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GARDNER DENVER INC
Form 10-K
March 26, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: For the fiscal year ended December 31, 2002

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.)

1800 Gardner Expressway, Quincy, IL

62301

(Address of Principal Executive Offices)

(Zip Code)

(217) 222-5400

(Registrant's Telephone Number, Including Area Code)

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

Common Stock, \$0.01 par value

(Title of Class)

Rights to Purchase Preferred Stock

(Title of Class)

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

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the

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best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes X No
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The aggregate market value of the registrant's voting stock held by non-affiliates as of March 14, 2003 was \$293,064,485.

The number of shares outstanding of the registrant's Common Stock, as of March 14, 2003 was 16,031,974.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Gardner Denver, Inc. Proxy Statement, dated March 21, 2003 (incorporated into Part III of this Annual Report on Form 10-K).

Portions of the 2002 Annual Report to Stockholders (incorporated into Parts I and II of this Annual Report on Form 10-K).

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PART I

ITEM 1. BUSINESS

GENERAL

Gardner Denver, Inc. ("Gardner Denver" or the "Company") believes, based on total sales in the United States, it is one of the leading manufacturers of stationary air compressors and blowers for industrial applications. 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 and engineered vacuum systems. Gardner Denver also believes that it is one of the leading manufacturers of pumps used in oil and natural gas production, well-servicing and drilling and water jetting systems.

In 2002, Gardner Denver had revenues of \$418.2 million, of which approximately 84 percent were derived from sales of compressed air products while approximately 16 percent were from sales of pump products. Approximately 63 percent of the total revenues in 2002 were derived from sales in the United States and approximately 37 percent were from sales to customers in various countries outside the United States. Of the total non-U.S. sales, 56 percent were to Europe, 17 percent to Asia, 12 percent to Canada, 12 percent to Latin America and 3 percent to other regions.

HISTORY

The Company's business of manufacturing industrial and petroleum equipment began in 1859 when Robert W. Gardner redesigned the fly-ball governor to provide speed control for steam engines. By 1900, the then Gardner Company had expanded its product line to include steam pumps and vertical high-speed air compressors. In 1927, the Gardner Company merged with Denver Rock Drill, a manufacturer of equipment for oil wells and mining and construction, and became the Gardner-Denver Company. In 1979, the Gardner-Denver Company was acquired by

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Cooper Industries, Inc. ("Cooper") and operated as 10 unincorporated divisions. Two of these divisions, the Gardner-Denver Air Compressor Division and the Petroleum Equipment Division, were combined in 1985 to form the Gardner-Denver Industrial Machinery Division (the "Division"). The OPI(R) pump product line was purchased in 1985 and added to the Division. In 1987, Cooper acquired the Sutorbilt(R) and DuroFlow(R) blower product lines and the Joy(R) industrial compressor product line, which were also consolidated into the Division. Effective December 31, 1993, the assets and liabilities of the Division were transferred by Cooper to the Company, which had been formed as a wholly-owned subsidiary of Cooper. On April 15, 1994, the Company was spun-off as an independent company to the shareholders of Cooper.

Gardner Denver has completed fourteen acquisitions since becoming an independent company. In 1996, Gardner Denver acquired NORAMPTCO, Inc., renamed Gardner Denver Holdings Inc., and its primary operating subsidiary Lamson Corporation ("Lamson"). Lamson designs, manufactures and sells multistage centrifugal blowers and exhausters used in various industrial and wastewater applications. Lamson's products complemented the Company's product offering by enabling it to expand its participation in environmental and industrial segments requiring air and gas management.

Also in 1996, the Company acquired TCM Investments, Inc., an oilfield pump manufacturer based in Tulsa, Oklahoma. This acquisition extended the Company's well stimulation pump

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product line, provided a physical presence in the oilfield market and allowed Gardner Denver to become a major supplier of repair parts and remanufacturing services to some of the Company's customers.

In 1997, the Company acquired Oy Tamrotor Ab ("Tamrotor"), located in Tampere, Finland. Tamrotor designs and manufactures lubricated rotary screw compressor air ends and packages. The addition of Tamrotor provided the Company with a manufacturing base in Europe and growth opportunities through complementary product lines and international market penetration. In 1999, the Company liquidated Tamrotor and now conducts business in Finland as Gardner Denver OY.

In January 1998, the Company purchased Champion Pneumatic Machinery Company, Inc. ("Champion"). Champion, located in Princeton, Illinois, is a leading manufacturer of low horsepower reciprocating compressors. Champion opened new market opportunities for Gardner Denver products and expanded the range of reciprocating compressors available to existing distributors of Gardner Denver(R) branded products.

In January 1998, the Company also acquired Geological Equipment Corporation ("Geoquip"), a leading manufacturer of pumps, ranging from 350 to 2,400 horsepower, in Fort Worth, Texas. The operation also remanufactures pumps and provides repair services. The addition of Geoquip enhanced the Gardner Denver well servicing product line, expanded the Company's presence in remanufacturing and repair services and introduced the Company to the water jetting market.

The Company purchased the Wittig Division of Mannesmann Demag AG ("Wittig") in March 1998. Wittig, located in Schopfheim, Germany, is a leading manufacturer of rotary sliding vane compressors and vacuum pumps. Wittig's products primarily serve the truck blower market for liquid and dry bulk conveyance, as well as other industrial applications. The acquisition of Wittig expanded the Company's manufacturing presence in Europe and provided distribution channels for its

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blower products, which are produced in the United States.

In April 1999, the Company acquired Allen-Stuart Equipment Company, Inc. ("Allen-Stuart"), located in Houston, Texas. Allen-Stuart, which also conducts business as the Gardner Denver Engineered Packaging Center, designs, fabricates and services custom-engineered packages for blower and compressor equipment in air and gas applications. This entity also distributes Gardner Denver(R) blowers in Texas. The addition of Allen-Stuart enhanced the Company's ability to supply engineered packages, incorporating the wide range of compressor and blower products manufactured by Gardner Denver.

In April 1999, the Company also purchased Butterworth Jetting Systems, Inc., a manufacturer of water jet pumps and systems serving the industrial cleaning and maintenance market, located in Houston, Texas. This operation, which was renamed Gardner Denver Water Jetting Systems, Inc., expanded the Company's position in the rapidly growing water jet market.

In October 1999, the Company acquired Air Relief, Inc. ("Air Relief"), located in Mayfield, Kentucky. Air Relief is an independent provider of replacement parts and service for centrifugal compressors. This operation enhanced the Company's ability to penetrate the centrifugal compressor market by adding key engineering, assembly, sales and service capabilities.

In January 2000, the Company acquired Invincible Airflow Systems, Co. ("Invincible"). Invincible, located in Baltic, Ohio, manufactures single and fabricated multistage centrifugal

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blowers and engineered vacuum systems. Invincible extended Gardner Denver's product offering for the industrial cleaning market and introduced the Company's centrifugal blowers to new markets.

The Company acquired Jetting Systems & Accessories, Inc. ("JSA") in April 2000 and CRS Power Flow, Inc. ("CRS") in July 2000. JSA and CRS are located in Houston, Texas, and both manufacture aftermarket products for the water jetting industry. These two acquisitions complemented the Company's product offering for the water jetting market and further leveraged Gardner Denver's commitment to being a full service provider in the water jetting industry.

In September 2001, the Company acquired Hamworthy Belliss & Morcom ("Belliss & Morcom"), headquartered in Gloucester, England. Belliss & Morcom manufactures and distributes reciprocating air compressors used for a variety of niche applications, such as polyethylene terephthalate ("PET") bottle blowing, breathing air equipment and compressed natural gas. The acquisition of Belliss & Morcom broadened the Company's range of product offerings, strengthened its distribution and service networks and increased its participation in sales of products with applications that have the potential to grow faster than the overall industrial economy.

In September 2001, the Company also acquired Hoffman Air and Filtration Systems ("Hoffman"). Hoffman, previously headquartered in Syracuse, New York, manufactures and distributes multistage centrifugal blowers and vacuum systems, primarily for wastewater treatment and industrial applications. The acquisition of Hoffman expanded Gardner Denver's product offering and distribution capabilities and enhanced its position as a leading international supplier of centrifugal products to the air and gas handling industry. During 2002, manufacturing of Hoffman products was transferred to the Company's existing

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centrifugal blower facility in Peachtree City, Georgia.

MARKETS AND PRODUCTS

Gardner Denver designs, manufactures and markets compressed air products and pump products. A description of the particular products manufactured and sold by Gardner Denver in its two reportable segments is set forth below.

Compressed Air Products Segment

In the Compressed Air Products segment, Gardner Denver designs, manufactures, markets and services the following products and related aftermarket parts for industrial and commercial applications: rotary screw, reciprocating, sliding vane and centrifugal compressors, positive displacement and centrifugal blowers. Sales of compressed air products by Gardner Denver in 2002 were \$350.0 million, of which approximately 60 percent were to customers in the United States.

Reciprocating compressors range from 0.5 to 1,500 horsepower and are sold under the Gardner Denver(R), Champion(R), Commandair(R) and Belliss & Morcom(R) trademarks. Rotary screw compressors range from 5 to 680 horsepower and are sold under the Gardner Denver(R), Electra-Screw(R), Electra-Saver(R), Enduro(R), RotorChamp(R), Twistair(R), Tamrotor(R), and Tempest(R) trademarks. Centrifugal compressors range from 400 to 1,500 horsepower and are sold under the GD Turbo name.

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Blowers are used to produce a high volume of air at low pressures and vacuums. Centrifugal blowers produce a constant level of pressure and varying volumes of airflow. Positive displacement blowers provide a constant volume of airflow at varying levels of pressure. The Company's positive displacement blowers range from 0 to 36 pounds per square inch gauge (PSIG) pressure and 0-28 inches of mercury ("Hg) vacuum and 0 to 43,000 cubic feet per minute (CFM) and are sold under the trademarks Sutorbilt(R), DuroFlow(R), CycloBlower(R) and TurboTron(R). The Company's multistage centrifugal blowers are sold under the trademarks Lamson(R) and Hoffman(R) and range from 0.5 to 25 PSIG pressure and 0-18 "Hg vacuum and 100 to 50,000 CFM. The Company's rotary sliding vane compressors and vacuum pumps range from 0 to 150 PSIG and 0 to 3,000 CFM and are sold under the trademark Wittig(R).

The Company's engineered vacuum systems are used in industrial cleaning and maintenance and are sold under the Invincible(R) and Cat Vac(R) trademarks.

Almost all domestic manufacturing plants and industrial facilities, as well as many service industries, utilize air compressors and/or blowers. The largest customers for Gardner Denver's compressor products are durable and non-durable goods manufacturers; process industries (petroleum, primary metals, pharmaceutical, food and paper); original equipment manufacturers ("OEMs"); manufacturers of carpet cleaning equipment, pneumatic conveying equipment, and dry and liquid bulk transports; wastewater treatment facilities; and automotive service centers and niche applications such as polyethylene terephthalate ("PET") bottle blowing, breathing air equipment and compressed natural gas.

Manufacturers of machinery and related equipment use stationary compressors for automated systems, controls, materials handling and special machinery requirements. The petroleum, primary metals, pharmaceutical, food and paper industries require compressed air for process, instrumentation and control, packaging and pneumatic conveying.

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Blowers are instrumental to local utilities for aeration in treating industrial and municipal waste. Blowers are also used in service industries, for example, residential carpet cleaning to vacuum moisture from carpets during the shampooing and cleaning process. Blowers and rotary vane compressors are used on trucks to vacuum leaves and debris from street sewers and to unload liquid and dry bulk and powder materials such as cement, grain and plastic pellets. Additionally, blowers are used in numerous chemical process applications.

Pump Products Segment

Gardner Denver designs, manufactures, markets and services a diverse group of pumps, water jetting systems and related aftermarket parts used in oil and natural gas production, well servicing and drilling and industrial cleaning and maintenance. Sales of pump products in 2002 were \$68.1 million, of which approximately 78 percent were to customers in the United States.

Positive displacement reciprocating pumps are marketed under the Gardner Denver(R), Geoquip(R), Ajax(R) and OPI(R) trademarks. Typical applications of Gardner Denver(R) pumps in oil and natural gas production include oil transfer, water flooding, salt water disposal, pipeline

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testing, ammine pumping for gas processing, re-pressurizing, enhanced oil recovery, hydraulic power and other liquid transfer applications. Gardner Denver's production pumps range from 16 to 600 horsepower and consist of horizontal and vertical designed pumps.

Gardner Denver markets one of the most complete product lines of well servicing pumps. Well servicing operations include general workover service, completions (bringing wells into production after drilling), and plugging and abandonment of wells. Gardner Denver's well servicing products consist of high pressure plunger pumps ranging from 165 to 400 horsepower.

Gardner Denver also manufactures intermittent duty triplex and quintuplex plunger pumps ranging from 250 to 3,000 horsepower for well cementing and stimulation, including reservoir fracturing or acidizing. Duplex pumps, ranging from 16 to 135 horsepower, are produced for shallow drilling, which includes water well drilling, seismic drilling and mineral exploration. Continuous duty triplex mud pumps for oil and natural gas drilling rigs range from 275 to 2,000 horsepower. A small portion of Gardner Denver(R) and Ajax(R) pumps are sold for use in industrial applications.

The Company's water jetting systems are used in industrial cleaning and maintenance and are sold under the Liqua-Blaster(R) and American Water Blaster(R) trademarks. Applications in this market segment include runway and shiphull cleaning, concrete demolition and metal surface preparation.

For financial information over the past three years on the Company's performance by industry segment and the Company's international sales, refer to Note 15 of the Notes to Consolidated Financial Statements included in Gardner Denver's 2002 Annual Report to Stockholders and incorporated herein by reference.

CUSTOMERS AND CUSTOMER SERVICE

Gardner Denver sells its products through independent distributors and sales representatives and directly to OEMs, engineering firms and end users. Gardner

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Denver uses a direct sales force to service OEM and engineering firm accounts because these typically require more technical assistance, shipment scheduling and product service.

As a majority of Gardner Denver's products are marketed through independent distribution, Gardner Denver is committed to developing and supporting its distribution network of over 1,500 distributors and representatives. Gardner Denver has a Master Distribution Center in Memphis, Tennessee that stocks parts, accessories, blowers and small compressor products in order to provide adequate and timely availability. Gardner Denver also provides its distributors with sales and product literature, technical assistance and training programs, advertising and sales promotions, order-entry and tracking systems and an annual restocking program. Gardner Denver participates in major trade shows and has a telemarketing department to generate sales leads and support the distributors' sales staffs.

The Company's distributors maintain an inventory of complete units and parts and provide aftermarket service to end users. There are several hundred field service representatives for Gardner Denver products in the distributor network. Gardner Denver's service personnel and product engineers provide the distributors' service representatives with technical assistance and

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field training, particularly with respect to installation and repair of equipment.

Gardner Denver also provides aftermarket support through its remanufacturing facilities in Indianapolis, Indiana; Fort Worth, Texas; and Mayfield, Kentucky. The Indianapolis operation remanufactures and repairs air ends for rotary screw compressors, blowers and reciprocating compressors. The Fort Worth facility repairs and remanufactures well servicing pumps. The Mayfield operation provides aftermarket parts and repairs for centrifugal compressors.

Outside the United States, Gardner Denver markets its products through a network of sales representatives, as well as distributors and direct sales persons. As a result of the Lamson, Wittig and Hoffman acquisitions, the Company operates blower packaging operations in Canada, France, Germany and the United Kingdom. As a result of the Tamrotor and Bellis & Morcom acquisitions, the Company operates compressor manufacturing and packaging facilities in Canada, Finland and the United Kingdom.

COMPETITION

Gardner Denver's principal competitors in sales of compressed air products include Ingersoll-Rand, Sullair (owned by United Technologies Corporation), Atlas Copco, Quincy Compressor (owned by En Pro Industries), CompAir and Roots. The principal competitors in sales of petroleum pump products include National-Oilwell and SPM Flow Control, Inc. The principal competitors in sales of water jetting systems include NLB Corp., WOMA Apparatebau GmbH and Hammelmann Maschinenfabrik GmbH. Each of the Company's business segments has a strong reputation and the Company's trademarks are recognized both domestically and internationally.

Demand for compressed air products is dependent upon capital spending by manufacturing and process industries, and general economic conditions. Demand for pump products is primarily tied to the number of working and available drilling rigs and oil and natural gas prices. The principal competitive factors

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in both segments are quality, performance, price and availability. The relative importance of each of these factors varies depending on the specific type of product.

Compressed air and pump products are best characterized as mature, with steady and slow technological advances. Technological trends in compressed air products include, among others, development of oil-free air compressors, increased product efficiency, reduction of noise levels, and advanced control systems to upgrade the flexibility and precision of regulating pressure and capacity. Emerging compressed air products market niches result from new technologies in plastics extrusion, oil and natural gas well drilling, field gas gathering, mobile and stationary vacuum applications, utility and fiber optic installation, environmental impact minimization, as well as other factors. Trends in pump products include, among others, development of larger horsepower and lighter weight pumps.

RESEARCH AND DEVELOPMENT

The Company actively engages in a continuing research and development program. The Gardner Denver research and development centers are dedicated to various activities, including new product development, product performance improvement and new product applications.

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Gardner Denver's products are designed to satisfy the safety and performance standards set by various industry groups and testing laboratories. Care is exercised throughout the manufacturing and final testing process to ensure that products conform to industry, government and customer specifications.

Gardner Denver has representatives on the American Petroleum Institute's working committee and the Company has relationships with standard enforcement organizations such as Underwriters Laboratories (U.L.), Det Norske Veritas (DNV) and the Canadian Standard Association (C.S.A.). The Company maintains ISO 9001 certification on the quality systems at a majority of its manufacturing and design locations.

Expenditures for research and development sponsored by the Company were \$2.4 million in 2002, \$2.5 million in 2001 and \$3.0 million in 2000.

MANUFACTURING

Gardner Denver has nineteen manufacturing facilities that utilize a broad variety of processes. At its manufacturing locations, the Company maintains advanced manufacturing, quality assurance and testing equipment geared to the specific products that it manufactures, and uses extensive process automation in its manufacturing operations. Most of the manufacturing facilities utilize computer aided numerical control tools and manufacturing techniques that concentrate the equipment necessary to produce similar products in one area of the plant (cell manufacturing). One operator using cell manufacturing can monitor and operate several machines, as well as assemble and test products made by such machines, thereby improving operating efficiency and product quality while reducing the amount of work-in-process and finished product inventories.

RAW MATERIALS

The primary raw materials used by Gardner Denver are cast iron and steel. Such materials are generally available from a number of suppliers. The Company does

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not currently have long-term contracts with its suppliers of raw materials, but believes that its sources of raw materials are reliable and adequate for its needs. The Company utilizes single sources of supply for certain iron castings and other selected components. A disruption in deliveries from a given supplier could therefore have an adverse effect on the Company's ability to meet its commitments to customers. Nevertheless, the Company believes that it has appropriately balanced this risk against the cost of sustaining a greater number of suppliers. Moreover, the Company has sought, and will continue to seek, cost reductions in its purchases of materials and supplies by consolidating its purchases, pursuing alternate sources of supply and using online bidding competitions among potential suppliers.

The Company's largest supplier of iron castings, Atchison Casting Corporation ("Atchison") announced in August 2002 that it would downsize its LaGrange, Missouri foundry ("LaGrange Foundry"), ceasing production and focusing the facility on pattern repair, maintenance and storage. Atchison later decided to completely close this facility. As a result, the Company began to implement its previously developed contingency plan to secure alternative supply sources. The Company does not anticipate that the closure of the LaGrange Foundry will materially impact its long-term financial performance. However, there was a negative impact (approximately \$0.01 to \$0.03 diluted EPS) on the Company's financial performance in

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the fourth quarter of 2002, as additional costs were incurred related to expediting castings from new suppliers. The Company currently expects additional negative impact (approximately \$0.02 to \$0.04 diluted EPS) in the first quarter of 2003, as the Company's plan is carried out and alternative iron casting supply sources are fully integrated into the Company's supply and manufacturing processes. The most significant aspects of this change should be completed by the end of the first quarter of 2003 and the Company expects to benefit going forward from reduced material costs from alternate suppliers.

Historically, the Company has not experienced any significant supply problems in its operations other than the LaGrange Foundry closure noted above; however, there can be no assurance that this will be the case in the future.

BACKLOG

The Company's backlog was approximately \$65.3 million at December 31, 2002 as compared to approximately \$79.2 million at December 31, 2001. This decrease was primarily due to declining demand of petroleum pump products stemming from lower rig counts. Backlog consists of orders believed to be firm for which a customer purchase order has been received or communicated and which are scheduled for shipment within twelve months. Since orders may be rescheduled or canceled, backlog does not necessarily reflect future sales levels.

PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

The Company believes that the success of its business depends more on the technical competence, creativity and marketing abilities of its employees than on any individual patent, trademark or copyright. Nevertheless, as part of its ongoing research, development and manufacturing activities, the Company has a policy of seeking appropriate patents concerning new products and product improvements.

In the aggregate, patents and trademarks are of considerable importance to the

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manufacturing and marketing of many of the Company's products. However, the Company does not consider any single patent or trademark, or group of patents or trademarks, to be material to its business as a whole, except for the Gardner Denver(R) trademark. Other important trademarks used by Gardner Denver include DuroFlow(R), Sutorbilt(R), CycloBlower(R), Wittig(R), Lamson(R), Tamrotor(R), OPI(R), Champion(R), Geoquip(R), Belliss & Morcom(R) and Hoffman(R). Joy(R) is a registered trademark of Joy Technologies, Inc. Gardner Denver has the right to use the Joy(R) trademark on aftermarket parts until November 2027. The Company's right to use this trademark on air compressors expired in November 1995. Pursuant to trademark license agreements, Cooper has rights to use the Gardner Denver(R) trademark for certain power tools and Gardner Denver has rights to use the Ajax(R) trademark for petroleum pump products. Gardner Denver has registered its trademarks in the countries where it is deemed necessary.

The Company also relies upon trade secret protection for its confidential and proprietary information. The Company routinely enters into confidentiality agreements with its employees. There can be no assurance, however, that others will not independently obtain similar information and techniques or otherwise gain access to the Company's trade secrets or that the Company can effectively protect its trade secrets.

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EMPLOYEES

As of February 2003, the Company had approximately 1,900 full-time employees, of which approximately 650, including most of the employees in Finland, Germany and the United Kingdom, were represented by labor unions. In April 2002, the Company and the union at the Quincy, Illinois plant executed a five-year labor contract. The Company believes its current relations with employees are satisfactory.

ENVIRONMENTAL MATTERS

The Company is subject to numerous federal, state, local and foreign laws and regulations relating to the storage, handling, emission, disposal and discharge of materials into the environment. The Company believes that its existing environmental control procedures are adequate and it has no current plans for substantial capital expenditures in this area. Gardner Denver has an environmental policy that confirms its commitment to a clean environment and to compliance with environmental laws. Gardner Denver has an active environmental management program aimed at compliance with existing environmental regulations and developing methods to eliminate or significantly reduce the generation of pollutants in the manufacturing processes.

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

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

AVAILABLE INFORMATION

Our Internet website address is <http://www.gardnerdenver.com>. We provide copies of the following reports available free of charge through our Internet website, as soon as reasonably practicable after they have been filed with or furnished to the Securities Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934: our annual report on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; and amendments to those reports. Information on our website does not constitute part of this annual report on Form 10-K.

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ITEM 2. PROPERTIES

As of December 31, 2002, Gardner Denver has nineteen manufacturing plants, three of which are remanufacturing operations, one distribution center, several warehouses and numerous sales offices. The significant facilities are as follows:

| Location ----- | Facility Type ----- | Sq. Feet ----- | Owned or Leased ----- |
|-------------------------|--|-------------------|-----------------------------|
| Quincy, Illinois | Executive, Administrative and Sales Offices; Manufacturing - pump and compressed air products | 604,000 | Owned |
| Sedalia, Missouri | Manufacturing - compressed air products | 325,000 | Owned |
| Princeton, Illinois | Manufacturing - compressed air products | 130,000 | Owned |
| Peachtree City, Georgia | Administrative and Sales Offices; Manufacturing - compressed air products | 120,000 | Leased |
| Memphis, Tennessee | Distribution Center and Warehouse | 98,000 | Owned |
| Houston, Texas | Manufacturing - pump products | 61,000 | Leased |
| Fishers, Indiana | Remanufacturing - compressed air products | 60,000 | Leased |
| Houston, Texas | Manufacturing - compressed air products | 57,200 | Leased |
| Baltic, Ohio | Manufacturing-compressed air products | 48,000 | Owned |
| Tulsa, Oklahoma | Manufacturing - | 46,000 | Owned |

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|----------------------------|---|---------|--------|
| Fort Worth, Texas | pump products Remanufacturing - | 42,000 | Owned |
| Mayfield, Kentucky | pump products Remanufacturing - compressed | 41,200 | Owned |
| Tulsa, Oklahoma | air products Manufacturing - | 24,000 | Leased |
| Manteca, California | pump products Manufacturing and Warehouse - | 19,200 | Owned |
| Syracuse, New York | compressed air products Sales Office | 9,500 | Owned |
| Oklahoma City, Oklahoma | Sales Office and Warehouse | 8,000 | Owned |
| Gloucester, United Kingdom | Administrative and Sales Offices; Manufacturing - compressed air products | 196,000 | Owned |

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| | | | |
|----------------------------|---|---------|--------|
| Tampere, Finland | Administrative and Sales Offices; Manufacturing - compressed air products | 112,500 | Leased |
| Schopfheim, Germany | Administrative and Sales Offices; Manufacturing - compressed air products | 93,600 | Owned |
| Toronto, Canada | Administrative and Sales Offices; Manufacturing - compressed air products | 10,000 | Leased |
| Sao Paulo, Brazil | Administrative and Sales Offices | 10,000 | Leased |
| Manchester, United Kingdom | Administrative and Sales Offices; Manufacturing - compressed air products | 10,000 | Leased |
| Toronto, Canada | Administrative and Sales Offices; Manufacturing - compressed air products | 9,000 | Leased |
| Bezons, France | Administrative and Sales Offices | 6,300 | Leased |

The Peachtree City, Georgia facility is currently leased from the Fayette County Development Authority in connection with industrial revenue bond financing. The Company has an option to purchase the property at a nominal price when the bonds are repaid in 2018.

In 2002, the Company announced it would close its Syracuse, New York facility acquired in the Hoffman acquisition. As a result, the manufacturing of the Hoffman centrifugal blower product line was transferred to the Company's existing centrifugal blower facility in Peachtree City, Georgia and the 107,000 square foot Syracuse plant was shut down, remains idle and is offered for sale.

The Company leases sales office space in various U.S. locations and foreign countries, and warehouse space in Singapore and Finland.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings and administrative actions.

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The information regarding these proceedings and actions under "Contingencies" contained on pages 17 and 18 and under Note 13 contained on page 37 of Gardner Denver's 2002 Annual Report to Stockholders, is hereby incorporated herein by reference.

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

During the fourth quarter of the fiscal year covered by this report, no matters were submitted to a vote of the stockholders.

EXECUTIVE OFFICERS OF REGISTRANT

The executive officers of the Company, their positions with the Company, business history and

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certain other information, as of March 15, 2003, are set forth below. These officers serve at the pleasure of the Board of Directors.

| Name ----- | Office ----- | Age --- |
|--------------------|--|------------|
| Ross J. Centanni | Chairman, President and Chief Executive Officer | 57 |
| Michael Carney | Vice President and General Manager, Blower Division | 45 |
| Helen W. Cornell | Vice President, Strategic Planning and Operations Support | 44 |
| Steven M. Krivacek | Vice President, Human Resources | 54 |
| Tracy D. Pagliara | Vice President, General Counsel and Secretary | 40 |
| Philip R. Roth | Vice President, Finance and Chief Financial Officer | 52 |
| J. Dennis Shull | Vice President and General Manager, Compressor Division | 54 |
| Richard C. Steber | Vice President and General Manager, Pump Division | 52 |

Ross J. Centanni, age 57, has been President and Chief Executive Officer and a director of Gardner Denver since its incorporation in November 1993. He has been Chairman of Gardner Denver's Board of Directors since November 1998. Prior to Gardner Denver's spin-off from Cooper, he was Vice President and General Manager of Gardner Denver's predecessor, the Gardner-Denver Industrial Machinery Division, where he also served as Director of Marketing from August 1985 to June 1990. He has a B.S. degree in industrial technology and an M.B.A. degree from Louisiana State University. Mr. Centanni is a director of Esterline Technologies, a publicly held manufacturer of components for avionics, propulsion and guidance systems, and Denman Services, Inc., a privately held supplier of medical products. He is also a member of the Petroleum Equipment Suppliers Association Board of Directors and the Executive Committee of the International Compressed Air and Allied Machinery Committee.

Michael S. Carney, age 45, joined the Company as Vice President and General Manager, Gardner Denver Blower Division in November 2001. Prior to joining Gardner Denver, Mr. Carney worked for Woods Equipment Company from 1995 to May 2001. The last position he held with Woods was Vice President, Construction Business. From 1979 to 1995, Mr. Carney worked for General Electric Company in

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various management positions. Mr. Carney has a B.S.M.E. from the University of Notre Dame, a M.S.E.E. from the University of Cincinnati, and an M.S.I.A. from Purdue University.

Helen W. Cornell, age 44, has been Vice President, Strategic Planning and Operations Support of the Company since August 2001. She served as Vice President, Compressor Operations for the Compressor and Pump Division from April 2000 until being appointed to her present position. From November 1993 until accepting her operations role, Ms. Cornell held positions of increasing responsibility as the Corporate Secretary and Treasurer of the Company, serving in the role of Vice President, Corporate Secretary and Treasurer from April 1996 until April 2000. She holds a B.S. degree in accounting from the University of Kentucky and an M.B.A. from Vanderbilt University. She is a Certified Public Accountant and a Certified Management Accountant.

Steven M. Krivacek, age 54, has been Vice President, Human Resources for Gardner Denver

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since March 1995. He previously served the Company as Director of Human Resources from 1986 until his promotion. Mr. Krivacek has a B.A. in economics from California University of Pennsylvania and an M.A. in industrial relations from St. Francis University.

Tracy D. Pagliara, age 40, has been Vice President, General Counsel and Secretary of Gardner Denver since August 2000. Prior to joining Gardner Denver, Mr. Pagliara held positions of increasing responsibility in the legal departments of Verizon Communications/GTE Corporation from August 1996 to August 2000 and Kellwood Company from May 1993 to August 1996, ultimately serving in the role of Assistant General Counsel for each company. Mr. Pagliara, a Certified Public Accountant, has a B.S. degree in accounting and Juris Doctorate degree from the University of Illinois.

Philip R. Roth, age 52, joined the Company as Vice President, Finance and Chief Financial Officer in May 1996. Prior to joining Gardner Denver, Mr. Roth was employed by Emerson Electric Co. for fifteen years, most recently as the Vice President, Finance and Chief Financial Officer of the Wiegand Industrial Division. Mr. Roth, a Certified Public Accountant, received his B.S. degree in Business Administration from the University of Missouri and an M.B.A. from the Olin School of Business at Washington University.

J. Dennis Shull, age 54, has been Vice President and General Manager, Gardner Denver Compressor Division since January 2002. He previously served the Company as Vice President and General Manager, Gardner Denver Compressor and Pump Division since its organization in August 1997. Prior to August 1997, he served as Vice President, Sales and Marketing since the Company's incorporation in November 1993. From August 1990 until November 1993, Mr. Shull was the Director of Marketing for the Division. Mr. Shull has a B.S. degree in business from Northeast Missouri State University and an M.A. in business from Webster University.

Richard C. Steber, age 52, joined the Company as Vice President and General Manager of the Gardner Denver Pump Division in January 2002. Prior to joining Gardner Denver, he was employed by Goulds Pumps, a division of ITT Industries, for twenty-five years, most recently as the President and General Manager. He previously held positions of Vice President for both the sales and marketing organizations at Goulds Pumps, with domestic and international responsibility.

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Mr. Steber has a B.S. degree in engineering from the State University of New York College of Environmental Science and Forestry at Syracuse University.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information under "Stock Information" and "Dividends," contained on page 40 of Gardner Denver's 2002 Annual Report to Stockholders, is hereby incorporated herein by reference. The information in Item 12 under "Equity Compensation Plan Information" contained on page 16 of this annual report on Form 10-K is hereby incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information under "Financial History," contained on page 12 of Gardner Denver's 2002

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Annual Report to Stockholders, is hereby incorporated herein by reference.

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

The information under "Management's Discussion and Analysis," contained on pages 13 through 19 of Gardner Denver's 2002 Annual Report to Stockholders, is hereby incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under "Management's Discussion and Analysis - Market Risk," contained on page 17 of Gardner Denver's 2002 Annual Report to Stockholders, is hereby incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information under "Reports of Independent Public Accountants" and "Consolidated Financial Statements and Notes," contained on pages 21 through 39 of Gardner Denver's 2002 Annual Report to Stockholders, is hereby incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On June 26, 2002, the Board of Directors of Gardner Denver, Inc. ("Gardner Denver"), based on the recommendation of its Audit Committee, dismissed Arthur Andersen LLP ("Andersen") as Gardner Denver's independent public accountants and engaged KPMG LLP ("KPMG") to serve as Gardner Denver's independent public accountants for the fiscal year 2002, effective immediately.

Andersen's audit reports on Gardner Denver's consolidated financial statements for each of the fiscal years ended December 31, 2001 and 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2001 and 2000 and through June 26, 2002, there were no disagreements with Andersen on any matter of accounting

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principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on Gardner Denver's consolidated financial statements for such years; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

Gardner Denver requested Andersen to furnish a letter addressed to the Securities and Exchange Commission stating whether Andersen agreed with the statements made above by Gardner Denver. A copy of that letter addressed to the Securities and Exchange Commission, dated June 28, 2002, was included as Exhibit 16 to Gardner Denver Inc.'s Form 8-K, filed July 1, 2002.

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During the years ended December 31, 2001 and 2000 and through June 26, 2002, Gardner Denver did not consult KPMG with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on Gardner Denver's consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company's directors contained under "Election of Directors," "Nominees for Election," and "Directors Whose Terms of Office Will Continue After the Meeting" contained on pages 2 through 4 of the Gardner Denver Proxy Statement, dated March 21, 2003, is hereby incorporated herein by reference. Information concerning the Company's executive officers is contained in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information related to executive compensation contained under "Committees, Compensation and Governance of the Board of Directors" on pages 4 through 8, "Executive Management Compensation" on pages 10 through 13 and "Employee and Executive Benefit Plans" contained on pages 18 through 19 of the Gardner Denver Proxy Statement, dated March 21, 2003, is hereby incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under "Security Ownership of Management and Certain Beneficial Owners" contained on pages 8 through 10 of the Gardner Denver Proxy Statement, dated March 21, 2003, is hereby incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information as of December 31, 2002, with respect to compensation plans which equity securities of the Registrant are authorized for issuance:

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| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (A) | Weighted-average exercise price of outstanding options, warrants and rights (B) | f equit (refl |
|--|--|--|-------------------------|
| Equity compensation plans approved by security holders | 1,297,280 | \$17.15 | |
| Equity compensation plans not approved by security holders | -- | -- | |
| Total | 1,297,280 | \$17.15 | |

The number of securities remaining available for future issuance under the Company's Long-Term Incentive Plan and Employee Stock Purchase Plan were 792,532 and 252,922, respectively, at December 31, 2002.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14. CONTROLS AND PROCEDURES

During the 90-day period prior to the filing date of this report, management, including the Company's Chairman, President and Chief Executive Officer and Vice President, Finance and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon, and as of the date of that evaluation, the Chairman, President and Chief Executive Officer and Vice President, Finance and Chief Financial Officer concluded that the disclosure controls and procedures were effective in all material respects, to ensure that information to be disclosed in the reports the Company files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required.

There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation. There were no significant deficiencies or material weaknesses identified in the evaluation and therefore, no corrective actions were taken.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Annual Report

1. Financial Statements and the related report of independent public accountants are incorporated by reference to the pages shown below in Gardner Denver's 2002 Annual Report to Stockholders. Pursuant to Rule 2-02(e) of

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Regulation S-X, our 2002 Annual Report includes a copy of the prior year's Report of Independent Public Accountants from the prior independent public accountants, Arthur Andersen LLP ("Andersen"). The report was previously issued by Andersen, for our Annual Report for fiscal year 2001 and incorporated by reference into our annual report on Form 10-K for the year ended December 31, 2001, and has not been reissued by Andersen. The report refers to previous consolidated financial statements that are not included in the 2002 Annual Report or this filing (consisting of the consolidated balance sheet as of December 31, 2000 and the consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 1999). After reasonable efforts, and due to the fact that Andersen has ceased operations, we were unable to obtain a reissued report and Andersen did not consent to the inclusion of its previously issued report in our 2002 Annual Report or this filing. Because Andersen did not consent to the inclusion of its report in our 2002 Annual Report or this filing, it may be difficult to seek remedies against Andersen and the ability to seek relief against Andersen may be impaired. See Exhibit 23.2 to this annual report on Form 10-K for further discussion.

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| Consolidated Statements of Stockholders' Equity for Each of the Three Years in the Period Ended December 31, 2002 | 24 |
| Consolidated Statements of Cash Flows for Each of the Three Years in the Period Ended December 31, 2002 | 25 |
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The financial statement schedules listed below should be read in conjunction with the financial statements listed above. Financial statement schedules not included in this Annual Report on Form 10-K have been omitted because they are not applicable or the required information is shown in the financial statements or notes hereto.

2. Schedules

Report of KPMG S-1

Schedule II - Valuation and Qualifying Accounts S-2

3. Exhibits

3.1 Certificate of Incorporation of Gardner Denver, Inc.,

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as amended on May 5, 1998, filed as Exhibit 3.1 to Gardner Denver, Inc.'s Quarterly Report on Form 10-Q, dated August 13, 1998, and incorporated herein by reference.

- 3.2 ByLaws of Gardner Denver, Inc., as amended on July 31, 2001, filed as Exhibit 3.2 to Gardner Denver, Inc.'s Quarterly Report on Form 10-Q, dated August 13, 2001, and incorporated herein by reference.
 - 4.1 Rights Agreement dated as of January 18, 1995, between Gardner Denver Machinery Inc. and First Chicago Trust Company of New York as Rights Agent, filed as Exhibit 4.0 to Gardner Denver Machinery Inc.'s Current Report on Form 8-K, dated January 18, 1995 (File No. 001-13215), and incorporated herein by reference.
 - 4.2 Note Purchase Agreement, dated as of September 26, 1996, filed as Exhibit 4.0 to Gardner Denver Machinery Inc.'s Quarterly Report on Form 10-Q, dated November 14, 1996 (File No. 001-13215), and incorporated herein by reference.
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- 4.2.1 Second Amendment dated August 31, 2001, to the Note Purchase Agreement dated as of September 26, 1996 filed as Exhibit 4.2.1 on Form 10-Q, dated November 13, 2001 (File No. 001-13215), and incorporated herein by reference.
 - 10.0+ Amended and Restated Credit Agreement dated March 6, 2002, among Bank One, NA (formerly known as The First National Bank of Chicago) and the lenders named therein, filed as Exhibit 10.0 to Gardner Denver, Inc's Form 10-K, dated March 28, 2002, and incorporated herein by reference.
 - 10.1* Gardner Denver, Inc. Long-Term Incentive Plan, as amended and filed as Exhibit 10.1 on Gardner Denver, Inc's Form 10-Q, dated August 13, 2002, and incorporated herein by reference.
 - 10.2* Gardner Denver Machinery Inc. Supplemental Excess Defined Benefit Plan filed as Exhibit 10.9 to Gardner Denver Machinery Inc.'s Registration Statement on Form 10, effective on March 31, 1994, and incorporated herein by reference.
 - 10.3* Gardner Denver Machinery Inc. Supplemental Excess Defined Contribution Plan, filed as Exhibit 10.10 to Gardner Denver Machinery Inc.'s Registration Statement on Form 10, effective on March 31, 1994, and incorporated herein by reference.
 - 10.4* Amended and Restated Form of Indemnification Agreements entered into between Gardner Denver, Inc. and its directors, officers or representatives, filed as Exhibit 10.4 to Gardner Denver, Inc's Form 10-K, dated March 28, 2002, and incorporated herein by reference.
 - 10.6* Gardner Denver, Inc. Phantom Stock Plan for Outside Directors, as amended May 4, 1998 and March 7, 2000, with an effective date of April 1, 2000, and incorporated

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herein by reference.

- 10.7* Gardner Denver, Inc. Executive Stock Repurchase Program, as filed as Exhibit 10.7 to Gardner Denver, Inc.'s Form 10-K dated March 22, 2001, and incorporated herein by reference.
- 10.8* Gardner Denver, Inc. Incentive Stock Option Agreement, as filed as Exhibit 10.8 to Gardner Denver, Inc.'s Form 10-K dated March 22, 2001, and incorporated herein by reference.
- 10.9* Gardner Denver, Inc. Nonstatutory Stock Option Agreement, as filed as Exhibit 10.9 to Gardner Denver, Inc.'s Form 10-K dated March 22, 2001, and incorporated herein by reference.
- 10.10* Gardner Denver, Inc. Nonemployee Director Stock Option Agreement, as filed as Exhibit 10.10 to Gardner Denver, Inc.'s Form 10-K dated March 22, 2001, and incorporated herein by reference.

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- 10.11* Gardner Denver, Inc. Management Annual Incentive Plan dated January 2, 2001, filed as Exhibit 10.11 to Gardner Denver, Inc.'s Quarterly Report on Form 10-Q, dated May 14, 2001, and incorporated herein by reference.
- 10.12* Form of Gardner Denver Inc. Long-Term Cash Bonus Agreement between Gardner Denver, Inc. and executive bonus award participants, filed as Exhibit 10.12 to Gardner Denver, Inc.'s Form 10-K dated March 28, 2002, and incorporated herein by reference.
- 10.13* Change in Control Agreement dated August 1, 2002, entered into between Gardner Denver, Inc. and its Chief Executive Officer, filed as Exhibit 10.13 to Gardner Denver, Inc.'s Quarterly Report on 10-Q, dated August 13, 2002, and incorporated herein by reference.
- 10.14* Form of Change in Control Agreement dated August 1, 2002, entered into between Gardner Denver, Inc. and its executive officers, filed as Exhibit 10.14 to Gardner Denver, Inc.'s Quarterly Report on 10-Q, dated August 13, 2002, and incorporated herein by reference.
- 13.0 The following portions of the Gardner Denver, Inc. 2002 Annual Report to Stockholders.

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- 21.0 Subsidiaries of Gardner Denver, Inc.
- 23.1 Consent of KPMG.
- 23.2 Information Regarding Consent of Arthur Andersen LLP.
- 24.0 Powers of Attorney from members of the Gardner Denver Inc. Board of Directors.
- 99.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.