our reported earnings.***

We sell our products in many countries around the world. Approximately 28% of our fiscal 2008 sales were generated by export demand or foreign markets and are often made in foreign currencies, mainly the Brazilian real, Canadian dollar, Chinese renminbi, euro and South African rand. Because our financial statements are denominated in U.S. dollars, fluctuations in currency exchange rates between the U.S. dollar and other currencies have had and will continue to have an impact on our reported earnings. If the U.S. dollar weakens or strengthens versus the foreign currencies mentioned above, the result will be an increase or decrease in our reported sales and earnings, respectively. Currency fluctuations have affected our financial performance in the past and may affect our financial performance in any given period.

We also face risks arising from the imposition of foreign exchange controls and currency devaluations. Exchange controls may limit our ability to convert foreign currencies into U.S. dollars or to remit dividends and other payments by our foreign subsidiaries or businesses located in or conducted within a country imposing controls. Currency devaluations result in a diminished value of funds denominated in the currency of the country instituting the devaluation. Actions of this nature could have a material adverse effect on our results of operations and financial condition in any given period.

***We face strong competition in our markets.***

We face competitive pressures from a variety of companies in each of the markets we serve. Our competitors include companies who provide the technologies that we provide as well as companies who provide competing technologies, such as drip irrigation. Our competitors include international, national, and local manufacturers, some of whom may have greater financial, manufacturing, marketing and technical resources than we do, or greater penetration in or familiarity with a particular geographic market than we have. In addition, certain of our competitors, particularly with respect to our utility and wireless communication product lines, have sought bankruptcy protection in recent years, and may emerge with reduced debt service obligations, which could allow them to operate at pricing levels that put pressures on our margins. In our Coatings segment, we compete indirectly with international

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companies for sales. Some of our customers have moved manufacturing operations or product sourcing overseas, which can negatively impact our sales of galvanizing and anodizing services. To remain competitive, we will need to invest continuously in manufacturing, product development and customer service, and we may need to reduce our prices, particularly with respect to customers in industries that are experiencing downturns. We cannot provide assurance that we will be able to maintain our competitive position in each of the markets that we serve.

***We could incur substantial costs as the result of violations of, or liabilities under, environmental laws.***

Our facilities and operations are subject to U.S. and foreign laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contamination. Failure to comply with these laws and regulations, or with the permits required for our operations, could result in fines or civil or criminal sanctions, third party claims for property damage or personal injury, and investigation and cleanup costs. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future.

Certain of our facilities have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Contaminants have been detected at some of our present and former sites, principally in connection with historical operations. In addition, from time to time we have been named as a potentially responsible party under Superfund or similar state laws. While we are not aware of any contaminated sites, including third-party sites, at which we may have material obligations, the discovery of additional contaminants or the imposition of additional cleanup obligations at these sites could result in significant liability.

***We may not realize the improved operating results that we anticipate from acquisitions we may make in the future, and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses.***

We explore opportunities to acquire businesses that we believe are related to our core competencies from time to time, some of which may be material to us. We expect such acquisitions will produce operating results better than those historically experienced or presently expected to be experienced in the future by us in the absence of the acquisition. We cannot provide assurance that this assumption will prove correct with respect to any acquisition.

Any future acquisitions may present significant challenges for our management due to the increased time and resources required to properly integrate management, employees, information systems, accounting controls, personnel and administrative functions of the acquired business with those of Valmont and to manage the combined company on a going forward basis. We may not be able to successfully integrate and streamline overlapping functions or, if such activities are successfully accomplished, such integration may be more costly to accomplish than presently contemplated. We may also have difficulty in successfully integrating the product offerings of Valmont and acquired businesses to improve our collective product offering. Our efforts to integrate acquired businesses could be affected by a number of factors beyond our control, including general economic conditions. In addition, the process of integrating acquired businesses could cause the interruption of, or loss of momentum in, the activities of our existing business. The diversion of management's attention and any delays or difficulties encountered in connection with the integration of these businesses could adversely impact our business, results of operations and liquidity, and the benefits we anticipate may never materialize.

In addition, although we conduct reviews of businesses we acquire, we may be subject to unexpected claims or liabilities, including environmental cleanup costs, as a result of these acquisitions.

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Such claims or liabilities could be costly to defend or resolve and be material in amount, and thus could materially and adversely affect our business and results of operations and liquidity.

***We have a substantial amount of outstanding indebtedness, which could impair our ability to operate our business and react to changes in our business, remain in compliance with debt covenants and make payments on our debt.***

We have a significant amount of indebtedness. As of December 29, 2008, we had approximately $338 million of total indebtedness outstanding and our ratio of total interest- bearing debt to shareholders' equity was 54%. We had $111 million of additional borrowing capacity under our revolving credit facility at December 27, 2008. We increased our indebtedness in 2008 to make business acquisitions and major capital expenditures. Our level of indebtedness could have important consequences, including:

- our ability to satisfy our obligations under our debt agreements could be affected and any failure to comply with the requirements, including significant financial and other restrictive covenants, of any of our debt agreements could result in an event of default under the agreements governing our indebtedness;
- a substantial portion of our cash flow from operations will be required to make interest and principal payments and will not be available for operations, working capital, capital expenditures, expansion, or general corporate and other purposes, including possible future acquisitions that we believe would be beneficial to our business;
- our ability to obtain additional financing in the future may be impaired;
- we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited; and
- our degree of leverage may make us more vulnerable in the event of a downturn in our business, our industry or the economy in general.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows and business prospects.

The restrictions and covenants in our debt agreements could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business, or the economy in general, or otherwise conduct necessary corporate activities. These covenants may prevent us from taking advantage of business opportunities that arise.

A breach of any of these covenants would result in a default under the applicable debt agreement. A default, if not waived, could result in acceleration of the debt outstanding under the agreement and in a default with respect to, and acceleration of, the debt outstanding under our other debt agreements. The accelerated debt would become immediately due and payable. If that should occur, we may not be able to pay all such debt or to borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are favorable to us.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

**None.**

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**ITEM 2. PROPERTIES.**

The Company's corporate headquarters are located in a leased facility in Omaha, Nebraska, under a lease expiring in 2016. The headquarters of the Company's reporting segments are located in Valley, Nebraska except for the headquarters of the Company's Utility Support Structures segment, which are located in Birmingham, Alabama. The principal operating locations of the Company are listed below.

| | Owned, Leased | Principal Activities |
|---|---|---|
| **Engineered Support Structures Segment** | | |
| Berrechid, Morocco | Owned | Manufacture of steel poles for lighting and traffic |
| Brenham, Texas | Owned | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Charmeil, France | Owned | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Elkhart, Indiana | Owned | Manufacture of steel and aluminum poles for lighting and traffic |
| Farmington, Minnesota | Owned | Manufacture of aluminum poles for lighting and traffic |
| Gelsenkirchen, Germany | Leased | Manufacture of steel poles for lighting and traffic |
| Aurora, Colorado | Leased | Manufacture of fiberglass poles for lighting and traffic |
| Kangasniemi, Finland | Owned | Manufacture of steel poles for lighting and traffic |
| Parikkala, Finland | Leased | Manufacture of wood poles for lighting and traffic |
| Tallinn, Estonia | Owned | Manufacture of steel poles for lighting and traffic |
| Maarheeze, The Netherlands | Owned | Manufacture of steel poles for lighting and traffic |
| Rive-de-Gier, France | Owned | Manufacture of aluminum poles for lighting and traffic |
| Ankara, Turkey | Leased | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Stockton-on-Tees, England | Leased | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Shanghai, China | Owned | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Haiyang, China | Leased | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Heshan City, China | Leased | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Siedlce, Poland | Leased | Manufacture of steel poles for lighting and traffic |
| St. Julie, Quebec, Canada | Leased | Manufacture of aluminum poles for lighting and traffic |
| Delta, British Columbia, Canada | Owned | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Winnipeg, Manitoba , Canada | Leased | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Barrie, Ontario, Canada | Leased | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Ferndale, Washington | Owned | Manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Valley, Nebraska | Owned | Segment management headquarters; manufacture of steel poles for lighting and traffic, utility and wireless communication |
| Plymouth, Indiana | Owned | Manufacture of wireless communication structures and components and specialty products |
| Hauppauge, New York | Leased | Distribution of wireless communication structures and components and specialty products |
| Santa Fe Springs, California | Leased | Distribution of wireless communication structures and components and specialty products |

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| | Owned, Leased | Principal Activities |
|---|---|---|
| Atlanta, Georgia | Leased | Distribution of wireless communication structures and components and specialty products |
| Salem, Oregon | Leased | Manufacture of wireless communication structures and components and specialty products |
| **Utility Support Structures Segment** | | |
| Birmingham, Alabama | Leased | Segment management headquarters |
| Tuscaloosa, Alabama | Owned | Manufacture of concrete poles for utility |
| Bay Minette, Alabama | Owned | Manufacture of concrete poles for utility |
| Claxton, Georgia | Owned | Manufacture of concrete poles for utility |
| Bartow, Florida | Owned | Manufacture of concrete poles for utility |
| Barstow, California | Owned | Manufacture of concrete and steel poles for utility |
| Bellville, Texas | Owned | Manufacture of concrete poles for utility |
| Tulsa, Oklahoma | Owned | Manufacture of steel poles for utility |
| Hazleton, Pennsylvania | Leased | Manufacture of steel poles for utility |
| Pittsburgh, Pennsylvania | Leased | Materials analysis, testing and inspection services |
| Jasper, Tennessee | Leased | Manufacture of steel poles for utility |
| Monterrey, Mexico | Owned | Manufacture of steel poles for utility |
| Mansfield, Texas | Leased | Manufacture of steel poles for utility |
| El Dorado, Kansas | Leased | Manufacture of steel poles for utility |
| **Coatings Segment** | | |
| Chicago, Illinois | Owned | Galvanizing services |
| Lindon, Utah | Leased | Galvanizing and painting services |
| Long Beach, California | Leased | Galvanizing services |
| Los Angeles, California | Owned | Anodizing services |
| Minneapolis, Minnesota | Owned | Painting services |
| Salina, Kansas | Owned | Galvanizing services |
| Sioux City, Iowa | Owned | Galvanizing services |
| Jeffersonville, Indiana | Owned | Galvanizing services |
| Tualatin, Oregon | Leased | Galvanizing services |
| Tulsa, Oklahoma | Owned | Galvanizing services |
| Valley, Nebraska | Owned | Segment management headquarters; galvanizing services |
| West Point, Nebraska | Owned | Galvanizing services |
| **Irrigation Segment** | | |
| Albany, Oregon | Leased | Water and soil management services |
| Brisbane, Australia | Leased | Distribution of irrigation equipment |
| San Antonio, Texas | Leased | Distribution of irrigation equipment |
| Dubai, United Arab Emirates | Owned | Manufacture of irrigation equipment |
| Johannesburg, South Africa | Owned | Manufacture of irrigation equipment |
| Madrid, Spain | Owned | Manufacture of irrigation equipment |
| McCook, Nebraska | Owned | Manufacture of irrigation equipment |
| Uberaba, Brazil | Owned | Manufacture of irrigation equipment |
| Valley, Nebraska | Owned | Segment management headquarters; manufacture of irrigation equipment |
| **Other Locations** | | |
| Valley, Nebraska | Owned | Manufacture of steel tubing |
| Waverly, Nebraska | Owned | Manufacture of steel tubing |
| Salem and Portland, Oregon | Leased | Distribution of industrial fasteners |

**ITEM 3. LEGAL PROCEEDINGS.**

We are not a party to, nor are any of our properties subject to, any material legal proceedings. We are, from time to time, engaged in routine litigation incidental to our businesses.

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**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

No matters were submitted to a vote of stockholders during the fourth quarter of 2008.

**Executive Officers of the Company**

Our executive officers at December 27, 2008, their ages, positions held, and the business experience of each during the past five years are, as follows:

Mogens C. Bay, age 60, Chairman and Chief Executive Officer since January 1997.

Terry J. McClain, age 61, Senior Vice President and Chief Financial Officer since January 1997.

E. Robert Meaney, age 61, Senior Vice President since September 1998.

Steven G. Branscombe, age 53, Vice President Information Technology since October 2001.

John G. Graboski, age 53, Vice President Human Resources since August 2007. Director of Human Resources at Praxair Distribution, Inc. from March 1997 to August 2007.

Mark C. Jaksich, age 51, Vice President and Controller since February 2000.

Walter P. Pasko, age 58, Vice President Procurement since May 2002.

Brian Desigio, age 39, Vice President Business Development since April 2008. Senior Vice President at Fairmount Food Group from January 2006 to April 2008. Director of Corporate Development at General Mills from January 2004 to December 2005.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.**

Our common stock, previously listed and trading on the NASDAQ National Market under the symbol "VALM", was approved for listing on the New York Stock Exchange and began trading under the symbol "VMI" on August 30, 2002. We had approximately 5,800 shareholders of common stock at December 27, 2008. Other stock information required by this item is included in "Quarterly Financial Data (unaudited)" on page 70 of this report.

**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 |
|---|---|---|---|---|
| September 28, 2008 to October 25, 2008 | | | | |
| October 26, 2008 to November 29, 2008 | 12,748 | $ 45.70 | | |
| November 30, 2008 to December 27, 2008 | 249 | 59.90 | | |

| | | | |
|---|---|---|---|
| Total | 12,997 | $ | 45.98 |

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

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**ITEM 6. SELECTED FINANCIAL DATA.**

**SELECTED FIVE-YEAR FINANCIAL DATA**

| (Dollars in thousands, except per share amounts) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| **Operating Data** | | | | | |
| Net sales | $1,907,278 | $1,499,834 | $1,281,281 | $1,108,100 | $1,031,475 |
| Operating income | 228,591 | 155,626 | 110,085 | 82,863 | 70,112 |
| Net earnings | 132,397 | 94,713 | 61,544 | 39,079 | 26,881 |
| Depreciation and amortization | 39,597 | 35,176 | 36,541 | 39,392 | 38,460 |
| Capital expenditures | 50,879 | 56,610 | 27,898 | 35,119 | 17,182 |
| **Per Share Data** | | | | | |
| Earnings: | | | | | |
| Basic | $ 5.13 | $ 3.71 | $ 2.44 | $ 1.61 | $ 1.13 |
| Diluted | 5.04 | 3.63 | 2.38 | 1.54 | 1.10 |
| Cash dividends | 0.495 | 0.410 | 0.370 | 0.335 | 0.320 |
| **Financial Position** | | | | | |
| Working capital | $ 475,215 | $ 350,561 | $ 277,736 | $ 229,161 | $ 277,444 |
| Property, plant and equipment, net | 269,320 | 232,684 | 200,610 | 194,676 | 205,655 |
| Total assets | 1,326,288 | 1,052,613 | 892,310 | 802,042 | 843,351 |
| Long-term debt, including current installments | 338,032 | 223,248 | 221,137 | 232,340 | 322,775 |
| Shareholders' equity | 624,131 | 510,613 | 401,281 | 328,675 | 294,655 |
| **Cash flow data:** | | | | | |
| Net cash flows from operations | $ 52,575 | $ 110,249 | $ 59,130 | $ 133,777 | $ 5,165 |
| Net cash flows from investing activities | (194,615) | (71,040) | (36,735) | (30,354) | (150,673) |
| Net cash flows from financing activities | 109,291 | (210) | (6,946) | (93,829) | 139,741 |
| **Financial Measures** | | | | | |
| Invested capital(a) | $1,066,160 | $ 819,092 | $ 706,855 | $ 641,392 | $ 697,691 |
| Return on invested capital(a) | 16.0% | 14.0% | 11.1% | 7.7% | 7.6% |
| EBITDA(b) | $ 260,474 | $ 191,635 | $ 146,029 | $ 122,317 | $ 97,541 |
| Return on beginning shareholders' equity(c) | 25.9% | 23.6% | 18.7% | 13.3% | 10.1% |
| Long-term debt as a percent of invested capital(d) | 31.7% | 27.3% | 31.3% | 36.2% | 46.3% |
| **Year End Data** | | | | | |
| Shares outstanding (000) | 26,168 | 25,945 | 25,634 | 24,765 | 24,162 |
| Approximate number of shareholders | 5,800 | 5,800 | 5,600 | 5,700 | 5,600 |
| Number of employees | 7,380 | 6,029 | 5,684 | 5,336 | 5,542 |

(a) Return on Invested Capital is calculated as Operating Income (after-tax) divided by the average of beginning and ending Invested Capital. Invested Capital represents Total Assets minus Accounts Payable, Accrued Expenses and Dividends Payable. Return on Invested Capital is one of our key operating ratios, as it allows investors to analyze our operating performance in light of the amount of investment required to generate our operating profit. Return on Invested Capital is also a measurement used to determine management incentives. Return on Invested Capital is not a measure of financial performance or liquidity under generally accepted accounting principles (GAAP). Accordingly, Return on Invested Capital should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The table below shows how Invested Capital and Return on Invested Capital are calculated from our income statement and balance sheet.

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| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Operating income | $ 228,591 | $ 155,626 | $ 110,085 | $ 82,863 | $ 70,112 |
| Effective tax rate | 34.2% | 31.4% | 32.0% | 37.8% | 36.0% |
| Tax effect on Operating income | (78,178) | (48,867) | (35,227) | (31,322) | (25,240) |
| After-tax Operating income | 150,413 | 106,759 | 74,858 | 51,541 | 44,872 |
| Average Invested Capital | 942,626 | 762,974 | 674,124 | 669,542 | 590,728 |
| Return on Invested Capital | 16.0% | 14.0% | 11.1% | 7.7% | 7.6% |
| Total Assets | $1,326,288 | $1,052,613 | $ 892,310 | $802,042 | $843,351 |
| Less: Accounts Payable | (136,868) | (128,599) | (103,319) | (90,674) | (77,222) |
| Less: Accrued Expenses | (119,858) | (102,198) | (79,699) | (67,869) | (66,506) |
| Less: Dividends Payable | (3,402) | (2,724) | (2,437) | (2,107) | (1,932) |
| Total Invested Capital | $1,066,160 | $ 819,092 | $ 706,855 | $641,392 | $697,691 |
| Beginning of year Invested Capital | 819,092 | 706,855 | 641,392 | 697,691 | 483,764 |
| Average Invested Capital | $ 942,626 | $ 762,974 | $ 674,124 | $669,542 | $590,728 |

Return on invested capital, as presented, may not be comparable to similarly titled measures of other companies.

(b)

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) is one of our key financial ratios in that it is the basis for determining our maximum borrowing capacity at any one time. Our bank credit agreements contain a financial covenant that our total interest-bearing debt not exceed 3.75x EBITDA for the most recent twelve month period. If this covenant is violated, we may incur additional financing costs or be required to pay the debt before its maturity date. EBITDA is not a measure of financial performance or liquidity under GAAP and, accordingly, should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The calculation of EBITDA is as follows:

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Net cash flows from operations | $ 52,575 | $110,249 | $ 59,130 | $133,777 | $ 5,165 |
| Interest expense | 18,267 | 17,726 | 17,124 | 19,498 | 16,073 |
| Income tax expense | 70,213 | 44,020 | 30,820 | 24,348 | 16,127 |
| Deferred income tax (expense) benefit | 4,502 | 1,620 | 11,027 | 1,946 | 4,701 |
| Minority interest | (3,823) | (2,122) | (1,290) | (1,052) | (2,397) |
| Equity in earnings/(losses) in nonconsolidated subsidiaries | 914 | 686 | (2,665) | 106 | 572 |
| Stock-based compensation | (4,736) | (3,913) | (2,598) | (646) | (473) |
| Payment of deferred compensation | 1,260 | 9,186 | | | |
| Changes in assets and liabilities, net of acquisitions | 123,866 | 16,278 | 34,213 | (52,647) | 61,031 |
| Other | (2,564) | (2,095) | 268 | (3,013) | (3,258) |
| EBITDA | $260,474 | $191,635 | $146,029 | $122,317 | $97,541 |

EBITDA, as presented, may not be comparable to similarly titled measures of other companies.

(c) Return on beginning shareholders' equity is calculated by dividing Net earnings by the prior year's ending Shareholders equity.

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(d)

Long-term debt as a percent of invested capital is calculated as the sum of Current portion of long-term debt and Long-term debt divided by Total Invested Capital. This is one of our key financial ratios in that it measures the amount of financial leverage on our balance sheet at any point in time. We also have covenants under our major debt agreements that relate to the amount of debt we carry. If those covenants are violated, we may incur additional financing costs or be required to pay the debt before its maturity date. We have an internal target to maintain this ratio at or below 40%. This ratio may exceed 40% from time to time to take advantage of opportunities to grow and improve our businesses. Long-term debt as a percent of invested capital is not a measure of financial performance or liquidity under GAAP and, accordingly, should not be considered in isolation or as a substitute for net earnings, cash flows from operations or other income or cash flow data prepared in accordance with GAAP or as a measure of our operating performance or liquidity. The calculation of this ratio is as follows:

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Current portion of long-term debt | $ 904 | $ 22,510 | $ 18,353 | $ 13,583 | $ 7,962 |
| Long-term debt | 337,128 | 200,738 | 202,784 | 218,757 | 314,813 |
| Total Long-term debt | $ 338,032 | $223,248 | $221,137 | $232,340 | $322,775 |
| Total Invested Capital | $1,066,160 | $819,092 | $706,255 | $641,392 | $697,691 |
| Long-term debt as a percent of invested capital | 31.7% | 27.3% | 31.3% | 36.2% | 46.3% |

Long-term debt as a percent of invested capital, as presented, may not be comparable to similarly titled measures of other companies.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

**Forward-Looking Statements**

Management's discussion and analysis, and other sections of this annual report, contain 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.

**General**

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial position.

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This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes.

| | 2008 | 2007 | Change 2008-2007 | 2006 | Change 2007-2006 |
|---|---|---|---|---|---|
| | Dollars in millions, except per share amounts | | | | |
| Consolidated | | | | | |
| Net sales | $1,907.3 | $1,499.8 | 27.2% | $1,281.3 | 17.1% |
| Gross profit | 510.5 | 399.8 | 27.7% | 326.7 | 22.4% |
| *as a percent of sales* | 26.8% | 26.7% | | 25.5% | |
| SG&A expense | 281.9 | 244.2 | 15.4% | 216.6 | 12.7% |
| *as a percent of sales* | 14.8% | 16.3% | | 16.9% | |
| Operating income | 228.6 | 155.6 | 46.9% | 110.1 | 41.3% |
| *as a percent of sales* | 12.0% | 10.4% | | 8.6% | |
| Net interest expense | 15.9 | 14.9 | 6.7% | 15.1 | (1.5)% |
| Effective tax rate | 34.2% | 31.4% | | 32.0% | |
| Net earnings | $ 132.4 | $ 94.7 | 39.8% | $ 61.5 | 53.9% |
| Diluted earnings per share | $ 5.04 | $ 3.63 | 38.8% | $ 2.38 | 52.3% |
| Engineered Support Structures Segment | | | | | |
| Net sales | $ 706.9 | $ 581.5 | 21.6% | $ 509.3 | 14.2% |
| Gross profit | 176.1 | 154.1 | 14.3% | 136.0 | 13.3% |
| SG&A expense | 119.9 | 98.6 | 21.6% | 89.8 | 9.8% |
| Operating income | 56.2 | 55.5 | 1.3% | 46.2 | 20.1% |
| Utility Support Structures Segment | | | | | |
| Net sales | 439.7 | 327.3 | 34.3% | 280.8 | 16.5% |
| Gross profit | 116.5 | 82.4 | 41.4% | 62.9 | 31.0% |
| SG&A expense | 51.8 | 38.0 | 36.3% | 31.9 | 19.2% |
| Operating income | 64.7 | 44.4 | 45.7% | 31.0 | 43.1% |
| Coatings Segment | | | | | |
| Net sales | 112.0 | 106.5 | 5.2% | 90.4 | 17.7% |
| Gross profit | 45.2 | 33.9 | 33.3% | 29.5 | 15.0% |
| SG&A expense | 13.4 | 10.9 | 22.9% | 10.7 | 1.7% |
| Operating income | 31.8 | 23.0 | 38.3% | 18.8 | 22.6% |
| Irrigation Segment | | | | | |
| Net sales | 562.7 | 388.9 | 44.7% | 312.8 | 24.3% |
| Gross profit | 143.2 | 98.5 | 45.4% | 73.9 | 33.3% |
| SG&A expense | 56.0 | 46.8 | 19.7% | 40.9 | 14.4% |
| Operating income | 87.2 | 51.7 | 68.7% | 33.0 | 56.7% |
| Other | | | | | |
| Net sales | 86.0 | 95.6 | (10.0)% | 87.9 | 8.7% |
| Gross profit | 30.1 | 30.7 | (2.0)% | 25.1 | 22.3% |
| SG&A expense | 9.1 | 11.8 | (22.9)% | 12.5 | (5.6)% |
| Operating income | 21.0 | 18.9 | 11.1% | 12.5 | 51.2% |
| Net corporate expense | | | | | |
| Gross profit | (0.6) | 0.2 | NM | (0.7) | NM |
| SG&A expense | 31.7 | 38.1 | (16.8)% | 30.6 | 24.3% |
| Operating loss | (32.3) | (37.9) | 14.8% | (31.4) | (20.7)% |

NM = Not meaningful

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**RESULTS OF OPERATIONS**

**FISCAL 2008 COMPARED WITH FISCAL 2007**

*Overview*

*General*

The sales increase in 2008, as compared with 2007, was due to increased selling prices to recover higher raw material costs, sales unit volume increases, acquisitions and foreign currency translation effects. The sales unit volume increase was due to improved sales demand in all reportable segments. The largest sales unit volume increases were in the Irrigation and Coatings segments. On a consolidated basis, sales unit volume increased approximately 8% in 2008, as compared with 2007. Our costs for hot-rolled steel products escalated rapidly throughout 2008, resulting in higher costs for the items we manufacture. Where possible, we increased sales prices to our customers to recover these increased costs.

The gross margin (gross profit as a percent of sales) in the 2008 fiscal year was comparable to 2007. Despite rapidly rising material prices, we were generally able to pass on these cost increases through higher selling prices to maintain gross margins. On a segment basis in 2008, improved gross margin in the Coatings and Utility segments offset weaker gross margin in the ESS segment.

The increase in selling, general and administrative (SG&A) expenses for the fiscal year ended December 27, 2008, as compared with 2007, mainly resulted from:

Increased salary and benefit costs to support the increase in sales activity (approximately $16.5 million);

Net effect of acquisitions and divestitures (approximately $11.5 million);

Foreign currency translation effects (approximately $3.2 million).

These increases were somewhat offset by lower group medical expenses for the fiscal year ended December 27, 2008, as compared with 2007 (approximately $3.0 million) and decreased deferred compensation expense related to the investment losses in the marketable securities underlying the deferred compensation plan (approximately $4.2 million). These investment losses resulted in lower amounts due to plan participants and, accordingly, reduced compensation expense. We recorded these investment losses as "Other Expense" in our condensed consolidated statement of operations for the fiscal year ended December 27, 2008. The impact of these investments on the consolidated statement of operations in the 2007 fiscal year was not significant.

All reportable segments contributed to the improved operating income in 2008 as compared with 2007. The Irrigation, Utility and Coatings segments realized the largest increases in operating income in 2008, as compared with 2007.

Net interest expense for the fiscal year ended December 27, 2008 was slightly higher than 2007, as the effect of higher average borrowing levels in 2008 on interest expense were offset by lower interest rates on our variable rate debt in 2008, as compared with 2007.

The increase in "Miscellaneous expense" in 2008, as compared with 2007 mainly related to investment losses in the assets in our deferred compensation plan of $4.2 million and foreign currency exchange transaction losses in certain international operations.

Our effective tax rate for the fiscal year ended December 27, 2008 was higher as compared with 2007. Our income tax rate in 2007 was lower than normal and was principally associated with the realization of certain income tax benefits on transactions that occurred in prior years. These income tax benefits mainly related to the expiration of statutes of limitation. Other factors that contributed to a higher income tax rate in 2008, as compared with 2007, included higher taxes on our profits generated

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in China due to changes in their respective income tax laws in late 2007 and lower tax credits realized in the U.S. in 2008, as compared with 2007.

Our cash flows provided by operations were $52.6 million for the fiscal year ended December 27, 2008, as compared with $110.2 million of cash provided by operations in 2007. The lower operating cash flows in 2008 principally resulted from increased accounts receivable and inventory in 2008 to support increased sales volume levels. Inventory levels also increased throughout 2008 due to rapidly rising steel prices and extended delivery times from our suppliers. In response to these conditions, we increased inventory levels to ensure that we had materials on hand to meet our delivery commitments to our customers.

*Acquisitions and Divestitures*

In 2007 and 2008, we acquired the following businesses:

Tehomet Oy (Tehomet), a manufacturer of lighting structures located in Finland and Estonia acquired in April 2007;

Penn Summit Tubular LLC (Penn Summit), a manufacturer of steel utility and wireless communication structures located in Hazelton, Pennsylvania acquired in January 2008;

West Coast Engineering Group, Ltd. (West Coast), a manufacturer of steel lighting and wireless communication structures located in Canada and the U.S. acquired in February 2008;

Site Pro 1, Inc. (Site Pro), a wireless communication components company headquartered in Long Island, New York acquired in July 2008;

Gateway Galvanizing (Gateway), a hot-dipped galvanizing operation located near Louisville, Kentucky acquired in October 2008, and;

Stainton Metal Co., Ltd. (Stainton), a manufacturer of steel lighting and wireless communication structures located in Stockton-on-Tees, England acquired in November 2008.

In addition to these acquisitions, we acquired a small materials analysis, testing and inspection services business located in Pittsburgh, Pennsylvania and formed a pole manufacturing joint venture in Turkey.

We report Tehomet, West Coast, Site Pro, the Turkish joint venture and Stainton as part of the ESS segment. We report Penn Summit and the engineering services company as part of the Utility segment. We report Gateway as part of the Coatings segment. In addition, we divested certain operations that were included as part of our "Other" businesses. These operations included our tubing operation in Waverly, Nebraska, which we closed in late 2007 and our French machine tool accessory operation, which we sold to a third party in January 2008.

The aggregate net increase of our net sales associated with these acquisitions and divestures for the fiscal year ended December 27, 2008, as compared with 2007 was approximately $78.4 million. The operating income net increase in fiscal 2008 over 2007 due to acquisitions and divestures was approximately $9.5 million.

*Foreign Currency Translation*

For the fiscal year ended December 27, 2008, we realized approximately $24.2 million of increased sales related to the financial statement translation of our international operations into U.S. dollars. These translation effects also resulted in an increase in operating income for the 2008 fiscal year ended December 27, 2008, as compared with 2007 of approximately $3.3 million.

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Foreign currencies such as the Euro and the Brazilian Real were stronger in relation to the U.S. dollar through most of 2008, as compared with 2007. Accordingly, our sales denominated in those currencies translated to a higher amount of U.S. dollars in 2008, as compared with 2007.

***Engineered Support Structures segment***

The sales increase for the fiscal year ended December 27, 2008, as compared with 2007 was due to the increased sales prices to recover higher steel costs (approximately $41.0 million), the net effect of acquisitions and divestitures (approximately $49.6 million) and foreign currency translation impacts (approximately $22.5 million). On a regional basis, sales unit volumes in North America were up modestly in 2008, as compared with 2007. Volumes in Europe and China in 2008 were comparable with 2007.

In North America, lighting and traffic structure sales in 2008 were higher than 2007, due to a combination of the West Coast acquisition and increased sales price increases. In the transportation market channel, sales were slightly higher in 2008, as compared with 2007, as highway spending funded through the U.S. federal and state programs was stronger than in 2007. Sales in the commercial market channel in 2008 were slightly lower than 2007, due predominantly to a weaker commercial construction market in the U.S. Sales of lighting structures to electrical utilities in 2008 lagged 2007, due to the recent weakness in the residential housing market. In Europe, sales in local currency were higher in 2008, as compared with 2007 due mainly to sales price increases to recover higher steel costs and the full-year impact of the Tehomet acquisition, offset somewhat by weaker volumes in France. Sales of lighting structures in China in 2008 were higher than 2007, on both a quarterly and year-to-date basis, mainly due to continued market expansion and increased sales efforts.

Sales of Specialty Structures products increased in 2008, as compared with 2007. In North America, structure sales in the wireless communication market in 2008 improved over 2007. Sales of wireless communication components increased due to the Site Pro acquisition. Sales of wireless communication poles in China were down in 2008, as compared with 2007. We believe a major contributing factor to the decrease in wireless communication structures sales was reorganization of the Chinese wireless communication industry, which is causing some delays in ordering patterns for structures.

Segment operating income for the fiscal year ended December 27, 2008 was essentially unchanged from 2007. Improved operating performance in the North American specialty structures operations (approximately $8.4 million), mainly due to the impact of actions taken in late 2007 to consolidate sign structure manufacturing operations, and the impact of the West Coast, Tehomet, Site Pro and Mitas acquisitions (approximately $5.0 million) contributed to segment operating income improvement. These improvements were offset by lower factory productivity in our North American lighting structures operations and higher SG&A expenses. Operating income from international operations was comparable to 2007, as currency translation effects (approximately $2.4 million) offset increased market development expenses and lower operating income in China, which included start-up expenses related to our third plant in China. This manufacturing facility began production in the third quarter of 2008. The impact of the Stainton acquisition did not have a significant impact on 2008 operating income, as this acquisition was completed in November 2008.

The increase in SG&A expense for the fiscal year ended December 27, 2008, as compared with 2007, was mainly due to:

Increased salary and employee benefit costs (approximately $5.3 million);

Acquisitions (approximately $6.1 million), and;

Foreign currency translation (approximately $3.5 million).

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***Utility Support Structures segment***

The sales increase in the Utility Support Structures segment for the fiscal year ended December 27, 2008, as compared with 2007, was mainly due to the acquisition of Penn Summit and sales price increases implemented to recover higher steel costs. Unit sales of transmission, substation and distribution pole structures to utility customers in 2008 were comparable to 2007. However, sales order flow in this segment was very strong in 2008, as sales backlogs at December 27, 2008 more than doubled from the end of 2007. The increase in demand for utility structures was the result of continued investment by utility companies to improve the electrical transmission and distribution infrastructure in the United States.

Gross profit increased in the 2008 fiscal year, as compared with 2007, due to improved sales prices and factory operating performance this year. The increases in SG&A spending for the fiscal year ended December 27, 2008, as compared with 2007, was primarily due to the acquisitions completed in 2008 ($9.2 million) and increased salary, benefits and incentive expenses related to the higher sales activity and operating profit levels (approximately $1.7 million).

***Coatings segment***

Coatings segment sales for the fiscal year ended December 27, 2008 were above 2007, mainly due to increased demand for galvanizing services, offset to an extent by lower selling prices. In our galvanizing operations, pounds of steel galvanized (including intersegment sales) in the fiscal year ended December 27, 2008 increased over 2007 by approximately 7%. The volume increases were due to stronger industrial economic conditions in our market areas, including increased galvanizing services provided to our other operations in the U.S.

The increase in operating income in the 2008 fiscal year, as compared with 2007 were principally due to lower zinc costs, the impact of higher galvanizing volumes and improvement in our utilization of zinc. The main reasons for the SG&A spending increases in 2008, as compared with 2007, were higher employee compensation costs related to increased sales activity in 2008 and increased incentive expenses associated with improved operating income this year.

***Irrigation segment***

The increase in Irrigation segment sales for fiscal 2008, as compared with 2007, was mainly due to a combination of improved sales volumes and higher selling prices to recover higher steel costs. In global markets, higher farm commodity prices and net farm income in 2008 and 2007 resulted in improved demand for irrigation machines, although market demand in the fourth quarter of 2008 was below 2007 levels. We believe that the slowdown late in 2008 was due in part to uncertainty in general economic conditions and lower farm commodity prices in the latter part of 2008. Sales demand in international markets was stronger in 2008, as compared with 2007, in most geographic regions, with the most significant sales increases taking place in Brazil, the Middle East and the Pacific Rim. In North America, demand for irrigation machines and service parts in 2008 was also enhanced due to machines that were damaged by a pattern of severe storms in the U.S.

The increase in operating income for the fiscal year ended December 27, 2008, as compared with 2007, was due to improved sales volumes, sales price increases to offset steel cost increases and operating leverage realized through control of SG&A spending. The increase in SG&A in 2008, as compared with 2007, was mainly attributable to increased employee incentives associated with improved operational performance (approximately $1.8 million) and increased salary and benefit expense for additional administrative personnel (approximately $4.0 million).

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***Other***

This mainly includes our tubing, industrial fastener and French machine tool accessories operations. The sales decrease in the fiscal year ended December 27, 2008, as compared with 2007, was due to the sale of our machine tool accessory operation in early 2008 and the closure of a small tubing facility in late 2007. The impact of these actions on our operating income was not significant.

***Net corporate expense***

The decrease in net corporate expenses for the fiscal year ended December 27, 2008, as compared with 2007, was mainly due to:

- lower employee incentives, mainly due to a lower common stock price at year-end 2008, which is used to value long-term management incentives (approximately $4.6 million), and;

- lower deferred compensation liabilities related to investment losses in the assets in the deferred compensation plan of approximately $4.2 million. This plan is a non-qualified defined contribution plan. The investment losses resulted in lower amounts due to the plan participants, which we recorded as a reduction of compensation expense. We recorded these investment losses in the underlying plan assets as "Other expense" in our consolidated statement of operations in 2008.

**FISCAL 2007 COMPARED WITH FISCAL 2006**

*Overview*

The sales increase in 2007, as compared with 2006, mainly reflected improved sales volumes in all reportable segments. Sales price increases to recover increased material costs and the effects of foreign currency translation also contributed to the improvement in net sales. The most significant sales volume increases were realized in the Irrigation and Engineered Support Structures (ESS) segments. In April 2007, we completed the acquisition of 70% of the shares of Tehomet Oy (Tehomet), a manufacturer of lighting structures in Finland. The operations of Tehomet were included in our financial statements starting at the date of acquisition.

The improvement in gross profit margin (gross profit as a percent of sales) in 2007 over 2006 was mainly due to improved factory performance associated with higher volumes and higher average sales prices combined with moderating raw material prices.

Selling, general and administrative (SG&A) spending in 2007 increased over 2006 levels by approximately $28 million. This increase was mainly due to higher employee incentives related to improved operating performance (approximately $7.3 million), increased salary and employee benefit costs (approximately $6.7 million), higher sales commissions associated with the increased sales volumes (approximately $3.6 million) and the effects of foreign currency translations (approximately $3.6 million).

The decrease in net interest expense in 2007, as compared with 2006, was primarily due to higher interest income associated with increased interest-bearing cash investments that resulted from our positive cash flow in 2007. Average borrowing levels in 2007 were slightly lower than 2006, which resulted from operating cash inflows that were used to pay down our interest-bearing debt, offset to a degree by the debt that was incurred to finance the Tehomet acquisition.

Our effective tax rate in 2007, while comparable to 2006, was affected by a number of significant items. In 2007, we recorded $2.3 million in income tax valuation allowances that related to our net operating loss and asset tax carryforwards in our Mexican subsidiary. In the fourth quarter of 2007, Mexico enacted a tax law change that effectively instituted a minimum tax on corporations, including those with net operating loss carryforwards. We determined that it was necessary to reduce the

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recorded value of these net operating loss carryforwards in our financial statements. This was offset by approximately $2.2 million in certain unrecognized income tax benefits related to activities in prior tax years that were recorded as a reduction in income tax expense in 2007 in the third quarter of 2007, due to the expirations of United States statutes of limitation. We had previously determined that these tax benefits were not likely to be realized and therefore had not recognized these benefits in prior years. In 2007, China enacted a change in its income tax law that was intended to harmonize income tax rates for all companies operating in China. As a result, we revalued our deferred tax assets and liabilities based on the new income tax rates, resulting in a $1.3 million decrease in income tax expense in 2007. Our income tax rate in 2007 was also favorably impacted by stronger earnings in our international operations. These locations outside the United States generally have lower statutory income tax rates than the U.S., contributing to a slightly overall lower effective income tax rate in 2007 as compared with 2006.

Miscellaneous income in 2007 was lower than 2006, due mainly to a $1.1 million settlement associated with a retirement plan of a former subsidiary in the first quarter of 2006. Our share of the profits in our nonconsolidated subsidiaries in 2007 improved over 2006. The most significant reason for the improvement was losses incurred in our 49% owned structures operation in Mexico in 2006. In the fourth quarter of 2006, we purchased the remaining 51% of this subsidiary from the majority owner.

Our cash flows provided by operations were $110.2 million in 2007, as compared with $59.1 million in 2006. The higher operating cash flows in 2007 resulted from improved net earnings in 2007 and the timing of income tax payments. This improvement was offset to a degree by higher working capital associated with higher overall business levels in 2007 as compared with 2006 and distributions made from our nonqualified deferred compensation plan in 2007.

In 2007, our capital expenditures were $56.6 million, as compared with $27.9 million and $35.1 million in 2006 and 2005, respectively. The increased capital spending in 2007 was mainly due to manufacturing capacity expansions in the ESS and Utility Support Structures segments.

***Engineered Support Structures (ESS) segment***

*General*

The sales increase in the ESS segment in 2007, as compared with 2006, was the result of improved sales volumes in all geographic regions. The sales increase was mainly due to improved sales volumes, the impact of foreign currency translation (approximately $18.3 million) and the Tehomet acquisition that was completed in April 2007 ($9.5 million). On a product line basis, sales improved in all of the major product lines in 2007, as compared with 2006. Gross profit increased at a slightly lower rate than sales, mainly as a result of steel and other raw material price increases in China that were not recoverable in the form of higher sales prices. In addition, changes in tax laws enacted in China in 2007 limited our ability to recover value-added taxes on our sales to customers outside of China added to our costs and reduced 2007 gross profit margins. The most significant reasons for the increase in selling, general and administrative (SG&A) expenses in 2007, as compared with 2006, was currency translation ($2.9 million), increased sales commissions due to increased sales volumes ($2.8 million), the impact of the Tehomet acquisition ($1.3 million) and increased employee salary and benefit costs ($1.2 million). The improvement in segment profitability in 2007, as compared with 2006, was also due to approximately $1.1 million in severance and equipment disposal costs incurred in Europe in 2006.

*Lighting and Traffic Products*

In North America, lighting and traffic structure sales in 2007 increased modestly over 2006 levels. In the transportation lighting market, sales were comparable in 2007, as compared with 2006. This market is largely funded through U.S. federal highway legislation and spending by the various states on road construction and improvement projects. In 2007, there were some delays in federal funding

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appropriations for road and highway projects, which we believe contributed to sluggishness in orders and shipments. In addition, some budget weakness in certain states also caused some road and highway projects to be delayed. These factors, we believe, contributed to some slowness in sales orders and shipments in 2007, as compared with 2006. Sales in the commercial lighting market channel increased in 2007, as compared with 2006, due primarily to improved orders from and expanding relationships with lighting fixture manufacturers.

In the international markets, sales of lighting structures in Europe were higher in 2007, as compared with 2006. This improvement was the result of good economic conditions in most of our key markets, especially France. The improvement in lighting structure sales more than offset the effect of reduced tramway structure sales in Europe in 2007, as compared with 2006. Lighting sales in Europe were also enhanced by the Tehomet acquisition. Lighting structure sales in China for 2007 were comparable with 2006.

*Specialty Products*

The increase in Specialty Structure sales in 2007, as compared with 2006, was due to strong sales of wireless communication structures in China. The strong demand for wireless communication structures in China was due to the continuing development by wireless communication companies of their infrastructure to support the continuing growth and development of wireless voice and data communication in China. In North America, the sales volume of wireless communication structures and components in 2007 was similar to 2006. Sales of sign structures were lower in 2007 than 2006, due in part to our decision in late 2007 to consolidate certain facilities that produce sign structures. We believe that this action will help us better serve our markets and reduce operating costs in the future.

*Utility Products*

This product line mainly includes that sale of utility structures outside of North America. The main reason for the increased sales in this product line in 2007, as compared with 2006, was stronger sales of utility structures in China and various other international markets. We expect sales of utility structures in China will grow in the future to support economic growth and China's efforts to develop its electrical energy infrastructure. We also continue to experience opportunities to serve markets outside of China, using our Chinese operations as a competitive way to serve these markets.

***Utility Support Structures segment***

In the Utility Support Structures segment, the sales increase experienced in 2007, as compared with 2006, was the result of sales volumes improvement as well as improved sales prices. We continue to experience strong sales order rates and backlogs in the business. The electrical utility companies and independent power producers have continued their high level of infrastructure spending related to improving the quality, reliability and capacity of the electrical transmission grid.

Gross profit increased at a greater rate than sales in 2007, as compared with 2006. This improvement mainly was associated with an improved product sales mix, improved factory performance related in part to higher sales volumes, moderating material cost inflation and improved product pricing. SG&A expenses increased in 2007, as compared with 2006, due primarily to increased employee incentives due to improved operational performance ($1.8 million), higher employee salary and benefit costs to support the higher sales levels ($1.6 million) and the consolidation of our Mexico operation ($0.9 million).

***Coatings segment***

Coatings segment sales in 2007 were above 2006 levels, mainly due to higher sales prices and increased demand for galvanizing services. In our galvanizing operations, pounds of steel galvanized in

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2007 increased over 2006 by approximately 10%. The volume increases were due to stronger industrial economic conditions in our market areas, including increased galvanizing services provided to our other operations in the U.S.

The increase in operating income in 2007, as compared with 2006, was due to higher production levels and improved production efficiencies, offset to a degree by a gain of $1.1 million on the sale of one of our facilities in the third quarter of 2006. Operating income in 2007 was affected by a valuation charge of approximately $0.7 million related to the disposal of manufacturing equipment in our anodizing operation. SG&A spending in 2007 was comparable to 2006.

***Irrigation segment***

For the fiscal year ended December 29, 2007, the sales increase in the Irrigation segment, as compared with 2006, was predominantly due to higher sales volumes. In North America, historically high farm commodity prices and strong net farm income in 2007 resulted in improved demand for irrigation machines. In addition, relatively dry growing conditions in 2007 contributed to increased after-market parts sales in our major North American markets. International sales increased in 2007, as compared with 2006, also due to higher farm commodity prices, which resulted in improved demand for irrigation machines. On a regional basis, the sales improvement was broad-based, as we experienced sales improvements in most geographic regions which more than offset sales weakness in Brazil.

Gross profit in the Irrigation segment in 2007, as compared with 2006, increased at a higher rate than sales. The strong sales demand in this segment resulted in better factory utilization and more than offset the effects of inflation in our raw material inputs. The most significant factors resulting in the increase in SG&A spending in 2007, as compared with 2006, were increased salary and benefit expense for additional administrative personnel to support the level of business ($1.8 million), increased employee incentives associated with improved operational performance ($1.3 million), and increased spending for new product development (approximately $1.0 million).

***Other***

This includes our tubing and industrial fastener operations, our machine tool accessories operation in France and the development costs associated with our wind energy structure initiative. We made the decision to suspend our wind energy initiative in the fourth quarter of 2006. The main reasons for the improvement sales in 2007, as compared with 2006, were improved demand for industrial tubing (especially for grain handling applications) and improved demand for machine tool accessories in Europe. The improvement in operating income this year was related to the improvement in sales, a favorable sales mix in tubing and the impact of suspending our wind energy structure initiative. The suspension of wind energy development resulted in approximately $2.5 million less expense in 2007, as compared with 2006. The machine tool accessories operation was sold in January 2008.

***Net corporate expense***

The increase in net corporate expense in 2007, as compared with 2006, was mainly related to approximately $4.0 million of increased employee incentives due to improved earnings and common stock price (which is used to value certain long-term management incentives).

**LIQUIDITY AND CAPITAL RESOURCES**

*Cash Flows*

*Working Capital and Operating Cash Flows* Net working capital was $475.2 million at fiscal year-end 2008, as compared with $350.6 million at fiscal year-end 2007. The increase in working capital was mainly the result of higher accounts receivables and inventories associated with the sales increase

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in 2008. The ratio of current assets to current liabilities was 2.69:1 as of December 27, 2008 as compared with 2.29:1 at December 29, 2007. Operating cash flow was $52.6 million in 2008, as compared with $110.2 million in 2007 and $59.1 million in 2006. The decrease in operating cash flow in 2008, as compared with 2007, resulted from increased receivables and inventories to support the growth in sales. Inventory levels also