GARDNER DENVER INC
Form 10-Q
August 08, 2007

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2007

OR

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

Commission File Number 1-13215

GARDNER DENVER, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0419383**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1800 Gardner Expressway
Quincy, Illinois 62305
(Address of principal executive offices and Zip Code)
(217) 222-5400
(Registrant s telephone number, including area code)

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

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 53,462,091 shares of Common Stock, par value $0.01 per share, as of July 29, 2007.

GARDNER DENVER, INC.
Table of Contents

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GARDNER DENVER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Revenues	$ 459,869	$ 416,312	$ 901,287	$ 815,606
Cost and expenses:				
Cost of sales	306,037	281,989	598,528	548,599
Selling and administrative expenses	82,324	75,297	163,153	153,565
Interest expense	6,858	9,580	13,595	19,812
Other income, net	(236)	(453)	(789)	(1,140)
Total costs and expenses	394,983	366,413	774,487	720,836
Income before income taxes	64,886	49,899	126,800	94,770
Provision for income taxes	20,115	16,915	39,213	31,274
Net income	$ 44,771	$ 32,984	$ 87,587	$ 63,496
Basic earnings per share	$ 0.84	$ 0.63	$ 1.65	$ 1.22
Diluted earnings per share	$ 0.83	$ 0.62	$ 1.63	$ 1.19

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

GARDNER DENVER, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	June 30, 2007 (unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and equivalents	$ 71,483	$ 62,331
Accounts receivable (net of allowances of $9,510 at June 30, 2007 and $10,314 at December 31, 2006)	301,809	261,115
Inventories, net	258,750	225,067
Deferred income taxes	17,402	14,362
Other current assets	17,087	16,843
Total current assets	666,531	579,718
Property, plant and equipment, net	276,310	276,493
Goodwill	674,612	676,780
Other intangibles, net	193,469	196,466
Other assets	21,701	20,774
Total assets	$ 1,832,623	$ 1,750,231
Liabilities and Stockholders Equity		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	$ 26,639	$ 23,789
Accounts payable	101,347	90,703
Accrued liabilities	189,254	202,475
Total current liabilities	317,240	316,967
Long-term debt, less current maturities	341,091	383,459
Postretirement benefits other than pensions	22,352	22,598
Deferred income taxes	65,742	66,460
Other liabilities	111,347	108,217
Total liabilities	857,772	897,701
Stockholders equity:		
Common stock, $0.01 par value; 100,000,000 shares authorized; 53,456,404 and 52,625,999 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	572	564
Capital in excess of par value	511,629	490,856

Retained earnings	427,567	339,289
Accumulated other comprehensive income	64,956	50,731
Treasury stock at cost, 3,759,487 and 3,734,507 shares at June 30, 2007 and December 31, 2006, respectively	(29,873)	(28,910)
Total stockholders equity	974,851	852,530
Total liabilities and stockholders equity	$ 1,832,623	$ 1,750,231

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

GARDNER DENVER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2007	**2006**
Cash Flows From Operating Activities		
Net income	$ 87,587	$ 63,496
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,898	26,527
Unrealized foreign currency transaction loss (gain), net	366	(79)
Net (gain) loss on asset dispositions	(34)	91
Stock issued for employee benefit plans	2,494	1,869
Stock-based compensation expense	3,620	3,606
Excess tax benefits from stock-based compensation	(6,170)	(2,282)
Deferred income taxes	(1,474)	(3,737)
Changes in assets and liabilities:		
Receivables	(37,283)	(27,998)
Inventories	(29,440)	(17,905)
Accounts payable and accrued liabilities	6,990	(19,428)
Other assets and liabilities, net	(172)	(884)
Net cash provided by operating activities	54,382	23,276
Cash Flows From Investing Activities		
Net cash paid in business combinations	(119)	(19,471)
Capital expenditures	(17,911)	(16,133)
Disposals of property, plant and equipment	338	11,157
Net cash used in investing activities	(17,692)	(24,447)
Cash Flows From Financing Activities		
Principal payments on short-term borrowings	(13,729)	(3,979)
Proceeds from short-term borrowings	15,973	4,557
Principal payments on long-term debt	(93,836)	(97,578)
Proceeds from long-term debt	49,327	64,500
Proceeds from stock option exercises	8,488	3,945
Excess tax benefits from stock-based compensation	6,170	2,282
Purchase of treasury stock	(955)	(1,223)
Debt issuance costs		(95)
Other	(958)	(154)
Net cash used in financing activities	(29,520)	(27,745)

Effect of exchange rate changes on cash and equivalents	1,982	6,610
Increase (decrease) in cash and equivalents	9,152	(22,306)
Cash and equivalents, beginning of year	62,331	110,906
Cash and equivalents, end of period	$ 71,483	$ 88,600

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

GARDNER DENVER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts or amounts described in millions)
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Gardner Denver, Inc. and its majority-owned subsidiaries (referred to herein as Gardner Denver or the Company). In consolidation, all significant intercompany transactions and accounts have been eliminated. As discussed below, certain prior year amounts have been reclassified to conform to the current year presentation.

The financial information presented as of any date other than December 31, 2006 has been prepared from the books and records of the Company without audit. The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of such financial statements, have been included.

The unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Gardner Denver s Annual Report on Form 10-K for the year ended December 31, 2006.

The results of operations for the six-month period ended June 30, 2007 are not necessarily indicative of the results to be expected for the full year. The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements.

Other than as specifically indicated in these Notes to Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, the Company has not materially changed its significant accounting policies from those disclosed in its Form 10-K for the year ended December 31, 2006.

In connection with the Company s adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48) effective January 1, 2007 (see Note 3, Income Taxes), the liability established for unrecognized income tax benefits relative to matters not expected to be resolved within twelve months at June 30, 2007 has been classified as a non-current liability. The balance sheet at December 31, 2006 was reclassified to conform to the current presentation and, accordingly, approximately $9.4 million of the liability for unrecognized tax benefits at December 31, 2006 was reclassified from current liabilities to non-current liabilities.

Effective January 1, 2007, the Company s presentation of certain expenses within its consolidated statements of operations has been changed. Depreciation expense recorded in connection with the manufacture of the Company s products sold during each reporting period is included in the caption Cost of sales. Depreciation expense not associated with the manufacture of the Company s products and amortization expense are included in the caption Selling and administrative expenses. Depreciation and

Table of Contents

amortization expense were previously combined and reported in the caption Depreciation and amortization. The Company believes that this change in classification provides a more meaningful measure of its respective cost of sales and selling and administrative expenses. These reclassifications had no effect on reported consolidated income before income taxes, net income, per share amounts or reportable segment operating earnings. Amounts presented for the three and six-month periods ended June 30, 2006 have been reclassified to conform to the current classification. The following table provides the reclassified statements of operations and amounts reclassified for the periods indicated.

GARDNER DENVER, INC.
RECLASSIFIED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Year Ended December 31, 2006					Years Ended December 31,	
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total Year**	**2005**	**2004**
Revenues	$ 399,294	$ 416,312	$ 414,028	$ 439,542	$ 1,669,176	$ 1,214,552	$ 739,539
Costs and expenses:							
Cost of sales	266,610	281,989	280,429	290,832	1,119,860	836,237	513,927
Selling and administrative expenses	78,268	75,297	77,903	82,775	314,243	257,680	163,862
Interest expense	10,232	9,580	8,762	8,805	37,379	30,433	10,102
Other income, net	(687)	(453)	(1,015)	(766)	(2,921)	(5,442)	(638)
Total costs and expenses	354,423	366,413	366,079	381,646	1,468,561	1,118,908	687,253
Income before income taxes	44,871	49,899	47,949	57,896	200,615	95,644	52,286
Provision for income taxes	14,359	16,915	15,832	20,601	67,707	28,693	15,163
Net income	$ 30,512	$ 32,984	$ 32,117	$ 37,295	$ 132,908	$ 66,951	$ 37,123
Basic earnings per share	$ 0.59	$ 0.63	$ 0.61	$ 0.71	$ 2.54	$ 1.40	$ 0.98
Diluted earnings per share	$ 0.57	$ 0.62	$ 0.60	$ 0.70	$ 2.49	$ 1.37	$ 0.96
Amounts Reclassified							
Cost of sales	$ 7,435	$ 12,275	$ 8,880	$ 7,213	$ 35,803	$ 23,010	$ 15,492

Selling and administrative expenses	4,563	2,254	4,120	5,469	16,406	15,312	6,409
Depreciation and amortization	(11,998)	(14,529)	(13,000)	(12,682)	(52,209)	(38,322)	(21,901)
Total costs and expenses	$	$	$	$	$	$	$

Changes in Accounting Principles and Effects of New Accounting Pronouncements

In June 2006, the FASB issued FIN 48, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and was adopted by the Company in the first quarter of 2007. See Note 3, Income Taxes, for a discussion of the effect of adoption of FIN 48 on the Company s financial statements.

In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on the income statement presentation of various types of taxes. The new guidance, Emerging Issues Task Force Issue

Table of Contents

06-3 *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)* ("EITF 06-3") applies to any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes. The presentation of taxes within the scope of this issue on either a gross (included in revenues and costs) or a net (excluded from revenues) basis is an accounting policy decision that should be disclosed pursuant to APB Opinion No. 22, *Disclosure of Accounting Policies.* The EITF s decision on gross versus net presentation requires that any such taxes reported on a gross basis be disclosed on an aggregate basis in interim and annual financial statements, for each period for which an income statement is presented, if those amounts are significant. The Company adopted EITF 06-3 effective January 1, 2007. The Company reports revenues net of taxes within the scope of EITF 06-3 and, accordingly, adoption of this issue had no effect on its consolidated financial statements and related disclosures.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. SFAS No. 157 applies whenever other statements require or permit assets or liabilities to be measured at fair value. This statement is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that the adoption of SFAS No. 157 will have on its consolidated financial statements and related disclosure requirements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159), which permits all entities to elect to measure eligible financial instruments at fair value. Additionally, this statement establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This statement is effective for fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157. The Company is currently evaluating the impact the adoption of SFAS No. 159 will have on its consolidated financial statements and related disclosure requirements.

Note 2. Business Combinations

All acquisitions have been accounted for by the purchase method and, accordingly, their results are included in the Company s consolidated financial statements from the respective dates of acquisition. Under the purchase method, the purchase price is allocated based on the fair value of assets received and liabilities assumed as of the acquisition date.

In connection with the acquisition of Thomas Industries Inc. (Thomas) in 2005, the Company initiated plans to close and consolidate certain former Thomas facilities, primarily in the U.S. and Europe. These plans include various voluntary and involuntary employee termination and relocation programs affecting both salaried and hourly employees and exit costs associated with the sale, lease termination or sublease of certain manufacturing and administrative facilities. The terminations, relocations and facility exits are expected to be substantively completed during 2007. A liability of $17,500 was included in the allocation of the Thomas purchase price for the estimated cost of these actions at July 1, 2005 in accordance with EITF No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. Based on finalization of these plans, an estimated total cost of $16,487 was included in the allocation of the Thomas purchase price. The cost of these plans is comprised of the following:

Voluntary and involuntary employee termination and relocation	$ 14,454
Lease termination and related costs	1,007
Other	1,026
Total	$ 16,487

The following table summarizes the activity in the associated accrual account. Additional amounts accrued (reversed), net, in 2006 were recorded as adjustments to the cost of acquiring Thomas. Amounts reversed in the six-month period ended June 30, 2007 consisted of $95 recorded as adjustments to the cost of acquiring Thomas and $245 credited to income.

	Termination Benefits	Other	Total
Established at July 1, 2005	$ 16,814	$ 686	$ 17,500
Amounts paid	(8,157)		(8,157)
Balance at December 31, 2005	8,657	686	9,343
Additional amounts accrued (reversed), net	(2,360)	1,347	(1,013)
Amounts paid	(3,449)	(719)	(4,168)
Other	301	263	564
Balance at December 31, 2006	3,149	1,577	4,726
Amounts reversed	(95)	(245)	(340)
Amounts paid	(831)	(928)	(1,759)
Other	76	27	103
Balance at June 30, 2007	$ 2,299	$ 431	$ 2,730

Note 3. Income Taxes

The Company adopted the provisions of FIN 48 effective January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a decrease of $1.3 million in the liability for unrecognized tax benefits, which was accounted for as a $0.7 million increase to retained earnings at January 1, 2007, and a $0.6 million decrease to goodwill at January 1, 2007. As of the date of adoption and after the impact of recognizing the decrease in the liability noted above, the Company s unrecognized tax benefits totaled $14.0 million. During the first quarter of 2007, the Company resolved certain tax issues that reduced the liability to $11.3 million. During the second quarter of 2007, the Company made payments that further reduced the liability to $9.7 million. Included in the unrecognized tax benefits at June 30, 2007 are $1.8 million of uncertain tax positions that would affect the Company s effective tax rate if recognized. The balance of the unrecognized tax benefits, $7.9 million, would be recognized as an adjustment to goodwill.

The Company s accounting policy with respect to interest expense on underpayments of income tax and related penalties is to recognize it as part of the provision for income taxes. The Company s income tax liabilities at June 30, 2007 include approximately $2.2 million of accrued interest, of which approximately $0.9 million relates to goodwill, and no penalties.

The Company s U.S. federal income tax returns for the tax years 2003 and beyond remain subject to examination by the U.S. Internal Revenue Service (IRS). The IRS in October 2006 announced an exam of an acquired subsidiary, Thomas, for the year 2004. As of the date of this report, the exam has not commenced. The statutes of limitations for the U.S. state tax returns are open beginning with the 2003 tax

Table of Contents

year except for two states for which the statute has been extended beginning with the 2001 tax year. The statute of limitations for each 2003 tax return will expire during 2007.

The Company is subject to income tax in approximately 30 jurisdictions outside the U.S. The statute of limitations varies by jurisdiction with 2001 being the oldest tax year still open, except as noted below. The Company s significant operations outside the U.S. are located in the U.K. and Germany. In the U.K., one inquiry of a tax return for a tax year prior to 2005 remains open. The Company expects to resolve the inquiry without a material change. In Germany, generally, the tax years 2003 and beyond remain subject to examination with the statute of limitations for the 2003 tax year expiring during 2008. An acquired subsidiary group is under audit for the tax years 2000 through 2002. The findings to date are not material. In addition, audits are being conducted in various states and countries for years ranging from 2001 through 2005. To date, no material adjustments have been proposed as a result of these audits.

Note 4. Inventories

Inventories as of June 30, 2007 and December 31, 2006 consisted of the following:

	June 30, 2007	December 31, 2006
Raw materials, including parts and subassemblies	$ 145,427	$ 125,278
Work-in-process	48,204	38,052
Finished goods	77,594	72,228
	271,225	235,558
Excess of FIFO costs over LIFO costs	(12,475)	(10,491)
Inventories, net	$ 258,750	$ 225,067

Note 5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill attributable to each business segment for the six-month period ended June 30, 2007, and the year ended December 31, 2006, are presented in the table below. The balances as of December 31, 2005 and 2006 have been revised to reflect the Company s realignment of its reportable segments in the first quarter of 2006. This revision resulted in a $10.0 million decrease in the previously reported balances for the Compressor and Vacuum Products segment and a corresponding increase in the balances for the Fluid Transfer Products segment. The adjustments to goodwill reflect reallocations of purchase price, primarily related to income tax matters, subsequent to the dates of acquisition for acquisitions completed in prior fiscal years.

Table of Contents

	Compressor & Vacuum Products	Fluid Transfer Products	Total
Balance as of December 31, 2005	$ 573,377	$ 46,867	$ 620,244
Acquisitions		13,641	13,641
Adjustment to goodwill	(6,181)	12,365	6,184
Foreign currency translation	33,430	3,281	36,711
Balance as of December 31, 2006	600,626	76,154	676,780
Adjustment to goodwill	(8,749)	110	(8,639)
Foreign currency translation	5,406	1,065	6,471
Balance as of June 30, 2007	$ 597,283	$ 77,329	$ 674,612

The following table presents the gross carrying amount and accumulated amortization of identifiable intangible assets, other than goodwill, at the dates presented:

	June 30, 2007		December 31, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer lists and relationships	$ 63,522	$ (12,189)	$ 63,300	$ (9,723)
Acquired technology	41,253	(24,304)	40,246	(20,927)
Other	10,585	(3,585)	10,595	(3,787)
Unamortized intangible assets:				
Trademarks	118,187		116,762	
Total other intangible assets	$ 233,547	$ (40,078)	$ 230,903	$ (34,437)

Amortization of intangible assets for the three and six-month periods ended June 30, 2007 was $3.0 million and $6.3 million, respectively. Amortization of intangible assets for each of the three and six-month periods ended June 30, 2006 was $0.02 million and $3.3 million, respectively. Finalization of the fair value of the Thomas tangible and amortizable intangible assets resulted in a cumulative $3.2 million pre-tax credit to amortization expense in the three-month period ended June 30, 2006. Amortization of intangible assets is anticipated to be approximately $12.0 million annually in 2007 through 2011, based upon exchange rates in effect at June 30, 2007.

Table of Contents

Note 6. Accrued Product Warranty

A reconciliation of the changes in the accrued product warranty liability for the three and six-month periods ended June 30, 2007 and 2006 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Balance at beginning of period	$ 15,782	$ 15,994	$ 15,298	$ 15,254
Product warranty accruals	3,626	4,067	7,186	7,884
Settlements	(3,409)	(3,497)	(6,564)	(6,748)
Other (primarily acquisitions and foreign currency translation)	(538)	484	(459)	658
Balance at end of period	$ 15,461	$ 17,048	$ 15,461	$ 17,048

Note 7. Pension and Other Postretirement Benefits

The following table summarizes the components of net periodic benefit cost for the Company s defined benefit pension plans and other postretirement benefit plans recognized for the three and six-month periods ended June 30, 2007 and 2006:

	Three Months Ended June 30,					
	Pension Benefits				Other Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2007	2006	2007	2006	2007	2006
Service cost	$	$ 816	$ 1,341	$ 1,342	$ 4	$ 33
Interest cost	1,137	985	2,707	2,120	353	390
Expected return on plan assets	(1,175)	(1,097)	(2,834)	(2,367)		
Recognition of:						
Unrecognized prior-service cost	4	(15)			(111)	(27)
Unrecognized net actuarial loss (gain)	1	122	99	122	(207)	(56)
Net periodic benefit (income) cost	$ (33)	$ 811	$ 1,313	$ 1,217	$ 39	$ 340

	Six Months Ended June 30,					
	Pension Benefits				Other Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2007	2006	2007	2006	2007	2006
Service cost	$	$ 1,714	$ 2,660	$ 2,684	$ 8	$ 66
Interest cost	2,274	1,986	5,369	4,240	706	780
Expected return on plan assets	(2,350)	(2,174)	(5,625)	(4,734)		
Recognition of:						
Unrecognized prior-service cost	8	(36)			(222)	(54)

Unrecognized net actuarial loss (gain)	2	248	197	244	(414)	(112)
Net periodic benefit (income) cost	$ (66)	$ 1,738	$ 2,601	$ 2,434	$ 78	$ 680

During 2006, the Company implemented certain revisions to the domestic Gardner Denver, Inc. Pension Plan (the Pension Plan). Future service credits under the Pension Plan ceased effective October 31, 2006. In connection with the revisions to the Pension Plan, future credits that had

Table of Contents

previously been made to employee accounts in the Pension Plan are made to employee accounts in the U.S. defined contribution plan.

Note 8. Debt

The Company s debt is summarized as follows:

	June 30, 2007	December 31, 2006
Short-term debt	$ 4,070	$ 1,740
Long-term debt:		
Credit Line, due 2010 (1)	$ 96,266	$ 109,968
Term Loan, due 2010 (2)	116,944	145,000
Senior Subordinated Notes at 8%, due 2013	125,000	125,000
Secured Mortgages (3)	9,574	9,635
Variable Rate Industrial Revenue Bonds, due 2018 (4)	8,000	8,000
Capitalized leases and other long-term debt	7,876	7,905
Total long-term debt, including current maturities	363,660	405,508
Current maturities of long-term-debt	22,569	22,049
Total long-term debt, less current maturities	$ 341,091	$ 383,459

(1) The loans under this facility may be denominated in U.S. dollars or several foreign currencies. At June 30, 2007, the outstanding balance consisted of U.S. dollar borrowings of $20,000, euro borrowings of 43,000 and British pound borrowings of £9,000. The interest rates under the facility are based on prime, federal funds and/or LIBOR for the applicable currency. The

weighted-average interest rates were 6.0%, 4.7% and 6.4% as of June 30, 2007 for the U.S. dollar, euro and British pound loans, respectively. The interest rates averaged 6.0%, 4.5% and 6.1% during the first six months of 2007 for the U.S. dollar, euro and British pound loans, respectively.

(2) The interest rate varies with prime and/or LIBOR. At June 30, 2007, this rate was 6.1% and averaged 6.2% during the first six months of 2007.

(3) This amount consists of two fixed-rate commercial loans with an outstanding balance of 7,074 at June 30, 2007. The loans are secured by the Company s facility in Bad Neustadt, Germany.

(4) The interest rate varies with market rates for tax-exempt industrial revenue bonds. At June 30, 2007,

this rate was 3.8% and averaged 3.7% during the first six months of 2007. These industrial revenue bonds are secured by an $8,100 standby letter of credit.

Note 9. Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), *Share-based Payment,* (SFAS No. 123(R)), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on their estimated fair values. The Company recognizes compensation expense for stock options and restricted stock awards over the requisite service period for vesting of the award or to an employee s eligible retirement date, if earlier. The following table shows total stock-based compensation expense included in the consolidated statements of operations and the consolidated statements of cash flows for the three and six-month periods ended June 30, 2007 and 2006.

Table of Contents

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Selling and administrative expenses	$ 710	$ 776	$ 3,620	$ 3,606
Total stock-based compensation expense included in operating expenses	$ 710	$ 776	$ 3,620	$ 3,606
Income before income taxes	(710)	(776)	(3,620)	(3,606)
Provision for income taxes	333	190	835	819
Net income	$ (377)	$ (586)	$ (2,785)	$ (2,787)
Basic and diluted earnings per share	$ (0.01)	$ (0.01)	$ (0.05)	$ (0.05)

The following table summarizes the excess tax benefits from stock-based compensation realized during each period indicated and included in the consolidated statements of cash flows.

Net cash provided by operating activities	$ (5,011)	$ (1,269)	$ (6,170)	$ (2,282)
Net cash used in financing activities	$ 5,011	$ 1,269	$ 6,170	$ 2,282

Plan Descriptions

Under the Company s Amended and Restated Long-Term Incentive Plan (the Incentive Plan), designated employees and non-employee directors are eligible to receive awards in the form of stock options, stock appreciation rights, restricted stock awards or performance shares, as determined by the Management Development and Compensation Committee of the Board of Directors. Under the Incentive Plan, the grant price of an option is determined by the Management Development and Compensation Committee, but must not be less than the market close price of the Company s common stock on the date of grant. The grant price for options granted prior to May 1, 2007 could not be less than the average of the high and low price of the Company s common stock on the date of grant. The Incentive Plan provides that the term of any option granted may not exceed ten years. There are no vesting provisions tied to performance conditions for any of the outstanding options and restricted stock awards. Vesting for all outstanding options or restricted stock awards is based solely on continued service as an employee or director of the Company and generally vest upon retirement, death or cessation of service due to disability, if earlier.

Under the terms of existing awards, employee options become vested and exercisable ratably on each of the first three anniversaries of the date of grant. The options granted to employees in 2007 and 2006 expire seven years after the date of grant. The options granted to non-employee directors become exercisable on the first anniversary of the date of grant and expire five years after the date of grant.

Table of Contents

Stock Option Awards

A summary of the Company s stock option activity for the six-month period ended June 30, 2007 is presented in the following table (underlying shares in thousands):

	Shares	Outstanding Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life
Outstanding at December 31, 2006	2,422	$ 15.78		
Granted	251	$ 36.00		
Exercised	(742)	$ 11.43		
Forfeited or canceled	(15)	$ 22.30		
Outstanding at June 30, 2007	1,916	$ 20.09	$43,032	4.5 years
Exercisable at June 30, 2007	1,323	$ 15.57	$35,693	3.9 years

The weighted-average estimated grant-date fair values of employee stock options granted during the three and six-month periods ending June 30, 2007 were $11.51 and $12.15, respectively.

The total pre-tax intrinsic value of stock options exercised during the second quarters of 2007 and 2006 was $15.9 million and $4.5 million, respectively. The total pre-tax intrinsic value of stock options exercised during the first six months of 2007 and 2006 was $20.1 million and $9.9 million, respectively. Pre-tax unrecognized compensation expense for stock options, net of estimated forfeitures, was $2.8 million as of June 30, 2007, and will be recognized as expense over a weighted-average period of 1.7 years.

Restricted Stock Awards

A summary of the Company s restricted stock activity for the six-month period ended June 30, 2007 is presented in the following table (underlying shares in thousands):

	Shares	Weighted-Average Price
Nonvested at December 31, 2006	45	$ 30.58
Granted	45	$ 36.36
Vested		
Forfeited		
Nonvested at June 30, 2007	90	$ 33.43

Table of Contents

The restricted stock awards granted during the first six months of 2007 cliff vest three years after the date of grant. The restricted stock award grants were valued at the average of the high and low price of the Company s common stock on the date of grant. Pre-tax unrecognized compensation expense for nonvested restricted stock awards, net of estimated forfeitures, was $0.8 million as of June 30, 2007, which will be recognized as expense over a weighted-average period of 2.3 years.

Valuation Assumptions and Expense under SFAS No. 123(R)

The fair value of each stock option grant under the Incentive Plan was estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average assumptions for the periods indicated are noted in the table below.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Assumptions:				
Risk-free interest rate	4.6%	5.0%	4.7%	4.7%
Dividend yield				
Volatility factor	28	28	29	27
Expected life (in years)	4.1	4.4	4.9	4.8

Note 10. Earnings Per Share (shares in thousands)

The following table details the calculation of basic and diluted earnings per share for the three and six-month periods ended June 30, 2007 and 2006:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Basic Earnings Per Share:				
Net income	$ 44,771	$ 32,984	$ 87,587	$ 63,496
Shares:				
Weighted average number of common shares outstanding	53,147	52,388	52,951	52,249
Basic earnings per common share	$ 0.84	$ 0.63	$ 1.65	$ 1.22
Diluted Earnings Per Share:				
Net income	$ 44,771	$ 32,984	$ 87,587	$ 63,496
Shares:				
Weighted average number of common shares outstanding	53,147	52,388	52,951	52,249
Assuming conversion of dilutive stock options issued and outstanding	896	1,191	939	1,171
Weighted average number of common shares outstanding, as adjusted	54,043	53,579	53,890	53,420
Diluted earnings per common share	$ 0.83	$ 0.62	$ 1.63	$ 1.19

-16-

Table of Contents

For the three months ended June 30, 2007 and 2006, respectively, antidilutive options to purchase 138 and 210 weighted-average shares of common stock were outstanding. For the six months ended June 30, 2007 and 2006, respectively, antidilutive options to purchase 235 and 234 weighted-average shares of common stock were outstanding. Antidilutive options outstanding were not included in the computation of diluted earnings per share.

Note 11. Accumulated Other Comprehensive Income

The Company s other comprehensive income (loss) consists of unrealized net gains and losses on the translation of the assets and liabilities of its foreign operations (including the foreign currency hedge of the Company s net investments in foreign operations), unrecognized gains and losses on cash flow hedges (consisting of interest rate swaps), net of income taxes, and changes in the funded status of the Company s pension and postretirement benefit plans or minimum pension liability.

The following table sets forth the changes in each component of accumulated other comprehensive income (loss):

	Foreign Currency Translation Adjustment (1)	Unrealized Gains (Losses) on Cash Flow Hedges	Minimum Pension Liability	Pension and Postretirement Benefit Plans	Accumulated Other Comprehensive Income
Balance at December 31, 2005	$ 15,865	$ 1,887	$ (9,628)		$ 8,124
Before tax income	7,467	1,558			9,025
Income tax effect		(592)			(592)
Other comprehensive income	7,467	966			8,433
Balance at March 31, 2006	23,332	2,853	(9,628)		16,557
Before tax income	16,920	943			17,863
Income tax effect		(358)			(358)
Other comprehensive income	16,920	585			17,505
Balance at June 30, 2006	$ 40,252	$ 3,438	$ (9,628)		$ 34,062
Balance at December 31, 2006	$ 64,109	$ 1,557		$ (14,935)	$ 50,731
Before tax income (loss)	2,233	(410)		(215)	1,608
Income tax effect		156		90	246
Other comprehensive income (loss)	2,233	(254)		(125)	1,854
Balance at March 31, 2007	66,342	1,303		(15,060)	52,585
Before tax income (loss)	12,039	737		(214)	12,562
Income tax effect		(280)		89	(191)
Other comprehensive income (loss)	12,039	457		(125)	12,371

Balance at June 30, 2007	$	78,381	$	1,760		$	(15,185)	$	64,956

(1) Income taxes are generally not provided for foreign currency translation adjustments, as such adjustments relate to permanent investments in international subsidiaries.

Table of Contents

The Company s total comprehensive income for the three and six-month periods ended June 30, 2007 and 2006 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30	
	2007	2006	2007	2006
Net income	$ 44,771	$ 32,984	$ 87,587	$ 63,496
Other comprehensive income	12,371	17,505	14,225	25,938
Comprehensive income	$ 57,142	$ 50,489	$ 101,812	$ 89,434

Note 12. Supplemental Cash Flow Information

In the six-month periods ended June 30, 2007 and 2006, the Company paid $48.7 million and $42.5 million, respectively, to various taxing authorities for income taxes. Interest paid for the same six-month periods of 2007 and 2006, was $13.1 million and $19.0 million, respectively.

Note 13. Contingencies

The Company is a party to various legal proceedings, lawsuits and administrative actions, which are of an ordinary or routine nature. In addition, due to the bankruptcies of several asbestos manufacturers and other primary defendants, among other things, the Company has been named as a defendant in a number of asbestos personal injury lawsuits. The Company has also been named as a defendant in a number of silicosis personal injury lawsuits. The plaintiffs in these suits allege exposure to asbestos or silica from multiple sources and typically the Company is one of approximately 25 or more named defendants. In the Company s experience to date, the substantial majority of the plaintiffs have not suffered an injury for which the Company bears responsibility.

Predecessors to the Company sometimes manufactured, distributed and/or sold products allegedly at issue in the pending asbestos and silicosis litigation lawsuits (the Products). However, neither the Company nor its predecessors ever mined, manufactured, mixed, produced or distributed asbestos fiber or silica sand, the materials that allegedly caused the injury underlying the lawsuits. Moreover, the asbestos-containing components of the Products were enclosed within the subject Products.

The Company has entered into a series of cost-sharing agreements with multiple insurance companies to secure coverage for asbestos and silicosis lawsuits. The Company also believes some of the potential liabilities regarding these lawsuits are covered by indemnity agreements with other parties. The Company s uninsured settlement payments for past asbestos and silicosis lawsuits have been immaterial.

The Company believes that the pending and future asbestos and silicosis lawsuits will not, in the aggregate, have a material adverse effect on its consolidated financial position, results of operations or liquidity, based on: the Company s anticipated insurance and indemnification rights to address the risks of such matters; the limited potential asbestos exposure from the components described above; the Company s experience that the vast majority of plaintiffs are not impaired with a disease attributable to alleged exposure to asbestos or silica from or relating to the Products or for which the Company otherwise bears responsibility; various potential defenses available to the Company with respect to such matters; and the Company s prior disposition of comparable matters. However, due to inherent uncertainties of litigation and because future developments, including, without limitation, potential

Table of Contents

insolvencies of insurance companies or other defendants, could cause a different outcome, there can be no assurance that the resolution of pending or future lawsuits will not have a material adverse effect on its consolidated financial position, results of operations or liquidity.

The Company has been identified as a potentially responsible party (PRP) with respect to several sites designated for cleanup under federal Superfund or similar state laws, which impose liability for cleanup of certain waste sites and for related natural resource damages. Persons potentially liable for such costs and damages generally include the site owner or operator and persons that disposed or arranged for the disposal of hazardous substances found at those sites. Although these laws impose joint and several liability, in application, the PRPs typically allocate the investigation and cleanup costs based upon the volume of waste contributed by each PRP. Based on currently available information, the Company was only a small contributor to these waste sites, and the Company has, or is attempting to negotiate, de minimis settlements for their cleanup. The cleanup of the remaining sites is substantially complete and the Company s future obligations entail a share of the sites ongoing operating and maintenance expense.

The Company is also addressing three on-site cleanups for which it is the primary responsible party. Two of these cleanup sites are in the operation and maintenance stage and the third is in the implementation stage. The Company is also participating in a voluntary clean-up program with other PRPs on a fourth site which is in the assessment stage. Based on currently available information, the Company does not anticipate that any of these sites will result in material additional costs beyond those already accrued on its balance sheet.

The Company has an accrued liability on its balance sheet to the extent costs are known or can be estimated for its remaining financial obligations for these matters. Based upon consideration of currently available information, the Company does not anticipate any materially adverse effect on its results of operations, financial condition, liquidity or competitive position as a result of compliance with federal, state, local or foreign environmental laws or regulations, or cleanup costs relating to the sites discussed above.

Note 14. Segment Results

The Company s organizational structure is based on the products and services it offers and consists of five operating divisions: Compressor, Blower, Engineered Products, Thomas Products and Fluid Transfer. These divisions comprise two reportable segments: Compressor and Vacuum Products and Fluid Transfer Products. The Compressor, Blower, Engineered Products and Thomas Products divisions are aggregated into the Compressor and Vacuum Products segment because the long-term financial performance of these businesses are affected by similar economic conditions and their products, manufacturing processes and other business characteristics are similar in nature.

Table of Contents

The following table provides financial information by business segment for the three and six-month periods ended June 30, 2007 and 2006:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Compressor and Vacuum Products				
Revenues	$ 354,394	$ 325,402	$ 693,251	$ 643,835
Operating earnings	41,350	33,751	80,312	69,559
Operating earnings as a percentage of revenues	11.7%	10.4%	11.6%	10.8%
Fluid Transfer Products				
Revenues	$ 105,475	$ 90,910	$ 208,036	$ 171,771
Operating earnings	30,158	25,275	59,294	43,883
Operating earnings as a percentage of revenues	28.6%	27.8%	28.5%	25.5%
Reconciliation of Segment Results to Consolidated Results				
Total segment operating earnings	$ 71,508	$ 59,026	$ 139,606	$ 113,442
Interest expense	6,858	9,580	13,595	19,812
Other income, net	(236)	(453)	(789)	(1,140)
Consolidated income before income taxes	$ 64,886	$ 49,899	$ 126,800	$ 94,770

Note 15. Guarantor Subsidiaries

The Company s obligations under its 8% Senior Subordinated Notes due 2013 are jointly and severally, fully and unconditionally guaranteed by certain wholly-owned domestic subsidiaries of the Company (the Guarantor Subsidiaries). The Company s subsidiaries that do not guarantee the Senior Subordinated Notes are referred to as the Non-Guarantor Subsidiaries . The guarantor condensed consolidating financial data below presents the statements of operations, balance sheets and statements of cash flows data (i) for Gardner Denver, Inc. (the Parent Company), the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries on a consolidated basis (which is derived from Gardner Denver s historical reported financial information); (ii) for the Parent Company, alone (accounting for its Guarantor Subsidiaries and Non-Guarantor Subsidiaries on a cost basis under which the investments are recorded by each entity owning a portion of another entity at historical cost); (iii) for the Guarantor Subsidiaries alone; and (iv) for the Non-Guarantor Subsidiaries alone.

The consolidating statements of operations for the three and six months ended June 30, 2006 have been reclassified to reflect the inclusion of depreciation and amortization expense in cost of sales and selling and administrative expenses (see Note 1, Summary of Significant Accounting Policies).

Table of Contents

Consolidating Statement of Operations
Three Months Ended June 30, 2007

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 109,075	$ 125,399	$ 290,531	$ (65,136)	$ 459,869
Costs and expenses:					
Cost of sales	69,565	86,017	215,156	(64,701)	306,037
Selling and administrative expenses	21,637	13,912	46,775		82,324
Interest expense	6,994	(2,558)	2,422		6,858
Other (income) expense, net	(822)	(1,639)	2,226	(1)	(236)
Total costs and expenses	97,374	95,732	266,579	(64,702)	394,983
Income before income taxes	11,701	29,667	23,952	(434)	64,886
Provision for income taxes	3,276	10,000	6,839		20,115
Net income	$ 8,425	$ 19,667	$ 17,113	$ (434)	$ 44,771

Consolidating Statement of Operations
Three Months Ended June 30, 2006

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 110,240	$ 107,036	$ 242,730	$ (43,694)	$ 416,312
Costs and expenses:					
Cost of sales	72,935	77,722	175,423	(44,091)	281,989
Selling and administrative expenses	19,414	14,335	41,548		75,297
Interest expense	9,175	(2,203)	2,608		9,580
Other (income) expense, net	(747)	(1,465)	1,759		(453)
Total costs and expenses	100,777	88,389	221,338	(44,091)	366,413
Income before income taxes	9,463	18,647	21,392	397	49,899
Provision for income taxes	3,596	7,079	6,240		16,915
Net income	$ 5,867	$ 11,568	$ 15,152	$ 397	$ 32,984

Table of Contents

Consolidating Statement of Operations
Six Months Ended June 30, 2007

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 221,424	$ 244,042	$ 563,306	$ (127,485)	$ 901,287
Costs and expenses:					
Cost of sales	142,449	168,642	413,152	(125,715)	598,528
Selling and administrative expenses	42,537	27,967	92,649		163,153
Interest expense	13,940	(4,964)	4,619		13,595
Other (income) expense, net	(1,300)	(3,158)	3,669		(789)
Total costs and expenses	197,626	188,487	514,089	(125,715)	774,487
Income before income taxes	23,798	55,555	49,217	(1,770)	126,800
Provision for income taxes	8,068	23,320	7,825		39,213
Net income	$ 15,730	$ 32,235	$ 41,392	$ (1,770)	$ 87,587

Consolidating Statement of Operations
Six Months Ended June 30, 2006

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 219,385	$ 213,291	$ 467,026	$ (84,096)	$ 815,606
Costs and expenses:					
Cost of sales	147,781	152,923	331,336	(83,441)	548,599
Selling and administrative expenses	41,123	28,561	83,881		153,565
Interest expense	18,942	(4,443)	5,313		19,812
Other (income) expense, net	(1,403)	(2,527)	2,790		(1,140)
Total costs and expenses	206,443	174,514	423,320	(83,441)	720,836
Income before income taxes	12,942	38,777	43,706	(655)	94,770
Provision for income taxes	4,918	14,761	11,595		31,274
Net income	$ 8,024	$ 24,016	$ 32,111	$ (655)	$ 63,496

Table of Contents

Consolidating Balance Sheet
June 30, 2007

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and equivalents	$ 8,049	$ (3,670)	$ 67,104	$	$ 71,483
Accounts receivable, net	62,695	61,927	177,187		301,809
Inventories, net	31,996	66,174	163,803	(3,223)	258,750
Deferred income taxes	11,057	4,660	952	733	17,402
Other current assets	805	4,289	11,993		17,087
Total current assets	114,602)	133,380	421,039	(2,490)	666,531
Intercompany (payable) receivable	(262,427	262,970	(463)	(80)	
Investments in affiliates	912,361	204,667	29	(1,117,028)	29
Property, plant and equipment, net	53,011	50,007	173,292		276,310
Goodwill	111,369	187,497	375,746		674,612
Other intangibles, net	7,689	43,170	142,610		193,469
Other assets	21,514	621	4,679	(5,142)	21,672
Total assets	$ 958,119	$ 882,312	$ 1,116,932	$ (1,124,740)	$ 1,832,623
Liabilities and Stockholders Equity					
Current liabilities:					
Short-term borrowings and current maturities of long-term debt	$ 20,637	$	$ 6,002	$	$ 26,639
Accounts payable and accrued liabilities	59,616	62,668	175,587	(7,270)	290,601
Total current liabilities	80,253	62,668	181,589	(7,270)	317,240
Long-term intercompany (receivable) payable	(40,273)	(33,760)	73,813	220	
Long-term debt, less current maturities	264,195	77	76,819		341,091
Deferred income taxes		26,699	44,185	(5,142)	65,742
Other liabilities	57,511	271	75,917		133,699
Total liabilities	361,686	55,955	452,323	(12,192)	857,772
Stockholders equity:					
Common stock	572				572

Capital in excess of par value	511,042	679,955	437,660	(1,117,028)	511,629
Retained earnings	117,284)	130,187	175,616	4,480	427,567
Accumulated other comprehensive (loss) income	(2,592)	16,215	51,333		64,956
Treasury stock, at cost	(29,873)				(29,873)
Total stockholders equity	596,433	826,357	664,609	(1,112,548)	974,851
Total liabilities and stockholders equity	$ 958,119	$ 882,312	$ 1,116,932	$ (1,124,740)	$ 1,832,623

-23-

Table of Contents

Consolidating Balance Sheet
December 31, 2006

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and equivalents	$ 5,347	$ (573)	$ 57,557	$	$ 62,331
Accounts receivable, net	61,671	54,357	145,087		261,115
Inventories, net	31,846	59,218	133,047	956	225,067
Deferred income taxes	8,760	6,750		(1,148)	14,362
Other current assets	(772)	5,085	12,530		16,843
Total current assets	106,852)	124,837	348,221	(192)	579,718
Intercompany (payable) receivable	(257,370	253,992	2,538	840	
Investments in affiliates	920,520	215,130	29	(1,135,650)	29
Property, plant and equipment, net	53,438	48,720	174,335		276,493
Goodwill	113,441	191,146	372,193		676,780
Other intangibles, net	7,915	44,249	144,302		196,466
Other assets	17,684	703	4,498	(2,140)	20,745
Total assets	$ 962,480	$ 878,777	$ 1,046,116	$ (1,137,142)	$ 1,750,231
Liabilities and Stockholders Equity					
Current liabilities:					
Short-term borrowings and current maturities of long-term debt	$ 20,139	$	$ 3,650	$	$ 23,789
Accounts payable and accrued liabilities	52,477	86,768	164,605	(10,672)	293,178
Total current liabilities	72,616	86,768	168,255	(10,672)	316,967
Long-term intercompany (receivable) payable	(37,613)	(12,714)	52,587	(2,260)	
Long-term debt, less current maturities	302,753	77	80,629		383,459
Deferred income taxes		26,731	41,869	(2,140)	66,460
Other liabilities	52,781	3,036	74,998		130,815
Total liabilities	390,537	103,898	418,338	(15,072)	897,701
Stockholders equity:					
Common stock	564				564

Capital in excess of par value	490,270	683,557	452,679	(1,135,650)	490,856
Retained earnings	109,475	81,091	135,143	13,580	339,289
Accumulated other comprehensive income	544	10,231	39,956		50,731
Treasury stock, at cost	(28,910)				(28,910)
Total stockholders equity	571,943	774,879	627,778	(1,122,070)	852,530
Total liabilities and stockholders equity	$ 962,480	$ 878,777	$ 1,046,116	$ (1,137,142)	$ 1,750,231

Table of Contents

Consolidating Condensed Statement of Cash Flows
Six Months Ended June 30, 2007

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (used in) operating activities	$ 29,443	$ 1,203	$ 26,572	$ (2,836)	$ 54,382