FLOW INTERNATIONAL CORP
Form 10-K
June 26, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended April 30, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 0-12448

FLOW INTERNATIONAL CORPORATION

Washington	**91-1104842**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

23500 - 64th Avenue South
Kent, Washington 98032
(253) 850-3500

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock $.01 Par Value
Preferred Stock Purchase Rights

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o.

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

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

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

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

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant was approximately $139,146,636 as of October 31, 2008, the last business day of the registrant s most recently completed second fiscal quarter, based on a closing price of $3.84 per share as quoted by the NASDAQ Stock Market as of such date. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had 37,750,429 shares of Common Stock, $0.01 par value per share, outstanding as of June 12, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended April 30, 2009 (the 2010 Proxy Statement). Portions of such proxy statement are incorporated by reference into Part II and III of this Form 10-K. With the exception of such portions of the 2010 Proxy Statement expressly incorporated by into this Annual Report on Form 10-K by reference, such document shall not be deemed filed as part of this Annual Report on Form 10-K.

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Forward-Looking Statements

Forward-looking statements in this report, including without limitation, statements relating to the Company s plans, strategies, objectives, expectations, intentions, and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words may, expect, believe, anticipate, estimate, plan and similar expressions are intended to identify forward-looking statements. These statements are no guarantee of future performance and involve certain risks, assumptions, and uncertainties that are difficult to predict. Therefore, actual outcome and results may differ materially from what is expressed or forecasted in such forward-looking statements.

We make forward-looking statements of our expectations which include but are not limited to:

statements regarding the successful execution of our strategic initiatives;

statements regarding our future business plans and growth strategy;

statements regarding our ability to respond to a decline in the near-term demand for our products by cutting costs;

statements regarding our belief that the diversity of our markets, along with the relatively early adoption phase of our technology, and the displacement of more traditional methods for machining and fabricating, will enable us to absorb the economic downturn with less impact than conventional machine tool manufacturers;

statements regarding the realization of backlog in the Advanced segment;

statements regarding the use of cash, cash needs and ability to raise capital and/or use our credit facility;

statements regarding our belief that our existing cash and cash equivalents, along with the expected proceeds from our operations will provide adequate liquidity to fund our operations through at least the next twelve months;

statements regarding our ability to meet our debt covenants in future periods;

statements regarding our technological leadership position;

statements regarding anticipated results of potential or actual litigation;

statements regarding our expectation that our unrecognized tax benefits will not change significantly within the next twelve months.

There may be other factors not mentioned above or included in our SEC filings that may cause our actual results to differ materially from those in any forward-looking statement. You should not place undue reliance on these forward-looking statements. We assume no obligation to update any forward-looking statements as a result of new information, future events or developments, except as required by federal securities laws.

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PART I

Item 1. *Description of the Business*

Business Overview

Flow International Corporation and its subsidiaries (hereinafter collectively referred to as the Company , we , or our unless the context requires otherwise) is a technology-based global company providing customer-driven waterjet cutting and cleaning solutions. Our ultrahigh-pressure water pumps generate pressures from 40,000 to over 87,000 pounds per square inch (psi) and power waterjet systems that are used to cut and clean materials. Waterjet cutting is a fast-growing alternative to traditional cutting or cleaning methods, which utilize lasers, saws, knives, shears, plasma, routers, drills and abrasive blasting techniques, and has uses in many applications from food and paper products to steel and carbon fiber composites.

This portion of our Form 10-K provides detailed information about who we are and what we do. Unless otherwise specified, current information reported in this Form 10-K is as of, or for the year ended April 30, 2009.

Our History

Flow International Corporation was incorporated in Delaware in 1983 as Flow Systems, Inc. and was reincorporated in Washington in October 1998. Our innovations and accomplishments through the years include:

- Invented abrasive waterjet system in 1979
- First to introduce ultrahigh-pressure direct drive pumps up to 55,000 psi in 2000
- First to introduce Windows[R]-based intelligent waterjet control software FlowMaster[tm] to the industry
- First to introduce a 60,000 psi intensifier pump in 1998
- First to develop advanced motion control waterjet Dynamic Waterjet[R] to increase cut accuracy and speed
- 3-Dimensional 5-Axis Waterjet machining capability
- First to introduce 87,000 psi Intensifier Pump in 2006

Our Business Strategy

We are a technology-based global company whose objective is to deliver profitable dynamic growth by providing technologically advanced waterjet cutting and cleaning solutions to our customers. To achieve this objective, we offer versatile waterjet cutting and industrial cleaning systems and we strive to:

- expand market share in our current markets;
- continue to identify and penetrate new markets;
- capitalize on the our customer relationships and business competencies;

- develop and market innovative products and applications to meet the full continuum of user needs;
- continue to improve operating margins by focusing on operational improvements; and
- pursue additional channels and partners for distribution

The recent deterioration in global economic conditions has negatively impacted our business. Instability in the stock market and tightening of credit markets has caused a reduction in capital spending at all levels of operations. We build machines which require significant capital outlay across all market segments. Against this backdrop, we are uncertain as to how long these challenging market conditions will continue, but we do not expect that economic conditions are likely to improve significantly in the near future. Our short-term focus is to ensure that we successfully navigate the current global recession by carefully managing cash, balancing our expenses with our expected revenues and to position the Company for long-term growth.

Our ability to fully implement our strategies and achieve our objective may be influenced by a variety of factors, many of which are beyond our control. Refer to discussion of some of these factors under Item 1A: *Risk Factors*.

Products and Services

Our mission is to provide the highest value customer-driven waterjet cutting and cleaning solutions. We strive to improve our customers profitability through the development of innovative products and services that expand our customers markets and increase their productivity. The primary components of our product line include versatile waterjet cutting and industrial cleaning systems. We provide total system solutions for various industries including aerospace, metalworking, stone and tile, job shop, industrial cleaning, and automotive.

Our ultrahigh-pressure technology has two broad applications: cutting and cleaning.

Waterjet Cutting. The primary application of our ultrahigh-pressure water pumps is cutting. In cutting applications, an ultrahigh-pressure pump pressurizes water from 40,000 to 87,000 psi, and forces it through a small orifice, generating a high-velocity stream of water traveling at three or more times the speed of sound. In order to cut metallic and other hard materials, an abrasive substance, usually garnet, is added to the waterjet stream creating an abrasive jet. Our cutting systems typically include a robotic manipulator that moves the cutting head. Our systems may also combine waterjet with other applications such as conventional machining, inspection, assembly, and other automated processes. Our waterjet cutting systems cut virtually any shape in a single step with edge quality that usually requires no secondary finishing and are the most productive solutions for cutting a wide range of materials from 1/16 inch to over 24 inches thick. We offer two different pump technologies: ultrahigh-pressure intensifier and direct drive pumps, ensuring our customers get the pump that is right for them and their unique application. Our intensifier pumps pressurize water up to 87,000 psi, and our direct drive pumps pressurize water up to 55,000 psi.

Waterjet cutting is recognized as a more flexible, cost effective and accurate alternative to traditional cutting methods such as lasers, saws or plasma. It offers greater versatility in the types of products it can cut, and, because it cuts without heat or imparted energy, often reduces or eliminates the need for secondary processing operations and special fixturing. Therefore, waterjet cutting has applications in many industries, including aerospace, defense, automotive, semiconductors, disposable products, food, glass, job shop, sign, metal cutting, marble, tile and other stone cutting, and paper slitting and trimming.

Industrial Cleaning Products. Our ultrahigh-pressure industrial cleaning systems are used in waterjet cleaning for fast surface preparation. These systems use direct drive pumps to create pressures in the range of 40,000 to 55,000 psi. Because only pure water is used to remove coatings, waterjetting costs less than grit blasting by eliminating the need for collection, containment, and disposal of abrasive. Removing coatings with water instead of grit allows other work to be done at the same time as the waterjet operation. Steel, mechanical and electrical work, or painting, can be performed concurrently with waterjet industrial cleaning, which means projects are completed in less time and there are fewer environmental concerns than with traditional methods such as sandblasting.

Parts and Services. We also offer consumable parts and services. Consumables represent parts used by the pump and cutting head during operation, such as seals and orifices. Many of the consumable or spare parts are proprietary in nature and are patent protected. We also sell various tools and accessories which incorporate ultrahigh-pressure technology, as well as aftermarket consumable parts and service for our products.

Marketing and Customers

Our marketing emphasizes a consultative application-oriented sales approach and is centered on increased awareness of the capabilities of our technology as we believe that waterjet technology is in the early adoption phase of its product life cycle. These efforts include presence at tradeshows, advertising in print media and other product placements and demonstration/educational events as well as an increase in domestic and international sales representation, including distributors. To enhance the effectiveness of sales efforts, our marketing staff and sales force gather detailed information on the applications and requirements in targeted market segments. We also utilize telemarketing and the Internet to generate sales leads in addition to lead generation through tradeshows and print media. This information is used to develop standardized and customized solutions using ultrahigh-pressure and robotics technologies.

We offer our spare parts and consumables through the Internet at our flowparts.com website in the U.S. and floweuropeparts.com in Europe where we strive to ensure that we are able to ship a large number of parts within 24 hours to our customers.

We have established strong relationships with a diverse set of customers. No single customer or group of customers under common control accounted for 10% or more of our total consolidated sales for the respective years ending April 30, 2009, 2008 and 2007.

In the second half of fiscal 2009 we were negatively impacted by the effects of the overall national and global recession and slowdown in consumer and business spending. However, we believe that the productivity-enhancing nature of our ultrahigh-pressure technology will enable us to grow our market share in the machine cutting tool market through the recession. Further we believe that the diversity of our markets, along with the relatively early adoption phase of our technology, and the displacement of more traditional methods for machining and fabricating, will enable us to absorb the economic downturn with less impact than conventional machine tool manufacturers.

Competition in Our Markets

Our major markets both domestic and foreign are highly competitive, with our products competing against other waterjet competitors as well as technologies such as lasers, saws, plasma, shears, routers, drills, and abrasive blasting techniques. Most of our waterjet competitors provide only portions of a waterjet system such as pumps or control systems. Other competitors integrate components from a variety of suppliers to provide a complete solution. Under the Flow brand, we compete in the high-end and mid-tier segments of the waterjet cutting market through product quality and superior service reliability, value, service and technology. Through our secondary brand, Waterjet Pro^{tm}, we compete in the lower priced segments of the market. Approximately 80 firms, other than Flow, have developed tools for cleaning and cutting based on waterjet technology. We believe we are the leader in the global waterjet cutting systems market.

Waterjet cutting systems offer manufacturers many advantages over traditional cutting machines including an ability to cut or machine virtually any material, in any direction, with improved manufacturing times, and with minimal impact on the material being cut. These factors, in addition to the elimination of secondary processing in many circumstances, enhance the manufacturing productivity of our systems.

We estimate that the waterjet cutting solutions market opportunity exceeds $1 billion in annual potential or twice the current level. The total market potential continues to grow as new applications are developed. The rapidly increasing global market for waterjet solutions while providing high growth opportunities is also attracting new market entrants which will increase competition.

In addition to pumps and systems, we sell spare parts and consumables. We believe our on-time delivery and technical service combine for the best all-around value for our customers but, we face competition from numerous other companies who sell non-proprietary replacement parts for our machines. While they generally offer a lower price, we believe the quality of our parts, coupled with our service, makes us the value leader in spares and consumables.

Business Segments

Effective May 1, 2008, we modified our internal reporting process and the manner in which the business is managed and in turn, reassessed our segment reporting. As a result of this process, we are now reporting our operating results to the chief operating decision maker based on market segments which has resulted in a change to the operating and reportable segments. Previously, we managed our business based on geography.

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Our change in operating and reportable segments from a geographic basis to market segments is consistent with management s long-term growth strategy. Our new reportable segments are Standard and Advanced. The Standard segment includes sales and expenses related to our cutting and cleaning systems using ultrahigh-pressure water pumps as well as parts and services to sustain these installed systems. Systems included in this segment do not require significant custom configuration. The Advanced segment includes sales and expenses related to our complex Advanced segment systems which require specific custom configuration and advanced features to match unique customer applications as well as parts and services to sustain these installed systems.

Financial information about our segments is included in Note 3 *Business Segments* of the Notes to the Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data*.

Sales Outside the United States

In fiscal year 2009, 58% or $121.6 million of our total consolidated sales were to customers outside the United States, this included:

$24.0 million of exports from the United States;

$48.5 million of sales from Europe; and

$49.1 million of sales from our other foreign locations

Raw Materials

We depend on the availability of raw materials, parts and subassemblies from our suppliers and subcontractors. Principal materials used to make waterjet products are metals, and plastics, typically in sheets, bar stock, castings, forgings and tubing. We also purchase many electrical and electronic components, fabricated metal parts, high-pressure fluid hoses, ball screws, seals and other items integral to our products. Suppliers are competitively selected based on cost, quality, and delivery. Our suppliers ability to provide timely and quality raw materials, components, kits and subassemblies affects our production schedules and contract profitability. We maintain an extensive qualification and performance surveillance system to control risks associated with this reliance on the supply chain. Most significant raw materials we use are available through multiple sources.

Our strategic sourcing and new product development initiatives seek to find ways of mitigating the inflationary pressures of the marketplace including renegotiating with our suppliers and customers to avoid a significant impact to our margins and results of operations. Macro-economic pressures may increase our operating costs with consequential risk to our cash flow and profitability. We currently do not employ forward contracts or other financial instruments to hedge commodity price risk, although we continuously explore supply chain risk mitigation strategies.

Intellectual Property

We have a number of patents related to our processes and products both domestically and internationally. While in the aggregate our patents are of material importance to our business, we believe that no single patent or group of patents is of material importance to our business as a whole. We also rely on non-patented proprietary trade secrets and knowledge, confidentiality agreements, creative product development and continuing technological advancement to maintain a technological lead on our competitors.

Product Development

Our research and development is focused on continued improvement of our existing products and the development of new products. During the year ended April 30, 2009, we expensed $8.6 million related to product research and development as compared to $8.3 million for 2008 and $8.7 million for 2007. Our future success depends on our ability to continue to maintain a robust research and development program that allows us to develop competitive new products and applications that satisfy customer requirements, as well as enhance our current product lines. Research and development costs were between 3% and 4% of total revenue during each of the years ended April 30, 2009, 2008, and 2007.

Backlog

Our backlog increased 30% from $35.3 million at April 30, 2008 to $45.7 million at April 30, 2009. The backlog at April 30, 2009 and 2008 represented 22% and 14% of our trailing twelve months sales as of April 30, 2009 and 2008, respectively.

Backlog includes firm orders for which written authorizations have been accepted and revenue has not yet been recognized. Generally our products, exclusive of our Advanced segment systems, can be shipped within a four to 16 week period. Advanced segment systems typically have lead times of six to 18 months. The unit sales price for most of our products and services is relatively high (typically ranging from tens of thousands to millions of dollars) and individual orders can involve the delivery of several hundred thousand dollars of products or services at one time. Due to possible customer changes in delivery schedules and cancellation of orders, our backlog at any particular date is not indicative of actual sales for any succeeding period. Delays in delivery schedules and/or a reduction of backlog during any particular period could have a material adverse effect on our business and results of operations.

Working Capital Practices

There are no special or unusual practices relating to our working capital items. We generally require advance payments as deposits on customized equipment and standard systems and require progress payments during the manufacturing of these products or prior to product shipment.

Employees

We had 649 full time employees as of April 30, 2009 compared to 759 in the prior year, with 64% located in the United States and 36% located in other foreign locations. Our success depends in part on our ability to attract and retain employees. None of our employees are covered by collective bargaining agreements.

Available Information

The Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through the Company s website at *www.flowcorp.com* as soon as is reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC).

The materials we file with the SEC may be read and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and can also be obtained by calling the SEC at 1-800-SEC-0330. Information available on our website is not incorporated by reference in and is not deemed a part of this Form 10-K.

Item 1A. ***Risk Factors***

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations, and the trading price of our common stock.

You should consider the following risk factors, in addition to the other information presented in this report and the matters described in our Forward-Looking Statements section, as well as other reports and registration statements we file from time to time with the SEC, in evaluating us, our business, and an investment in our securities.

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Risks Related to our Business

The recent deterioration in economic conditions and the credit markets could adversely affect our access to capital and adversely impact our results of operation.

There has been a deterioration in general economic conditions and the financial and credit markets have experienced a period of turmoil that has included the failure or sale of various financial institutions and an unprecedented level of intervention from the United States government. While it is difficult to predict the ultimate results of these events, they may impair our ability to borrow money or raise capital. Similarly, our customers may be unable to borrow money or raise capital to fund their operations.

Continued deteriorating or volatile market conditions could:

- adversely affect our ability to access credit markets or raise capital on terms acceptable to us;
- limit our capital expenditures for repair or replacement of existing facilities or equipment;
- adversely affect our ability to be in compliance with covenants under existing credit agreements;
- have an adverse effect on our customers and suppliers and their ability to purchase our products; and
- reduce our ability to take advantage of growth and expansion opportunities.

We may not be able to comply with the financial tests or ratios required to comply with our covenant requirements under our Line of Credit which may impact our ability to draw funds and may result in the acceleration of the maturity of, and/or the termination of the Line of Credit.

Our recently amended Line of Credit agreement requires us to comply with or maintain certain financial tests and ratios and restrict our ability to:

- draw down on our existing line of credit or incur more debt;
- make certain investments and payments;
- fund additional letters of credit;
- pay cash dividends; and
- transfer or sell assets.

Our ability to comply with these covenants is subject to various risks and uncertainties. In addition, events beyond our control could affect our ability to comply with and maintain the financial tests and ratios required by this indebtedness. Any failure by us to comply with and maintain all applicable financial tests and ratios and to comply with all applicable covenants could result in an event of default with respect to a substantial portion of our debt which would result in the acceleration of the maturity and/or the termination of our credit facility. Even if we are able to comply with all applicable covenants, the restrictions on our ability to operate our business in our sole discretion could harm our business by, among other things, limiting our ability to take advantage of financing, mergers, acquisitions and other corporate opportunities.

We may need to raise additional funds to finance our future capital and/or operating needs.

The Company may need to raise additional funds through public or private debt or sale of equity to achieve our current business strategy. Subsequent to the end of the fiscal year, we filed a shelf registration statement with the SEC covering the offer and sale, at our discretion, of up to $35 million in common and preferred stock, warrants, and units. This registration statement has not yet been declared effective by the SEC. The financing we need may not be available when needed. Even if this financing is available, it may be on terms that we deem unfavorable or are materially adverse to our shareholders   interests, and may involve substantial dilution to our shareholders. Our inability to obtain financing will inhibit our ability to implement our development strategy, and as a result, could require us to diminish or suspend our development strategy and possibly cease certain of our operations. If we require additional funds and are unable to obtain additional financing on reasonable terms, we could be forced to delay, scale back or eliminate certain product development programs and/or our capital projects. In addition, such inability to obtain additional financing on reasonable terms could have a negative effect on our business, operating results, or financial condition to such extent that we are forced to restructure, sell assets or cease operations, any of which could put our shareholders investment dollars at significant risk.

Our results of operations and financial condition could be materially affected by changes in product mix or pricing.

Our overall profitability may not meet expectations if our products, customers or geographic mix are substantially different than anticipated. Our profit margins vary among products, customers and geographic markets. Consequently, if our mix of any of these is substantially different from what is anticipated in any particular period, our profitability may be lower than anticipated.

If we fail to obtain sufficient quantities of materials, components and equipment required for our manufacturing activities at competitive prices and quality and on a timely basis or fail to effectively adapt out cost structure to changing market conditions our business and financial results will suffer.

We purchase materials, components and equipment from third parties for use in our manufacturing operations. Some of our business units purchase these items from sole or limited source suppliers. If we cannot obtain sufficient quantities of materials, components and equipment at competitive prices and quality and on a timely basis, we may not be able to produce sufficient quantities of product to satisfy market demand, product shipments may be delayed or our material or manufacturing costs may increase. In addition, because we cannot always immediately adapt our cost structures to changing market conditions, our manufacturing capacity may at times exceed our production requirements or fall short of our production requirements. Any or all of these problems could result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise adversely affect our business and financial results.

If we fail to technologically advance our products through continued research and development, our financial results may be adversely affected.

In order to maintain our position in the market, we need to continue investment in research and development to improve our products and technologies and to introduce new products and technologies. If we are unable to make such investment, if our research and development efforts do not lead to new and/or improved products or technologies, or if we experience delays in the development or acceptance of new and/or improved products, our financial condition and results of operations could be adversely affected.

We might fail to adequately protect our intellectual property rights or third parties might assert that our technologies infringe on their intellectual property.

We rely on a combination of patents, trade secrets, trademarks and copyrights to protect our intellectual property, but this protection might be inadequate. For example, our pending or future patent applications might not be approved or, if allowed, they might not be of sufficient strength or scope. Conversely, third parties, certain of whom have filed lawsuits against us in the past, might assert that our technologies infringe their proprietary rights. Any future related litigation to defend our intellectual property and/or defend ourselves from assertions of infringement could result in substantial costs and diversion of our efforts and could adversely affect our business, whether or not we are ultimately successful.

Foreign currency exchange rates and commodity prices may adversely affect our results of operations and financial condition.

We are exposed to a variety of market risks, including the effects of changes in foreign currency exchange rates and commodity prices. We have substantial assets, liabilities, revenues and expenses denominated in currencies other than the U.S. dollar, and to prepare our consolidated financial statements, we must translate these items into U.S. dollars at the applicable exchange rates. In addition, we are a large buyer of steel, as well as other commodities required for the manufacture of products. As a result, changes in currency exchange rates and commodity prices may have an adverse effect on our results of operations and financial condition.

Changes in our income tax rates or exposure to additional income tax liabilities could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.

We are subject to income taxes in the U.S. and in various foreign jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. Our effective tax rate can be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, accruals related to unrecognized tax benefits, the results of audits and examinations of previously filed tax returns and changes in tax laws. Any of these factors may adversely affect our tax rate and decrease our profitability. The amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in assessments different from our unrecognized tax benefits, our future results may include unfavorable adjustments to our tax liabilities.

Unexpected losses in future reporting periods may require the Company to adjust the valuation allowance against its deferred tax assets.

We evaluate our deferred tax assets for recoverability based on all available evidence. This process involves significant management judgment about assumptions that are subject to change from period to period based on changes in tax laws or variances between the future projected operating performance and the actual results. We are required to establish a valuation allowance for deferred tax assets if we determine, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining the more-likely-than-not criterion, we evaluate all positive and negative available evidence as of the end of each reporting period. Future adjustments, either increases or decreases, to the deferred tax asset valuation allowance will be determined based upon changes in the expected realization of the net deferred tax assets. The realization of the deferred tax assets ultimately depends on the existence of sufficient taxable income in either the carry back or carry forward periods under the tax law. Due to significant estimates utilized in establishing the valuation allowance and the potential for changes in facts and circumstances, it is reasonably possible that we may be required to record adjustments to the valuation allowance in future reporting periods. Such a charge could have a material adverse effect on our results of operations and financial condition. As of April 30, 2009, we had approximately $20 million of net deferred tax assets.

We have unresolved claims with the Purchaser of Avure.

During fiscal year 2009, we were notified by the purchaser of our Avure Business (Purchaser), which we reported as discontinued operations for the year ended April 30, 2006, that the Swedish tax authority was conducting an audit which includes periods during the time that the Company owned the subsidiary. The Purchaser has indicated that it expects the Company to indemnify its losses, if any, that result from any penalties and fines assessed related to the tax audit for periods during which the Company owned Avure. This tax audit is currently underway and at this time, the Company is not able to quantify its exposure, if any.

International economic, political, legal and business factors could negatively affect our results of operations, cash flows and financial condition.

In fiscal 2009, approximately 58% of our sales were derived outside the U.S. Since our growth strategy depends in part on our ability to further penetrate markets outside the U.S., we expect to continue to increase our sales outside the U.S., particularly in emerging markets. In addition, some of our sales distribution offices and many of our suppliers are located outside the U.S. Our international business is subject to risks that are customarily encountered in non-U.S. operations, including:

interruption in the transportation of materials to us and finished goods to our customers;

changes in a specific country s or region s political or economic conditions;

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trade protection measures;

import or export licensing requirements;

unexpected changes in laws or licensing and regulatory requirements, including negative consequences from changes in tax laws;

limitations on ownership and on repatriation of earnings;

difficulty in staffing and managing widespread operations;

differing labor regulations;

differing protection of intellectual property; and

terrorist activities and the U.S. and international response thereto.

Any of these risks could negatively affect our results of operations, cash flows, financial condition and overall growth.

If we are unable to complete the upgrades to our information technology systems that are currently in process, or our upgrades are unsuccessfully implemented, our future success may be negatively impacted.

In order to maintain our leadership position in the market and efficiently process increased business volume, we are making a significant multi-year upgrade to our computer hardware, software and our Enterprise Resource Planning (ERP) system. Should we be unable to continue to fund this upgrade, or should the ERP system upgrade be unsuccessful or take longer to implement than anticipated, our ability to grow the business and our financial results could be adversely impacted.

We may incur net losses in the future, and we may not be able to regain or sustain profitability on a quarterly or annual basis.

We incurred net losses in the latter half of our fiscal year 2009. We may continue to incur net losses in the future including losses from our operations, the impairment of long-lived assets and restructuring charges. There can be no assurance that we will be able to conduct our business profitably in the future.

Our stock price has been and is likely to continue to be highly volatile.

The trading price of our common stock has been highly volatile. On June 12, 2009, the closing price of our common stock was $2.67. Our stock price could decline or be subject to wide fluctuations in response to response to factors such as the risks discussed in this section and the following:

actual or anticipated fluctuations in our operating results or our competitors operating results;

announcements by us or our competitors of new products,

capacity changes, significant contracts, acquisitions or strategic investments;

our growth rate and our competitors growth rates;

changes in stock market analyst recommendations regarding us, our competitors or our industry generally ,or lack of analyst coverage of our common stock;

sales of our common stock by our executive officers, directors and significant stockholders or sales of substantial amounts of common stock; and

changes in accounting principles.

In addition, there has been significant volatility in the market price and trading volume of our securities that is sometimes unrelated to our operating performance. Some companies that have had volatile market prices for their securities have had securities litigation brought against them. If litigation of this type is

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brought against us it, it could result in substantial costs and would divert management s attention and resources.

If we are unable to hire, retain and motivate highly qualified employees, including our key employees, we may not be able to successfully manage our business.

Our success depends on our ability to identify, attract, hire, retain and motivate highly skilled technical, managerial, sales and marketing, and corporate development personnel. If we fail to successfully hire and retain a sufficient number of highly qualified employees, we may have difficulties in supporting our customers or expanding our business. Realignments of resources, reductions in workforce, temporary reductions of wages and suspension of certain benefits in response to the economic downturn, and/or other operational decisions have created and could continue to create an unstable work environment that may have a negative effect on our ability to hire, retain and motivate employees.

Our business and operations are substantially dependent on the performance of our key employees, all of whom, except our chief executive officer, are employed on an at-will basis. While none of our key personnel is irreplaceable, the loss of the services of any of these individuals may be disruptive to our business. There can be no assurance that any retention program we initiate will be successful at retaining employees, including key employees.

Risks Related to the Industries in Which We Operate

Intense competition in our markets could prevent us from increasing distribution of our products in those markets or cause us to lose market share.

We face competition in a number of our served markets as a result of the entry of new competitors and alternative technologies such as lasers, saws, plasma, shears, routers, drills and abrasive blasting techniques. Many of our competitors or potential competitors have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, more developed infrastructures or more established relationships in the industry than we have. Our competitors may be able to adopt more aggressive pricing policies, develop and expand their product offerings more rapidly, take advantage of acquisitions and other opportunities more readily, achieve greater economies of scale, and devote greater resources to the marketing and sale of their products than they do. Our failure to compete effectively may reduce our revenues, profitability and cash flow, and pricing pressures may adversely impact our profitability.

Cyclical economic conditions may adversely affect our financial condition and results of operations or our growth rate could decline if the markets into which we sell our products decline or do not grow as anticipated.

Our products are sold in industries and end-user applications that have historically experienced periodic downturns, such as automotive, aerospace, paper, job shops and stone and tile. Cyclical weaknesses in the industries that we serve have led and could continue to lead to a reduced demand for our products and adversely affect our financial condition and results of operations. Any competitive pricing pressures, slowdown in capital investments or other downturn in these industries could adversely affect our financial condition and results of operations in any given period. Additionally, visibility into our markets is limited. Our quarterly sales and operating results depend substantially on the volume and timing of orders received during the quarter, which are difficult to forecast. Any decline in our customers markets would likely result in diminished demand for our products and services and would adversely affect our growth rate and profitability.

Item 1B. ***Unresolved Staff Comments***

There are no unresolved comments that were received from the SEC staff relating to our periodic or current reports under the Securities Exchange Act of 1934 as of April 30, 2009.

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Item 2. ***Properties***

We occupied approximately 388 thousand square feet of floor space on April 30, 2009 for manufacturing, warehousing, engineering, administration and other productive uses, of which approximately 52% was located in the United States.

The following table provides a summary of the floor space by segment:

	Owned	**Leased**
	(In square feet)	
Standard	88,300	240,500
Advanced	40,200	18,700
Total	128,500	259,200

We have operations at the following locations:

Standard Kent, Washington, which is our headquarters and the primary ultrahigh-pressure pump manufacturing facility; Yokohama and Nagoya, Japan; Shanghai, QuangChou and Beijing, China; Hsinchu, Taiwan; Bretten, Germany; Birmingham, England; Milan, Italy; Madrid, Spain; Lyon, France; Brno, Czech Republic; Sao Paulo, Brazil; and Buenos Aires; Argentina;

Advanced Jeffersonville, Indiana, a manufacturing facility.

We believe that our principal properties are adequate for our present needs and, supplemented by planned improvements and construction, expect them to remain adequate for the foreseeable future.

Item 3. ***Legal Proceedings***

Refer to Note 15 *Commitments and Contingencies* of the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data for a summary of legal proceedings.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended April 30, 2009 through the solicitation of proxies or otherwise.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

Our stock is traded on the NASDAQ Stock Market under the symbol FLOW . The range of high and low sales prices for our common stock for the last two fiscal years is set forth in the following table.

	Fiscal Year 2009		Fiscal Year 2008	
	Low	High	Low	High
First Quarter	$ 5.05	$ 11.40	$ 9.23	$ 13.34
Second Quarter	2.86	10.19	7.65	9.76
Third Quarter	1.21	4.10	7.22	10.05
Fourth Quarter	1.05	1.98	7.34	10.45

Holders of the Company s Common Stock

As of June 12, 2009, there were approximately 1,046 holders of record of our common stock.

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Dividends

We have not paid dividends to common shareholders in the past. Our Board of Directors intends to retain future earnings, if any, to finance development and expansion of our business and reduce debt and does not expect to declare dividends to common shareholders in the near future. Our ability to pay cash dividends is restricted under our senior Credit Facility Agreement which was originally signed on June 9, 2008 and amended in December 2008, March 2009 and June 2009. Refer to Note 13 *Long-Term Obligations and Notes Payable* to the Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data,* for further discussion on this credit facility.

Issuer Purchases of Equity Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about the Company s equity compensation plans as of April 30, 2009 is as follows:

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance
Equity Compensation Plans approved by security holders	798,810	$ 10.49	1,006,589

For more detailed information regarding the Company s equity compensation plans, refer to Note 17 *Stock-based Compensation* to the Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data*.

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Comparison of Five-Year Cumulative Total Shareholder Return*

The graph below compares the cumulative 5-year total return of holders of our common stock with the cumulative total returns of the S&P Smallcap 600 index, the NASDAQ Composite index, and the Dow Jones US Industrial Machinery index.

	4/04	4/05	4/06	4/07	4/08	4/09
Flow International Corporation	**100.00**	**232.16**	**530.20**	**456.47**	**393.33**	**71.37**
S&P Smallcap 600	**100.00**	**110.43**	**145.10**	**156.19**	**142.07**	**99.37**
NASDAQ Composite	**100.00**	**100.90**	**124.20**	**136.38**	**130.63**	**91.41**
Dow Jones US Industrial Machinery	**100.00**	**106.39**	**90.30**	**94.11**	**106.53**	**63.43**

* *The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

Performance Graph Assumptions

Assumes a $100.00 investment in our common stock and in each index in April 30, 2004 and tracks it through to April 30, 2009.

Total return assumes all dividends are reinvested.

Measurement dates are the last trading day of the fiscal year shown.

Recent Sales of Unregistered Securities

None.

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Item 6. *Selected Financial Data*

The following selected consolidated financial data should be read in conjunction with our audited consolidated financial statements, the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included in this Annual Report on Form 10-K.

	Year Ended April 30,				
	2009	2008	2007(1)	2006(1)	2005(1)(2)
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Sales	$ 210,103	$ 244,259	$ 213,435	$ 202,658	$ 169,289
Income (Loss) From Continuing Operations	(23,086)	21,911	4,022	7,047	(12,772)
Net Income (Loss)	(23,819)	22,354	3,755	6,677	(21,197)
Basic Income (Loss) Per Share From Continuing Operations	(0.61)	0.59	0.11	0.20	(0.72)
Basic Net Income (Loss) Per Share	(0.63)	0.60	0.10	0.19	(1.19)
Diluted Income (Loss) Per Share From Continuing Operations	(0.61)	0.58	0.11	0.19	(0.72)
Diluted Net Income (Loss) Per Share	(0.63)	0.59	0.10	0.18	(1.19)

	April 30,				
	2009	2008	2007	2006	2005
	(In thousands)				
Balance Sheet Data:					
Working Capital	$ 27,923	$ 56,126	$ 43,108	$ 41,857	$ 6,154
Total Assets	144,960	151,155	123,172	119,301	118,467
Short-Term Obligations	16,593	2,095	7,188	3,247	13,443
Long-Term Obligations, net	1,937	2,333	2,779	3,774	5,704
Shareholders Equity	62,711	86,064	61,224	56,557	29,464

(1) Our consolidated statements of operations for fiscal years 2007 through 2005 have been recast to reflect the results of operations of our CIS Technical Solutions division as discontinued operations.

(2) Our consolidated statement of operations for fiscal year 2005 has been recast to give effect to the sale of the Avure Business and present the results for the Avure Business as discontinued operations.

Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and accompanying notes included elsewhere in this Form 10-K.

Our MD&A includes the following major sections:

Executive Summary

We are a technology-based global company whose objective is to deliver profitable dynamic growth by providing technologically advanced waterjet cutting and cleaning systems to our customers. To achieve this objective, we offer versatile waterjet cutting and industrial cleaning systems and we strive to:

- expand market share in our current markets;
- continue to identify and penetrate new markets;
- capitalize on our customer relationships and business competencies;
- develop and market innovative products and applications;
- continue to improve operating margins by focusing on operational improvements; and
- pursue additional channels and partners for distribution.

Over the past year, we have taken important steps to further the implementation of our strategy. One of the initiatives in our overall strategy is the continued expansion of market share in our current markets. In addition to the continued growth of the business in our South America and Japan markets, we opened a distribution office in the Czech Republic in order to focus on expanding our presence in Europe.

During the latter half of fiscal year 2009, we, like many companies in the United States, experienced the impact of the current economic recession across most of the markets we serve. We have implemented, or are in the process of initiating, a number of measures in response to the downturn in the near term demand for our products.

First, since the beginning of fiscal 2009, we have reduced our global salaried staffing levels by more than 110 positions, or 15%. We incurred charges of approximately $1.1 million during the year in conjunction with this staff reduction. These charges are not part of a formally adopted restructuring plan and have been recorded in Restructuring and Other Charges in our Consolidated Statement of Operations.

Second, as part of our ongoing efforts to streamline our manufacturing infrastructure, we implemented a plan to establish a single facility for designing and building the advanced waterjet systems at our Jeffersonville, Indiana facility and closed our manufacturing facility in Burlington, Ontario, Canada in fiscal year 2009. The relocation of the production for this consolidation occurred in the first and second quarters of fiscal year 2009 and was complete by the end of the fiscal year. We recorded charges of $2.0 million associated with this facility closure in fiscal year 2009. We do not anticipate any further costs related to this facility closure in future periods. In the second quarter of fiscal 2009, as part of our continuous review of strategic alternatives globally, we further resolved to close our office and operations in Korea and sell our products through a distributor network. The charges associated with this action during the second quarter of fiscal 2009 were $151,000. We incurred additional charges of $85,000 related to lease termination costs and legal expenses during the second half of fiscal 2009 and expect to incur approximately $30,000 to complete the legal wind-down of this facility in fiscal year 2010.

Third, in the fourth quarter of fiscal year 2009, we committed to a plan to centralize certain of our manufacturing activities from Taiwan to the United States in order to reduce excess capacity in our manufacturing plants. This plan was culminated by a decision, in June 2009, to cease all of our remaining manufacturing activities at this location. Charges associated with the fourth quarter actions included employee severance and termination benefits of $375,000 which had been fully paid off by April 30, 2009 and inventory impairment charges of $36,000. We estimate that the additional costs associated with the culmination of this plan in June 2009 will range from $0.3 million to $0.4 million in the first quarter of fiscal 2010.

Facility shut down costs have been included in Restructuring and Other Charges in the Consolidated Statements of Operations, except for the inventory write-down which has been included as part of Cost of Sales. Refer to Note 11- *Accrued Liabilities* of the Notes to the Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data*, for further discussion on restructuring charges.

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As one of the initiatives to expand market share in our current markets, we entered into an Option Agreement to acquire OMAX Corporation (OMAX) in the third quarter of fiscal year 2008. OMAX is a provider of precision-engineering, computer controlled, two-axis abrasivejet systems for use in the general machine shop environment. The purchase price pursuant to the Option Agreement was $108.75 million payable in cash and stock as well as an earn-out provision of up to $26 million on the two-year anniversary of the closing of the merger. In September 2008, we entered into a Merger Agreement with OMAX, amended in November 2008 and March 2009, which effectively reduced the purchase price to $75 million payable in a combination of cash, stock and a note payable. Further, the Merger Agreement, as amended, provided for an earn-out provision of up to $52 million on the third anniversary of the closing of the merger. In May 2009, we decided to terminate our option to acquire OMAX following a thorough investigation of financing alternatives to complete the merger and unsuccessful attempts to negotiate a lower purchase price. Refer to Note 4 *Discontinued Operations, Mergers and Investments* of the Notes to the Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data*, for further discussion a Settlement and Cross License Agreement signed with OMAX in March 2009 as well as the anticipated charge that will be recorded in the first quarter of fiscal year 2010 in connection with the termination of the Merger Agreement.

We continue to focus strongly on working capital management and cash flow generation. In addition, we are also limiting our investments to strategic capital expenditures. These efforts will result in additional resources to provide flexibility in the event of a prolonged economic downturn.

We anticipate that the initiatives taken above, in addition to the continued implementation of our long-term strategy, will enable us to mitigate the adverse effects resulting from continuing recessionary economic conditions and emerge as a stronger and more viable company when we exit the recession.

Our ability to fully implement our strategies and achieve our objective may be influenced by a variety of factors, many of which are beyond our control. These risks and uncertainties pertaining to our business are set forth in Part I, Item 1A *Risk Factors*.

Results of Operations

Summary Consolidated Results for Fiscal Years 2009, 2008, and 2007

	Year Ended April 30, 2009	2008	2007	% Change 2009 Versus 2008	% Change 2008 Versus 2007
	(In thousands)				
Sales	$ 210,103	$ 244,259	$ 213,435	(14)%	14%
Operating Income (Loss)	(29,634)	16,779	4,657	NM	NM

	Year Ended April 30, 2009	2008	2007	% Change 2009 Versus 2008	% Change 2008 Versus 2007
	(In thousands)				
Sales					
Systems	$ 145,944	$ 176,755	$ 155,463	(17)%	14%

Consumable parts	64,159	67,504	57,972	(5)%	16%
Total Sales	$ 210,103	$ 244,259	$ 213,435	(14)%	14%

NM = Not Meaningful

Fiscal year 2009 compared to fiscal year 2008

Despite the weak macroeconomic conditions in North America as we entered into fiscal year 2009, our consolidated systems sales remained consistent with the prior year during the first half of the year. However, during the second half of the fiscal year, we experienced a significant decline in system sales mainly as a result of delayed capital spending and expansion plans as well as an increase in the lead time from quote to purchase by customers in North America and Europe. These changes in consumer spending and behavior led to a weak second half of fiscal 2009 with sales down by $30.2 million or 32% in these two geographies.

Consolidated consumable parts sales increased by $2.2 million or 7% in the first half of the fiscal year primarily as a result of the continued increase in our installed base of systems but declined by $6.0 million or 17% in the latter half of the fiscal year due to lower capacity utilization in our customers operations. These declines were slightly offset by improved sales of a combined $2.5 million in the rest of our geographies.

The operating loss of $29.6 million in fiscal year 2009 was primarily driven by the following:

a charge of $29 million to record the settlement of a patent litigation with OMAX, which is discussed in Note 15 *Commitments and Contingencies* of the Notes to the Condensed Consolidated Financial Statements;

a goodwill impairment charge of $2.8 million, which is discussed in Note 10 *Goodwill* of the Notes to the Condensed Consolidated Financial Statements; and

Restructuring and Other expenses of $6.9 million for restructuring charges recorded to reduce global staffing levels and to shut down our Burlington, Korea, and Taiwan manufacturing operations. Included in Other was $3.8 million of direct transaction costs that had been capitalized as part of the cost of the contemplated merger with OMAX under Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141). Under Statement of Financial Accounting Standards No. 141 (Revised 2007), Business Combinations (SFAS 141R), we had the option to expense these costs in the fourth quarter of its fiscal year 2009 if it was deemed probable that the transaction would not close prior to the adoption of this standard on May 1, 2009.

The above charges were offset by lower corporate and general expenses, primarily lower performance awards expense as well as reduced headcount related expenses.

Fiscal year 2008 compared to fiscal year 2007

Sales growth of $30.8 million or 14% was primarily driven by increased adoption of waterjet cutting and cleaning technology in the global markets and increased sales of 87,000 psi systems. The strengthening of the Brazilian Real versus the U.S. dollar improved our competitive position in Latin America markets. Excluding the impact of foreign currency changes, sales increased $20.2 million or 10% in 2008.

Total system sales were up $21.3 million or 14%. Excluding sales to the aerospace industry and Applications segment, system sales increased 22%. Consumable parts sales increased $9.5 million or 16% due to the increased installed base of systems and improved parts availability as well as the use of Flowparts.com and Floweuropeparts.com, our easy-to-use internet order entry systems. Flowparts.com has been deployed in the United States for three years and Floweuropeparts.com has been deployed in Europe for approximately two years.

Operating income growth of $12.1 million was primarily driven by the higher sales discussed above along with lower operating expenses related to the timing of new product launches. In fiscal year 2006, we incurred expenses related to new core product development such as Stonecrafter^{tm}, the 87,000 psi pump and the 55,000 psi Husky. Additionally, there were lower professional fees for legal, audit, and consulting fees for assistance with Sarbanes-Oxley related compliance during fiscal year 2008.

Segment Results of Operations

Effective May 1, 2008, we modified our internal reporting process and the manner in which the business is managed and in turn, reassessed our segment reporting. As a result of this process, we are now reporting our operating results to the chief operating decision maker based on market segments which has resulted in a change to the operating and reportable segments. Previously, we managed our business based on geography. Our change in operating and reportable segments from a geographic basis to market segments is consistent with management s long-term growth strategy. Our new reportable segments are Standard and Advanced. The Standard segment includes sales and expenses related to our cutting and cleaning systems using ultrahigh-pressure water pumps as well as parts and services to sustain these installed systems. Systems included in this segment do not require significant custom configuration. The Advanced segment includes sales and expenses

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related to our complex aerospace and automation systems which require specific custom configuration and advanced features to match unique customer applications as well as parts and services to sustain these installed systems.

This section provides a comparison of net sales and operating expenses for each of our reportable segments for the last three fiscal years. A discussion of corporate overhead and general expenses related to inactive subsidiaries which do not constitute segments has also been provided under All Other . For further discussion on our reportable segments, refer to Note 3 Business *Segments* of the Notes to the Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data.*

Standard Segment

	Year Ended April 30,			% Change 2009 Versus 2008	% Change 2008 Versus 2007
	2009	2008 (In thousands)	2007		
Sales	$ 181,132	$ 216,063	$ 179,339	(16)%	20%
% of total company sales	86%	88%	84%	NM	NM
Gross Margin	79,743	97,868	81,940	(19)%	19%
Gross Margin as % of sales	44%	45%	46%	NM	NM
Operating Expenses					
Sales and Marketing	38,656	38,833	35,229	(1)%	10%
Research and Engineering	7,529	6,615	7,017	14%	(6)%
General and Administrative	11,446	11,453	12,388	0%	(8)%
Restructuring Charges and Other	1,044	0	0	NM	NM
Total Operating Expenses	58,675	56,901	54,634	3%	