

HANOVER COMPRESSOR CO /

Form 425

February 28, 2007

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**Subject Company: Universal Compression Holdings, Inc.**  
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**Subject Company: Hanover Compressor Company**  
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**Subject Company: Iliad Holdings, Inc.**  
**Commission File No.**

**Universal  
Compression  
4444 Brittmoore Road  
Houston, Texas 77041**

Contact:  
David Oatman  
Vice President, Investor Relations  
713-335-7460

**FOR IMMEDIATE RELEASE**

**Universal Compression Holdings and Universal Compression Partners**

**Report Fourth Quarter and Full Year 2006 Results**

**Houston, February 28, 2007** Universal Compression Holdings, Inc. (NYSE: UCO) and Universal Compression Partners, L.P. (NASDAQ: UCLP) today reported earnings for the fourth quarter and full year 2006.

**Universal Compression Holdings, Inc. Financial Results**

Universal Compression Holdings reported net income of \$20.0 million, or \$0.64 per diluted share, in the three months ended December 31, 2006, including a charge of \$1.1 million on a pretax basis related to debt extinguishment costs. Excluding this charge, earnings per diluted share would have been \$0.67. Net income was \$25.0 million, or \$0.80 per diluted share, in the three months ended September 30, 2006, including a benefit of \$3.2 million on a pretax basis related to employee benefit programs; excluding this benefit, earnings per diluted share would have been \$0.73. Net income was \$19.6 million, or \$0.60 per diluted share, in the prior year period.

Revenue was \$253.0 million in the three months ended December 31, 2006, compared to \$246.9 million in the three months ended September 30, 2006 and \$224.8 million in the prior year period. EBITDA, as adjusted (as defined below), was \$76.5 million in the three months ended December 31, 2006, as compared to \$84.0 million in the three months ended September 30, 2006 and \$74.5 million in the comparable period of the prior year.

For the twelve months ended December 31, 2006, net income was a record \$87.7 million, or \$2.82 per diluted share, including a charge of \$1.1 million on a pretax basis related to debt extinguishment costs and a benefit of \$3.2 million on a pretax basis related to employee benefit programs. Excluding these items, earnings per diluted share would have been \$2.78 in 2006. For the twelve months ended December 31, 2005, net income was \$50.9 million, or \$1.56 per diluted share, including charges of \$29.1 million on a pretax basis related to debt extinguishment and asset impairment costs. Excluding these items, earnings per diluted share would have been \$2.14 in 2005.

For the twelve months ended December 31, 2006, revenue was \$947.7 million and EBITDA, as adjusted, was \$311.8 million, as compared to revenue of \$807.3 million and EBITDA, as adjusted, of \$262.7 million in the prior year period.



I am pleased with our performance in 2006, which included record levels of revenue, EBITDA and earnings per share, commented Stephen A. Snider, Universal Compression Holdings Chairman, President and Chief Executive Officer. While the performance in each of our four business segments remains strong due to the continuing healthy demand for our products and services, recent labor and other cost increases have negatively impacted our domestic contract compression segment. We are currently addressing many of the issues related to these cost increases and believe that our proposed merger with Hanover Compressor Company will allow us to be in a position to further combat these cost pressures.

We remain very enthusiastic about the recent announcement for Universal Compression Holdings and Hanover to combine in a merger of equals, added Snider. We believe the merger will create a global leader in natural gas compression services and production and processing equipment and will enhance value for stockholders of both companies. We recently filed our initial application under the Hart-Scott-Rodino Antitrust Improvements Act, and we continue to expect the merger to close in the third quarter of this year.

During the fourth quarter, we also pursued several activities of note, said Michael Anderson, Universal Compression Holdings Senior Vice President and Chief Financial Officer. We completed the initial public offering of Universal Compression Partners on October 20, 2006, raising in excess of \$120 million of net proceeds. In connection with that transaction, we completed the refinancing of a significant amount of Universal Compression Holdings debt, and put in place financing at Universal Compression Partners that provides a foundation to allow us to pursue our strategy of offering the remainder of our domestic contract compression business to Universal Compression Partners over time. We also completed the repurchase of almost 570,000 shares of Universal Compression Holdings common stock in the quarter, at an average price of \$63.30 per share. This share repurchase of approximately \$36.1 million was completed under the \$200 million share repurchase program previously authorized by Universal Compression Holdings Board of Directors.

Finally, in January 2007, we completed the purchase of B.T. Engineering Pte Ltd, a leading Singapore-based fabricator of oil and gas, petrochemical, marine and offshore equipment, including pressure vessels, FPSO process modules, terminal buoys, turrets, natural gas compression units and related equipment, Anderson continued. We believe each of these activities has positioned Universal to continue to take advantage of the strong market conditions we see for all of our business segments.

#### **Universal Compression Partners, L.P. Financial Results**

For the three months ended December 31, 2006, Universal Compression Partners reported revenue of \$13.5 million and net income of \$2.7 million. In October 2006, Universal Compression Partners commenced operations upon the transfer of certain domestic contract compression assets from Universal Compression Holdings in connection with the initial public offering of Universal Compression Partners. For the quarter, EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by Universal Compression Holdings (as defined below), totaled \$7.2 million and distributable cash flow (as defined below) totaled \$5.0 million.

On February 2, 2007, Universal Compression Partners announced a cash distribution of \$0.278 per unit. The distribution reflected the pro rata share of the partnership's minimum quarterly

distribution of \$0.35 per unit and covered the time period from the closing of the initial public offering through December 31, 2006. Based on this distribution, the distributable cash flow generated in the fourth quarter was approximately 1.40 times the amount of the cash distribution to unitholders. Excluding the effects of the cost caps provided by Universal Compression Holdings, distributable cash flow would have been sufficient to cover cash distributions to unitholders by approximately 1.26 times.

We are pleased by Universal Compression Partners' successful initial public offering and the results from our first period of operations, commented Snider, Universal Compression Partners' Chairman, President and Chief Executive Officer. As with the entirety of our contract compression business, our outlook is positive for Universal Compression Partners due to continuing strong demand for our services and sustainable growth prospects. Additionally, we believe that the proposed merger with Hanover will enhance the future growth for Universal Compression Partners as the combination provides a larger pool of domestic contract compression customers and equipment that can be offered for sale to Universal Compression Partners over time.

#### **Conference Call**

Universal Compression Holdings and Universal Compression Partners will host a joint conference call today, February 28, 2007, at 10:00 a.m. Central Time, 11:00 a.m. Eastern Time, to discuss the quarter's and full year's results and certain other corporate matters. The conference call will be broadcast live over the Internet to provide interested persons the opportunity to listen. The call will also be archived for approximately 90 days to provide an opportunity to those unable to listen to the live broadcast. Both the live broadcast and replay of the archived version are free of charge to the user.

Persons wishing to listen to the conference call live may do so by logging onto [www.universalcompression.com](http://www.universalcompression.com) (click UCO or UCLP Investor Information section) at least 15 minutes prior to the start of the call. The replay of the call will be available at the website [www.universalcompression.com](http://www.universalcompression.com).

With respect to Universal Compression Holdings, EBITDA, as adjusted, a non-GAAP measure, is defined as net income plus income taxes, interest expense (including debt extinguishment costs and gain on termination of interest rate swaps), depreciation and amortization, foreign currency gains or losses, minority interest, excluding non-recurring items (including facility consolidation costs), and extraordinary gains or losses.

With respect to Universal Compression Partners, distributable cash flow, a non-GAAP measure, is defined as net income plus depreciation and amortization expense, interest expense and any capital contributions from Universal Compression Holdings limiting the cost of sales and selling, general and administrative costs reimbursed by Universal Compression Partners (pursuant to the omnibus agreement to which Universal Compression Holdings and Universal Compression Partners are parties) less cash interest expense and maintenance capital expenditures.

With respect to Universal Compression Partners, EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by Universal Compression Holdings, a non-GAAP measure, is defined as net income plus interest expense, depreciation and amortization, and capital contributions from Universal Compression Holdings limiting the cost of sales and selling, general and administrative costs reimbursed by Universal Compression Partners (pursuant to the omnibus

agreement to which Universal Compression Holdings and Universal Compression Partners are parties).

With respect to Universal Compression Holdings, Gross Margin, a non-GAAP measure, is defined as total revenue less cost of sales (excluding depreciation and amortization expense).

With respect to Universal Compression Partners, Gross Margin, as adjusted for operating cost caps provided by Universal Compression Holdings, a non-GAAP measure, is defined as total revenue less cost of sales (excluding depreciation and amortization expense) plus any capital contributions from Universal Compression Holdings limiting the cost of sales reimbursed by Universal Compression Partners (pursuant to the omnibus agreement to which Universal Compression Holdings and Universal Compression Partners are parties).

#### **Forward-Looking Statements**

Statements about Universal Compression Holdings and Universal Compression Partners outlook and all other statements in this release (and oral statements made regarding the subjects of this release, including on the conference call announced herein) other than historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and factors, many of which are outside Universal Compression Holdings and Universal Compression Partners control, which could cause actual results to differ materially from such statements. Forward looking information includes, but is not limited to, statements regarding: the ability of Universal Compression Holdings and Hanover to complete their proposed merger; the belief that the merger will allow Universal to further combat domestic contract compression cost pressures, will enhance value for stockholders, will enhance future growth of Universal Compression Partners and will close under the anticipated timing; and the belief that Universal Compression Partners initial public offering, Universal Compression Holdings debt refinancing, Universal Compression Partners debt financing, a recent acquisition, and share repurchases will enable Universal Compression Holdings to continue to take advantage of strong market conditions. While Universal Compression Holdings and Universal Compression Partners believe that the assumptions concerning future events are reasonable, they caution that there are inherent difficulties in predicting certain important factors that could impact the future performance or results of their business. Among the factors that could cause results to differ materially from those indicated by such forward-looking statements are the conditions in the oil and gas industry, including a sustained decrease in the level of supply or demand for natural gas and the impact on the price of natural gas; employment workforce factors, including our ability to hire, train and retain key employees; our ability to timely and cost-effectively obtain components necessary to conduct our business; changes in political or economic conditions in key operating markets, including international markets; our ability to timely and cost-effectively implement our enterprise resource planning system; changes in safety and environmental regulations pertaining to the production and transportation of natural gas; the performance of Universal Compression Partners; the failure to realize anticipated synergies from the proposed merger; the results of the review of the proposed merger by various regulatory agencies and any conditions imposed on the new company in connection with consummation of the merger; failure to receive the approval of the merger by stockholders and the satisfaction of various other conditions to the closing of the merger contemplated by the merger agreement.

These forward-looking statements are also affected by the risk factors, forward-looking statements and challenges and uncertainties described in Universal Compression Holdings Transition Report on Form 10-K for the nine months ended December 31, 2005, Universal Compression Partners registration statement on Form S-1 and those set forth from time to time in Universal Compression Holdings and Universal Compression Partners filings with the Securities and Exchange Commission ( SEC ), which are available through our website [www.universalcompression.com](http://www.universalcompression.com). Universal Compression Holdings and Universal Compression Partners expressly disclaim any intention or obligation to revise or update any forward-looking statements whether as a result of new information, future events, or otherwise.

### **Additional Information**

In connection with the proposed merger of Universal Compression Holdings and Hanover, a registration statement of the new company, Iliad Holdings, Inc., which will include proxy statements of Universal Compression Holdings and Hanover, and other materials, will be filed with the SEC. INVESTORS AND SECURITY HOLDERS ARE URGED TO CAREFULLY READ THE REGISTRATION STATEMENT AND THE PROXY STATEMENT/PROSPECTUS AND THESE OTHER MATERIALS REGARDING THE PROPOSED MERGER WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT UNIVERSAL, HANOVER, ILIAD HOLDINGS AND THE PROPOSED TRANSACTION. Investors and security holders may obtain a free copy of the registration statement and the proxy statement/prospectus when they are available and other documents containing information about Universal Compression Holdings and Hanover, without charge, at the SEC's web site at [www.sec.gov](http://www.sec.gov), Universal Compression Holdings' web site at [www.universalcompression.com](http://www.universalcompression.com), and Hanover's web site at [www.hanover-co.com](http://www.hanover-co.com). Copies of the registration statement and the proxy statement/prospectus and the SEC filings that will be incorporated by reference therein may also be obtained for free by directing a request to either Investor Relations, Universal Compression Holdings, Inc., 713-335-7000 or to Investor Relations, Hanover Compressor Company, 832-554-4856.

### **Participants in Solicitation**

Hanover and Universal Compression Holdings and their respective directors, officers and certain other members of management may be deemed to be participants in the solicitation of proxies from their respective stockholders in respect of the merger. Information about these persons can be found in Hanover's and Universal Compression Holdings' respective proxy statements relating to their 2006 annual meetings of stockholders as filed with the SEC on March 24, 2006 and March 15, 2006, respectively. Additional information about the interests of such persons in the solicitation of proxies in respect of the merger will be included in the registration statement and the proxy statement/prospectus to be filed with the SEC in connection with the proposed transaction.

Universal Compression Holdings, headquartered in Houston, Texas, is a leading natural gas compression services company, providing a full range of contract compression, sales, operations, maintenance and fabrication services to the domestic and international natural gas industry.

Universal Compression Partners was recently formed by Universal Compression Holdings to provide natural gas contract compression services to customers throughout the United States and completed its initial public offering in October 2006 with an initial fleet comprising approximately 330,000 horsepower, or approximately 17% by available horsepower of Universal Compression Holdings' domestic contract compression business at that time. Universal Compression Holdings owns approximately 51% of Universal Compression Partners.

## UNIVERSAL COMPRESSION HOLDINGS, INC.

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

|                                                                          | Three Months Ended   |                       |                      | Twelve Months Ended  |            |
|--------------------------------------------------------------------------|----------------------|-----------------------|----------------------|----------------------|------------|
|                                                                          | December 31,<br>2006 | September 30,<br>2006 | December 31,<br>2005 | December 31,<br>2006 | 2005       |
| <b>Revenue:</b>                                                          |                      |                       |                      |                      |            |
| Domestic contract compression                                            | \$ 101,626           | \$ 101,058            | \$ 86,778            | \$ 398,189           | \$ 325,332 |
| International contract compression                                       | 37,894               | 36,251                | 33,455               | 142,448              | 123,570    |
| Fabrication                                                              | 63,346               | 57,642                | 59,681               | 215,825              | 191,747    |
| Aftermarket services                                                     | 50,125               | 51,981                | 44,921               | 191,245              | 166,634    |
| Total revenue                                                            | 252,991              | 246,932               | 224,835              | 947,707              | 807,283    |
| <b>Costs and expenses:</b>                                               |                      |                       |                      |                      |            |
| Cost of sales (excluding depreciation and amortization expense):         |                      |                       |                      |                      |            |
| Domestic contract compression                                            | 40,299               | 34,866                | 30,533               | 143,871              | 117,398    |
| International contract compression                                       | 10,601               | 8,968                 | 7,762                | 36,396               | 30,723     |
| Fabrication                                                              | 54,968               | 47,594                | 51,778               | 186,464              | 174,515    |
| Aftermarket services                                                     | 38,855               | 41,304                | 36,050               | 152,325              | 134,160    |
| Depreciation and amortization                                            | 31,735               | 31,154                | 27,827               | 122,701              | 104,289    |
| Selling, general and administrative                                      | 32,571               | 30,149                | 23,819               | 118,762              | 85,341     |
| Interest expense, net                                                    | 13,535               | 15,152                | 14,727               | 57,349               | 54,617     |
| Debt extinguishment costs                                                | 1,125                |                       |                      | 1,125                | 26,068     |
| Asset impairment expense                                                 |                      |                       |                      |                      | 3,080      |
| Foreign currency (gain) loss                                             | (290 )               | (45 )                 | (755 )               | (645 )               | (589 )     |
| Minority interest                                                        | 1,354                |                       |                      | 1,354                |            |
| Other (income) loss, net                                                 | (838 )               | 3                     | 388                  | (1,928 )             | (681 )     |
| Total costs and expenses                                                 | 223,915              | 209,145               | 193,639              | 817,774              | 728,921    |
| Income before income taxes                                               | 29,076               | 37,787                | 31,196               | 129,933              | 78,362     |
| Income tax expense                                                       | 9,071                | 12,827                | 11,642               | 42,277               | 27,483     |
| Net income                                                               | \$ 20,005            | \$ 24,960             | \$ 19,554            | \$ 87,656            | \$ 50,879  |
| <b>Weighted average common and common equivalent shares outstanding:</b> |                      |                       |                      |                      |            |
| Basic                                                                    | 30,081               | 30,037                | 31,616               | 29,911               | 31,799     |
| Diluted                                                                  | 31,200               | 31,163                | 32,522               | 31,032               | 32,615     |
| <b>Earnings per share:</b>                                               |                      |                       |                      |                      |            |
| Basic                                                                    | \$ 0.67              | \$ 0.83               | \$ 0.62              | \$ 2.93              | \$ 1.60    |
| Diluted                                                                  | \$ 0.64              | \$ 0.80               | \$ 0.60              | \$ 2.82              | \$ 1.56    |



## UNIVERSAL COMPRESSION HOLDINGS, INC.

## UNAUDITED SUPPLEMENTAL INFORMATION

(Dollars in thousands)

|                                           | Three Months Ended   |                       | Twelve Months Ended  |                      |            |
|-------------------------------------------|----------------------|-----------------------|----------------------|----------------------|------------|
|                                           | December 31,<br>2006 | September 30,<br>2006 | December 31,<br>2005 | December 31,<br>2006 | 2005       |
| <b>Revenue:</b>                           |                      |                       |                      |                      |            |
| Domestic contract compression             | \$ 101,626           | \$ 101,058            | \$ 86,778            | \$ 398,189           | \$ 325,332 |
| International contract compression        | 37,894               | 36,251                | 33,455               | 142,448              | 123,570    |
| Fabrication                               | 63,346               | 57,642                | 59,681               | 215,825              | 191,747    |
| Aftermarket services                      | 50,125               | 51,981                | 44,921               | 191,245              | 166,634    |
| Total                                     | \$ 252,991           | \$ 246,932            | \$ 224,835           | \$ 947,707           | \$ 807,283 |
| <b>Gross Margin:</b>                      |                      |                       |                      |                      |            |
| Domestic contract compression             | \$ 61,327            | \$ 66,192             | \$ 56,245            | \$ 254,318           | \$ 207,934 |
| International contract compression        | 27,293               | 27,283                | 25,693               | 106,052              | 92,847     |
| Fabrication                               | 8,378                | 10,048                | 7,903                | 29,361               | 17,232     |
| Aftermarket services                      | 11,270               | 10,677                | 8,871                | 38,920               | 32,474     |
| Total (1)                                 | \$ 108,268           | \$ 114,200            | \$ 98,712            | \$ 428,651           | \$ 350,487 |
| Selling, General and Administrative       | \$ 32,571            | \$ 30,149             | \$ 23,819            | \$ 118,762           | \$ 85,341  |
| % of Revenue                              | 13                   | % 12                  | % 11                 | % 13                 | % 11       |
| EBITDA, as adjusted (1)                   | \$ 76,535            | \$ 84,048             | \$ 74,505            | \$ 311,817           | \$ 262,747 |
| % of Revenue                              | 30                   | % 34                  | % 33                 | % 33                 | % 33       |
| Capital Expenditures                      | \$ 62,926            | \$ 58,552             | \$ 37,557            | \$ 219,309           | \$ 156,368 |
| Proceeds from Sale of PP&E                | 1,592                | 5,175                 | 3,532                | 12,522               | 17,811     |
| Net Capital Expenditures                  | \$ 61,334            | \$ 53,377             | \$ 34,025            | \$ 206,787           | \$ 138,557 |
| Gross Margin Percentage:                  | 60                   | % 65                  | % 65                 | % 64                 | % 64       |
| Domestic contract compression             | 72                   | % 75                  | % 77                 | % 74                 | % 75       |
| International contract compression        | 13                   | % 17                  | % 13                 | % 14                 | % 9        |
| Fabrication                               | 22                   | % 21                  | % 20                 | % 20                 | % 19       |
| Aftermarket services                      | 43                   | % 46                  | % 44                 | % 45                 | % 43       |
| Total                                     |                      |                       |                      |                      |            |
| <b>Reconciliation of GAAP to Non-GAAP</b> |                      |                       |                      |                      |            |
| Financial Information:                    | \$ 20,005            | \$ 24,960             | \$ 19,554            | \$ 87,656            | \$ 50,879  |
| Net income                                | 9,071                | 12,827                | 11,642               | 42,277               | 27,483     |
| Income tax expense                        | 31,735               | 31,154                | 27,827               | 122,701              | 104,289    |
| Depreciation and amortization             | 13,535               | 15,152                | 14,727               | 57,349               | 54,617     |
| Interest expense, net                     | (290)                | (45)                  | 755                  | (645)                | (589)      |
| Foreign currency (gain) loss              | 1,354                |                       |                      | 1,354                |            |
| Minority interest                         | 1,125                |                       |                      | 1,125                | 26,068     |
| Debt extinguishment costs                 | 76,535               | 84,048                | 74,505               | 311,817              | 262,747    |
| EBITDA, as adjusted (1)                   | 32,571               | 30,149                | 23,819               | 118,762              | 85,341     |
| Selling, general and administrative       | (838)                | 3                     | 388                  | (1,928)              | (681)      |
| Other (income) loss, net                  | \$ 108,268           | \$ 114,200            | \$ 98,712            | \$ 428,651           | \$ 347,407 |
| Gross Margin (1)                          |                      |                       |                      |                      |            |
|                                           |                      |                       |                      |                      |            |
|                                           | December 31,<br>2006 | September 30,<br>2006 | December 31,<br>2005 |                      |            |
| Debt and Capital Lease Obligations        | \$ 830,554           | \$ 914,116            | \$ 923,341           |                      |            |
| Stockholders' Equity                      | \$ 916,430           | \$ 927,662            | \$ 831,312           |                      |            |
| Total Debt to Capitalization              | 47.5                 | % 49.6                | % 52.6               | %                    |            |

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(1) Management believes disclosure of EBITDA, as adjusted, and Gross Margin, non-GAAP measures, provide useful information to investors because, when viewed with our GAAP results and accompanying reconciliations, they provide a more complete understanding of our performance than GAAP results alone. Management uses EBITDA, as adjusted, and Gross Margin as supplemental measures to review current period operating performance, comparability measures and performance measures for period to period comparisons. In addition, EBITDA, as adjusted, is used by management as a valuation measure.

## UNIVERSAL COMPRESSION HOLDINGS, INC.

## UNAUDITED SUPPLEMENTAL INFORMATION

(Horsepower in thousands)

|                                             | Three Months Ended |               | December 31, |              | Twelve Months Ended |
|---------------------------------------------|--------------------|---------------|--------------|--------------|---------------------|
|                                             | December 31,       | September 30, | December 31, | December 31, |                     |
|                                             | 2006               | 2006          | 2005         | 2006         | 2005                |
| Total Available Horsepower (at period end): |                    |               |              |              |                     |
| Domestic contract compression               | 2,069              | 2,017         | 1,965        | 2,069        | 1,965               |
| International contract compression          | 607                | 599           | 584          | 607          | 584                 |
| Total                                       | 2,676              | 2,616         | 2,549        | 2,676        | 2,549               |
| Average Operating Horsepower:               |                    |               |              |              |                     |
| Domestic contract compression               | 1,816              | 1,792         | 1,787        | 1,802        | 1,748               |
| International contract compression          | 541                | 547           | 538          | 546          | 515                 |
| Total                                       | 2,357              | 2,339         | 2,325        | 2,348        | 2,263               |
| Horsepower Utilization:                     |                    |               |              |              |                     |
| Spot (at period end)                        | 88.9               | % 89.8        | % 92.3       | % 88.9       | % 92.3              |
| Average                                     | 89.4               | % 90.0        | % 91.7       | % 90.6       | % 90.9              |
| Fabrication Backlog (in millions)           | \$ 289             | \$ 268        | \$ 145       | \$ 289       | \$ 145              |



**UNIVERSAL COMPRESSION PARTNERS, L.P.**

**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Dollars in thousands)**

|                                                                 | <b>Three Months<br/>Ended<br/>December 31,<br/>2006</b> |
|-----------------------------------------------------------------|---------------------------------------------------------|
| Revenue                                                         | \$ 13,465                                               |
| Cost of sales (excluding depreciation and amortization expense) | 4,952                                                   |
| Depreciation and amortization                                   | 2,108                                                   |
| Selling, general and administrative                             | 1,885                                                   |
| Interest expense, net                                           | 1,815                                                   |
| Net income                                                      | \$ 2,705                                                |
| General partner interest in net income                          | \$ 54                                                   |
| Limited partner interest in net income                          | \$ 2,651                                                |

## UNIVERSAL COMPRESSION PARTNERS, L.P.

## UNAUDITED SUPPLEMENTAL INFORMATION

(Dollars in thousands, except per unit amounts)

|                                                                                                                 | Three Months<br>Ended<br>December 31,<br>2006 |   |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------|---|
| Revenue                                                                                                         | \$ 13,465                                     |   |
| Gross Margin, as adjusted for operating cost caps provided by Universal Compression Holdings ( UCO ) (1)        | \$ 9,039                                      |   |
| Selling, General and Administrative                                                                             | \$ 1,885                                      |   |
| % of Revenue                                                                                                    | 14                                            | % |
| EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by UCO (1) | \$ 7,154                                      |   |
| % of Revenue                                                                                                    | 53                                            | % |
| Capital Expenditures                                                                                            | \$ 332                                        |   |
| Proceeds from Sale of PP&E                                                                                      | 0                                             |   |
| Net Capital Expenditures                                                                                        | \$ 332                                        |   |
| Gross Margin percentage, as adjusted for operating cost caps provided by UCO                                    | 67                                            | % |
| Reconciliation of GAAP to Non-GAAP Financial Information:                                                       |                                               |   |
| Net income                                                                                                      | \$ 2,705                                      |   |
| Depreciation and amortization                                                                                   | 2,108                                         |   |
| Cap on operating and selling, general and administrative costs provided by UCO                                  | 526                                           |   |
| Interest expense, net                                                                                           | 1,815                                         |   |
| EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by UCO (1) | 7,154                                         |   |
| Selling, general and administrative costs                                                                       | 1,885                                         |   |
| Gross Margin, as adjusted for operating cost caps provided by UCO (1)                                           | \$ 9,039                                      |   |
| Less: Cash interest expense                                                                                     | (1,815)                                       | ) |
| Less: Selling, general and administrative                                                                       | (1,885)                                       | ) |
| Less: Maintenance capital expenditures                                                                          | (306)                                         | ) |
| Distributable cash flow (2)                                                                                     | \$ 5,033                                      |   |
| Distributions per Unit                                                                                          | \$ 0.28                                       |   |
| Distribution to All Unitholders                                                                                 | \$ 3,588                                      |   |
| Distributable Cash Flow Coverage                                                                                | 1.40x                                         |   |

|                                                                                                                                          | December 31,<br>2006 |   |
|------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---|
| Debt and Capital Lease Obligations                                                                                                       | \$ 125,000           |   |
| Total Partners' Capital                                                                                                                  | \$ 69,457            |   |
| Total Debt to Capitalization                                                                                                             | 64.3                 | % |
| Total Debt to Annualized EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by UCO (1) | 3.5x                 |   |
| EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by UCO (1) to Interest Expense      | 3.9x                 |   |

(1) Management believes disclosure of EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by UCO, and Gross Margin, as adjusted for operating cost caps provided by UCO, non-GAAP measures, provide useful information to investors because, when viewed with our GAAP results and

accompanying reconciliations, they provide a more complete understanding of our performance than GAAP results alone. Management uses EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by UCO, and Gross Margin, as adjusted for operating cost caps provided by UCO, as supplemental measures to review current period operating performance, comparability measures and performance measures for period to period comparisons. In addition, EBITDA, as further adjusted for operating and selling, general and administrative cost caps provided by UCO, is used by management as a valuation measure.

(2) Distributable cash flow, a non-GAAP measure, is a significant liquidity metric used by management to compare basic cash flows generated by us to the cash distributions we expect to pay our partners. Using this metric, our management can quickly compute the coverage ratio of estimated cash flows to planned cash distributions.

**UNIVERSAL COMPRESSION PARTNERS, L.P.**

**UNAUDITED SUPPLEMENTAL INFORMATION**

**(Horsepower in thousands)**

|                                                                                                                                                                             | <b>October 20,<br/>Through<br/>December 31,<br/>2006 (1)</b> |   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---|
| Total Available Horsepower (at period end)                                                                                                                                  | 343                                                          |   |
| Average Operating Horsepower                                                                                                                                                | 330                                                          |   |
| Horsepower Utilization:                                                                                                                                                     |                                                              |   |
| Spot (at period end)                                                                                                                                                        | 96.9                                                         | % |
| Average                                                                                                                                                                     | 98.6                                                         | % |
| Combined Domestic Contract Compression Horsepower of Universal Compression Holdings and Universal Compression Partners covered by contracts converted to service agreements | 1,114                                                        |   |
| Total Available Domestic Contract Compression Horsepower of Universal Compression Holdings and Universal Compression Partners (at period end):                              | 2,069                                                        |   |
| % of Domestic Contract Compression Horsepower of Universal Compression Holdings and Universal Compression Partners under Converted Contract Form                            | 53.8                                                         | % |

(1) Average data shown is for the period from October 20, 2006 to December 31, 2006 because the actual operations of Universal Compression Partners, L.P. began on October 20, 2006.