GARDNER DENVER INC
Form 10-K/A
April 15, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2012

or

¨ **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	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
1500 Liberty Ridge Drive, Suite 3000	
Wayne, PA	**19087**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (610) 249-2000

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

Title of each class	**Name of each exchange on which registered**
Common Stock of $0.01 par value per share	New York Stock Exchange
Rights to Purchase Preferred Stock	New York Stock Exchange

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

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

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 ¨ 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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 this Form 10-K or any amendment to this Form 10-K. ¨

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

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

Aggregate market value of the voting stock held by nonaffiliates of the registrant as of close of business on June 30, 2012 was approximately $2,580.2 million.

Common stock outstanding at March 31, 2013: 49,207,444 shares.

Documents Incorporated by Reference

None.

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K (this Amendment) amends the Annual Report on Form 10-K of Gardner Denver, Inc. (the Company, our, we, or us) for the fiscal year ended December 31, 2012, originally filed with the United States Securities and Exchange Commission (the SEC) on February 27, 2013 (the Original Filing). This information was previously omitted from the Original Filing in reliance on General Instruction G(3) to Form 10-K, which permits the information in the above referenced items to be incorporated in the Form 10-K by reference from our definitive proxy statement if such statement is filed no later than 120 days after our fiscal year-end. We are filing this Amendment for the purpose of including the information required by Part III because we will not file a definitive proxy statement including this information within 120 days of the end of our fiscal year ended December 31, 2012. The reference on the cover of the Original Filing to the incorporation by reference to portions of our definitive proxy statement into Part III of the Original Filing is hereby deleted.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), Part III, Items 10 through 14 of the Original Filing are hereby amended and restated in their entirety, and Part IV, Item 15 of the Original Filing is hereby amended and restated in its entirety. We have also included as exhibits the certifications required under Section 302 of The Sarbanes-Oxley Act of 2002. Because no financial statements are contained within this Amendment, we are not including certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Amendment does not amend or otherwise update any other information in the Original Filing to reflect any events which occurred at a date subsequent to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our filings with the SEC subsequent to the Original Filing.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Executive Officers

The names of our executive officers and their ages, positions, and biographies are set forth below. Our executive officers are appointed by, and serve at the discretion of, the Board of Directors of Gardner Denver (the Board). There are no family relationships among any of our directors or executive officers.

Name	Age	Position with Gardner Denver
Michael M. Larsen	44	President, Chief Executive Officer, Chief Financial Officer and Director
Brent A. Walters	48	Vice President, General Counsel, Chief Compliance Officer and Secretary
T. Duane Morgan	63	Vice President, Gardner Denver, Inc. and President, Engineered Products Group
Vincent P. Trupiano	48	Vice President, Gardner Denver, Inc. and President, Industrial Products Group
Susan A. Gunn	41	Vice President, Human Resources

Michael M. Larsen, age 44, has been a director of Gardner Denver since November 2012 when he was appointed President and Chief Executive Officer of the Company after serving in such capacity on an interim basis since July 2012. Since October 2010, Mr. Larsen has served as the Company s Chief Financial Officer and he will continue to serve as the Company s Chief Financial Officer until his successor is named. He joined the Company in October 2010 from General Electric (GE) Water & Process Technologies, a global leader in water treatment and process solutions, where he was Chief Financial Officer. His previous experience includes more than 15 years with GE, where he held a number of global finance leadership roles with increasing responsibility in GE Plastics, GE Industrial, GE Energy Services and GE Power & Water. He began his GE career with GE Healthcare as part of the Financial Management Program in 1995. Mr. Larsen holds a B.A. in international economics from the American University of Paris and an M.B.A. from Columbia University and the London Business School.

Mr. Larsen s service as the Chief Financial Officer of Gardner Denver and his extensive international, managerial and financial experience and expertise have been invaluable to the Company and the Board during the recent worldwide economic downturn. His foresight to make crucial financial and operational improvements have been significant factors to position the Company in a rapidly changing environment. His leadership in addressing the challenges facing the Company and insight into the Company s global operations as well as a thorough understanding of our products, markets, and dealings with our customers has provided our Board with the insight necessary to strategically plan for the Company s future.

Brent A. Walters, age 48, was appointed Vice President, General Counsel and Chief Compliance Officer of Gardner Denver in August 2009, and appointed Secretary of the Company in February 2010. He joined the Company from Caterpillar Inc., a publicly traded manufacturer of construction machinery and equipment, where he held a series of positions with increasing responsibility from 1996 to 2009, most recently as Senior Corporate Counsel. Prior to joining Caterpillar in 1996, Mr. Walters was an associate attorney with Hinshaw & Culbertson from 1991 to 1996 and a financial auditor with KPMG LLP and PricewaterhouseCoopers LLP prior to attending law school. Mr. Walters has a B.S. in accounting from Bradley University and J.D. from Southern Illinois University School of Law. He is a Certified Public Accountant.

T. Duane Morgan, age 63, was appointed Vice President, Gardner Denver, and President, Engineered Products Group in July 2012. He previously served the Company in this capacity from January 2009 until his retirement in May 2012. He joined the Company as Vice President and General Manager of the Gardner Denver Fluid Transfer Division in December 2005. Prior to joining Gardner Denver, Mr. Morgan served as President of Process Valves for Cooper Cameron Valves, a division of Cooper Cameron Corporation, Vice President and General Manager, Aftermarket Services, from 2003 to 2005, and President of Orbit Valve, a division of Cooper Cameron Valves, from 1998 to 2002. From 1985 to 1998, he served in various capacities in plant and sales management for Cooper Oil Tool Division, Cooper Industries. Before joining Cooper Industries, he held various positions in finance, marketing and sales with Joy Manufacturing Company and B.F. Goodrich Company. Mr. Morgan holds a B.S. in mathematics from McNeese State University and an M.B.A. from Louisiana State University. Mr. Morgan is a member of the Board of Directors of Capital Southwest Corporation, a public company, a member of the Board of Directors of SACHEM, Inc., a privately held company, as well as a member of the Board of Directors of the Petroleum Equipment Suppliers Association. Mr. Morgan is a former member of the Board of Directors of the Valve Manufacturers Association. Mr. Morgan also served on active duty as an Air Defense Artillery Officer in the U.S. Army.

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Vincent P. Trupiano, age 48, was appointed Vice President, Gardner Denver, and President, Industrial Products Group in January 2013. Mr. Trupiano joined the Company in 2010 as the Vice President and General Manager of the Nash business unit. Prior to joining Gardner Denver, Mr. Trupiano was employed by Dresser-Rand Group Inc., a global supplier of rotating equipment and aftermarket parts and services, where he was General Manager of the Turbo Compression Division in 2010 and General Manager of the Steam Turbine Business from 2008 to 2010. Prior to joining Dresser-Rand, Mr. Trupiano spent more than 20 years in a variety of operational and business leadership roles of increasing responsibility with United Technologies Corporation and Ford Motor Company. Mr. Trupiano has a B.S. in mechanical engineering from Michigan State University and a M.B.A. from the University of Michigan.

Susan A. Gunn, age 41, was appointed Vice President, Human Resources in January 2012. Prior to joining Gardner Denver, Ms. Gunn was employed by Hay Group as Global Head of Human Resources and Acting Chief Marketing Officer. Hay Group is a private global management consulting firm providing extensive support in evaluating and implementing global human resources strategy. Ms. Gunn also led international human resource operations in public enterprises including senior human resources roles at Willis Group Holdings, Revlon and Vivendi Universal (The Seagram Company). Ms. Gunn is also a member of the Board of Directors for Leadership Philadelphia, a non-profit institution supporting philanthropist leadership activities in the Philadelphia area. Ms. Gunn holds a Bachelor of Arts degree in Economics and a Graduate Certificate in Human Resources from McGill University.

Our Directors

The names of our directors and their ages, positions, and biographies are set forth below. Our Board currently consists of nine directors and is divided into three classes. One class is elected at each annual meeting to serve for a three-year term. With the exception of our Chief Executive Officer (CEO), all of our Board members, including our Chairperson of the Board, are independent as determined in accordance with the NYSE listing standards as described under the Director Independence section set forth below.

Name	Age	Position with Gardner Denver
Michael C. Arnold	56	Director
Donald G. Barger, Jr	70	Director
John D. Craig	61	Director
Raymond R. Hipp	70	Director
Michael M. Larsen	44	President, Chief Executive Officer, Chief Financial Officer and Director
David D. Petratis	55	Director
Diane K. Schumacher	59	Chairperson of the Board of Directors
Charles L. Szews	56	Director
Richard L. Thompson	73	Director

Michael C. Arnold, age 56, has been a director of Gardner Denver since his appointment by the Board of Directors in June 2009. Mr. Arnold was appointed to the role of President and Chief Executive Officer of Ryerson Inc. in January 2011, a leading distributor and processor of metals in North America. Previously, Mr. Arnold served as Executive Vice President and President of the Bearings and Power Transmission Group at The Timken Company, a publicly held manufacturer of innovative friction management and power transmission products and services (Timken) from 2007 until December 2010. Mr. Arnold served as President of Timken s former Industrial Group from 1999 through 2007. Mr. Arnold earned both a B.S. in mechanical engineering and a Masters in sales and marketing from The University of Akron. He also completed the Advanced Management Program at Harvard University. Mr. Arnold served as Chairman of Endorsia.com International AB and CoLinx LLC. He is a member of The University of Akron s Engineering Advisory Council, and a director of their foundation.

With his years of managerial experience at Timken, Mr. Arnold brings to our Board demonstrated managerial expertise in international manufacturing. Mr. Arnold s understanding of the complexity of operating a global manufacturing organization and the impact of the economic conditions currently facing the Company has established him as a respected member of our Board and of our Compensation Committee.

Donald G. Barger, Jr., age 70, has been a director of Gardner Denver since its spin-off from Cooper in April 1994. Mr. Barger retired in February 2008 from YRC Worldwide, Inc. (YRCW), formally Yellow Corporation, a publicly held company specializing in the transportation of goods and materials. He served as special advisor to the Chief Executive Officer of YRCW from September 2007 to February 2008 and as Executive Vice President and Chief Financial Officer of YRCW and Senior Vice President and Chief Financial Officer of Yellow Corporation from December 2000 to September 2007. Prior to joining Yellow, he served as Vice President and Chief Financial Officer of Hillenbrand Industries Inc. (Hillenbrand), a publicly held company serving the healthcare and funeral services industries, from March 1998 until December 2000. Mr. Barger was also Vice President, Chief Financial Officer of Worthington Industries, Inc. (Worthington), a publicly held manufacturer of metal and plastic products and

processed steel products, from September 1993 until joining Hillenbrand. Mr. Barger has a B.S. from the United States Naval Academy and an M.B.A. from the University of Pennsylvania, Wharton School of Business. Mr. Barger is a director of Globe Specialty Metals, Inc., a publicly held producer of silicon metal and silicon-based specialty alloys, and Precision Aerospace Components, Inc., a publicly held provider of quality aerospace components. Mr. Barger retired as a director in February 2012 from Quanex Building Products Corporation, a publicly held manufacturer of engineered materials and components for the U.S. building products markets.

Mr. Barger is an experienced financial leader and he previously served as the lead of our Audit Committee. His financial and managerial experience has been a valuable asset to our Board.

John D. Craig, age 61, has been a director of Gardner Denver since his appointment by the Board of Directors in November 2011. Mr. Craig has served as Chairman of the Board of Directors, President and Chief Executive Officer of EnerSys since November 2000. He joined the predecessor company, Yuasa, Inc. in 1994 when annual revenue was approximately $200 million. In 2000, he led the management buy-out of the Americas industrial battery business from Yuasa Corporation of Japan. That business had grown to $400 million of annual revenue through organic growth and acquisitions. Since 1994, Mr. Craig has overseen the acquisition and integration of twenty-nine companies in all regions of the world. He led the IPO of EnerSys in July, 2004. Previously, Mr. Craig served as President and Chief Operating Officer of Yuasa, Inc. from 1998 to October 2000. He joined Yuasa in 1994 as Vice President of Operations and was promoted to Executive Vice President Operations in 1995. Mr. Craig began his professional career as an engineer with Whirlpool Corporation in 1977. He received his Masters Degree in Electronics Engineering Technology from Arizona State University and his Bachelor s degree from Western Michigan University.

With his years of experience as Chief Executive Officer of a publicly traded manufacturer, Mr. Craig brings significant managerial experience and financial expertise to the Board. Mr. Craig s leadership navigating the Company through the impact of the economic conditions currently facing the Company has established him as a respected member of our Audit Committee.

Raymond R. Hipp, age 70, has been a director of Gardner Denver since November 1998. Since July 2002, Mr. Hipp has served as a strategic alternative and mergers and acquisitions consultant. Mr. Hipp served as Chairman, President and CEO and a Director of Alternative Resources Corporation, a provider of information technology staffing and component outsourcing, a position he held from July 1998 until his retirement in June 2002. From August 1996 until May 1998, Mr. Hipp was the Chief Executive Officer of ITI Marketing Services, a provider of telemarketing services. Mr. Hipp has a B.S. from Southeast Missouri State University. In February 2011, Mr. Hipp was appointed as a Director and the Chairman of the Audit Committee for Neogenomics, Inc., a biotechnology company operating a network of cancer-focused testing laboratories.

With his years of senior managerial experience in information technology and mergers and acquisitions, Mr. Hipp has been a trusted member of our Board and Audit Committee in assessing technological risks facing the Company and evaluating potential strategic acquisitions and business combinations.

Michael M. Larsen s biography is set forth under the heading Our Executive Officers.

David D. Petratis, age 55, has been a director of Gardner Denver since July 2004. In July 2008, Mr. Petratis was appointed Director, President and Chief Executive Officer of Quanex Building Products Corporation (Quanex), a publicly held manufacturer of engineered materials and components for the U.S. building products markets. In addition to his current role at Quanex, in December 2008, he was elected to the position of Chairman. Mr. Petratis previously served as President and Chief Executive Officer of the North American Operating Division of Schneider Electric, a market-leading brand of electrical distribution and industrial control products, systems and services, from January 2004 until May 2008 and President and Chief Operating Officer from December 2002 until his promotion in January 2004. He was President of MGE Americas, a privately held manufacturer of power supplies, from 1996 through 2002. Mr. Petratis earned a B.A. in industrial management from the University of Northern Iowa and an M.B.A. from Pepperdine University. He has held positions on the Board of Directors of the University of California, Irvine Graduate School of Management, the California State (Fullerton) Quality Advisory Board and Project Independence, a community agency in Costa Mesa, California for the developmentally disabled. Mr. Petratis also served on the Board of Governors of National Electrical Manufacturers Association (NEMA) and the International Electrical Safety Foundation.

Mr. Petratis is an experienced manufacturing and operational leader. Through his leadership role as Chief Executive Officer for a publicly held manufacturing company, Mr. Petratis has critical insights into the operational and financial requirements of Gardner Denver which have proven beneficial to the Board and in his capacity as a member of our Compensation Committee and Governance Committee.

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Diane K. Schumacher, age 59, was appointed Chairperson of the Board of Directors in November 2011 and has been a director of Gardner Denver since August 2000. Mrs. Schumacher served as Senior Vice President, General Counsel and Secretary of Cooper Industries, Ltd., a company engaging in the manufacture and sale of electrical products and tools and the Company s former parent company (Cooper), from 1995 to 2003, and was Senior Vice President, General Counsel and Chief Compliance Officer until August 2006. She served as Special Counsel to the CEO of Cooper from September 2006 until her retirement from Cooper in September 2008. Mrs. Schumacher is currently providing legal services to a number of non-public companies as an independent consultant. She is a member of the Advisory Board, College of Business, Southern Illinois University. Mrs. Schumacher holds a B.A. in economics from Southern Illinois University and a J.D. from DePaul University College of Law. She also completed the Harvard Advanced Management Program.

Mrs. Schumacher is an experienced legal leader with the skills necessary to guide our Board. Her legal expertise in the manufacturing industry and long-standing, intimate knowledge of Gardner Denver gained during her service at Cooper, the Company s former parent company, have been valuable in her positions as the Chairperson of the Board, Chairperson of our Governance Committee, and as a member of our Compensation Committee.

Charles L. Szews, age 56, has been a director of Gardner Denver since November 2006. Since August 2012, Mr. Szews has served as Chief Executive Officer of Oshkosh Corporation (Oshkosh), a specialty vehicle manufacturer. He has been a director of Oshkosh since May 2007. Previously, he served Oshkosh as both President and Chief Executive Officer from January 2011 until August 2012, as President and Chief Operating Officer from October 2007 until January 2011, as Executive Vice President and Chief Financial Officer from 1997 until 2007 and as Vice President and Chief Financial Officer from 1996 to 1997. Prior to joining Oshkosh in 1996, Mr. Szews spent eight years with Fort Howard Corporation, a paper manufacturing company, holding a series of positions with increasing responsibility, with his last position being Vice President and Controller. Mr. Szews also has ten years of audit experience at Ernst & Young LLP (E&Y). Mr. Szews holds a B.B.A. in comprehensive public accounting from the University of Wisconsin-Eau Claire and was previously a Certified Public Accountant for 28 years.

Mr. Szews is an experienced financial and operational leader within the manufacturing industry. His prior senior financial positions at Oshkosh, Fort Howard and E&Y have provided him with a wealth of knowledge in dealing with complex financial and accounting matters. In his current position as Chief Executive Officer of Oshkosh, Mr. Szews has critical insight into the operational and financial requirements of a large, publicly traded manufacturing company, which has proven invaluable to our Board as well as in his capacity as the Chairperson of our Audit Committee and as a member of our Governance Committee. Mr. Szews qualifies as an audit committee financial expert.

Richard L. Thompson, age 73, has been a director of Gardner Denver since November 1998. Mr. Thompson served as a Group President and Executive Office Member of Caterpillar Inc. (Caterpillar), a publicly held manufacturer of construction machinery and equipment, from 1995 until his retirement in June 2004. He earned both a B.S. in electrical engineering and an M.B.A. from Stanford University and also completed the Caterpillar Advanced Management Program. Mr. Thompson serves as Lead Director of Lennox International, Inc., a publicly held manufacturer of HVAC and refrigeration equipment, and as a director of NiSource Inc., a publicly held electric and gas utility.

Mr. Thompson is a recognized operational leader within the industrial manufacturing sector. His service as Chairman of the Board of Lennox and as a director of NiSource in addition to his 21 years of service as a senior executive at Caterpillar have provided him with managerial and international operational expertise which translates into a valuable asset to our Board. Mr. Thompson s positions have also provided him with a wealth of knowledge in executive compensation and human resources matters. This expertise has made Mr. Thompson an important member of our Compensation Committee, which he has led since his appointment as Chairperson in 2000, and of our Governance Committee.

Corporate Governance

Our Corporate Governance Policy, Board committee charters, Director Independence Standards, Related Party Transactions Policy, Code of Ethics and Business Conduct, Code of Ethics Applicable to Directors and Senior Executives and Environmental and Safety Policy provide the framework for our corporate governance and are designed to ensure that the Company is managed for the long-term benefit of our shareholders. We routinely evaluate our corporate governance policies, standards and practices to ensure that they comply with SEC rules and regulations and the corporate governance listing standards of the NYSE, the exchange on which our common stock is currently listed.

Our Corporate Governance Policy, Audit and Finance Committee Charter, Management Development and Compensation Committee Charter and Nominating and Corporate Governance Committee Charter, Director Independence Standards, Related Party Transactions Policy, Code of Ethics and Business Conduct, Code of Ethics Applicable to Directors and Senior Executives and Environmental and Safety Policy are available on our website at www.gardnerdenver.com. Information on our website does not constitute a part of this Amendment No. 1 to the Annual Report on Form 10-K.

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Corporate Governance Policy

Our Board has adopted a policy regarding corporate governance. The objective of this policy is to help ensure that our Board maintains its independence, objectivity and effectiveness in fulfilling its responsibilities to our shareholders. The policy establishes the criteria and requirements for:

- Selection and retention of directors;
- Procedures and practices governing the operation and compensation of our Board; and
- Principles under which management shall direct and operate the business of the Company and its subsidiaries.

The policy provides that a substantial majority of our Board should be independent based on the independence standards of the NYSE with varied and complementary backgrounds. Directors may serve on the boards of directors of no more than four for-profit organizations, including the Company, and members of our Audit and Finance Committee (the Audit Committee) may serve on the audit committees of no more than three for-profit organizations, including the Company.

The policy specifies that a director who has a material change in his or her primary employment or professional responsibilities must submit a letter of resignation, which the Board may accept or reject, and directors who are employees of the Company must retire as a director at the next regular Board meeting following termination of employment. In addition, the policy also specifies that at the regularly scheduled Board meeting prior to a nonemployee director s 70th birthday and each year thereafter, nonemployee directors will submit their resignation to our Nominating and Corporate Governance Committee (the Governance Committee). The Governance Committee will make an evaluation and recommendation for a decision by the full Board as to whether to accept or reject the director s resignation based on the director s contributions and the Board s needs at the time. A nonemployee director must retire as a director at the next regularly scheduled meeting of the Board following the date he or she attains 75 years of age. A nonemployee director is also eligible to retire at the end of any elected term or at the discretion of the Board following review by the Governance Committee. The policy also requires that at any one time, at least 50% of the number of nonemployee directors must be actively engaged in business as an employee, consultant, director (other than for the Company) or in a similar capacity for a minimum of 250 hours per year. For 2012, all of our directors complied with our Corporate Governance Policy.

Committees of the Board of Directors

Our Board has three standing committees composed exclusively of independent, nonemployee directors: the Audit Committee, the Management Development and Compensation Committee (the Compensation Committee) and the Governance Committee. Each of the standing committees operates under a written charter adopted by the Board. All of the committee charters are available on our website at www.gardnerdenver.com. Our committees have the authority to retain outside advisors to assist each committee in meeting its obligations, as necessary and appropriate, and to ensure that we provide appropriate funding to pay the fees and expenses of such advisors.

Committee Membership During 2012

Directors	Audit Committee	Compensation Committee	Governance Committee
Michael C. Arnold		ü	
Donald G. Barger, Jr.[1]	ü		
John D. Craig	ü		
Raymond R. Hipp	ü		
David D. Petratis[2]		ü	ü
Diane K. Schumacher		ü	ü*
Charles L. Szews[3]	ü*		ü
Richard L. Thompson		ü*	ü

* Chairperson of the Committee
(1) Mr. Barger served as Chairperson of the Audit Committee until May 2012.
(2) Mr. Petratis was appointed to the Governance Committee in May 2012.
(3) Mr. Szews was appointed Chairperson of the Audit Committee in May 2012.

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The Audit and Finance Committee. Our Audit Committee held eight meetings during 2012. Our Audit Committee assists our Board (with particular emphasis on the tone at the top of the Company) in fulfilling its oversight responsibilities with respect to the integrity of our financial statements and financial information provided to shareholders and others, our compliance with legal and regulatory requirements including our compliance policies and procedures, and the effectiveness of our audit processes. In 2012, the Audit Committee approved the outsourcing of the Company s internal audit function to PricewaterhouseCoopers LLP. The Audit Committee is directly responsible for ensuring the independence and qualifications of our independent registered public accounting firm (sometimes referred to herein as our independent auditor). The committee performs these functions by: (i) overseeing our financial reporting process; (ii) selecting and overseeing our independent auditor; (iii) reviewing the scope of audits performed by our independent auditors, as well as the results of such audits; (iv) monitoring our disclosure and internal controls; (v) overseeing our compliance program; and (vi) overseeing our risk assessment and management practices. Our Board has determined that all of the members of our Audit Committee meet the independence and other requirements for audit committee membership of the NYSE listing standards and SEC requirements. The Board has also determined that, Charles L. Szews (Chair) is an audit committee financial expert, as that term is defined in the SEC rules.

The Management Development and Compensation Committee. Our Compensation Committee held four meetings and took two actions by unanimous written consent during 2012. Our Compensation Committee assists our Board in fulfilling its oversight responsibilities with respect to executive selection, retention and compensation and succession planning. The committee performs this function by: (i) evaluating our executive officers performance, including our CEO, and establishing and reviewing their compensation, including incentive equity and cash compensation, other benefits, and corporate goals relevant to executive compensation; (ii) administering our compensation plans for all eligible employees; (iii) reviewing and consulting with our CEO concerning the selection of executive officers, management succession planning, executive performance, organizational structure and matters related thereto; (iv) recruiting candidates for CEO in the event that position becomes vacant; (v) monitoring executive stock ownership in accordance with the Company s stock ownership guidelines; and (vi) reviewing compensation risk to determine whether compensation policies and practices for employees are reasonably likely to have a material adverse effect on the Company. Pursuant to its charter, the Compensation Committee may delegate to a subcommittee all or such portion of its power and authority as the Compensation Committee deems appropriate. Our Board has determined that all of the members of our Compensation Committee, Michael C. Arnold, David D. Petratis, Diane K. Schumacher and Richard L. Thompson (Chair), meet the independence requirements of the NYSE listing standards. The Compensation Committee s report is set forth below.

The Nominating and Corporate Governance Committee. The Governance Committee held five meetings during 2012. The Governance Committee assists our Board in fulfilling its oversight responsibilities with respect to the selection of director nominees for the Board, the overall effectiveness of the Board and its practices and corporate governance practices and principles. The committee performs this function by: (i) reviewing and evaluating the overall effectiveness of the organization of our Board, including our Chairperson of the Board, our incumbent directors, the Board s size and composition, committee membership, and the conduct of its business, and making appropriate recommendations to our Board with regard thereto; (ii) establishing and reviewing director compensation; (iii) reviewing criteria and process for identifying and recruiting of Board nominees; (iv) identifying, recruiting, and recommending qualified Board nominees; (v) developing, recommending and reviewing corporate governance principles applicable to the Company; and (vi) reviewing and assessing related person transactions and the independence of our directors. Our Governance Committee reviews with our Board, on at least an annual basis, the requisite qualifications, independence, skills and characteristics of Board candidates, Board members and our Board as a whole. Our Board has determined that all of the members of our Governance Committee, David D. Petratis, Charles L. Szews, Richard L. Thompson and Diane K. Schumacher (Chair), meet the independence requirements of the NYSE listing standards.

Code of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct (the Code of Ethics) that applies to all members of our Board and all executive officers and employees of the Company. We also adopted a Code of Ethics Applicable to Directors and Senior Executives (the Code of Ethics for Executives) that provides for heightened ethical standards for directors and senior executive officers of the Company. In addition, under the charter of our Audit Committee, the CEO and Chief Financial Officer, among others, are required to certify annually their adherence to our Code of Ethics. We intend to satisfy the SEC s disclosure requirement regarding amendments to, or waivers of, our Code of Ethics and Code of Ethics for Executives by posting such information on our website at www.gardnerdenver.com.

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Communications with Directors

Our Board has adopted the following procedures for our shareholders and all other interested parties to send communications to our entire Board, non-management or independent directors, Board committees or individual directors.

Shareholders and other interested persons seeking to communicate with our directors should submit their written comments to our Corporate Secretary at 1500 Liberty Ridge Drive, Suite 3000, Wayne, Pennsylvania 19087. Such persons who prefer to communicate by e-mail should send their comments to corporatesecretary@gardnerdenver.com. Our Corporate Secretary will then forward all such communications (excluding routine advertisements and business solicitations) to each member of our Board, or the applicable individual directors and/or committee chairpersons. Our Chairperson of the Board will receive copies of all appropriate shareholder communications, including those addressed to individual directors and/or committee chairpersons, unless such communications address allegations of misconduct or mismanagement on the part of the Chairperson of the Board. In such event, our Corporate Secretary will first consult with and receive the approval of our Audit Committee Chairperson before disclosing or otherwise discussing the communication with our Chairperson of the Board.

If a shareholder communication is addressed exclusively to our nonemployee directors, our Corporate Secretary will consult with and receive the approval of the Chairperson of our Governance Committee before disclosing or otherwise discussing the communication with directors who are members of management.

We reserve the right to screen materials sent to our directors for potential security risks and/or harassment purposes.

Shareholders also have an opportunity to communicate with our Board at our annual meeting of shareholders. Pursuant to our Corporate Governance Policy, each director is expected to attend the annual meeting in person and be available to address questions or concerns raised by shareholders, subject to occasional excused absences due to illness or unavoidable conflicts.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities of the Company. Our insiders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file, including Forms 3, 4 and 5. As a practical matter, we assist our directors and executive officers by monitoring transactions and completing and filing Section 16(a) forms on their behalf. We believe that, except as described below, all reports required to be filed by insiders during the fiscal year ended December 31, 2012, were filed in a timely manner. After resigning from the Company, Mr. Pennypacker did not timely file a Form 4 to report transactions that occurred on July 30 and July 31, 2012. He filed a Form 4 reporting these transactions with the SEC on August 21, 2012.

ITEM 11. EXECUTIVE COMPENSATION

Entry into Merger Agreement

The Company s review of strategic alternatives to maximize shareholder value resulted in the Company entering into a definitive merger agreement with an affiliate of Kohlberg Kravis Roberts & Co. L.P. (KKR) on March 7, 2013, pursuant to which the Company would be acquired by an affiliate of KKR for $76.00 per share in cash and would cease to be a publicly traded company. Consummation of the merger is subject to shareholder approval, certain customary closing conditions and regulatory approvals. Under the Company s compensation plans, including the Long-Term Incentive Plan, Executive Annual Bonus Plan and Phantom Stock Plan, consummation of the merger would constitute a change in control.

Report of Our Compensation Committee

The purpose of our Compensation Committee is to assist our Board in discharging its responsibilities relating to executive selection, retention and compensation and succession planning. Our Compensation Committee s function is more fully described in its charter, which has been approved by our Board and is available at our website at www.gardnerdenver.com. Our Compensation Committee reviews its charter on an annual basis.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on its review and discussion with management, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Amendment No. 1 to the Annual Report on Form 10-K.

Management Development and Compensation Committee

Richard L. Thompson, Chairperson

Michael C. Arnold

David D. Petratis

Diane K. Schumacher

The information above in the Report of Our Compensation Committee shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C or to the liabilities of Section 18 of the Exchange Act, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically requests that the information be treated as soliciting material or specifically incorporates the information by reference.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee or Governance Committee is or has been an officer or employee of the Company or any of our subsidiaries. In addition, none of the members of our Compensation Committee or Governance Committee has or had any relationships with the Company or any other entity that would require disclosure under Item 404 of Regulation S-K. During fiscal 2012, none of our executive officers served on the compensation committee (or equivalent) or board of another entity whose executive officers served on our Compensation Committee, Governance Committee, or Board.

Risk-Related Compensation Policies and Practices

In February 2013, the Compensation Committee undertook an assessment of the risk profile of its executive and non-executive compensation programs. As a result of this assessment, the Compensation Committee believes that the Company s compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

Security Ownership Requirements

The Company maintains stock ownership requirements for its nonemployee directors, executive officers and other key employees. Under these requirements, each nonemployee director is expected to maintain an equity interest in the Company equal to five times his or her annual cash compensation, including compensation for Board and Committee meeting attendance, but excluding the value of equity compensation granted pursuant to the Company s Long-Term Incentive Plan, as Amended and Restated (the Incentive Plan) or amounts we contributed on behalf of such director to our Phantom Stock Plan. The director ownership requirements are to be achieved by the end of the directors first three years of service. These requirements also require that the CEO maintain an equity interest equal to six times his annual base salary and each executive officer and corporate vice president maintain an equity interest in the Company equal to three times their annual base salary. The management ownership requirements are to be achieved by the fifth anniversary of each individual s appointment as an officer. Director and officer s ownership or control of the Company s common stock (including but not limited to shares of common stock held in the Company s retirement plans or employee stock purchase plan), restricted stock and restricted stock units (RSU) (including unvested restricted stock and RSUs), and vested stock options are considered in determining compliance with these requirements. In the case of nonemployee directors, phantom stock units acquired through the director s deferral of cash compensation are also considered in determining compliance with our stock ownership requirement. Failure to meet these requirements within the allotted time will be taken into consideration when evaluating the individual s commitment to a continuing relationship with the Company.

The Company s Securities Law Compliance Policy prohibits officers and directors of the Company from hedging the economic risk of their ownership of our common stock, which includes purchasing or selling derivative securities relating to our common stock and purchasing financial instruments that are designed to hedge or offset any decrease in the market value of our common stock.

COMPENSATION OF DIRECTORS

The Governance Committee annually reviews and recommends to our Board for approval the nonemployee directors compensation. In 2012, the Governance Committee, after reviewing and confirming the independence of Meridian Compensation Partners, LLC (Meridian), retained Meridian an independent compensation consultant, to evaluate the appropriateness of the nonemployee directors compensation program to ensure that the program compensates the nonemployee directors for the level of responsibility the Board has assumed in today s corporate governance environment and to remain competitive relative to our custom peer group (as further discussed in the Compensation Discussion and Analysis section of this Amendment No. 1 to the Annual Report on Form 10-K). Accordingly, in April 2012, the Board, upon the recommendation of the Governance Committee and Meridian s evaluation, modified our nonemployee director compensation to simplify the compensation program, implement the market trend towards eliminating board and committee meeting fees, and provide compensation that it believes is market competitive.

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Compensation Program Prior to April 2012

Prior to the April 2012 implementation of the Company s new nonemployee directors compensation program, the compensation program included the following components:

Annual Retainer for Board Members(1)	Annual Retainer for Chairperson of the Board(1)	Additional Annual Retainer for Audit Committee Chair(1)	Additional Annual Retainer for the Compensation Committee Chair(1)	Additional Annual Retainer for the Governance Committee Chair(1)	Regular Board Meeting Fees (per Meeting)(1)	Committee and Special Board Meeting Fees (per Meeting)(1)	Teleconference Meeting Fees (Lasting More Than 45 Minutes)	Annual Option Award(2)	Annual RSUs Award(2)
$50,000	$ 125,000	$ 10,000	$ 8,000	$ 5,000	$ 1,500	$ 1,000	$ 500	$ 50,000	$ 50,000

(1) The annual retainers were payable in quarterly installments. For fiscal year 2012, directors were paid their first quarterly installment of their retainer fees and meeting fees for the first quarter Board meeting. No other payments were made to directors during 2012 under the nonemployee director compensation program that existed prior to April 2012.

(2) No awards were made to directors in 2012 under the nonemployee director compensation program that existed prior to April 2012.

Compensation Program Effective April 2012

Effective April 2012, the Company s new nonemployee directors compensation program includes the following components:

Annual Retainer for Board Members(1)	Annual Retainer for Chairperson of the Board(1)	Annual Retainer for Audit Committee Chair(1)	Annual Retainer for the Compensation Committee Chair(1)	Annual Retainer for the Governance Committee Chair(1)(2)	Annual Retainer for Audit Committee Members	Annual Retainer for Compensation Committee Members	Annual Retainer for Governance Committee Members	Annual RSUs Award(3)
$60,000	$ 125,000	$ 15,000	$ 15,000	$ 7,500	$ 10,000	$ 10,000	$ 5,000	$ 125,000

(1) All retainers are payable in quarterly installments following each quarterly Board meeting. Annually, directors are afforded the opportunity to elect to defer all or a portion of their annual retainers and meeting fees under our Phantom Stock Plan and have such amounts credited on a quarterly basis as phantom stock units.

(2) Mrs. Schumacher, the Chairperson of our Board, has requested that the Company not pay her any additional fees for her service as Chairperson of the Governance Committee.

(3) RSUs are granted annually and are valued at approximately $125,000, with the number of shares rounded to the nearest 100 shares. For 2012, the Company granted 2,000 RSUs to each nonemployee director on May 2, 2012.

Members of the Board who are also employees of the Company do not receive additional compensation for their service on the Board.
Mr. Larsen and Mr. Pennypacker were the only employees of the Company to serve on the Board in 2012. Mr. Pennypacker served on the Board until his resignation as an officer and director of the Company in July 2012. In November 2012, Mr. Larsen was appointed to the Board.
Mr. Larsen is the only employee of the Company currently serving on the Board.

Phantom Stock Plan

The Phantom Stock Plan for nonemployee directors, which is an unfunded plan, was originally established in 1996. Each nonemployee director may elect to defer all or a portion of his or her annual retainers into phantom stock units under the Phantom Stock Plan. Upon election, the phantom stock units are credited to the nonemployee director s account in equal quarterly amounts based on the average closing price per share of our common stock during the 30 trading days immediately preceding (but not including) the last business day of the fiscal quarter as reported on the composite tape of the NYSE. Dividend equivalents are credited to the nonemployee director s account on the dividend record date as dividends are declared by the Board. Each phantom stock unit represents the right to receive the fair market value of one share of our common stock.

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The fair market value of a nonemployee director s account may be distributed as a cash payment to the nonemployee director, or his or her beneficiary, on the first business day of the month following the month in which the nonemployee director ceases to be a director for any reason. Alternatively, a nonemployee director may elect to have the fair market value of his or her account distributed in twelve or fewer equal monthly installments, or in a single payment on a predetermined date within one year after he or she ceases to be a director, but without interest on the deferred payments. In the event of a change in control, the cash value of each nonemployee director s account will be distributed to each nonemployee director on the first day of the month following the effective time of the change in control. The fair market value of a nonemployee director s account is determined by reference to the average closing price of our common stock during the 30 trading days immediately preceding the date he or she ceases to be a director.

The following table summarizes the aggregate number of phantom stock units credited to each nonemployee director s account as of March 22, 2013.

Name	Phantom Stock Units[1]
Michael C. Arnold	137
Donald G. Barger, Jr.	21,863
John D. Craig	0
Raymond R. Hipp	9,570
David D. Petratis	13,926
Diane K. Schumacher	4,057
Charles L. Szews	8,979
Richard L. Thompson	17,157
Total	75,689

1) The number of phantom stock units has been rounded to the nearest whole number of units.

Long-Term Incentive Plan

For 2012, each of the nonemployee directors received equity awards consisting of 2,000 RSUs on the day following our 2012 annual shareholders meeting granted pursuant to the Incentive Plan. Prior to 2012, nonemployee directors received equity incentives pursuant to the Incentive Plan then in effect, consisting of stock options and RSUs on the day following our annual shareholders meeting.

In 2012, the Board approved changes to the Company s form of RSU award for nonemployee directors. RSUs awarded in 2012 cliff vest one year from the date of grant, while RSU awards made prior to 2012 cliff vest after three years. Generally, directors forfeit an award if they terminate service to the Company prior to the vesting of the award, or if they violate the award s arbitration provisions. However, if a person ceases to be a nonemployee director by virtue of death or disability, the RSUs will vest immediately. For RSUs granted prior to 2012, such awards also vest upon retirement, but for RSUs granted in 2012, such awards will continue to vest upon retirement in accordance with the original terms. Upon a Change in Control, as defined in the Incentive Plan, all RSUs will be deemed fully vested.

Stock options granted prior to 2012 were granted at the closing price of our common stock on the date of grant, became exercisable on the one-year anniversary of the date of grant, and terminated on the five-year anniversary of the date of grant. If a person ceased to be a nonemployee director by virtue of disability or retirement, after having completed at least one three-year term, outstanding options would be exercisable for a period of five years, but not later than the expiration date of the options. If a person ceased to be a nonemployee director by virtue of death or died during the five-year exercise period after disability or retirement described above, outstanding options generally would be exercisable for a period of one year, but not later than the expiration date of the options. If a nonemployee director s service terminated for any other reason, options not then exercisable were canceled and options that were exercisable may have been exercised at any time within 90 days after such termination but not later than the expiration date of the options.

Upon the occurrence of a change in control, (a) unexercised options would be canceled in exchange for a cash payment based on their appreciation in value and (b) unvested RSUs would vest and be payable in cash. In connection with the contemplated merger discussed in the Entry into Merger Agreement section set forth above, all equity awards would be canceled and the holder would be entitled to receive the consideration provided for in the merger agreement. For a further description of the Change in Control provision under the Incentive Plan, please see the Payments Upon Termination or Change in Control section of this Amendment No. 1 to the Annual Report on Form 10-K set forth below.

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2012 DIRECTOR COMPENSATION TABLE

The following table presents compensation earned by each nonemployee director for 2012. As employee directors, Messrs. Larsen and Pennypacker did not receive any compensation for service on the Board in 2012. Compensation information for Messrs. Larsen and Pennypacker is contained in the Summary Compensation Table set forth below.

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	Option Awards(3)	All Other Compensation(4)	Total
Michael C. Arnold	$ 67,500	$ 127,540	$ 0	$ 787	$ 195,827
Donald G. Barger, Jr.	$ 74,750	$ 127,540	$ 0	$ 4,923	$ 207,213
John D. Craig	$ 68,500	$ 127,540	$ 0	$ 366	$ 196,406
Raymond R. Hipp	$ 68,500	$ 127,540	$ 0	$ 2,609	$ 198,649
David D. Petratis	$ 70,000	$ 127,540	$ 0	$ 3,344	$ 200,884
Diane K. Schumacher(5)	$ 197,250	$ 127,540	$ 0	$ 1,519	$ 326,309
Charles L. Szews	$ 80,750	$ 127,540	$ 0	$ 2,333	$ 210,623
Richard L. Thompson	$ 85,500	$ 127,540	$ 0	$ 4,132	$ 217,172

(1) Amounts include the annual retainers and meeting fees that were deferred into the Phantom Stock Plan. Messrs. Barger, Hipp, Petratis and Szews deferred $74,750, $5,000, $70,000, and $80,750, respectively.

(2) Amounts reflect the grant date fair value of the RSUs granted in 2012 computed in accordance with ASC 718, except no assumption for forfeitures was included. See Note 15, Stock-Based Compensation Plans, of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012, regarding assumptions underlying valuation of equity awards. All directors received 2,000 RSUs in May 2012. As of December 31, 2012, the aggregate number of RSUs held by each director was 3,600, with the exception of Mr. Craig who held 2,330.

For a description of the vesting terms of the RSUs granted to nonemployee directors, see the Long Term Incentive Plan section set forth above.

(3) In accordance with the nonemployee director compensation program adopted in April 2012 discussed above, no stock option awards were granted in 2012 to nonemployee directors. As of December 31, 2012, the aggregate number of outstanding option awards held by each nonemployee director was 11,200, with the exception of Messrs. Arnold and Craig who held 7,200 and 840, respectively.

For a description of the vesting terms of the stock options granted to nonemployee directors, see the Long Term Incentive Plan section set forth above.

(4) Amounts reflect the value of dividend equivalents on phantom stock units held under the Phantom Stock Plan for 2012, which dividend equivalents are credited to the nonemployee director s Phantom Stock Plan account at the same time dividends are declared on shares of our common stock as follows: $27 to Mr. Arnold; $4,213 to Mr. Barger; $1,899 to Mr. Hipp; $2,634 to Mr. Petratis; $809 to Mrs. Schumacher; $1,623 to Mr. Szews; and $3,422 to Mr. Thompson. These amounts also include the cash dividend equivalent credited to each director s account on unvested RSUs (held by the director on both the dividend record dates and dividend payment dates) during 2012. Cash dividend equivalents are credited to a bookkeeping account in the RSU holder s name on the dividend payment date. The cash dividend equivalent credited to each director s account becomes vested and is payable, without interest, when the corresponding RSU becomes vested. All directors bookkeeping accounts were credited for the cash dividend equivalent of $710, with the exception of Messrs. Arnold and Craig who were credited $760 and $366, respectively.

(5) Mrs. Schumacher, the Chairperson of our Board, has requested that the Company not pay her any additional fees for her service as Chairperson of the Governance Committee.

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COMPENSATION DISCUSSION AND ANALYSIS

The following information contains statements regarding future individual and Company performance measures, targets and other goals. These goals are disclosed in the limited context of the Company s executive compensation program and should not be understood to be statements of management s expectations or estimates of results or other guidance. We specifically caution investors not to apply these statements to other contexts.

Executive Summary

Gardner Denver is a performance-driven company that has a track record of delivering significant shareholder value. Rigorous execution of our business plan and a commitment to the Gardner Denver Way are pillars of our management team and management process. As a result, we have achieved the following total shareholder return over the past five years:

The above table compares the cumulative total shareholder return for our common stock on an annual basis from December 31, 2007 through December 31, 2012 to the cumulative returns for the same periods of the: (a) Standard & Poor s 500 Stock Index; (b) Standard & Poor s 600 Index for Industrial Machinery, a pre-established industry index we believe to have a peer group relationship with the Company; and (c) Standard & Poor s SmallCap 600, an industry index which includes our common stock. The graph assumes that $100 was invested in our common stock and in each of the other indices on December 31, 2007 and that all dividends were reinvested when received. These indices are included for comparative purposes only and do not necessarily reflect our management s opinion that such indices are an appropriate measure of the relative performance of the stock involved, and are not intended to forecast or be indicative of possible future performance of the Company s common stock.

On December 31, 2012, the closing price of the Company s common stock was $68.50 per share. As noted in the Entry into Merger Agreement section set forth above, the merger consideration contemplated by the merger agreement between the Company and KKR is $76.00 in cash for each share of our common stock, which represents an additional premium of approximately 11% to the Company s share closing price on December 31, 2012, which is not reflected in the graph above. The merger consideration also represents a premium of (i) approximately 39% to the Company s closing stock price on October 24, 2012, the last trading day prior to the Company s announcement that it would evaluate strategic alternatives, and (ii) approximately 46% over the closing price of the common stock on July 26, 2012, the last trading day prior to the date on which a shareholder with a stake in excess of 5% of the Company s common stock called for the Company to sell itself in an all cash transaction.

The Compensation Committee believes that our executive compensation program has played a significant role in our ability to drive strong financial results, which is demonstrated by the accomplishments of our executive team over the last fiscal year and the Company s successful completion of its exploration of strategic alternatives to enhance shareholder value. During 2012, our named executive officers successfully managed the Company during a challenging economy by delivering strong financial performance for the year. A summary of accomplishments achieved in 2012 is detailed below.

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Significant Accomplishments in 2012

The strategic goals of the Company, guided by the Gardner Denver Way, are to grow revenues faster than the industry average, and to grow net income and net cash provided by operating activities faster than revenues. Gardner Denver s five-point growth strategy is comprised of organic growth, aftermarket growth, innovative products, selective acquisitions, and margin improvement. To accomplish its strategic goals, the Company has acquired products and operations that serve global markets, and has focused on integrating these acquisitions to remove excess costs and generate cash. The Company has pursued organic growth through new product development and investment in new technologies and employee development. The Company believes operational excellence and internal process improvements will help the Company achieve its goals, with a focus on its three key stakeholders: customers, shareholders and employees. The Company focuses on the needs of its customers to strengthen these key relationships and empower employees to respond to customers needs in innovative and effective ways.

The Company s significant accomplishments in 2012 included:

- Undertook a thorough process to review strategic alternatives to maximize shareholder value, which resulted in the Company entering into a definitive merger agreement with an affiliate of KKR on March 7, 2013. Consummation of the merger is subject to shareholder approval, certain customary closing conditions and regulatory approvals.

- As a result of continued execution of the Gardner Denver strategy and ongoing operational improvements through application of the Gardner Denver Way, the Company achieved diluted earnings per share of $5.28 for the year ended December 31, 2012, in a challenging environment. Full year consolidated revenues were $2.36 billion and operating margins finished at 15.8%.

- Generated $289 million in net cash from operating activities, which was in excess of net income, through a disciplined and balanced capital allocation process. Uses of cash during 2012 included investments in capital projects of $49.7 million, repurchases of common shares of $115.5 million, and payment of cash dividends of $9.9 million ($0.20 per common share).

- Upon the departure of the former Chief Executive Officer, managed a successful leadership transition and maintained operational excellence while significantly reducing senior management attrition.

- Continued progress on simplifying and eliminating redundancy from Gardner Denver s cost structure by closing, or announcing the closure of, 22 locations and eliminating approximately 5% of headcount in 2012. The Company also announced its plan for European restructuring in the Industrial Products Group with a focus on consolidating manufacturing facilities and reducing associated staffing levels to increase operational efficiency.

- Developed new products that incorporate the voice of the customer, provide differentiation from the competition and strengthen the Company s position as a leader in innovation. Examples include the Maverick drilling pump and Falcon fluid end.

- Completed two separate world class facilities in Ft. Worth, Texas and Altoona, Pennsylvania focused exclusively on aftermarket products and services within the Company s energy business, as the aftermarket in petroleum and industrial pumps grew in 2012.

- Integrated the operations of the Robuschi SpA acquisition.

- Completed the transition of the Engineered Products Group s Nash division s global headquarters and US manufacturing and distribution operations to a new site in Bentleyville, Pennsylvania.

Management believes the continued execution of the Company s strategies will help reduce the variability of its financial results in the short term, while providing above-average opportunities for growth and return on investment.

Our executive compensation program, with its pay-for-performance philosophy, is a part of our consistent and rigorous management process. We believe it has effectively motivated and rewarded Gardner Denver executives to meet the challenges of our global business, embrace the Gardner Denver Way and deliver shareholder value. We continually evaluate the individual elements of our executive compensation program in light of market conditions and governance requirements and make changes where appropriate for Gardner Denver s business. We believe that the core of our executive compensation program provides opportunities to reward superior individual and Company performance and drives shareholder value.

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Our executive compensation program is designed to meet three principal objectives:

- Attract and retain executive officers who contribute to our long-term success;
- Align compensation with short- and long-term business objectives; and
- Motivate and reward executive officers for high levels of individual and team performance.

We believe these objectives collectively link compensation to overall Company performance, which helps to ensure that the interests of our executive officers are aligned with the interests of our shareholders.

2012 Voting Results

The Compensation Committee reviewed the voting results with respect to the Company s advisory vote to approve executive compensation at its 2012 annual shareholders meeting, which received favorable support of 94% of the votes cast on such proposal. The following changes were implemented in 2012 to support good corporate governance practices:

- The elimination of the excise tax gross-up provision and the inclusion of a modified cut back provision on new Change in Control agreements provided to executive officers;
- Revisions to the Company s equity ownership requirements whereby the achievement of greater ownership thresholds were put in place for the President and Chief Executive Officer and nonemployee directors within specified time frames;
- The development of an executive officer severance program aligned with prevailing market practice;
- Changes to the Company s Incentive Plan to reflect market practice, and as approved by shareholders in May 2012; and
- The development and implementation of a one-time special Key Management Retention Program in light of the Company s review of strategic alternatives to enhance shareholder value.

The Compensation Committee believes that the 2012 executive compensation program has been tailored to the Company s business objectives, aligns pay with performance and reflects good governance practices regarding executive compensation.

Executive Management Changes in 2012

Michael M. Larsen, Brent A. Walters, T. Duane Morgan, Susan A. Gunn and Barry L. Pennypacker, who are all listed in the Summary Compensation Table set forth below, were our named executive officers for 2012. The following is a chronological presentation of named executive officer changes:

- In January 2012, Ms. Gunn began her employment with the Company as Vice President, Human Resources.

In May 2012, T. Duane Morgan, Vice President and President, Engineered Products Group, retired from the Company.

In July 2012, Barry L. Pennypacker resigned from his position as President, Chief Executive Officer and Director of the Company.

Michael M. Larsen was appointed Interim Chief Executive Officer in July 2012 and continued in his role as the Company s Chief Financial Officer.

Additionally, in July 2012, Mr. Morgan returned to his former role at the Board s request in order to help stabilize the management team after Mr. Pennypacker s resignation.

In November 2012, Mr. Larsen was named President, Chief Executive Officer and Director of the Company. Mr. Larsen also remains the Company s Chief Financial Officer.

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Compensation Philosophy and Design Principles

The fundamental philosophy underlying our executive compensation program is to:

- Provide opportunities that reward superior Company and individual performance rather than creating a sense of entitlement;
- Drive shareholder value by allocating a significant percentage of compensation to performance-based pay that is dependent on achievement of the Company s performance goals, without encouraging excessive or undesired risk-taking;
- Align executives interests with shareholders interests by providing significant stock-based compensation and expecting executives to hold the stock they earn in accordance with the terms of our stock ownership guidelines; and
- Mitigate incentives for executives to undertake excessive or undesired risks by, among other things, balancing fixed and variable pay.

Our executive compensation program includes incentive arrangements that align participants objectives with the Company s critical business values, strategies and performance objectives, and are clear and simple to understand. This understanding focuses the executives efforts on the performance objectives that drive Gardner Denver s success and encourages them to make long-term commitments to the Company.

The program offers a balanced approach to compensation and consists of the following primary elements:

- Base salary;
- Annual cash bonuses;
- Long-term incentives in the form of stock options, RSUs and cash bonuses; and
- Retirement benefits and other perquisites.

In March 2013, the Company modified its compensation program. For a discussion of these changes please see the Compensation Changes in 2013 section set forth below.

Role of Compensation Consultants

For 2012, the Compensation Committee, after reviewing and confirming the independence of Meridian, renewed its agreement with Meridian to evaluate and provide independent advice and consultation regarding our executive compensation program. At the Compensation Committee s direction and with their assistance, Meridian:

- Provided advice to assist the Compensation Committee s decision making with respect to executive compensation matters in light of the Company s business strategy, pay philosophy, prevailing market practices and shareholder interests;

- Provided guidance and advice to the Compensation Committee in establishing an interim Chief Executive Officer compensation package given leadership changes;

- Developed programs to address the retention of key executives as the Company undertook a review of strategic alternatives to enhance shareholder value;

- Apprised the Compensation Committee of emerging practices and changes in the regulatory and corporate governance environment;

- Reviewed and assessed our named executive officers compensation for competitiveness with the competitive market data; and

- Reviewed and assessed actual compensation paid to our named executive officers.

In 2012, Meridian did not provide any services to the Company, or receive any payments from the Company, other than in their capacity as a consultant to the Compensation Committee and the Governance Committee. See Compensation of Directors above for a description of the services provided by Meridian to the Governance Committee.

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In March 2013, the Company modified its long-term incentive compensation to allocate all long-term incentive compensation between RSUs and the long-term cash bonus awards. For a discussion of these changes please see the Compensation Changes in 2013 section set forth below.

Competitive Pay Analysis

In 2012, the Compensation Committee engaged Meridian to assist it in evaluating our executive compensation program. In determining the compensation for our Chief Executive Officer and our other named executive officers, the Compensation Committee reviewed competitive market data prepared by Meridian. The review included the value of the following components of compensation: (a) base salary; (b) target annual cash bonuses; (c) target long-term incentives and (d) target total direct compensation (i.e., base salary, target annual cash compensation and target long-term incentives).

Meridian compiled the competitive market data from a custom peer group approved by the Compensation Committee, that remained unchanged from 2011 and was comprised of the following companies:

Actuant Corporation	Eaton Corporation	Mueller Water Products, Inc.
AMETEK, Inc.	EnPro Industries, Inc.	Pall Corporation
Barnes Group, Inc.	Flowserve Corporation	Parker-Hannifin Corporation
Cameron International Group	Graco, Inc.	Pentair, Inc.
Crane Co	Graham Corporation	Robbins & Myers, Inc.
Danaher Corporation	Harsco Corporation	SPX Corporation
Donaldson Company, Inc.	IDEX Corporation	Teleflex Incorporated
Dover Corporation	Ingersoll-Rand plc	Valmont Industries, Inc.
Dresser-Rand Group Inc.	Kennametal Inc.	Watts Water Technologies, Inc.

The companies in the custom peer group are either direct business competitors, capital markets competitors or labor market competitors, and have similarities to the Company in terms of revenues, industry sector, and market capitalization. The companies comprising the custom peer group had median annual revenues of $2.1 billion, as compared to the Company s 2012 revenues of $2.4 billion.

The Compensation Committee believes that the custom peer group reflects the global complexity, size and industries of companies for which the Company competes for executive talent.

In assessing the competitiveness of our executive compensation program, Meridian provided the Compensation Committee with competitive market data that was size-adjusted, using a regression analysis, for the 50^{th} and 65^{th} percentile of the custom peer group. Regression analysis in this context was a statistical technique used to estimate market compensation levels based on the relationship between compensation and revenue size for the underlying competitive market data.

For 2012, the Compensation Committee generally aimed to set each named executive officer s base salary, target annual cash bonus, target annual cash compensation (i.e., base salary and target annual cash bonus), target long-term incentives and target total direct compensation (i.e., target annual cash compensation and target long-term incentives) at the 50^{th} percentile of the size-adjusted, competitive market data.

In setting the compensation of our named executive officers, a number of factors can, from time to time, affect levels of executive compensation, including, without limitation, time in position, individual performance, Company performance, scope of responsibilities, tenure with the Company and desired pay mix. Based upon one or more of these other factors, base salary, target annual cash bonus, target annual cash compensation, target long-term incentives and/or target total direct compensation of each named executive officer could be +/-15% of the 50^{th} percentile of the size-adjusted, competitive market data.

Role of Management

In 2012, the Compensation Committee worked with the Chief Executive Officer, Chief Financial Officer, Vice President of Human Resources, and General Counsel to, among other things, help the Compensation Committee formulate the specific plan and award designs, performance goals, and performance levels (i.e., threshold, target, and maximum) necessary to align the Company s executive compensation program with the Company s business strategies and goals.

In February 2012, the Compensation Committee held discussions with Mr. Pennypacker, the Company s former Chief Executive Officer, concerning the other named executive officers individual performance. The Compensation Committee considered Mr. Pennypacker s evaluations of the other named executive officers, together with its own evaluations of the executive officers performance based on its frequent interactions with the executive officers, when setting their compensation in 2012. The Compensation Committee conducted its own performance evaluation of the Chief Executive Officer and no management recommendation was made with regards to his compensation.

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All final decisions regarding the compensation of the named executive officers were made by the Compensation Committee. While members of management attended the Compensation Committee s meetings upon invitation, they did not attend either executive sessions or portions of any other meetings of the Compensation Committee where executive compensation determinations were made by the Compensation Committee.

Assessment of Individual Performance

The named executive officers compensation was impacted by individual performance. The assessment of the named executive officers individual performance was a subjective assessment of accomplishments and contributions to the Company. In approving the compensation of the named executive officers in February 2012, the Compensation Committee considered the following accomplishments and contributions:

Michael M. Larsen. Mr. Larsen drove significant progress on key financial metrics as the Company realized record earnings and cash flow results. Under his leadership, the Company improved investor communications by holding its first ever analyst day and enhanced its capital structure by executing upon a $131 million stock buyback. Over $10.2 million of restructuring projects were implemented and executed under his guidance and oversight. In addition, Mr. Larsen upgraded talent and reduced headcount in the finance function, while establishing a low cost shared service center in the Czech Republic.

Brent A. Walters. Mr. Walters continued to drive better management and control of the Company s legal expenses, while ensuring that the Company s compliance activities were further developed and enhanced with significant global training conducted across the Company and effective screening of transaction partners.

T. Duane Morgan. Mr. Morgan continued to exhibit strong leadership in the Company s petroleum industrial pump business, while creating a lean, high-performing and collaborative team culture within the Engineered Products Group. Under his leadership, the Company expanded its footprint in emerging markets, further developed its aftermarket capabilities and significantly increased new product sales.

Susan A. Gunn. Ms. Gunn joined the Company on January 1, 2012. Her compensation was based on competitive market data from Meridian and was set in her offer letter. As a result, the Compensation Committee did not assess her individual performance at the Compensation Committee s February 2012 meeting.

Barry L. Pennypacker. Mr. Pennypacker continued to perform adequately, with results achieved on key financial metrics amidst a still challenging economic environment.

2012 Executive Compensation Decisions

The Compensation Committee reviews and considers each pay component before making any executive compensation decisions. During its annual process when the Compensation Committee determines executive compensation, it reviews tally sheets prepared for each of the named executive officers. The tally sheets detail each component of executive compensation on a current and historical basis, including base salary, target annual cash bonuses, target long-term incentives, retirement benefits and other perquisites. The tally sheets also reflect the current value of all outstanding equity awards. The Compensation Committee uses the tally sheets to (a) understand all obligations for present and future compensation; (b) confirm that compensation is consistent with the philosophy and objectives of the Company s executive compensation program; and (c) understand the total value of the Company s compensation and benefit programs when considering changes in compensation components, program design and pay mix. In 2012, the Compensation Committee did not make any specific adjustments to the named executive officers compensation as a result of its review of tally sheets.

The Compensation Committee made its annual pay decisions for each of the compensation components as outlined below.

Annual Cash Compensation.

Base Salary. The Company provides the named executive officers with a base level of income for the expertise, skills, knowledge and experience they offer to the Company s management team. In 2012, all of the Company s named executive officer s base salaries were within +/-

15% of the 50th percentile of the size-adjusted, competitive market data.

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Base salary adjustments are made annually each February. In addition, base salary adjustments can be made during the year for increased responsibilities and when dictated by exceptional circumstances. In 2012, the Company made additional adjustments to the base salaries of certain executive officers as a result of management changes during the year. For 2012, our named executive officers received the following aggregate base salary increases:

Named Executive Officer	Aggregate Percentage Increase in 2012	Base Annual Salary as of 12/31/12
Michael M. Larsen, President & Chief Executive Officer(1)	74.4%	$ 800,000
Brent A. Walters, Vice President, General Counsel, Chief Compliance Officer & Secretary(2)	15.0%	$ 345,000
T. Duane Morgan, Vice President & President, Engineered Products Group(3)	19.6%	$ 425,000
Susan A. Gunn, Vice President, Human Resources(4)	0.6%	$ 327,000
Barry L. Pennypacker, former President & Chief Executive Officer(5)	3.9%	N/A

(1) Mr. Larsen received a 5.0% salary increase at the Company s regularly scheduled annual compensation review, reflecting his performance as Chief Financial Officer and multiple contributions to the Company. When appointed Interim Chief Executive Officer in July 2012, the Compensation Committee decided to re-evaluate Mr. Larsen s compensation including his base salary. As a result, in addition to the custom peer group market data provided by Meridian, the Compensation Committee also requested Meridian to provide competitive market data (the Interim CEO Competitive Market Data) on the compensation arrangements of interim Chief Executive Officers for the Compensation Committee to use as an additional reference point in considering the appropriate level of compensation for Mr. Larsen. The Interim Chief Executive Officer Competitive Market Data was compiled from 11 public companies that hired an interim Chief Executive Officer within the last 24 months. The Compensation Committee, with the assistance of Meridian, determined that it was in the best interests of the Company and its shareholders to grant Mr. Larsen an interim monthly salary increase of 62.3%. The Compensation Committee believed the interim monthly salary increase was consistent with the Interim CEO Competitive Market Data and was reasonable and appropriate under the circumstances to competitively compensate Mr. Larsen for his service as Interim Chief Executive Officer, including the retention of Chief Financial Officer responsibilities. Upon formal appointment to the role of President, Chief Executive Officer and Director of the Company in November 2012, Mr. Larsen s interim salary adjustment was made permanent and further adjusted by an additional 2.4% to reflect market adjusted base salary compensation for the position.

(2) At the Company s regularly scheduled annual compensation review, Mr. Walters received a base salary increase of 15.0% in recognition of his individual performance, time in role and to more closely align his base salary with the 50th percentile of the competitive market data compiled by Meridian.

(3) Mr. Morgan received a 3.5% salary increase at the Company s regularly scheduled annual compensation review. Mr. Morgan retired in May 2012 and then returned to his former role in July 2012, at which time his base salary was increased 15.5% in accordance with the terms of a negotiated employment agreement. For further discussion of Mr. Morgan s compensation see the Compensation Arrangements of Certain Executive Officers section below.

(4) Ms. Gunn received a 0.6% increase at the Company s regularly scheduled annual compensation review, which represented a prorated adjustment based on competitive market data compiled by Meridian.

(5) At the Company s regularly scheduled annual compensation review, Mr. Pennypacker received a base salary increase of 3.9% in recognition of his individual performance and reflective of the competitive pay data. Mr. Pennypacker s employment ended with the Company in July 2012.

Annual Cash Bonus. For 2012, the Compensation Committee established the annual cash bonus opportunity to focus the named executive officers on the achievement of critical, short-term financial goals that are intended to drive sustainable shareholder value over time. The annual cash bonus opportunity is based upon the achievement of certain performance goals of the Company under our Executive Annual Bonus Plan, which bonus is intended to comply with the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), regarding performance-based pay.

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With respect to the total cash payout for the 2012 annual cash bonus under the Executive Annual Bonus Plan, the Compensation Committee established the following target percentages of base salary for the named executive officers:

Named Executive Officers	Aggregate Annual Cash Bonus (as a % of base salary)
Michael M. Larsen	75%
Brent A. Walters	60%
T. Duane Morgan	65%
Susan A. Gunn	50%
Barry L. Pennypacker	110%

In February 2012, the Compensation Committee established the performance goals and the maximum, target and threshold achievement levels for each of the named executive officers under the Executive Annual Bonus Plan. Mr. Larsen s, Mr. Walters , Ms. Gunn s and Mr. Pennypacker s performance goals were based on the Company s 2012 Company Adjusted Net Income (weighted at 60%) and Company Adjusted Operating Cash Flow (weighted at 40%), as both terms are defined below. Mr. Morgan s performance goals were based on his group s Group Adjusted Operating Earnings (weighted at 62.5%) and Group Adjusted Operating Cash Flow (weighted at 12.5%), as both terms are defined below, as well as Company Adjusted Net Income and Company Adjusted Operating Cash Flow (weighted at 15% and 10%, respectively).

Company Adjusted Net Income is defined as the Company s income before taxes, excluding impairment charges and restructuring charges in excess of budget, less taxes which exclude the tax effect of the excluded items and non-recurring tax-related adjustments.

Company Adjusted Operating Cash Flow is defined as the Company s net cash provided by operating activities, excluding excess tax benefits from stock-based compensation.

Group Adjusted Operating Earnings is defined as the respective group s operating earnings, excluding impairment charges, corporate allocations, other non-operational items and restructuring charges in excess of budget.

Group Adjusted Operating Cash Flow is defined as the respective group s net income adjusted for impairment charges, restructuring charges in excess of budget and the transfer of certain business units, plus the group s depreciation and amortization and the cash effect of changes in receivables, advance payments and inventories.

Adjusted net income was set as a performance goal to reflect the effect of management s performance on shareholder return. Adjusted operating cash flow was set as a performance goal to reflect the continued importance of cash flow in providing funds to pursue our growth strategies, accelerate our debt repayment, and maintain our dividend policy. Adjustments to the financial measurements were made by the Compensation Committee to avoid volatility, inflation or deflation of the cash bonus due to either unusual items in the performance period or items that are not indicative of the core operating performance of the Company or group, as applicable.

In establishing the performance goals for Mr. Morgan, the Compensation Committee included both Company and group performance goals to provide incentives for operational performance over which Mr. Morgan exerts the greatest degree of short-term control, while ensuring overall accountability to corporate performance. The Compensation Committee believes this incentive helps solidify our corporate culture and ensure our business units are working for the greater good of the Company and our shareholders. Upon Mr. Morgan s return from retirement in July 2012, the Compensation Committee determined that the achievement of the performance goals for the annual cash bonus under the Executive Annual Bonus Plan remained substantially uncertain.

Under the terms of the Executive Annual Bonus Plan, the Compensation Committee may, in its discretion, reduce or eliminate entirely the amount of any annual cash bonus payable to any named executive officer upon attainment of the performance goals, but any such reduction may not increase the awards of another named executive officer.

Set forth below are the 2012 annual cash bonus opportunities for Mr. Larsen, Mr. Walters, Ms. Gunn and Mr. Pennypacker with respect to the annual cash bonus under the Executive Annual Bonus Plan.

	Threshold	Target	Maximum
Annual Cash Bonus			
Company Adjusted Net Income	24%	60%	120%
Company Adjusted Operating Cash Flow	16%	40%	80%
Total	40%	100%	200%

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Set forth below are the 2012 annual cash bonus opportunities for Mr. Morgan under the Executive Annual Bonus Plan.

	Threshold	Target	Maximum
Annual Cash Bonus			
Company Adjusted Net Income	6%	15%	30%
Company Adjusted Operating Cash Flow	4%	10%	20%
Group Adjusted Operating Earnings	25%	62.5%	125%
Group Adjusted Operating Cash Flow	5%	12.5%	