GARDNER DENVER INC
Form 10-Q
August 05, 2011

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, 2011

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: 1-13215

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.)

1500 Liberty Ridge Drive, Suite 3000
Wayne, Pennsylvania 19087
(Address of principal executive offices and Zip Code)
(610) 249-2000
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filero	Non-accelerated filero (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 þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: 52,326,949 shares of Common Stock, par value $0.01 per share, as of July 29, 2011.

GARDNER DENVER, INC.
Table of Contents

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues	$ 610,693	$ 449,519	$ 1,142,546	$ 871,683
Cost of sales	400,425	297,919	747,822	586,276
Gross profit	210,268	151,600	394,724	285,407
Selling and administrative expenses	105,009	91,745	201,030	179,439
Other operating expense, net	6,087	3,268	7,699	1,917
Operating income	99,172	56,587	185,995	104,051
Interest expense	3,934	6,062	9,281	12,178
Other expense (income), net	279	(2)	(683)	(637)
Income before income taxes	94,959	50,527	177,397	92,510
Provision for income taxes	27,263	12,603	49,802	22,333
Net income	67,696	37,924	127,595	70,177
Less: Net income attributable to noncontrolling interests	575	590	996	885
Net income attributable to Gardner Denver	$ 67,121	$ 37,334	$ 126,599	$ 69,292
Net earnings per share attributable to Gardner Denver common stockholders				
Basic earnings per share	$ 1.28	$ 0.71	$ 2.42	$ 1.33
Diluted earnings per share	$ 1.27	$ 0.71	$ 2.40	$ 1.31
Cash dividends declared per common share	$ 0.05	$ 0.05	$ 0.10	$ 0.10

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

Table of Contents

GARDNER DENVER, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)
(Unaudited)

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 121,347	$ 157,029
Accounts receivable (net of allowance of $12,052 at June 30, 2011 and $11,531 at December 31, 2010)	445,812	369,860
Inventories, net	299,470	241,485
Deferred income taxes	34,053	34,628
Other current assets	31,719	25,535
Total current assets	932,401	828,537
Property, plant and equipment (net of accumulated depreciation of $362,198 at June 30, 2011 and $338,010 at December 31, 2010)	295,672	286,563
Goodwill	591,636	571,796
Other intangibles, net	299,721	289,588
Other assets	66,123	50,614
Total assets	$ 2,185,553	$ 2,027,098
Liabilities and Stockholders Equity		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	$ 38,010	$ 37,228
Accounts payable	206,796	143,331
Accrued liabilities	203,689	179,041
Total current liabilities	448,495	359,600
Long-term debt, less current maturities	148,308	250,682
Postretirement benefits other than pensions	13,110	13,678
Deferred income taxes	64,101	62,157
Other liabilities	145,952	151,308
Total liabilities	819,966	837,425
Stockholders equity:		
Common stock, $0.01 par value; 100,000,000 shares authorized; 52,315,578 and 52,181,335 shares outstanding at June 30, 2011 and December 31, 2010, respectively	597	595
Capital in excess of par value	603,165	591,988

Retained earnings	827,059	705,699
Accumulated other comprehensive income	110,765	61,425
Treasury stock at cost; 7,344,984 and 7,268,653 shares at June 30, 2011 and December 31, 2010, respectively	(188,869)	(182,544)
Total Gardner Denver stockholders equity	1,352,717	1,177,163
Noncontrolling interests	12,870	12,510
Total stockholders equity	1,365,587	1,189,673
Total liabilities and stockholders equity	$ 2,185,553	$ 2,027,098

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

Table of Contents

GARDNER DENVER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash Flows From Operating Activities		
Net income	$ 127,595	$ 70,177
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,191	30,348
Foreign currency transaction loss (gain), net	2,589	(628)
Net loss on asset dispositions	1,140	629
Stock issued for employee benefit plans	697	1,863
Stock-based compensation expense	4,262	3,022
Excess tax benefits from stock-based compensation	(2,237)	(1,903)
Deferred income taxes	(939)	(4,754)
Changes in assets and liabilities:		
Receivables	(61,498)	(36,234)
Inventories	(47,318)	(10,762)
Accounts payable and accrued liabilities	71,059	6,629
Other assets and liabilities, net	(11,037)	9,230
Net cash provided by operating activities	114,504	67,617
Cash Flows From Investing Activities		
Capital expenditures	(20,980)	(12,338)
Disposals of property, plant and equipment	1,124	1,154
Net cash paid in business combinations	(2,325)	(8)
Net cash used in investing activities	(22,181)	(11,192)
Cash Flows From Financing Activities		
Principal payments on short-term borrowings	(10,527)	(11,804)
Proceeds from short-term borrowings	5,886	12,984
Principal payments on long-term debt	(186,309)	(43,410)
Proceeds from long-term debt	82,575	8,016
Proceeds from stock option exercises	4,918	9,712
Excess tax benefits from stock-based compensation	2,237	1,903
Purchase of treasury stock	(6,169)	(17,864)
Cash dividends paid	(5,237)	(5,246)
Acquisition of noncontrolling interests	(18,806)	
Other	(1,024)	(996)
Net cash used in financing activities	(132,456)	(46,705)

Effect of exchange rate changes on cash and cash equivalents	4,451	(8,318)
Net (decrease) increase in cash and cash equivalents	(35,682)	1,402
Cash and cash equivalents, beginning of year	157,029	109,736
Cash and cash equivalents, end of period	$ 121,347	$ 111,138

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

5

GARDNER DENVER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share amounts and amounts described in millions)
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Gardner Denver, Inc. and its majority-owned subsidiaries (collectively referred to herein as Gardner Denver or the Company). Certain prior year balance sheet items have been reclassified to conform to the current year presentation. In consolidation, all significant intercompany transactions and accounts have been eliminated.

The financial information presented as of any date other than December 31, 2010 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 (GAAP) 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 GAAP for complete financial statements. In the opinion of management, the condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of such financial statements.

The unaudited interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements and notes thereto included in Gardner Denver s Annual Report on Form 10-K for the year ended December 31, 2010.

The results of operations for the six-month period ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year. The balance sheet at December 31, 2010 has been derived from the audited financial statements as of that date but does not include all of the information and notes required by GAAP for complete financial statements.

Other than as specifically indicated in these Notes to Condensed 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, 2010.

New Accounting Standards

Recently Adopted Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-13, *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements a consensus of the FASB Emerging Issues Task Force* (ASU 2009-13). ASU 2009-13 updates the existing multiple-element revenue arrangements guidance currently included under FASB Accounting Standards

Table of Contents

Codification (ASC) 605-25, *Revenue Recognition, Multiple-Element Arrangements*. The revised guidance primarily provides two significant changes: (i) eliminates the need for objective and reliable evidence of fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and (ii) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance expands the disclosure requirements for revenue recognition. ASU 2009-13 was effective for fiscal years beginning on or after June 15, 2010. Adoption of this guidance in the first quarter of 2011 did not have a material effect on the Company s results of operations, financial position and cash flows.

In January 2010, the FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements* (ASU 2010-06). This update requires the following new disclosures: (i) the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and a description of the reasons for the transfers; and (ii) a reconciliation for fair value measurements using significant unobservable inputs (Level 3), including separate information about purchases, sales, issuance, and settlements. The update also clarifies existing requirements about fair value measurement disclosures and disclosures about inputs and valuation techniques. The new disclosures and clarifications of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the reconciliation of Level 3 activity, which was effective for the Company in the first quarter of 2011. See Note 11 Hedging Activities and Fair Value Measurements for the disclosures required by ASU 2010-06. Adoption of this guidance had no effect on the Company s results of operations, financial position and cash flows.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) Presentation of Comprehensive Income* (ASU 2011-05). This update requires that the components of net income, the components of other comprehensive income and the total of comprehensive income be presented as a single continuous financial statement or in two separate but consecutive statements. The option of presenting other comprehensive income in the statement of stockholders equity is eliminated. This update also requires the presentation on the face of the financial statements of reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statements where the components of net income and the components of other comprehensive income are presented. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

Note 2. Restructuring

In 2008, 2009 and 2010, the Company announced restructuring plans designed to address (i) rationalization of the Company s manufacturing footprint, (ii) slowing global economic growth and the resulting deterioration in the Company s end markets, (iii) integration of CompAir Holdings Limited (CompAir) into its existing operations and (iv) additional cost reductions and margin improvement initiatives. These plans included the closure and consolidation of manufacturing facilities in Europe and the U.S., and various voluntary and involuntary employee termination and relocation programs. Execution of these plans was substantively completed during 2010. The Company recorded additional charges during the six-month period of 2011 in connection with the continued rationalization of facilities and other cost reduction initiatives. Charges recorded in connection with these plans, in accordance with FASB ASC 420, *Exit or Disposal Cost Obligations* and FASB ASC 712, *Compensation-Nonretirement Postemployment Benefits*, are included in Other operating expense, net in the Condensed Consolidated Statements of Operations, and are summarized for the fiscal years ended December 31, 2009 and 2010 and the six-month period ended June 30, 2011 by reportable segment as follows:

Table of Contents

	Industrial Products Group	Engineered Products Group	Total
Fiscal year 2009	$ 25,791	$ 20,335	$ 46,126
Fiscal year 2010	3,687	(1,491)	2,196
Six months ended June 30, 2011	3,571	392	3,963
Total	$ 33,049	$ 19,236	$ 52,285

The following table summarizes the activity in the restructuring accrual accounts:

	Termination Benefits	Other	Total
Balance as of December 31, 2010	$ 4,593	$ 1,450	$ 6,043
Charged to expense	3,279	684	3,963
Paid	(4,333)	(1,193)	(5,526)
Other, net	667	40	707
Balance as of June 30, 2011	$ 4,206	$ 981	$ 5,187

Note 3. Inventories

Inventories as of June 30, 2011 and December 31, 2010 consisted of the following:

	June 30, 2011	December 31, 2010
Raw materials, including parts and subassemblies	$ 199,511	$ 163,192
Work-in-process	54,315	38,419
Finished goods	61,731	54,898
	315,557	256,509
Excess of FIFO costs over LIFO costs	(16,087)	(15,024)
Inventories, net	$ 299,470	$ 241,485

Table of Contents

Note 4. 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, 2011, and the year ended December 31, 2010, and cumulative impairment charges are presented in the table below:

	Industrial Products Group	Engineered Products Group	Total
Balance as of December 31, 2009	$ 256,824	$ 321,190	$ 578,014
Acquisitions		5,202	5,202
Foreign currency translation	(6,740)	(4,680)	(11,420)
Balance as of December 31, 2010	250,084	321,712	571,796
Foreign currency translation	9,126	10,714	19,840
Balance as of June 30, 2011	$ 259,210	$ 332,426	$ 591,636
Cumulative goodwill impairment charges (1)	$ 252,533	$	$ 252,533

(1) Based on exchange rates at the date of the charge.

The $5.2 million increase in goodwill related to acquisitions in 2010 was associated with the valuation of ILMVAC GmbH (ILMVAC).

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

	June 30, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer lists and relationships	$ 126,701	$ (35,658)	$ 118,844	$ (29,973)
Acquired technology	101,235	(57,678)	94,689	(53,224)
Trade names	58,528	(10,094)	55,320	(8,621)
Other	7,110	(3,962)	7,344	(3,424)
Unamortized intangible assets:				
Trade names	113,539		108,633	
Total other intangible assets	$ 407,113	$ (107,392)	$ 384,830	$ (95,242)

Table of Contents

Amortization of intangible assets for the three and six-month periods ended June 30, 2011 and 2010 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Intangible asset amortization expense	$ 4,510	$ 4,249	$ 8,851	$ 8,788

Amortization of intangible assets held as of June 30, 2011 is anticipated to be approximately $17.0 million annually in 2012 through 2015 based upon exchange rates as of June 30, 2011. The increase in the carrying amount of identifiable assets other than goodwill between December 31, 2010 and June 30, 2011 was due primarily to the effect of changes in foreign currency exchange rates and the acquisition of certain technology during the second quarter of 2011.

Note 5. Accrued Liabilities

Accrued liabilities as of June 30, 2011 and December 31, 2010 consisted of the following:

	June 30, 2011	December 31, 2010
Salaries, wages and related fringe benefits	$ 57,751	$ 50,540
Taxes	32,977	25,367
Advance payments on sales contracts	43,689	39,026
Product warranty	23,531	19,100
Other	45,741	45,008
Total accrued liabilities	$ 203,689	$ 179,041

A reconciliation of the changes in the accrued product warranty liability for the three and six-month periods ended June 30, 2011 and 2010 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Balance at beginning of period	$ 21,033	$ 18,134	$ 19,100	$ 19,312
Product warranty accruals	8,234	5,360	14,966	10,950
Settlements	(5,964)	(5,784)	(11,272)	(11,985)
Effect of foreign currency translation	228	(704)	737	(1,271)
Balance at end of period	$ 23,531	$ 17,006	$ 23,531	$ 17,006

Table of Contents

Note 6. 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, 2011 and 2010:

	Three Months Ended June 30,					
	Pension Benefits				Other Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2011	2010	2011	2010	2011	2010
Service cost	$	$	$ 276	$ 252	$ 8	$ 4
Interest cost	897	965	3,066	2,808	193	249
Expected return on plan assets	(1,054)	(885)	(2,829)	(2,509)		
Recognition of:						
Unrecognized prior service cost			10	6	(15)	(25)
Unrecognized net actuarial loss (gain)	308	359	224	238	(318)	(325)
FASB ASC 715-30 curtailment gain						
Total net periodic benefit cost (income)	$ 151	$ 439	$ 747	$ 795	$ (132)	$ (97)

	Six Months Ended June 30,					
	Pension Benefits				Other Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
	2011	2010	2011	2010	2011	2010
Service cost	$	$	$ 538	$ 524	$ 15	$ 8
Interest cost	1,794	1,930	6,036	5,772	386	498
Expected return on plan assets	(2,108)	(1,770)	(5,586)	(5,134)		
Recognition of:						
Unrecognized prior service cost			19	12	(30)	(50)
Unrecognized net actuarial loss (gain)	616	718	443	494	(636)	(650)
FASB ASC 715-30 curtailment gain				(837)		
Total net periodic benefit cost (income)	$ 302	$ 878	$ 1,450	$ 831	$ (265)	$ (194)

Table of Contents

Note 7. Debt

The Company s debt at June 30, 2011 and December 31, 2010 is summarized as follows:

	June 30, 2011	December 31, 2010
Short-term debt	$ 2,951	$ 7,440
Long-term debt:		
Credit Line, due 2013 (1)	$ 35,000	$
Term Loan, denominated in U.S. dollars (USD), due 2013 (2)	68,077	75,000
Term Loan, denominated in euros (EUR), due 2013 (3)	64,233	65,250
Senior Subordinated Notes at 8%, due 2013 (4)		125,000
Secured Mortgages (5)	7,610	7,322
Capitalized leases and other long-term debt	8,447	7,898
Total long-term debt, including current maturities	183,367	280,470
Current maturities of long-term debt	35,059	29,788
Total long-term debt, less current maturities	$ 148,308	$ 250,682

(1) The loans under this facility may be denominated in USD or several foreign currencies. The interest rates under the facility are based on prime, federal funds and/or LIBOR for the applicable currency. At June 30, 2011, the applicable rate was 1.8% and averaged 2.1% for the six-month period ended June 30, 2011.

(2) The interest rate for this loan varies with prime, federal funds and/or LIBOR. At June 30, 2011, the applicable rate was 2.2% and averaged 2.3% for the six-month period ended June 30, 2011.

(3) The interest rate for this loan varies with LIBOR. At June 30, 2011, this rate was 3.2% and averaged 3.0% for the six-month period ended June 30, 2011.

(4) On May 2, 2011, the Company redeemed all $125.0 million in aggregate principal amount outstanding of its Senior Subordinated Notes at 8%, plus accrued and unpaid interest. As a result, the Company wrote off $834 of unamortized debt issue cost.

(5) This amount consists of two fixed-rate commercial loans with an outstanding balance of 5,248 at June 30, 2011. The loans are secured by the Company s facility in Bad Neustadt, Germany.

Table of Contents

Note 8. Stock-Based Compensation

The following table summarizes the total stock-based compensation expense included in the consolidated statements of operations and the realized excess tax benefits included in the consolidated statements of cash flows for the three and six-month periods ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Selling and administrative expenses	$ 1,928	$ 1,165	$ 4,262	$ 3,022
Total stock-based compensation expense included in operating expenses	$ 1,928	$ 1,165	$ 4,262	$ 3,022
Income before income taxes	(1,928)	(1,165)	(4,262)	(3,022)
Provision for income taxes	573	357	1,232	964
Net income	$ (1,355)	$ (808)	$ (3,030)	$ (2,058)
Net cash provided by operating activities	$ (724)	$ (414)	$ (2,237)	$ (1,903)
Net cash used in financing activities	$ 724	$ 414	$ 2,237	$ 1,903

Stock Option Awards

A summary of the Company s stock option activity for the six-month period ended June 30, 2011 is presented in the following table (underlying shares in thousands):

	Shares	**Outstanding Weighted-Average Exercise Price (per share)**	**Aggregate Intrinsic Value**	**Weighted-Average Remaining Contractual Life**
Outstanding at December 31, 2010	863	$ 32.69		
Granted	179	$ 76.34		
Exercised	(160)	$ 30.75		
Forfeited	(25)	$ 47.01		
Expired or canceled		$		
Outstanding at June 30, 2011	857	$ 41.65	$ 36,346	4.6 years
Exercisable at June 30, 2011	456	$ 32.03	$ 23,749	3.5 years

The aggregate intrinsic value was calculated as the difference between the exercise price of the underlying stock options and the quoted closing price of the Company s common stock at June 30, 2011 multiplied by the number of in-the-money stock options. The following table presents certain other information about the Company s stock options:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Weighted-average estimated grant-date fair value of employee stock options granted (per share)	$ 28.96		$ 28.23	
Total pre-tax intrinsic value of stock options exercised	$ 2,903	$ 1,897	$ 7,435	$ 8,230
Pre-tax unrecognized compensation expense, net of estimated forfeitures as of June 30, 2011			$ 5,115	
Weighted-average period (in years) to be recognized as expense			2.1	

Valuation Assumptions

The fair value of each stock option grant under the Company s Amended and Restated Long-Term Incentive Plan was estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average assumptions used for the periods indicated are noted in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Assumptions:				
Risk-free interest rate	1.4%	1.7%	1.9%	2.3%
Dividend yield	0.2%	0.5%	0.3%	0.5%
Volatility factor	45	46	44	43
Expected life (in years)	3.8	3.8	4.3	4.7

Restricted Share Awards

A summary of the Company s restricted share award activity for the six-month period ended June 30, 2011 is presented in the following table (underlying shares in thousands):

	Shares	Weighted-Average Grant-Date Fair Value (per share)
Nonvested at December 31, 2010	161	$ 35.13
Granted	43	$ 77.81
Vested	(41)	$ 38.08
Forfeited	(9)	$ 39.86
Nonvested at June 30, 2011	154	$ 46.09

Table of Contents

The restricted shares granted in the six-month period ended June 30, 2011 were valued at the market close price of the Company s common stock on the date of grant. The following table presents certain other information about the Company s restricted share awards:

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Total fair value of awards vested during the period	$ 3,035	$ 843
Pre-tax unrecognized compensation expense, net of estimated forfeitures as of June 30, 2011	$ 3,770	
Weighted-average period (in years) to be recognized as expense	2.2	

Note 9. Stockholders Equity and Earnings Per Share

In November 2008, the Company s Board of Directors authorized a share repurchase program to acquire up to 3.0 million shares of the Company s outstanding common stock. During the six-month period ended June 30, 2011, the Company repurchased 72 thousand shares under this program at a total cost of $5.3 million.

The following table details the calculation of basic and diluted earnings per common share, and antidilutive equity-based awards outstanding not included in the computation of diluted earnings per common share, for the three and six-month periods ended June 30, 2011 and 2010 (shares in thousands):

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net income attributable to Gardner Denver	$ 67,121	$ 37,334	$ 126,599	$ 69,292
Weighted average shares of common stock outstanding:				
Basic	52,285	52,399	52,246	52,275
Effect of stock-based compensation awards	399	403	416	421
Diluted	52,684	52,802	52,662	52,696
Earnings Per Share:				
Basic	$ 1.28	$ 0.71	$ 2.42	$ 1.33
Diluted	$ 1.27	$ 0.71	$ 2.40	$ 1.31
Antidilutive equity-based awards outstanding	147	245	105	207

On April 20, 2011, the Company announced that it had reached an agreement with the minority shareholders of its two joint ventures in China, Shanghai CompAir Compressor Co. Ltd. and Shanghai CompAir-Dalong High Pressure Equipment Co. Ltd., to acquire all of their equity interests in these entities, representing 49 percent and 40 percent of the two entities, respectively. The purchase price of RMB 122.0 million (approximately $18.8 million based on exchange rates at the date of payment) was placed by the Company into escrow with the Shanghai United Assets and Equity Exchange during the second quarter of 2011 pending finalization of certain

Chinese governmental approvals, and was recorded as a cash outflow from financing activities in the consolidated statements of cash flows. The transaction is currently expected to close during the third quarter of 2011 and will be accounted for by the Company as an equity transaction, at which time the non-controlling interests associated with these two joint ventures will be eliminated from the consolidated statements of operations and balance sheet.

Note 10. Accumulated Other Comprehensive Income (Loss)

The Company s other comprehensive income (loss) consists of (i) unrealized foreign currency net gains and losses on the translation of the assets and liabilities of its foreign operations, (ii) realized and unrealized foreign currency gains and losses on intercompany notes of a long-term nature and certain hedges of foreign subsidiaries, (iii) unrealized gains and losses on cash flow hedges (consisting of interest rate swaps), net of income taxes, and (iv) pension and other postretirement prior service cost and actuarial gains or losses, net of income taxes.

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

	Cumulative Currency Translation Adjustment[(1)]	Foreign Currency Gains (Losses)	Unrealized Gains (Losses) on Cash Flow Hedges	Pension and Postretirement Benefit Plans	Accumulated Other Comprehensive Income
Balance at December 31, 2009	$ 134,573	$ (21,319)	$ (250)	$ (30,490)	$ 82,514
Before tax (loss) income	(38,820)	8,920	(706)	287	(30,319)
Income tax effect		297	268	(84)	481
Other comprehensive (loss) income	(38,820)	9,217	(438)	203	(29,838)
Balance at March 31, 2010	95,753	(12,102)	(688)	(30,287)	52,676
Before tax (loss) income	(47,788)	664	(495)	260	(47,359)
Income tax effect		(649)	188	(75)	(536)
Other comprehensive (loss) income	(47,788)	15	(307)	185	(47,895)
Balance at June 30, 2010	$ 47,965	$ (12,087)	$ (995)	$ (30,102)	$ 4,781
Balance at December 31, 2010	$ 69,282	$ 19,095	$ (933)	$ (26,019)	$ 61,425
Before tax income (loss)	31,245	3,524	404	(669)	34,504
Income tax effect		(434)	(154)	(71)	(659)
Other comprehensive income (loss)	31,245	3,090	250	(740)	33,845
Balance at March 31, 2011	100,527	22,185	(683)	(26,759)	95,270
Before tax income (loss)	17,711	(2,403)	(23)	136	15,421
Income tax effect		99	9	(34)	74
	17,711	(2,304)	(14)	102	15,495

Other comprehensive income (loss)										
Balance at June 30, 2011	$	118,238	$	19,881	$	(697)	$	(26,657)	$	110,765

(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 comprehensive income (loss) for the three and six-month periods ended June 30, 2011 and 2010 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income attributable to Gardner Denver	$ 67,121	$ 37,334	$ 126,599	$ 69,292
Other comprehensive income (loss)	15,495	(47,895)	49,340	(77,733)
Comprehensive income (loss) attributable to Gardner Denver	82,616	(10,561)	175,939	(8,441)
Net income attributable to noncontrolling interests	575	590	996	885
Other comprehensive income (loss)	196	(86)	388	(809)
Comprehensive income attributable to noncontrolling interests	771	504	1,384	76
Total comprehensive income (loss)	$ 83,387	$ (10,057)	$ 177,323	$ (8,365)

Note 11. Hedging Activities and Fair Value Measurements

Hedging Activities

The Company is exposed to certain market risks during the normal course of its business arising from adverse changes in commodity prices, interest rates, and foreign currency exchange rates. The Company s exposure to these risks is managed through a combination of operating and financing activities. The Company selectively uses derivative financial instruments (derivatives), including foreign currency forward contracts and interest rate swaps, to manage the risks from fluctuations in foreign currency exchange rates and interest rates, respectively. The Company does not purchase or hold derivatives for trading or speculative purposes. Fluctuations in commodity prices, interest rates, and foreign currency exchange rates can be volatile, and the Company s risk management activities do not totally eliminate these risks. Consequently, these fluctuations could have a significant effect on the Company s financial results.

The Company s exposure to interest rate risk results primarily from its borrowings of $186.3 million at June 30, 2011. The Company manages its debt centrally, considering tax consequences and its overall financing strategies. The Company manages its exposure to interest rate risk by maintaining a mixture of fixed and variable rate debt and, from time to time, uses pay-fixed interest rate swaps as cash flow hedges of variable rate debt in order to adjust the relative proportions.

A substantial portion of the Company s operations is conducted by its subsidiaries outside of the U.S. in currencies other than the USD. Almost all of the Company s non-U.S. subsidiaries conduct their business primarily in their local currencies, which are also their functional currencies. The USD, EUR, British pound sterling (GBP), and Chinese yuan (CNY) are the principal currencies in which the Company and its subsidiaries enter into transactions. The Company is exposed to the impacts of changes in foreign currency exchange rates on the translation of its non-U.S. subsidiaries assets, liabilities, and earnings into USD. The Company partially offsets these exposures by having certain of its non-U.S. subsidiaries act as the obligor on a portion of its borrowings and by denominating such borrowings, as well as a portion of the borrowings for which the Company is the obligor, in currencies other than the USD.

Table of Contents

The Company and its subsidiaries are also subject to the risk that arises when they, from time to time, enter into transactions in currencies other than their functional currency. To mitigate this risk, the Company and its subsidiaries typically settle intercompany trading balances monthly. The Company also selectively uses forward currency contracts to manage this risk. These contracts for the sale or purchase of European and other currencies generally mature within one year.

In accordance with FASB ASC 815, *Derivatives and Hedging* (FASB ASC 815), the Company records its derivatives as assets or liabilities on the balance sheet at fair value. Changes in the fair value of derivatives are recognized either in net income or in other comprehensive income, depending on the designated purpose of the derivative. All cash flows associated with derivatives are classified as operating cash flows in the Condensed Consolidated Statements of Cash Flows. It is the Company s policy not to speculate in derivative instruments.

Fluctuations due to changes in foreign currency exchange rates in the value of non-USD borrowings that have been designated as hedges of the Company s net investment in foreign operations are included in other comprehensive income.

The following tables summarize the notional amounts, fair values and classification of the Company s outstanding derivatives by risk category and instrument type within the Condensed Consolidated Balance Sheets:

		June 30, 2011		
	Balance Sheet Location	Notional Amount(1)	Asset Derivatives Fair Value(1)	Liability Derivatives Fair Value(1)
Derivatives designated as hedging instruments under FASB ASC 815				
Interest rate swap contracts	Other liabilities	$ 79,002	$	$ 1,172
Derivatives not designated as hedging instruments under FASB ASC 815				
Foreign currency forwards	Current assets	$ 10,389	$ 620	$
Foreign currency forwards	Current liabilities	$ 87,788	$ 499	$ 2,774

Table of Contents

	December 31, 2010			
		Notional	Asset Derivatives	Liability Derivatives
	Balance Sheet Location	Amount[1]	Fair Value[1]	Fair Value[1]
Derivatives designated as hedging instruments under FASB ASC 815				
Interest rate swap contracts	Other liabilities	$ 76,742	$	$ 1,560
Derivatives not designated as hedging instruments under FASB ASC 815				
Foreign currency forwards	Accrued liabilities	$ 113,871	$ 709	$ 1,884

(1) Notional amounts represent the gross contract amounts of the outstanding derivatives excluding the total notional amount of positions that have been effectively closed through offsetting positions. The net gains and net losses associated with positions that have been effectively closed through offsetting positions but not yet settled are included in the asset and liability derivatives fair value columns, respectively.

Gains and losses on derivatives designated as cash flow hedges in accordance with FASB ASC 815 included in the Condensed Consolidated Statements of Operations for the three and six-month periods ended June 30, 2011 and 2010, respectively, are as presented in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Interest rate swap contracts [1]				
Amount of gain or (loss) recognized in AOCI on derivatives (effective portion)	$ (292)	$ (825)	$ (170)	$ (1,912)
Amount of gain or (loss) reclassified from AOCI into income (effective portion)	(269)	(330)	(551)	(711)
Amount of gain or (loss) recognized in income on derivatives (ineffective portion and amount excluded from effectiveness testing)		(5)	(1)	(5)

(1) Losses on derivatives reclassified from accumulated other comprehensive income (AOCI) into income (effective portion) were included in the interest expense line on the face of the Condensed Consolidated Statements of Operations.

At June 30, 2011, the Company is the fixed rate payor on three interest rate swap contracts that effectively fix the LIBOR-based index used to determine the interest rates charged on a total of $50.0 million and 20.0 million of the Company s LIBOR-based variable rate borrowings. These contracts carry fixed rates ranging from 1.8% to 2.2% and have expiration dates ranging from 2012 to 2013. These swap agreements qualify as hedging instruments and have been designated as cash flow hedges of forecasted LIBOR-based interest payments. Based on LIBOR-based swap yield curves as of June 30, 2011, the Company expects to reclassify losses of $0.8 million out of AOCI into earnings during the next 12 months. The Company s LIBOR-based variable rate borrowings outstanding at June 30, 2011 were

$68.1 million and 44.3 million.

Table of Contents

There were 44 foreign currency forward contracts outstanding as of June 30, 2011 with notional amounts ranging from $0.1 million to $11.3 million. The Company has not designated any forward contracts as hedging instruments. The majority of these contracts are used to hedge the change in fair value of recognized foreign currency denominated assets or liabilities caused by changes in foreign currency exchange rates. The changes in the fair value of these contracts generally offset the changes in the fair value of a corresponding amount of the hedged items, both of which are included in the other operating expense, net, line on the face of the Condensed Consolidated Statements of Operations. The Company s gains and (losses) on forward currency contracts outstanding and total net foreign currency gains and (losses) for the three and six-month periods ended June 30, 2011 and 2010 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Foreign currency forward contracts	$ (1,586)	$ 2,188	$ (2,005)	$ 5,360
Total net foreign currency (losses) and gains [(1)]	(1,344)	(373)	(2,589)	628

(1) See Note 13 Supplemental Information

As of June 30, 2011, the Company had designated approximately 25.5 million of its term loan denominated in EUR as a hedge of its net investment in subsidiaries with EUR functional currencies. Accordingly, changes in the fair value of this debt due to changes in the USD to EUR exchange rate have been recorded through other comprehensive income. The Company s gains and (losses), net of income tax, associated with changes in the fair value of this debt for the three and six-month periods ended June 30, 2011 and 2010, and the net balance of such gains and losses at June 30, 2011 and 2010 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
(Loss) gain, net of income tax, recorded through other comprehensive income	$ (317)	$ 1,566	$ (317)	$ 2,637
Balance included in accumulated other comprehensive income at June 30			(5,450)	(2,809)

Fair Value Measurements

The Company s financial instruments consist primarily of cash equivalents, trade receivables, trade payables, deferred compensation assets and obligations, derivatives and debt instruments. The book values of these instruments are a reasonable estimate of their respective fair values.

The following table summarizes the Company s fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

Table of Contents

	Level 1	Level 2	Level 3	Total
Financial Assets				
Foreign currency forwards (1)	$	$ 1,119	$	$ 1,119
Trading securities held in deferred compensation plan (2)	6,334			6,334
Total	$ 6,334	$ 1,119	$	$ 7,453
Financial Liabilities				
Foreign currency forwards (1)	$	$ 2,774	$	$ 2,774
Interest rate swaps (3)		1,172		1,172
Phantom stock plan (4)		6,069		6,069
Deferred compensation plan (5)	6,334			6,334
Total	$ 6,334	$ 10,015	$	$ 16,349

(1) Based on internally-developed models that use as their basis readily observable market parameters such as current spot and forward rates, and the LIBOR index.

(2) Based on the observable price of publicly traded mutual funds which, in accordance with FASB ASC 710, *Compensation General*, are classified as Trading securities and accounted for using the mark-to-market method.

(3) Measured as the present value of all expected future cash flows based on the LIBOR-based swap yield curve as of June 30, 2011. The present value calculation uses discount rates that have been adjusted to reflect the credit quality of the Company and its counterparties.

(4) Based on the price of the Company s common stock.

(5) Based on the fair value of the investments in the deferred compensation plan.

Note 12. Income Taxes

As of June 30, 2011, the total balance of unrecognized tax benefits was $4.1 million compared with $4.5 million at December 31, 2010. The decrease in unrecognized tax benefits was primarily due to expiring statutes of limitations in Germany and other jurisdictions, and the settlement of the 2003 and 2004 tax audits in Germany and certain items related to the 2005 audit. The unrecognized tax benefits at June 30, 2011 include $4.1 million of uncertain tax positions that would affect the Company s effective tax rate if recognized, of which $2.0 million would be offset by a reduction of a corresponding deferred tax asset. The Company does not expect any significant changes to its unrecognized tax benefits within the next twelve months.

The Company s accounting policy with respect to interest expense on underpayments of income tax and related penalties is to recognize such interest expense and penalties as part of the provision for income taxes. The Company s income tax liabilities at June 30, 2011 include approximately $0.7 million of accrued interest and $0.3 million of penalties.

The Company s U.S. federal income tax returns for the tax years 2008 and 2009 are under examination by the Internal Revenue Service. The examination was initiated during the quarter ended September 30, 2010. As of the date of this report, the examination has not identified any material changes. The statutes of limitations for the U.S.

state tax returns are open beginning with the 2006 tax year, except for three states for which the statutes have been extended, beginning with the 2003 tax year for one state and the 2006 tax year for the other two states.

The Company is subject to income tax in approximately 30 jurisdictions outside the U.S. The statute of limitations varies by jurisdiction. The Company s significant operations outside the U.S. are located in China, the United Kingdom and Germany. In Germany, the Company is finalizing the remaining tax audit for the 2005 tax year. Tax years 2006 and beyond remain subject to potential examination. These examinations have not identified any material changes. In China and the United Kingdom, tax years prior to 2006 are closed. In addition, audits are being conducted in certain other countries. To date, no material adjustments have been proposed as a result of these audits.

The following table summarizes the Company s income tax provision and effective income tax rate:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
Income before income taxes	$ 94,959	$ 50,527	$ 177,397	$ 92,510
Provision for income taxes	$ 27,263	$ 12,603	$ 49,802	$ 22,333
Effective income tax rate	28.7%	24.9%	28.1%	24.1%

The year over year increase in the effective tax rate primarily reflects a higher proportion of taxable income in the U.S. in 2011 compared to 2010.

Note 13. Supplemental Information

The components of other operating expense, net, and supplemental cash flow information are as follows:

	Three Months Ended June 30,		**Six Months Ended June 30**	
	2011	**2010**	**2011**	**2010**
Other Operating Expense, Net				
Foreign currency losses (gains), net	$ 1,344	$ 373	$ 2,589	$ (628)
Restructuring charges, net (1)	2,983	1,342	3,963	2,696
Other, net	1,760	1,553	1,147	(151)
Total other operating expense, net	$ 6,087	$ 3,268	$ 7,699	$ 1,917
Supplemental Cash Flow Information				
Cash taxes paid			$ 46,233	$ 25,381
Interest paid			9,544	11,329

(1) See Note 2 Restructuring.

Table of Contents

Note 14. Contingencies

The Company is a party to various legal proceedings, lawsuits and administrative actions, which are of an ordinary or routine nature for a company of its size and sector. 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 silica 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 silica 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, if any, were enclosed within the subject Products.

The Company has entered into a series of agreements with certain of its or its predecessors legacy insurers and certain potential indemnitors to secure insurance coverage and/or reimbursement for the costs associated with the asbestos and silica lawsuits filed against the Company. The Company has also pursued litigation against certain insurers or indemnitors where necessary. The latest of these actions, Gardner Denver, Inc. v. Certain Underwriters at Lloyd s, London, et al., was filed on July 9, 2010, in the Eighth Judicial District, Adams County, Illinois, as case number 10-L-48 (the Adams County Case). In the lawsuit, the Company seeks, among other things, to require certain excess insurer defendants to honor their insurance policy obligations to the Company, including payment in whole or in part of the costs associated with the asbestos lawsuits filed against the Company.

The Company believes that the pending and future asbestos and silica lawsuits are not likely to, 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 Products 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 insolvencies of insurance companies or other defendants, an adverse determination in the Adams County Case, or other inability to collect from the Company s historical insurers or indemnitors could cause a different outcome. While the outcome of legal proceedings is inherently uncertain, based on presently known facts, experience, and circumstances, the Company believes that the amounts accrued on its balance sheet are adequate and that the liabilities arising from the asbestos and silica personal injury lawsuits will not have a material adverse effect on the Company s consolidated financial position, results of operations or liquidity. In the event of unexpected future developments, it is possible that the ultimate resolution of these matters may be material to the Company s consolidated financial position, results of operations or liquidity. However, at this time, based on presently available information, the Company views this possibility as remote.

Table of Contents

The Company has been identified as a potentially responsible party (PRP) with respect to several sites designated for cleanup under U.S. federal Superfund or similar state laws that 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. 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 reasonably estimated for its remaining financial obligations for these matters. Based on currently available information, the Company does not anticipate any material 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 15. Segment Results

The Company has determined its reportable segments in accordance with FASB ASC 280, *Segment Reporting* (FASB ASC 280), and evaluates the performance of its reportable segments based on, among other measures, operating income, which is defined as income before interest expense, other expense (income), net, and income taxes. Reportable segment operating income and segment operating margin (defined as segment operating income divided by segment revenues) are indicative of short-term operating performance and ongoing profitability. Management closely monitors the operating income and operating margin of each reportable segment to evaluate past performance and actions required to improve profitability.

In the Industrial Products Group, the Company designs, manufactures, markets and services the following products and related aftermarket parts for industrial and commercial applications: rotary screw, reciprocating, and sliding vane air and gas compressors; positive displacement, centrifugal and side channel blowers; and vacuum pumps primarily serving manufacturing, transportation and general industry and selected OEM and engineered system applications. The Company also markets and services complementary ancillary products. Stationary air compressors are used in manufacturing, process applications and materials handling, and to power air tools and equipment. Blowers are used primarily in pneumatic conveying, wastewater aeration, numerous applications in industrial manufacturing and engineered vacuum systems. The markets served are primarily in Europe, the U.S. and Asia.

In the Engineered Products Group, the Company designs, manufactures, markets and services a diverse group of pumps, compressors, liquid ring vacuum pumps, water jetting and loading arm systems and related aftermarket parts. These products are used in well drilling, well servicing and production of oil and natural gas; industrial,

Table of Contents

commercial and transportation applications; and in industrial cleaning and maintenance. Liquid ring pumps are used in many different applications such as water removal, distilling, reacting, flare gas recovery, efficiency improvement, lifting and handling, and filtering, principally in the pulp and paper, industrial manufacturing, petrochemical and power industries. This segment also designs, manufactures, markets and services other engineered products and components and equipment for the chemical, petroleum and food industries. The markets served are primarily in the U.S., Europe, Canada and Asia.

The following table provides financial information by business segment for the three and six-month periods ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Industrial Products Group				
Revenues	$ 327,846	$ 268,650	$ 614,056	$ 515,044
Operating income	34,325	20,157	65,127	39,710
Operating income as a percentage of revenues	10.5%	7.5%	10.6%	7.7%
Engineered Products Group				
Revenues	$ 282,847	$ 180,869	$ 528,490	$ 356,639
Operating income	64,847	36,430	120,868	64,341
Operating income as a percentage of revenues	22.9%	20.1%	22.9%	18.0%
Reconciliation of Segment Results to Consolidated Results				
Total segment operating income	$ 99,172	$ 56,587	$ 185,995	$ 104,051
Interest expense	3,934	6,062	9,281	12,178
Other expense (income), net	279	(2)	(683)	(637)
Consolidated income before income taxes	$ 94,959	$ 50,527	$ 177,397	$ 92,510

Table of Contents

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

The following management s discussion and analysis of financial condition and results of operations should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2010, including the financial statements, accompanying notes and management s discussion and analysis of financial condition and results of operations, and the interim condensed consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q.

Operating Segments

In the Industrial Products Group, the Company designs, manufactures, markets and services the following products and related aftermarket parts for industrial and commercial applications: rotary screw, reciprocating, and sliding vane air and gas compressors; positive displacement, centrifugal and side channel blowers; and vacuum pumps primarily serving manufacturing, transportation and general industry and selected OEM and engineered system applications. The Company also markets and services complementary ancillary products. Stationary air compressors are used in manufacturing, process applications and materials handling, and to power air tools and equipment. Blowers are used primarily in pneumatic conveying, wastewater aeration, numerous applications in industrial manufacturing and engineered vacuum systems. The markets served are primarily in Europe, the U.S. and Asia.

In the Engineered Products Group, the Company designs, manufactures, markets and services a diverse group of pumps, compressors, liquid ring vacuum pumps, water jetting and loading arm systems and related aftermarket parts. These products are used in well drilling, well servicing and production of oil and natural gas; industrial, commercial and transportation applications; and in industrial cleaning and maintenance. Liquid ring pumps are used in many different applications such as water removal, distilling, reacting, flare gas recovery, efficiency improvement, lifting and handling, and filtering, principally in the pulp and paper, industrial manufacturing, petrochemical and power industries. This segment also designs, manufactures, markets and services other engineered products and components and equipment for the chemical, petroleum and food industries. The markets served are primarily in the U.S., Europe, Canada and Asia.

The Company has determined its reportable segments in accordance with FASB ASC 280 and evaluates the performance of its reportable segments based on, among other measures, operating income, which is defined as income before interest expense, other expense (income), net, and income taxes. Reportable segment operating income and segment operating margin (defined as segment operating income divided by segment revenues) are indicative of short-term operating performance and ongoing profitability. Management closely monitors the operating income and operating margin of each business segment to evaluate past performance and identify actions required to improve profitability. See Note 15 Segment Results in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

To supplement the Company s financial information presented in accordance with GAAP, management, from time to time, uses additional measures to clarify and enhance understanding of past performance and prospects for the future. These measures may exclude, for example, the impact of unique and infrequent items or items outside

Table of Contents

of management s control (e.g. foreign currency exchange rates). Such measures are provided in addition to and should not be considered to be a substitute for, or superior to, the comparable measure under GAAP.

Results of Operations

Performance during the Quarter Ended June 30, 2011 Compared with the Quarter Ended June 30, 2010

Revenues

Revenues increased $161.2 million, or 36%, to $610.7 million in the three-month period ended June 30, 2011, compared to $449.5 million in the three-month period ended June 30, 2010. This increase was attributable to higher volume in both segments ($110.3 million, or 25%), favorable changes in foreign currency exchange rates ($36.0 million, or 8%) price increases ($10.8 million, or 2%), and the acquisition of ILMVAC in the third quarter of 2010 ($4.1 million, or 1%).

Revenues in the Industrial Products Group increased $59.2 million, or 22%, to $327.8 million in the second quarter of 2011, compared to $268.6 million in the second quarter of 2010. This increase reflects higher volume (11%), favorable changes in foreign currency exchange rates (9%) and price increases (2%). The volume increase was attributable to ongoing improvement in demand for OEM products, compressors and aftermarket parts and services on a global basis. Strong growth was experienced in all major geographic regions.

Revenues in the Engineered Products Group increased $101.9 million, or 56%, to $282.8 million in the second quarter of 2011, compared to $180.9 million in the second quarter of 2010. This increase reflects higher volume (45%), favorable changes in foreign currency exchange rates (6%), price increases (3%) and the acquisition of ILMVAC (2%). The volume increase reflected strong demand for drilling and well servicing pumps, engineered packages, medical OEM products and loading arms.

Gross Profit

Gross profit increased $58.7 million, or 39%, to $210.3 million in the three-month period ended June 30, 2011, compared to $151.6 million in the three-month period ended June 30, 2010, and as a percentage of revenues was 34.4% in 2011, compared to 33.7% in 2010. The increase in gross profit primarily reflects the volume increases discussed above, favorable product mix, cost reductions and favorable changes in foreign currency exchange rates. The improvement in gross profit as a percentage of revenues was due primarily to the benefits of operational improvements, cost reductions, volume leverage and favorable product mix.

Selling and Administrative Expenses

Selling and administrative expenses increased $13.3 million, or 14%, to $105.0 million in the second quarter of 2011, compared to $91.7 million in the second quarter of 2010. This increase reflects unfavorable changes in foreign currency exchange rates ($7.2 million), higher compensation and benefit expenses and the acquisition of ILMVAC ($0.9 million), partially offset by cost reductions. As a percentage of revenues, selling and administrative expenses improved to 17.2% in the second quarter of 2011 compared to 20.4% in the second quarter of 2010, primarily as a result of cost reductions and leverage from higher revenues.

Other Operating Expense, Net

Other operating expense, net, was $6.1 million in the second quarter of 2011 and $3.3 million in the second quarter of 2010. Net foreign currency losses of $1.3 million recorded in the second quarter of 2011 reflected the effect of the weakening of the USD against primarily the EUR and GBP on the Company s financial instruments denominated in the EUR and GBP, and compare with net losses of $0.4 million in the second quarter of 2010. Restructuring charges of $3.0 million in the second quarter of 2011 were primarily associated with facility consolidations in Europe and compare with charges of $1.3 million recorded in the second quarter of 2010.

Operating Income

Operating income of $99.2 million in the second quarter of 2011 increased $42.6 million, or 75%, compared to $56.6 million in the second quarter of 2010. Operating income as a percentage of revenues in the second quarter of 2011 was 16.2% compared to 12.6% in the second quarter of 2010. This improvement was due primarily to incremental profitability on revenue growth, favorable product mix and the benefits of operational improvements previously implemented. Charges associated with profit improvement initiatives and other items totaled $5.2 million, or 0.9% of revenues, in 2011 and $1.8 million, or 0.4% of revenues, in 2010.

The Industrial Products Group generated segment operating income and segment operating margin of $34.3 million and 10.5%, respectively, in the second quarter of 2011, compared to $20.2 million and 7.5%, respectively, in the second quarter of 2010 (see Note 15 Segment Results in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a reconciliation of segment operating income to consolidated income before tax). The year over year improvement in operating income and operating margin was primarily attributable to incremental profit on revenue growth and cost reductions. Charges associated with profit improvement initiatives and other items totaled $4.1 million, or 1.2% of revenues, in 2011 and $3.0 million, or 1.1% of revenues, in 2010.

The Engineered Products Group generated segment operating income and segment operating margin of $64.8 million and 22.9%, respectively, in the second quarter of 2011, compared to $36.4 million and 20.1%, respectively, in the second quarter of 2010 (see Note 15 Segment Results in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a reconciliation of segment operating income to consolidated income before tax). The year over year improvement in operating income and operating margin was primarily attributable to incremental profit on revenue growth, favorable product mix and cost reductions. Charges associated with profit improvement initiatives and other items totaled $1.1 million, or 0.4% of revenues, in 2011 and a credit of $1.2 million, or 0.6% of revenues, in 2010.

Interest Expense

Interest expense of $3.9 million in the second quarter of 2011 decreased $2.2 million from $6.1 million in the second quarter of 2010 due to lower average borrowings and a lower weighted average interest rate. The year over year reduction in borrowings was primarily due to the redemption in the second quarter of 2011 of all $125.0

million in aggregate principal of the Company s outstanding 8% Senior Subordinated Notes due in 2013 (the Senior Subordinated Notes). The weighted average interest rate, including the amortization of debt issuance costs, decreased to 6.0% in the second quarter of 2011 compared to 7.3% in the second quarter of 2010, also due primarily to the redemption of the Senior Subordinated Notes.

Provision for Income Taxes

The provision for income taxes was $27.3 million and the effective tax rate was 28.7% in the second quarter of 2011, compared to $12.6 million and 24.9%, respectively, in the second quarter of 2010. The year over year increase in the provision reflects higher taxable income, and the increase in the effective tax rate primarily reflects a higher proportion of taxable income in the U.S. in 2011 compared to 2010.

Net Income Attributable to Gardner Denver

Net income attributable to Gardner Denver of $67.1 million and diluted earnings per share (DEPS) of $1.27 in the second quarter of 2011 compares with net income attributable to Gardner Denver and DEPS of $37.3 million and $0.71, respectively, in the second quarter of 2010. This improvement reflects the net effect of the operating income, interest expense and income tax factors discussed above. Results in the second quarter of 2011 included charges for profit improvement initiatives and other items totaling $3.7 million after income taxes, or $0.08 on a diluted per share basis. Results in the second quarter of 2010 included net charges for profit improvement initiatives and other items totaling $1.3 million after income taxes, or $0.02 on a diluted per share basis.

Performance during the Six Months Ended June 30, 2011 Compared with the Six Months Ended June 30, 2010

Revenues

Revenues increased $270.8 million, or 31%, to $1,142.5 million in the six-month period ended June 30, 2011, compared to $871.7 million in the six-month period ended June 30, 2010. This increase was attributable to higher volume in both segments ($199.8 million, or 23%), favorable changes in foreign currency exchange rates ($42.7 million, or 5%) price increases ($19.8 million, or 2%), and the acquisition of ILMVAC in the third quarter of 2010 ($8.5 million, or 1%).

Revenues in the Industrial Products Group increased $99.1 million, or 19%, to $614.1 million in the six-month period of 2011, compared to $515.0 million in the six-month period of 2010. This increase reflects higher volume (12%), favorable changes in foreign currency exchange rates (5%) and price increases (2%). The volume increase was attributable to improved demand for OEM products, compressors and aftermarket parts and services on a global basis. Strong growth was experienced in all major geographic regions.

Revenues in the Engineered Products Group increased $171.9 million, or 48%, to $528.5 million in the six-month period of 2011, compared to $356.6 million in the six-month period of 2010. This increase reflects higher volume (39%), favorable changes in foreign currency exchange rates (4%), price increases (3%) and the acquisition of ILMVAC (2%). The volume increase reflected strong demand for engineered packages, medical OEM products, drilling and well servicing pumps and loading arms.

Gross Profit

Gross profit increased $109.3 million, or 38%, to $394.7 million in the six-month period ended June 30, 2011, compared to $285.4 million in the six-month period ended June 30, 2010, and as a percentage of revenues was 34.5% in 2011, compared to 32.7% in 2010. The increase in gross profit primarily reflects the volume increases discussed above, favorable product mix, cost reductions and favorable changes in foreign currency exchange rates. The improvement in gross profit as a percentage of revenues was due primarily to the benefits of operational improvements, cost reductions, volume leverage and favorable product mix.

Selling and Administrative Expenses

Selling and administrative expenses increased $21.6 million, or 12%, to $201.0 million in the six-month period ended June 30, 2011, compared to $179.4 million in the six-month period ended June 30, 2010. This increase reflects unfavorable changes in foreign currency exchange rates ($8.4 million), higher compensation and benefit expenses and the acquisition of ILMVAC ($1.9 million), partially offset by cost reductions. As a percentage of revenues, selling and administrative expenses improved to 17.6% in the six-month period of 2011 compared to 20.6% in the six-month period of 2010, primarily as a result of cost reductions and leverage from higher revenues.

Other Operating Expense, Net

Other operating expense, net, was $7.7 million in the six-month period ended June 30, 2011 and $1.9 million in the six-month period ended June 30, 2010. Net foreign currency losses of $2.6 million recorded in the six-month period of 2011 reflected the effect of the weakening of the USD against primarily the EUR and GBP on the Company s financial instruments denominated in the EUR and GBP. Net foreign currency gains of $0.6 million recorded in the six-month period of 2010 reflected the effect of the strengthening of the USD against those currencies during the first quarter. Restructuring charges of $4.0 million in the six-month period of 2011 were primarily associated with facility consolidations in Europe and compare with charges of $2.7 million recorded in the six-month period of 2010. Results in 2010 also reflected an insurance settlement received in the first quarter.

Operating Income

Operating income of $186.0 million in the six-month period ended June 30, 2011 increased $81.9 million, or 79%, compared to $104.1 million in the six-month period ended June 30, 2010. Operating income as a percentage of revenues in the six-month period of 2011 was 16.3% compared to 11.9% in the six-month period of 2010. This improvement was due primarily to incremental profitability on revenue growth, favorable product mix and the benefits of operational improvements previously implemented. Charges associated with profit improvement initiatives and other items totaled $6.9 million, or 0.6% of revenues, in 2011 and $2.8 million, or 0.4% of revenues, in 2010.

The Industrial Products Group generated segment operating income and segment operating margin of $65.1 million and 10.6%, respectively, in the six-month period of 2011, compared to $39.7 million and 7.7%, respectively, in the six-month period of 2010 (see Note 15 Segment Results in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a reconciliation of segment operating income to consolidated income before tax). The year over year improvement in operating income and operating margin was primarily attributable to incremental profit on revenue growth and cost reductions. Charges associated with profit improvement initiatives and other items totaled $5.5 million, or 0.9% of revenues, in 2011 and $3.9 million, or 0.8% of revenues, in 2010.

The Engineered Products Group generated segment operating income and segment operating margin of $120.9 million and 22.9%, respectively, in the six-month period of 2011, compared to $64.3 million and 18.0%, respectively, in the six-month period of 2010 (see Note 15 Segment Results in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a reconciliation of segment operating income to consolidated income before tax). The year over year improvement in operating income and operating margin was primarily attributable to incremental profit on revenue growth, favorable product mix and cost reductions. Charges associated with profit improvement initiatives and other items totaled $1.3 million, or 0.2% of revenues, in 2011 and a credit of $1.1 million, or 0.3% of revenues, in 2010.

Interest Expense

Interest expense of $9.3 million in the six-month period ended June 30, 2011 decreased $2.9 million from $12.2 million in the six-month period ended June 30, 2010 due to lower average borrowings and a lower weighted average interest rate. The year over year reduction in borrowings was primarily due to the redemption in the second quarter of 2011 of the Senior Subordinated Notes as discussed above. The weighted average interest rate, including the amortization of debt issuance costs, decreased to 6.8% in the six-month period of 2011 compared to 7.1% in the six-month period of 2010, also due primarily to the redemption of the Senior Subordinated Notes in the second quarter of 2011.

Provision for Income Taxes

The provision for income taxes was $49.8 million and the effective tax rate was 28.1% in the six-month period ended June 30, 2011, compared to $22.3 million and 24.1%, respectively, in the six-month period ended June 30, 2010. The year over year increase in the provision reflects higher taxable income, and the increase in the effective tax rate primarily reflects a higher proportion of taxable income in the U.S. in 2011 compared to 2010.

Net Income Attributable to Gardner Denver

Net income attributable to Gardner Denver of $126.6 million and DEPS of $2.40 in the six-month period ended June 30, 2011 compares with net income attributable to Gardner Denver and DEPS of $69.3 million and $1.31, respectively, in the six-month period ended June 30, 2010. This improvement reflects the net effect of the operating income, interest expense and income tax factors discussed above. Results in the six-month period of 2011 included charges for profit improvement initiatives and other items totaling $4.9 million after income taxes, or $0.10 on a diluted per share basis. Results in the six-month period of 2010 included net charges for profit improvement initiatives and other items totaling $2.2 million after income taxes, or $0.04 on a diluted per share basis.

Outlook

In general, the Company believes that demand for products in its Industrial Products Group tends to correlate with the rate of total industrial capacity utilization and the rate of change of industrial production because compressed air is often used as a fourth utility in the manufacturing process. Capacity utilization rates above 80% have historically indicated a good demand environment for industrial equipment such as compressor and vacuum products. Over longer time periods, the Company believes that demand also tends to follow economic growth patterns indicated by the rates of change in the gross domestic product around the world.

In the second quarter of 2011, orders in the Industrial Products Group increased $41.8 million, or 15%, to $323.7 million, compared to $281.9 million in the second quarter of 2010. This increase reflected on-going improvement in demand for OEM products, compressors and aftermarket parts and services, with growth realized in all major geographic regions ($17.6 million, or 6%), and the favorable effect of changes in foreign currency exchange rates ($24.2 million, or 9%). Order backlog for the Industrial Products Group increased 20% to $254.5 million as of June 30, 2011 from $211.7 million at December 31, 2010 due primarily to the growth in orders as discussed above ($32.9 million, or 15%) and the favorable effect of changes in foreign currency exchange rates ($9.9 million, or 5%). Order backlog for the Industrial Products Group as of June 30, 2011 increased 19% compared to $213.1 million as of June 30, 2010, due primarily to the growth in orders ($17.8 million, or 8%) and favorable changes in foreign currency exchange rates ($23.6 million, or 11%). The Company currently expects continued revenue growth in the Industrial Products Group as a result of healthy demand in its core end markets as well as strong growth in emerging markets such as China. It expects that global capacity utilization will remain steady in 2011, resulting in sustained levels of manufacturing spending and investment in customer plants, and that this growth will drive demand for compressors, blowers, vacuum products and opportunities for replacement parts and services.

Orders for products in the Engineered Products Group have historically corresponded to demand for petrochemical products and been influenced by prices for oil and natural gas, and rig count, among other factors, which the Company cannot predict. Revenues for Engineered Products depend more on existing backlog levels than revenues for Industrial Products. Many of these products are used in process applications, such as oil and gas refining and chemical processing, which are industries that typically experience increased demand very late in economic cycles.

Orders in the Engineered Products Group increased 43% to $313.3 million in the second quarter of 2011, compared to $218.4 million in the second quarter of 2010, due to strong demand for drilling and well servicing pumps and engineered packages ($80.8 million, or 36%), the acquisition of ILMVAC ($3.8 million, or 2%) and the favorable effect of changes in foreign currency exchange rates ($10.3 million, or 5%). Order backlog for the Engineered Products Group increased 25% to $427.2 million as of June 30, 2011 from $341.8 million at December 31, 2010 due primarily to the growth in orders ($74.1 million, or 22%) and the favorable effect of changes in foreign currency exchange rates ($11.3 million, or 3%). Order backlog for the Engineered Products Group as of June 30, 2011 increased 65% compared to $259.3 million as of June 30, 2010, primarily as a result of the growth in orders ($141.9 million, or 55%), the favorable effect of changes in foreign currency exchange rates ($24.6 million, or 9%) and the acquisition of ILMVAC ($1.4 million, or 1%).

Demand for well servicing pumps and aftermarket fluid ends continue to grow as shale activity increases, and the Company is investing in additional capacity to meet this growth. Additionally, demand for engineered packages and OEM compressors remains strong.

Order backlog consists of orders believed to be firm for which a customer purchase order has been received or communicated. However, since orders may be rescheduled or canceled, order backlog is not necessarily indicative of future revenue levels.

Liquidity and Capital Resources

Operating Working Capital

During the six-month period ended June 30, 2011, net working capital (defined as total current assets less total current liabilities) increased to $483.9 million from $468.9 million at December 31, 2010. Operating working capital (defined as accounts receivable plus inventories, less accounts payable and accrued liabilities) increased $45.8 million to $334.8 million from $289.0 million at December 31, 2010 due to higher accounts receivable ($75.9 million) and inventory ($58.0 million), partially offset by higher accounts payable ($63.5 million) and accrued liabilities ($24.6 million). The increase in accounts receivable was due primarily to higher revenues, the timing of shipments within the second quarter and the effect of changes in foreign currency exchange rates ($14.5 million). Days sales in receivables increased to 66 at June 30, 2011 from 64 at December 31, 2010 due primarily to the timing of shipments within the second quarter, and were down from 69 days at June 30, 2010. The increase in inventory primarily reflects growth attributable to increases in both orders and backlog during the first six months of 2011 and the effect of changes in foreign currency exchange rates ($10.7 million). Inventory turns were 5.3 in the second quarter of 2011, compared with 5.8 in the fourth quarter of 2010 and 5.4 in the second quarter of 2010. The impact of growth in orders and backlog on inventory turns was partially offset by productivity improvements. Inventory turns improved in the second quarter of 2011 from 4.7 in the first quarter of 2011. The increase in accounts payable and accrued liabilities was due primarily to the timing of payments to vendors, higher customer advance payments, accrued income taxes and product warranty, and the effect of changes in foreign currency exchange rates.

Cash Flows

Cash provided by operating activities of $114.5 million in the six-month period ended June 30, 2011 increased $46.9 million from $67.6 million in the six-month period ended June 30, 2010. This improvement was primarily due to higher net income (excluding non-cash charges for depreciation and amortization and unrealized foreign currency transaction gains and losses) and lower cash used by operating working capital in 2011 compared to 2010. Operating working capital used cash of $37.8 million in the six-month period of 2011 and $40.4 million in the six-month period of 2010. Cash used in accounts receivable of $61.5 million and $36.2 million in the six-month periods of 2011 and 2010, respectively, reflected increased sales and the timing of shipments within both periods. Cash used in inventory of $47.3 million and $10.8 million in the six-month periods of 2011 and 2010, respectively, reflected the growth in orders and backlog during the six-month period of each year. Changes in accounts payable and accrued expenses generated cash of $71.0 million in the six-month period of 2011 and $6.6 million in the six-month period of 2010. The year over year improvement was due primarily to the timing of payments to vendors in 2011 and higher employee termination benefit payments in 2010.

Net cash used in investing activities of $22.2 million and $11.2 million in the six-month periods of 2011 and 2010, respectively, consisted primarily of capital expenditures on assets intended to increase production output to meet improving demand and reduce costs. The Company currently expects capital expenditures to total approximately $50 million for the full year 2011. As a result of the Company s application of lean principles, non-capital or less capital-intensive solutions are often utilized in process improvement initiatives and capital replacement. Capital expenditures related to environmental projects have not been significant in the past and are not expected to be significant in the foreseeable future.

Net cash used in financing activities of $132.5 million in the six-month period of 2011 compares with $46.7 million used in the six-month period of 2010. Cash provided by operating activities was used for net repayments of short-term and long-term borrowings totaling $108.4 million in the six-month period of 2011 and $34.2 million in the six-month period of 2010. The Company s redemption of its Senior Subordinated Notes (aggregate principal of $125.0 million) in the second quarter of 2011 was funded with available cash of $55.0 million and borrowings under its revolving credit facility of $70.0 million. Cash used for the repurchase of shares of the Company s common stock totaled $6.2 million and $17.9 million in the six-month periods of 2011 and 2010, respectively, including shares exchanged or surrendered in connection with its stock option plans of $0.9 million in 2011 and $0.2 million in 2010. During the second quarter of 2011, the Company placed RMB 122.0 million (approximately $18.8 million based on exchange rates at the date of payment) into escrow with the Shanghai United Assets and Equity Exchange pending finalization of certain Chinese governmental approvals of its purchase of the equity interests of the minority shareholders of its two joint ventures in China. The transaction is expected to close during the third quarter of 2011 and will be accounted for by the Company as an equity transaction, at which time the non-controlling interests associated with these two joint ventures will be eliminated from its consolidated statements of operations and balance sheet. Cash dividends paid were $5.2 million ($0.10 per common share) in the six-month periods of both years.

Share Repurchase Program

In November 2008, the Company s Board of Directors authorized a share repurchase program to acquire up to 3.0 million shares of the Company s outstanding common stock, of which approximately 2.1 million shares remain available for repurchase as of June 30, 2011.

Liquidity

The Company s debt to total capital ratio (defined as total debt divided by the sum of total debt plus total stockholders equity) was 12.0% as of June 30, 2011 compared to 19.5% as of December 31, 2010. This decrease primarily reflects a $101.6 million net decrease in borrowings between these two dates, including the effect of the redemption of the Senior Subordinated Notes.

Table of Contents

The Company s primary cash requirements include working capital, capital expenditures, principal and interest payments on indebtedness, cash dividends on its common stock, selective acquisitions and any stock repurchases. The Company s primary sources of funds are its ongoing net cash flows from operating activities and availability under its Revolving Line of Credit (as defined below). At June 30, 2011, the Company had cash and cash equivalents of $121.3 million, of which $3.3 million was pledged to financial institutions as collateral to support issued standby letters of credit and similar instruments. The Company also had $261.8 million of unused availability under its Revolving Line of Credit at June 30, 2011. Based on the Company s financial position at June 30, 2011 and its pro-forma results of operations for the twelve months then ended, the unused availability under its Revolving Line of Credit would not have been limited by the financial ratio covenants in the 2008 Credit Agreement (as described below).

On September 19, 2008, the Company entered into the 2008 Credit Agreement consisting of (i) a $310.0 million Revolving Line of Credit (the Revolving Line of Credit), (ii) a $180.0 million term loan (U.S. Dollar Term Loan) and (iii) a 120.0 million term loan (Euro Term Loan). In addition, the 2008 Credit Agreement provides for a possible increase in the Revolving Line of Credit of up to $200.0 million.

On October 15 and 16, 2008, the Company borrowed $200.0 million and £40.0 million, respectively, pursuant to the Revolving Line of Credit. This amount was used by the Company, in part to retire the outstanding balances under its previous credit agreement, at which point it was terminated, and in part to pay a portion of the cash purchase price of the Company s acquisition of CompAir. On October 17, 2008, the Company borrowed $180.0 million and 120.0 million pursuant to the U.S. Dollar Term Loan and the Euro Term Loan, respectively. These facilities, together with a portion of the borrowing under the Revolving Line of Credit and existing cash, were used to pay the cash portion of the CompAir acquisition.

The interest rates per annum applicable to loans under the 2008 Credit Agreement are, at the Company s option, either a base rate plus an applicable margin percentage or a Eurocurrency rate plus an applicable margin. The base rate is the greater of (i) the prime rate or (ii) one-half of 1% over the weighted average of rates on overnight federal funds as published by the Federal Reserve Bank of New York. The Eurocurrency rate is LIBOR.

The initial applicable margin percentage over LIBOR under the 2008 Credit Agreement was 2.5% with respect to the term loans and 2.1% with respect to loans under the Revolving Line of Credit, and the initial applicable margin percentage over the base rate was 1.25% with respect to floating rate loans. After the Company s delivery of its financial statements and compliance certificate for each fiscal quarter, the applicable margin percentages are subject to adjustments based upon the ratio of the Company s consolidated total debt to consolidated adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) (each as defined in the 2008 Credit Agreement) being within certain defined ranges. The applicable margin percentage over LIBOR was adjusted down during the third quarter of 2010. At June 30, 2011, the applicable margin percentage over LIBOR under the 2008 Credit Agreement was 2.0% with respect to the term loans and 1.65% with respect to loans under the Revolving Line of Credit, and the applicable margin percentage over the base rate was 0.75% with respect to floating rate loans.

The obligations under the 2008 Credit Agreement are guaranteed by the Company s existing and future domestic subsidiaries. The obligations under the 2008 Credit Agreement are also secured by a pledge of the capital stock of each of the Company s existing and future material domestic subsidiaries, as well as 65% of the capital stock of each of the Company s existing and future first-tier material foreign subsidiaries.

Table of Contents

The 2008 Credit Agreement includes customary covenants. Subject to certain exceptions, these covenants restrict or limit the ability of the Company and its subsidiaries to, among other things: incur liens; engage in mergers, consolidations and sales of assets; incur additional indebtedness; pay dividends and redeem stock; make investments (including loans and advances); enter into transactions with affiliates, make capital expenditures and incur rental obligations. In addition, the 2008 Credit Agreement requires the Company to maintain compliance with certain financial ratios on a quarterly basis, including a maximum total leverage ratio test and a minimum interest coverage ratio test. As of June 30, 2011, the Company was in compliance with each of the financial ratio covenants under the 2008 Credit Agreement.

The 2008 Credit Agreement contains customary events of default, including upon a change of control. If an event of default occurs, the lenders under the 2008 Credit Agreement will be entitled to take various actions, including the acceleration of amounts due under the 2008 Credit Agreement.

The U.S. Dollar and Euro Term Loans have a final maturity of October 15, 2013. The U.S. Dollar Term Loan requires quarterly principal payments aggregating approximately $8.1 million, $25.4 million and $34.6 million in fiscal years 2011 through 2013, respectively. The Euro Term Loan requires quarterly principal payments aggregating approximately 5.3 million, 16.5 million and 22.5 million in fiscal years 2011 through 2013, respectively.

The Revolving Line of Credit also matures on October 15, 2013. Loans under this facility may be denominated in USD or several foreign currencies and may be borrowed by the Company or two of its foreign subsidiaries as outlined in the 2008 Credit Agreement.

As discussed above, the Company redeemed its $125.0 million 8% Senior Subordinated Notes during the second quarter of 2011. The Senior Subordinated Notes had a fixed annual interest rate of 8% and were guaranteed by certain of the Company s domestic subsidiaries (the Guarantors). The Senior Subordinated Notes were redeemed on May 2, 2011 for a total of $125.0 million, consisting of the redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of redemption.

Management currently expects that the Company s cash on hand and future cash flows from operating activities will be sufficient to fund its working capital, capital expenditures, scheduled principal and interest payments on indebtedness, cash dividends on its common stock and any stock repurchases for at least the next twelve months, and believes that its overall liquidity position, including availability under the Revolving Line of Credit, is adequate. The Company continues to consider acquisition opportunities, but the size and timing of any future acquisitions and the related potential capital requirements cannot be predicted. In the event that suitable businesses are available for acquisition upon acceptable terms, the Company may obtain all or a portion of the necessary financing through the incurrence of additional long-term borrowings.

Table of Contents

Contractual Obligations and Commitments

The following table and accompanying disclosures summarize the Company s significant contractual obligations at June 30, 2011 and the effect such obligations are expected to have on its liquidity and cash flow in future periods:

		Payments Due by Period			
(Dollars in millions)	**Total**	**Balance of 2011**	**2012 2013**	**2014 2015**	**After 2015**
Contractual Cash Obligations					
Debt	$ 178.0	$ 17.9	$ 156.2	$ 0.9	$ 3.0
Estimated interest payments (1)	23.0	4.7	11.6	2.5	4.2
Capital leases	8.3	0.5	0.9	2.9	4.0
Operating leases	82.6	13.9	34.9	16.2	17.6
Purchase obligations (2)	341.0	313.2	27.6		0.2
Total	$ 632.9	$ 350.2	$ 231.2	$ 22.5	$ 29.0

(1) Estimated interest payments for long-term debt were calculated as follows: for fixed-rate debt and term debt, interest was calculated based on applicable rates and payment dates; for variable-rate debt and/or non-term debt, interest rates and payment dates were estimated based on management s determination of the most likely scenarios for each relevant debt instrument.

(2) Purchase obligations consist primarily of agreements to purchase inventory or services made in the normal course of business to meet operational requirements. The purchase obligation amounts do not represent the entire anticipated purchases in the future, but represent only those items for which the Company is contractually obligated as of June 30, 2011. For this reason, these amounts will not provide a complete and reliable indicator of the Company s expected future cash outflows.

The above table does not include the Company s total pension and other postretirement benefit liabilities and net deferred income tax liabilities recognized on the consolidated balance sheet as of June 30, 2011 because such liabilities, due to their nature, do not represent expected liquidity needs. There have not been material changes to such liabilities or the Company s minimum pension funding obligations other than as disclosed in Note 6 Pension and Other Postretirement Benefits and Note 12 Income Taxes in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. Also please refer to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

In the normal course of business, the Company or its subsidiaries may sometimes be required to provide surety bonds, standby letters of credit or similar instruments to guarantee its performance of contractual or legal obligations. As of June 30, 2011, the Company had $76.0 million in such instruments outstanding and had pledged $3.3 million of cash to the issuing financial institutions as collateral for such instruments.

Contingencies

Refer to Note 14 Contingencies in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference, for a description of various legal proceedings, lawsuits and administrative actions.

Table of Contents

New Accounting Standards

Refer to Note 1 Summary of Significant Accounting Policies in the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference, for a description of new accounting pronouncements, including the expected impact on the Company s Condensed Consolidated Financial Statements and related disclosures.

Critical Accounting Policies and Estimates

Management has evaluated the accounting policies used in the preparation of the Company s condensed financial statements and related notes and believes those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving management judgments and estimates may be found in the Company s 2010 Annual Report on Form 10-K, filed on February 28, 2011, in the Critical Accounting Policies and Estimates section of Management s Discussion and Analysis and in Note 1 Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements. There were no significant changes to the Company s critical accounting policies during the quarter ended June 30, 2011.

Cautionary Statement Regarding Forward-Looking Statements

All of the statements in Management s Discussion and Analysis of Financial Condition and Results of Operations, other than historical facts, are forward-looking statements, including, without limitation, the statements made under the caption Outlook. As a general matter, forward-looking statements are those focused upon anticipated events or trends, expectations, and beliefs relating to matters that are not historical in nature. The words could, anticipate, preliminary, expect, believe, estimate, intend, plan, will, foresee, project, forecast, or the negative thereon, and similar expressions identify forward-looking statements.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for these forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that forward-looking statements are subject to known and unknown risks, uncertainties and other factors relating to the Company s operations and business environment, all of which are difficult to predict and many of which are beyond the control of the Company. These known and unknown risks, uncertainties and other factors could cause actual results to differ materially from those matters expressed in, anticipated by or implied by such forward-looking statements.

These risks, uncertainties and other factors include, but are not limited to: (1) the Company s exposure to the risks associated with future global economic down turns, which may negatively impact its revenues, liquidity, suppliers and customers; (2) exposure to cycles in specific markets, particularly the level of oil and natural gas prices and oil and natural gas drilling production, which affect demand for the Company s petroleum products, and industrial production and manufacturing capacity utilization rates, which affect demand for the Company s industrial products; (3) the risks associated with competition in the Company s market segments, particularly the pricing of the Company s products; (4) the risks of large or rapid increases in raw material costs or substantial decreases in their availability, and the Company s dependence on particular suppliers, particularly copper, aluminum, iron casting and other metal suppliers; (5) economic, political and other risks associated with the Company s international sales and operations, including changes in currency exchange rates (primarily between the USD, the EUR, the GBP and the CNY); (6) the risks associated with the potential loss of key customers for petroleum products and the potential resulting negative impact on the Company s profitability and cash flows; (7) the risks associated with potential product liability and warranty claims due to the nature of the Company s products; (8) the risks that the Company will not realize the expected financial benefits from potential future restructuring actions; (9) the ability to attract and retain quality executive management and other key personnel; (10) the risk that communication or information systems failure may disrupt the Company s business and result in financial loss and liability to its customers; (11) the ability to avoid employee work stoppages and other labor difficulties; (12) the risks associated with potential changes in shale oil and gas regulation; (13) the risks associated with pending asbestos and silica personal injury lawsuits; (14) the risk of non-compliance with U.S. and foreign laws and regulations applicable to the Company s international operations, including the U.S. Foreign Corrupt Practices Act and other similar laws; (15) the risks associated with environmental compliance costs and liabilities, including the compliance costs and liabilities of future climate change regulations; (16) the risks associated with enforcing the Company s intellectual property rights and defending against potential intellectual property claims; (17) the risk of possible future charges if the Company determines that the value of goodwill and other intangible assets, representing a significant portion of the Company s total assets, are impaired; (18) risks associated with the Company s indebtedness and changes in the availability or costs of new financing to support the Company s operations and future investments; (19) the ability to continue to identify and complete strategic acquisitions and effectively integrate such acquired companies to achieve desired financial benefits; and (20) changes in discount rates used for actuarial assumptions in pension and other postretirement obligation and expense calculations and market performance of pension plan assets. The foregoing factors should not be construed as exhaustive and should be read together with important information regarding risks and factors that may affect the Company s future performance set forth under Item 1A Risk Factors in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

These statements reflect the current views and assumptions of management with respect to future events. The Company does not undertake, and hereby disclaims, any duty to update these forward-looking statements, even though its situation and circumstances may change in the future. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. The inclusion of any statement in this report does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to certain market risks during the normal course of business arising from adverse changes in commodity prices, interest rates, and currency exchange rates. The Company s exposure to these risks is managed through a combination of operating and financing activities. The Company selectively uses derivative financial instruments (derivatives), including foreign currency forward contracts and interest rate swaps, to manage the risks from fluctuations in currency exchange rates and interest rates. The Company does not hold derivatives for trading or speculative purposes. Fluctuations in commodity prices, interest rates, and currency exchange rates can be volatile, and the Company s risk management activities do not totally eliminate these risks. Consequently, these fluctuations could have a significant effect on the Company s financial results.

Notional transaction amounts and fair values for the Company s outstanding derivatives, by risk category and instrument type, as of June 30, 2011 and December 31, 2010, are summarized in Note 11 Hedging Activities and Fair Value Measurements in the Notes to Condensed Consolidated Financial Statements.

Commodity Price Risk

The Company is a purchaser of certain commodities, principally aluminum. In addition, the Company is a purchaser of components and parts containing various commodities, including cast iron, aluminum, copper and steel. The Company generally buys these commodities and components based upon market prices that are established with the vendor as part of the purchase process. The Company does not use commodity financial instruments to hedge commodity prices.

The Company has long-term contracts with some of its suppliers of key components. However, to the extent that commodity prices increase and the Company does not have firm pricing from its suppliers, or its suppliers are not able to honor such prices, then the Company may experience margin declines to the extent it is not able to increase selling prices of its products.

Interest Rate Risk

The Company s exposure to interest rate risk results primarily from its borrowings of $186.3 million at June 30, 2011. The Company manages its debt centrally, considering tax consequences and its overall financing strategies. The Company manages its exposure to interest rate risk by maintaining a mixture of fixed and variable rate debt and uses pay-fixed interest rate swaps as cash flow hedges of variable rate debt in order to adjust the relative proportions. The interest rates on approximately 46% of the Company s borrowings were effectively fixed as of June 30, 2011. If the relevant LIBOR amounts for all of the Company s borrowings had been 100 basis points higher than actual in the six-month period ended June 30, 2011, the Company s interest expense would have increased by $0.6 million.

Exchange Rate Risk

A substantial portion of the Company s operations is conducted by its subsidiaries outside of the U.S. in currencies other than the USD. Almost all of the Company s non-U.S. subsidiaries conduct their business primarily in their local currencies, which are also their functional currencies. Other than the USD, the EUR, GBP, and CNY are the principal currencies in which the Company and its subsidiaries enter into transactions.

The Company is exposed to the impacts of changes in currency exchange rates on the translation of its non-U.S. subsidiaries assets, liabilities, and earnings into USD. The Company partially offsets these exposures by having certain of its non-U.S. subsidiaries act as the obligor on a portion of its borrowings and by denominating such borrowings, as well as a portion of the borrowings for which the Company is the obligor, in currencies other than the USD. Borrowings by the Company s non-U.S. subsidiaries at June 30, 2011 totaled $18.0 million, and the Company s consolidated borrowings denominated in currencies other than the USD totaled

Table of Contents

$82.2 million. Fluctuations due to changes in currency exchange rates in the value of non-USD borrowings that have been designated as hedges of the Company s net investment in foreign operations are included in other comprehensive income.

The Company and its subsidiaries are also subject to the risk that arises when they, from time to time, enter into transactions in currencies other than their functional currency. To mitigate this risk, the Company and its subsidiaries typically settle intercompany trading balances monthly. The Company also selectively uses forward currency contracts to manage this risk. At June 30, 2011, the notional amount of open forward currency contracts was $98.2 million and their aggregate fair value was a liability of $1.7 million.

To illustrate the impact of currency exchange rates on the Company s financial results, the Company s operating income for the six-month period ended June 30, 2011 would have decreased by approximately $10.0 million if the USD had been 10% more valuable than actual relative to other currencies. This calculation assumes that all currencies change in the same direction and proportion to the USD and that there are no indirect effects of the change in the value of the USD such as changes in non-USD sales volumes or prices.

Item 4. Controls and Procedures

The Company s management carried out an evaluation (as required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act)), with the participation of the President and Chief Executive Officer and the Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon this evaluation, the President and Chief Executive Officer and Vice President and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q, such that the information relating to the Company and its consolidated subsidiaries required to be disclosed by the Company in the reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized, and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms, and (ii) is accumulated and communicated to the Company s management, including its principal executive and financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In addition, the Company s management carried out an evaluation, as required by Rule 13a-15(d) of the Exchange Act, with the participation of the President and Chief Executive Officer and the Vice President and Chief Financial Officer, of changes in the Company s internal control over financial reporting. Based on this evaluation, the President and Chief Executive Officer and the Vice President and Chief Financial Officer concluded that there were no changes in the Company s internal control over financial reporting that occurred during the quarter ended June 30, 2011 that have materially affected, or that are reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various legal proceedings and administrative actions. The information regarding these proceedings and actions is included under Note 14 Contingencies to the Company s Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

For information regarding factors that could affect the Company s results of operations, financial condition and liquidity, see (i) the risk factors discussion provided under Part I, Item 1A of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and (ii) the Cautionary Statement Regarding Forward-Looking Statements included in Part I, Item 2 of this Quarterly Report on Form 10-Q, which are incorporated herein by reference.

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

Repurchases of equity securities during the three months ended June 30, 2011 are listed in the following table.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(3)
April 1, 2011 April 30, 2011				2,104,987
May 1, 2011 May 31, 2011				2,104,987
June 1, 2011 June 30, 2011				2,104,987
Total				2,104,987

(1) Includes shares exchanged or surrendered in connection with the exercise or vesting of equity awards under Gardner Denver s Amended and Restated Long-Term Incentive Plan.

(2) Excludes commissions.

(3) In November 2008, the Board of Directors authorized the Company to acquire up to 3.0 million shares of its common stock. As of June 30, 2011, 895,013 shares had been repurchased under this repurchase program.

Item 5. Other Information

As previously disclosed in a Form 8-K filed by the Company with the Securities and Exchange Commission on May 6, 2011, at the Company s 2011 Annual Meeting of Stockholders held on May 3, 2011, the final voting results for Proposal 4 Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation were 32,189,171 shares for **ONE YEAR,** 254,319 shares for **TWO YEARS,** 13,489,100 shares for **THREE YEARS,** 192,839 **ABSTENTIONS**, and 2,082,294 **BROKER NON-VOTES**. As a result of the stockholders

42

Table of Contents

recommendation with respect to Proposal 4, the Company s Board of Directors has determined that the Company will hold a stockholder advisory vote on the compensation of the Company s named executive officers once every year until the next required vote on the frequency of stockholder votes on the compensation of the Company s named executive officers as required pursuant to Section 14(A) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

The information in this Item 5 is being disclosed by the Company in reliance upon Item 5(a) of Part II of Form 10-Q and Instruction B.3 of Form 8-K.

Item 6. Exhibits

See the list of exhibits in the Index to Exhibits to this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	GARDNER DENVER, INC. (Registrant)
Date: August 4, 2011	By: /s/ Barry L. Pennypacker Barry L. Pennypacker President and Chief Executive Officer
Date: August 4, 2011	By: /s/ Michael M. Larsen Michael M. Larsen Vice President and Chief Financial Officer
Date: August 4, 2011	By: /s/ David J. Antoniuk David J. Antoniuk Vice President and Corporate Controller (Principal Accounting Officer)

Table of Contents

GARDNER DENVER, INC.
INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation of Gardner Denver, Inc., as amended on May 3, 2006, filed as Exhibit 3.1 to Gardner Denver, Inc. s Current Report on Form 8-K, filed May 3, 2006, and incorporated herein by reference.
3.2	Amended and Restated Bylaws of Gardner Denver, Inc., filed as Exhibit 3.2 to Gardner Denver, Inc. s Current Report on Form 8-K, filed August 4, 2008, and incorporated herein by reference.
4.1	Amended and Restated Rights Agreement, dated as of January 17, 2005, between Gardner Denver, Inc. and National City Bank as Rights Agent, filed as Exhibit 4.1 to Gardner Denver, Inc. s Current Report on Form 8-K, filed January 21, 2005, and incorporated herein by reference.
4.2	Amendment No. 1 to the Amended and Restated Rights Agreement, dated as of October 29, 2009, between Gardner Denver, Inc. and Wells Fargo Bank, National Association as Rights Agent, filed as Exhibit 4.2 to Gardner Denver, Inc. s Current Report on Form 8-K, filed October 29, 2009, and incorporated herein by reference.
10.1*	Waiver and Release Agreement, dated as of June 3, 2011, between Gardner Denver, Inc. and Armando L. Castorena.
10.2*	Offer Letter, dated as of April 7, 2011, between Gardner Denver, Inc. and Christopher R. Celtruda.
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS§	XBRL Instance Document
101.SCH§	XBRL Taxonomy Extension Schema Document
101.CAL§	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB§	XBRL Taxonomy Extension Label Linkbase Document
101.PRE§	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** This exhibit is furnished herewith and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

§ These exhibits are furnished herewith. In accordance with Rule 406T of Regulation S-T, these exhibits are not deemed to be filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.