LINDSAY CORP
Form 10-Q
July 09, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(MARK ONE)

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

For the quarterly period ended May 31, 2009

OR

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

Commission File Number 1-13419
Lindsay Corporation
(Exact name of registrant as specified in its charter)

Delaware	**47-0554096**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2222 N 111th Street, Omaha, Nebraska	**68164**
(Address of principal executive offices)	(Zip Code)

402-829-6800
(Registrant s telephone number, including area code)

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

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

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

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

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

As of June 30, 2009**,** 12,310,295 shares of the registrant s common stock were outstanding.

Lindsay Corporation
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Part I FINANCIAL INFORMATION
ITEM 1 ***Financial Statements***

Lindsay Corporation and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands, except per share amounts)	**2009**	**2008**	**2009**	**2008**
Operating revenues	$ 84,578	$ 143,562	$ 262,845	$ 327,908
Cost of operating revenues	63,509	106,460	199,851	241,472
Gross profit	21,069	37,102	62,994	86,436
Operating expenses:				
Selling expense	5,186	6,847	17,567	18,199
General and administrative expense	7,000	8,112	21,837	20,763
Engineering and research expense	1,346	1,693	4,706	4,655
Total operating expenses	13,532	16,652	44,110	43,617
Operating income	7,537	20,450	18,884	42,819
Other income (expense):				
Interest expense	(465)	(787)	(1,570)	(2,207)
Interest income	200	346	741	1,199
Other income (expense), net	636	299	(832)	520
Earnings before income taxes	7,908	20,308	17,223	42,331
Income tax provision	2,639	6,201	5,482	14,178
Net earnings	$ 5,269	$ 14,107	$ 11,741	$ 28,153
Basic net earnings per share	$ 0.43	$ 1.18	$ 0.96	$ 2.37
Diluted net earnings per share	$ 0.42	$ 1.15	$ 0.94	$ 2.29
Weighted average shares outstanding	12,305	11,958	12,280	11,857
Diluted effect of stock equivalents	136	362	168	411
Weighted average shares outstanding assuming dilution	12,441	12,320	12,448	12,268

Cash dividends per share	$ 0.075	$ 0.070	$ 0.225	$ 0.210

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

Lindsay Corporation and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS

($ in thousands, except par values)	(Unaudited) May 31, 2009	(Unaudited) May 31, 2008	August 31, 2008
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 63,212	$ 19,068	$ 50,760
Receivables, net of allowance, $1,503, $1,319 and $1,457, respectively	57,371	82,859	88,410
Inventories, net	54,355	61,118	53,409
Deferred income taxes	8,591	7,054	8,095
Other current assets	5,886	12,150	7,947
Total current assets	189,415	182,249	208,621
Property, plant and equipment, net	56,964	56,657	57,571
Other intangible assets, net	28,383	31,943	30,808
Goodwill, net	24,079	25,009	24,430
Other noncurrent assets	5,479	5,628	5,447
Total assets	$ 304,320	$ 301,486	$ 326,877
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities:			
Accounts payable	$ 18,463	$ 27,967	$ 32,818
Notes payable	1,595	1,492	1,773
Current portion of long-term debt	6,171	6,171	6,171
Other current liabilities	29,362	33,285	42,693
Total current liabilities	55,591	68,915	83,455
Pension benefits liabilities	5,588	5,384	5,673
Long-term debt	20,997	27,168	25,625
Deferred income taxes	11,935	10,831	11,786
Other noncurrent liabilities	5,619	5,592	4,437
Total liabilities	99,730	117,890	130,976
Shareholders equity:			
Preferred stock, ($1 par value, 2,000,000 shares authorized, no shares issued and outstanding)			
Common stock, ($1 par value, 25,000,000 shares authorized, 18,121,203, 18,054,292 and 18,055,292 shares issued at May 31, 2009 and 2008 and August 31, 2008, respectively)	18,121	18,054	18,055

Capital in excess of stated value	28,304	25,489	26,352
Retained earnings	248,594	229,576	239,676
Less treasury stock (at cost, 5,813,448, 5,963,448 and 5,843,448 shares at May 31, 2009 and 2008 and August 31, 2008, respectively)	(92,796)	(95,190)	(93,275)
Accumulated other comprehensive income, net	2,367	5,667	5,093
Total shareholders equity	204,590	183,596	195,901
Total liabilities and shareholders equity	$ 304,320	$ 301,486	$ 326,877

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

Lindsay Corporation and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended May 31,	
($ in thousands)	**2009**	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 11,741	$ 28,153
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,917	6,647
Provision for uncollectible accounts receivable	205	(22)
Deferred income taxes	(1,897)	(247)
Stock-based compensation expense	1,504	2,384
Other, net	1,072	40
Changes in assets and liabilities:		
Receivables, net	28,703	(30,958)
Inventories, net	(2,248)	(14,692)
Other current assets	1,406	(804)
Accounts payable	(13,443)	6,373
Other current liabilities	(9,715)	6,508
Current taxes payable	(2,356)	(3,489)
Other noncurrent assets and liabilities	1,372	(3,529)
Net cash provided by (used in) operating activities	24,261	(3,636)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(6,148)	(11,020)
Proceeds from sale of property, plant and equipment	25	28
Acquisition of business, net of cash acquired		(21,028)
Proceeds from settlement of net investment hedge	859	
Purchases of marketable securities available-for-sale		(13,860)
Proceeds from maturities of marketable securities available-for-sale		41,490
Net cash used in investing activities	(5,264)	(4,390)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock under stock compensation plan	638	4,825
Proceeds from issuance of long-term debt		15,000
Principal payments on long-term debt	(4,628)	(19,628)
Net borrowings on revolving line of credit	(108)	
Excess tax benefits from stock-based compensation	321	7,525
Dividends paid	(2,764)	(2,503)
Net cash (used in) provided by financing activities	(6,541)	5,219

Effect of exchange rate changes on cash	(4)	853
Net increase (decrease) in cash and cash equivalents	12,452	(1,954)
Cash and cash equivalents, beginning of period	50,760	21,022
Cash and cash equivalents, end of period	$ 63,212	$ 19,068

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

Lindsay Corporation and Subsidiaries
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Condensed Consolidated Financial Statements

The condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and do not include all of the disclosures normally required by U.S. generally accepted accounting principles for financial statements contained in Lindsay Corporation s (the Company) annual Form 10-K filing. Accordingly, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Form 10-K for the fiscal year ended August 31, 2008.

In the opinion of management, the condensed consolidated financial statements of the Company reflect all adjustments of a normal recurring nature necessary to present a fair statement of the financial position and the results of operations and cash flows for the respective interim periods. The results for interim periods are not necessarily indicative of trends or results expected by the Company for a full year.

Notes to the condensed consolidated financial statements describe various elements of the financial statements and the accounting policies, estimates, and assumptions applied by management. While actual results could differ from those estimated by management in the preparation of the condensed consolidated financial statements, management believes that the accounting policies, assumptions, and estimates applied promote the representational faithfulness, verifiability, neutrality, and transparency of the accounting information included in the condensed consolidated financial statements. Certain reclassifications have been made to prior financial statements and notes to conform to the current year presentation. These reclassifications were not material to the Company s condensed consolidated financial statements.

Except as described below, no changes were made to the Company s accounting policies disclosed in Note A of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended August 31, 2008.

Fair Value Measurements As described in Note 9, *Fair Value Measurements*, the Company adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 were effective as of September 1, 2008 for the Company s financial assets and liabilities, as well as for other assets and liabilities that are carried at fair value on a recurring basis in the Company s consolidated financial statements. The FASB has provided for a one-year deferral of the implementation of this standard for certain nonfinanical assets and liabilities. Assets and liabilities subject to this deferral include goodwill, intangible assets, and long-lived assets measured at fair value for impairment assessments, and nonfinancial assets and liabilities initially measured at fair value in a business combination. The adoption of SFAS No. 157 did not have a material impact on the Company s consolidated financial statements.

(2) Net Earnings per Share

Basic net earnings per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net earnings per share is computed using the weighted-average number of common shares outstanding plus dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of stock options and restricted stock units to the extent they are not anti-dilutive. Performance stock units are excluded from the calculation of dilutive potential common shares until the performance conditions have been satisfied. At May 31, 2009, the performance conditions for the Company s outstanding performance stock units had not been satisfied.

Statement of Financial Accounting Standards No. 128, *Earnings per Share*, requires that certain equity instruments granted by the Company be treated as potential common shares outstanding in computing diluted net earnings per share. The Company s diluted common shares outstanding reported in each period include the dilutive effect of restricted stock units and in-the-money options, and is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of excess tax benefits that would be recorded in additional paid-in capital when exercised are assumed to be used to repurchase shares.

There were 37,465 and 32,044 restricted stock units excluded from the calculation of diluted earnings per share for the three and nine months ended May 31, 2009, respectively, since their inclusion would have been anti-dilutive. There were no anti-dilutive options or restricted stock units for the three and nine months ended May 31, 2008.

(3) Comprehensive Income

The accumulated other comprehensive income, net, shown in the Company s consolidated balance sheets includes the unrealized gain (loss) on cash flow hedges, unrealized gain on available-for-sale securities, changes in the transition obligation and net actuarial losses from the defined benefit pension plan and the accumulated foreign currency translation adjustment, net of hedging activities. The following table shows the difference between the Company s reported net earnings and its comprehensive income:

	Three months ended May 31,		Nine months ended May 31,	
$ in thousands	**2009**	**2008**	**2009**	**2008**
Comprehensive income:				
Net earnings	$ 5,269	$ 14,107	$ 11,741	$ 28,153
Other comprehensive income[1]:				
Unrealized net gain on available for sale securities, net of tax				14
Defined Benefit Pension Plan, net of tax	27	25	81	76
Unrealized gain (loss) on cash flow hedges, net of tax	(607)	81	(192)	(1,527)
Foreign currency translation, net of hedging activities	6,545	687	(2,616)	4,556
Total comprehensive income	$ 11,234	$ 14,900	$ 9,014	$ 31,272

(1) Net of tax (benefit) expense of ($191) and $225 for the three and nine months ended May 31, 2009, respectively. Net of tax (benefit) expense of $431 and ($607) for the three and nine months ended May 31, 2008, respectively.

(4) Income Taxes

It is the Company s policy to report income tax expense for interim periods using an estimated annual effective income tax rate. However, the tax effects of significant or unusual items are not considered in the estimated annual effective tax rate. The tax effects of such discrete events are recognized in the interim period in which the events occur.

The Company recorded income tax expense of $2.6 million and $5.5 million for the three and nine months ended May 31, 2009, respectively. The Company recorded income tax expense of $6.2 million and $14.2 million for the three and nine months ended May 31, 2008, respectively. The estimated effective tax rate used to calculate income tax expense before discrete items was 34.7% and 34.6% for the periods ended May 31, 2009 and 2008, respectively.

For the three months ended May 31, 2008, the Company recorded a discrete item resulting in $1.1 million of additional tax benefit due to the correction of previously recognized tax expense related to Section 162(m) of the Internal Revenue Code that had been incorrectly recorded.

For the nine months ended May 31, 2009, the Company recorded two discrete items that reduced income tax expense for the period. The first item was a benefit of $0.1 million relating to the reversal of previously recorded liabilities for uncertain tax positions recorded under FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, relating to taxation of the Company s Brazilian subsidiary. This reversal was recorded due to the expiration of the statute of limitations without any actual tax liability being assessed. The second item was a benefit of $0.4 million resulting from recording actual income tax expense that was lower than the estimated year end income tax provision. For the nine months ended May 31, 2008, the Company recorded a discrete item resulting in $0.5 million of additional tax benefit due to the correction of previously recognized tax expense related to Section 162(m) of the Internal Revenue Code that had been incorrectly recorded.

(5) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for the Company s Lindsay, Nebraska inventory and two warehouses in Idaho and Texas. Cost is determined by the first-in, first-out (FIFO) method for inventory at the Company s Omaha, Nebraska warehouse, its wholly-owned subsidiaries, Barrier Systems, Inc. (BSI) and Watertronics, LLC and non-U.S. warehouse locations. Cost is determined by the weighted average cost method for inventory at the Company s other operating locations in Washington State, France, Brazil, Italy and South Africa. At all locations, the Company reserves for obsolete, slow moving, and excess inventory by estimating the net realizable value based on the potential future use of such inventory.

$ in thousands	**May 31, 2009**	**May 31, 2008**	**August 31, 2008**
Inventory:			
FIFO inventory	$ 23,610	$ 32,743	$ 24,867
LIFO reserves	(7,864)	(6,143)	(8,203)
LIFO inventory	15,746	26,600	16,664
Weighted average inventory	18,180	19,749	20,568
Other FIFO inventory	21,896	15,860	17,586
Obsolescence reserve	(1,467)	(1,091)	(1,409)
Total inventories	$ 54,355	$ 61,118	$ 53,409

The estimated percentage distribution between major classes of inventory before reserves is as follows:

	May 31, 2009	**May 31, 2008**	**August 31, 2008**
Raw materials	10%	15%	9%
Work in process	10%	11%	8%
Finished goods and purchased parts	80%	74%	83%

(6) Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and amortization, as follows:

$ in thousands	**May 31, 2009**	**May 31, 2008**	**August 31, 2008**
Operating property, plant and equipment:			
Land	$ 2,266	$ 2,301	$ 2,269
Buildings	25,778	23,613	23,893
Equipment	60,090	57,277	58,382
Other	6,895	7,939	6,661
Total operating property, plant and equipment	95,029	91,130	91,205
Accumulated depreciation	(54,691)	(51,828)	(51,144)
Total operating property, plant and equipment, net	$ 40,338	$ 39,302	$ 40,061
Leased property:			
Machines	4,148	3,632	3,597
Barriers	16,227	15,636	16,210
Total leased property	$ 20,375	$ 19,268	$ 19,807
Accumulated depreciation	(3,749)	(1,913)	(2,297)
Total leased property, net	$ 16,626	$ 17,355	$ 17,510
Property, plant and equipment, net	$ 56,964	$ 56,657	$ 57,571

Depreciation expense was $1.9 million and $1.6 million for the three months ended May 31, 2009 and 2008, and $5.7 million and $4.6 million for the nine months ended May 31, 2009 and 2008, respectively.

(7) Credit Arrangements

Euro Line of Credit

The Company s wholly-owned European subsidiary, Lindsay Europe, has an unsecured revolving line of credit with Societe Generale, a European commercial bank, under which it could borrow up to 2.3 million Euros, which equates to approximately USD $3.3 million as of May 31, 2009, for working capital purposes (the Euro Line of Credit). As of May 31, 2009 and 2008 and August 31, 2008, there was $1.6 million, $1.5 million and $1.8 million, respectively, outstanding on the Euro Line of Credit, which was included in notes payable on the consolidated balance sheets. Under the terms of the Euro Line of Credit borrowings, if any, bear interest at a floating rate in effect from time to time designated by the commercial bank as the Euro Interbank Offered Rate plus 150 basis points (all inclusive, 2.4% at May 31, 2009). Unpaid principal and interest is due by January 31, 2010, which is the termination date of the Euro Line of Credit.

BSI Term Note

The Company entered into an unsecured $30.0 million Term Note and Credit Agreement, effective June 1, 2006, with Wells Fargo Bank, N.A. (the BSI Term Note) to partially finance the acquisition of BSI. Borrowings under the BSI Term Note bear interest at a rate equal to LIBOR plus 50 basis points. The Company has fixed the rate at 6.05% through an interest rate swap as described in Note 8, *Financial Derivatives*. Principal is repaid quarterly in equal payments of $1.1 million over a seven-year period that began in September of 2006. The BSI Term Note is due in June of 2013.

Snoline Term Note

The Company entered into an unsecured $13.2 million seven-year Term Note and Credit Agreement, effective December 27, 2006, with Wells Fargo Bank, N.A. (the Snoline Term Note) to partially finance the acquisition of Snoline S.P.A. (Snoline). Borrowings under the Snoline Term Note are guaranteed by the Company and bear interest at a rate equal to LIBOR plus 50 basis points. The Snoline Term Note is due in December of 2013. In connection with the Snoline Term Note, the Company entered into a cross currency swap transaction obligating the Company to make quarterly payments of 0.4 million Euros per quarter over the same seven-year period as the Snoline Term Note and to receive payments of $0.5 million per quarter over a seven year period commencing March 27, 2007. This is approximately equivalent to converting the $13.2 million seven-year Snoline Term Note into a 10.0 million Euro seven-year term note at a fixed rate of 4.7% as described in Note 8, *Financial Derivatives*.

Revolving Credit Agreement

The Company entered into an unsecured $30.0 million Revolving Credit Note and Credit Agreement, effective as of January 24, 2008, with Wells Fargo Bank, N.A. (the Revolving Credit Agreement). The borrowings from the Revolving Credit Agreement will primarily be used for working capital purposes and funding acquisitions. As of May 31, 2009 and 2008 and August 31, 2008, there was no outstanding balance on the Revolving Credit Agreement.

Borrowings under the Revolving Credit Agreement bear interest at a rate equal to LIBOR plus 50 basis points. Interest is paid on a monthly to quarterly basis depending on loan type. The Company also pays an annual commitment fee of 0.125% on the unused portion of the Revolving Credit Agreement. Unpaid principal and interest is due by January 23, 2010, which is the termination date of the Revolving Credit Agreement.

The BSI Term Note, the Snoline Term Note and the Revolving Credit Agreement (collectively, the Notes) each contain the same covenants, including certain covenants relating to the Company s financial condition. Upon the occurrence of any event of default of these covenants specified in the Notes, including a change in control of the Company (as defined in the Notes), all amounts due thereunder may be declared to be immediately due and payable.

Outstanding long-term debt consists of the following:

$ in thousands	May 31, 2009	May 31, 2008	August 31, 2008
BSI Term Note	$ 18,214	$ 22,500	$ 21,429
Snoline Term Note	8,954	10,839	10,367
Less current portion	(6,171)	(6,171)	(6,171)
Total long-term debt	$ 20,997	$ 27,168	$ 25,625

Interest expense was $0.5 million and $0.8 million for the three months ended May 31, 2009 and 2008, respectively. Interest expense was $1.6 million and $2.2 million for the nine months ended May 31, 2009 and 2008, respectively. Principal payments due on long-term debt are as follows:

Due within:	
1 year	$ 6,171
2 years	6,171
3 years	6,171
4 years	6,171
5 years	2,484
Thereafter	
	$ 27,168

(8) Financial Derivatives

The Company uses certain financial derivatives to mitigate its exposure to volatility in interest rates and foreign currency exchange rates. The Company uses these derivative instruments to hedge exposures in the ordinary course of business and does not invest in derivative instruments for speculative purposes. Each derivative is designated as a cash flow hedge, a hedge of a net investment, or remains undesignated. The Company accounts for these derivative instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activity* (SFAS No. 133), which requires all derivatives to be carried on the balance sheet at fair value and to meet certain documentary and analytical requirements to qualify for hedge accounting treatment. Changes in the fair value of derivatives that are designated and effective as cash flow hedges are recorded in other comprehensive income (OCI), net of related income tax effects, and are reclassified to the income statement when the effects of the item being hedged are recognized in the income statement. Changes in fair value of derivative instruments that qualify as hedges of a net investment in foreign operations are recorded as a component of accumulated currency translation adjustment in accumulated other comprehensive income (AOCI), net of related income tax effects. Changes in the fair value of undesignated hedges are recognized currently in the income statement as other income (expense). All changes in derivative fair values due to ineffectiveness are recognized currently in income.

The Company adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment to SFAS No. 133* (SFAS No. 161), which requires enhanced disclosures about how derivative and hedging activities affect the Company s financial position, financial performance and cash flows. SFAS No. 161 was effective for the Company beginning in the second quarter of fiscal 2009. This pronouncement resulted in enhanced disclosures, but did not have an impact on the Company s consolidated financial statements.

Financial derivatives consist of the following:

$ in thousands	Balance Sheet Location	Fair Values of Derivative Instruments Asset (Liability) Derivatives May 31, 2009	May 31, 2008	August 31, 2008
Derivatives designated as hedging instruments under SFAS No. 133:				
Foreign currency forward contracts	Other current assets	$	$ 24	$ 124
Interest rate swap	Other current liabilities	(650)	(704)	(684)
Interest rate swap	Other noncurrent liabilities	(897)	(653)	(746)
Cross currency swap	Other current liabilities	(380)	(535)	(324)
Cross currency swap	Other noncurrent liabilities	(772)	(1,354)	(750)
Total derivatives designated as hedging instruments under SFAS No. 133[1]		$ (2,699)	$ (3,222)	$ (2,380)

[1] Accumulated other comprehensive income included losses, net of related income tax effects, of $0.6 million, $2.0 million and $0.9 million at May 31, 2009 and 2008, and August 31, 2008, respectively, related to deriviative contracts designed as

hedging instruments under SFAS No. 133.

Cash Flow Hedging Relationships

In order to reduce interest rate risk on the BSI Term Note, the Company entered into an interest rate swap agreement with Wells Fargo Bank, N.A. that is designed to convert the variable interest rate on the entire amount of this borrowing to a fixed rate of 6.05% per annum. Under the terms of the interest rate swap, the Company receives variable interest rate payments and makes fixed interest rate payments on an amount equal to the outstanding balance of the BSI Term Note, thereby creating the equivalent of fixed-rate debt (see Note 7, *Credit Arrangements)*. Changes in the fair value of the interest rate swap designated as a hedging instrument that effectively offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported in AOCI, net of related income tax effects.

Similarly, the Company entered into a cross currency swap transaction with Wells Fargo Bank, N.A. fixing the conversion rate of Euro to U.S. dollars for the Snoline Term Note at 1.3195 and obligating the Company to make quarterly payments of 0.4 million Euros per quarter over the same seven-year period as the Snoline Term Note and to receive payments of $0.5 million per quarter. In addition, the variable interest rate was converted to a fixed rate of 4.7%. This is approximately equivalent to converting the $13.2 million seven-year Snoline Term Note into a 10.0 million Euro seven-year term note at a fixed rate of 4.7%. Under the terms of the cross currency swap, the Company receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt (see Note 7, *Credit Arrangements)*. Changes in the fair value of the cross currency swap designated as a hedging instrument that effectively offset the hedged risks are reported in AOCI, net of related income tax effects.

In order to reduce exposures related to changes in foreign currency exchange rates, the Company, at times, may enter into forward exchange or option contracts for transactions denominated in a currency other than the functional currency for certain of our operations. This activity primarily relates to economically hedging against foreign currency risk in purchasing inventory, sales of finished goods, and future settlement of foreign denominated assets and liabilities. Changes in the fair value of the forward exchange contracts or option contracts designated as hedging instruments that effectively offset the hedged risks are reported in AOCI, net of related income tax effects. The Company had no forward exchange contracts or option contracts with cash flow hedging relationships outstanding at May 31, 2009 and 2008 or August 31, 2008.

Derivatives in SFAS No. 133 Cash Flow Hedging Relationships

	Amount of Gain/(Loss) Recognized in OCI on Derivatives			
	Three months ended May 31,		Nine months ended May 31,	
$ in thousands	**2009**	**2008**	**2009**	**2008**
Interest rate swap	$ 95	$ 295	$ (136)	$ (425)
Cross currency swap	(702)	(214)	(56)	(1,102)
Foreign currency forward contracts				
Total[1]	$ (607)	$ 81	$ (192)	$ (1,527)

(1) Net of tax (benefit) of ($208) and ($105) for the three and nine months ended May 31, 2009, respectively.

Net of tax expense (benefit) of $375 and ($706) for the three and nine months ended May 31, 2008, respectively.

		Amount of (Loss) Reclassified from AOCI into Income			
	Location of Loss Reclassified from AOCI into Income	Three months ended May 31,		Nine months ended May 31,	
$ in thousands		**2009**	**2008**	**2009**	**2008**
Interest rate swap	Interest Expense	$ (248)	$ (187)	$ (739)	$ (348)
Cross currency swap	Interest Expense	(80)	(85)	(239)	(121)
Foreign currency forward contracts	Revenue			(15)	
Foreign currency forward contracts	Other income (expense)			(49)	

	$ (328)	$ (272)	$ (1,042)	$ (469)

$ in thousands	Gain/(Loss) Recognized in Income (Ineffectiveness)	Gain/(Loss) Recognized in Income on Derivatives (Ineffectiveness) Three months ended May 31, 2009	2008	Nine months ended May 31, 2009	2008
Interest rate swap	Other income (expense)	$ 21	$ 33	$ 103	$ (43)
Cross currency swap	Other income (expense)				
Foreign currency forward contracts	Other income (expense)				
		$ 21	$ 33	$ 103	$ (43)

Net Investment Hedging Relationships

During fiscal 2008, the Company entered into Euro foreign currency forward contracts to hedge its Euro net investment exposure in its foreign operations. At May 31 and August 31, 2008, the fair value of the outstanding foreign currency contract was a derivative asset of less than $0.1 million and $0.1 million, respectively, with a corresponding unrealized gain in currency translation adjustment in accumulated other comprehensive income, net of related income tax effects of less than $0.1 million for both periods. During the first quarter of fiscal 2009, the Company settled its only outstanding Euro foreign currency forward contract for a gain of $0.5 million, net of related income tax effects, which was included in other comprehensive income as part of the currency translation adjustment. This foreign currency forward contract qualified as a hedge of net investments in foreign operations under the provisions of SFAS No. 133. At May 31,

2009, accumulated currency translation adjustment in AOCI reflected after-tax gains of $1.2 million, net of related income tax effects of $0.8 million related to settled foreign currency forward contracts. For the three months and nine months ended May 31, 2009 and 2008, there were no amounts recorded in the consolidated statement of operations related to ineffectiveness of Euro foreign currency forward contracts. At May 31, 2009, the Company had no outstanding Euro foreign currency forward contracts with net investment hedging relationships.

Derivatives Not Designated as Hedging Instruments

In order to reduce exposures related to changes in foreign currency exchange rates, the Company, at times, may enter into forward exchange or option contracts for transactions denominated in a currency other than the functional currency for certain of our operations. This activity primarily relates to economically hedging against foreign currency risk in purchasing inventory, sales of finished goods, and future settlement of foreign denominated assets and liabilities. Changes in the fair value of undesignated hedges are recognized currently in the income statement as other income (expense). At May 31, 2009 and 2008 and August 31, 2008, the Company had no undesignated hedges outstanding.

Derivatives Not Designated as Hedging Instruments

		Amount Gain/(Loss) Recognized in Income on Derivatives			
	Location of Gain/(Loss) Recognized in Income	**Three months ended May 31,**		**Nine months ended May 31,**	
$ in thousands		**2009**	**2008**	**2009**	**2008**
Foreign currency forward contracts	Other income (expense)	$ (78)	$	$ 68	$

(9) Fair Value Measurements

SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements was adopted by the Company effective September 1, 2008 for its financial assets and liabilities, as well as for other assets and liabilities that are carried at fair value on a recurring basis in the Company s consolidated financial statements. The Financial Accounting Standards Board (the FASB) has provided for a one-year deferral of the implementation of this standard for certain nonfinanical assets and liabilities. Assets and liabilities subject to this deferral include goodwill, intangible assets, and long-lived assets measured at fair value for impairment assessments, and nonfinancial assets and liabilities initially measured at fair value in a business combination. The adoption of SFAS No. 157 did not have a material impact on the Company s consolidated financial statements.

SFAS No. 157 establishes the fair value hierarchy that prioritizes inputs to valuation techniques based on observable and unobservable data and categorizes the inputs into three levels, with the highest priority given to Level 1 and the lowest priority given to Level 3. The levels are described below.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Significant observable pricing inputs other than quoted prices included within Level 1 that are either directly or indirectly observable as of the reporting date. Essentially, this represents inputs that are derived principally from or corroborated by observable market data.

Level 3 Generally unobservable inputs, which are developed based on the best information available and may include the Company s own internal data.

The following table presents the Company s financial assets and liabilities measured at fair value based upon the level within the fair value hierarchy in which the fair value measurements fall, as of May 31, 2009:

$ in thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$63,212	$	$	$63,212
Derivative Assets				
Derivative Liabilities		(2,699)		(2,699)

(10) Commitments and Contingencies

In 1992, the Company entered into a consent decree with the Environmental Protection Agency of the United States Government (the EPA) in which the Company committed to remediate environmental contamination of the groundwater that was discovered in 1982 through 1990 at and adjacent to its Lindsay, Nebraska facility (the site). The site was added to the EPA s list of priority superfund sites in 1989. Between 1993 and 1995, remediation plans for the site were approved by the EPA and fully implemented by the Company. Since 1998, the primary remaining contamination at the site has been the presence of volatile organic chemicals in the groundwater. The current remediation process consists of drilling wells into the aquifer and pumping water to the surface to allow these chemicals to be removed by aeration. In 2008, the Company and the EPA conducted a periodic five-year review of the status of the remediation of the contamination of the site. In response to the review, the Company and its environmental consultants are in the process of developing a supplemental remedial action work plan that will allow the Company and the EPA to better identify the boundaries of the contaminated groundwater and determine whether the contaminated groundwater is being contained by current and planned wells that pump and aerate it. The Company accrues the anticipated cost of remediation where the obligation is probable and can be reasonably estimated. During the first quarter of fiscal 2009, the Company accrued incremental costs of $0.7 million for additional environmental monitoring and remediation in connection with the current ongoing supplemental remedial action work plan. Amounts accrued and included in balance sheet liabilities related to the remediation actions were $1.0 million, $0.3 million and $0.3 million at May 31, 2009 and 2008, and August 31, 2008, respectively. Although the Company has accrued all reasonably estimable costs of completing the remediation actions defined in the supplemental remedial action work plan, it is possible additional actions could be requested or mandated by the EPA at any time, resulting in the recognition of additional related expenses.

(11) Retirement Plan

The Company has a supplemental non-qualified, unfunded retirement plan for six former employees. Plan benefits are based on the participant s average total compensation during the three highest compensation years of employment during the ten years immediately preceding the participant s retirement or termination. This unfunded supplemental retirement plan is not subject to the minimum funding requirements of ERISA. The Company has purchased life insurance policies on four of the participants named in this supplemental retirement plan to provide partial funding for this liability. Components of net periodic benefit cost for the Company s supplemental retirement plan include:

	Three months ended May 31,		**Nine months ended May 31,**	
$ in thousands	**2009**	**2008**	**2009**	**2008**
Net periodic benefit cost:				
Service cost	$	$ 10	$	$ 31
Interest cost	87	84	260	251
Net amortization and deferral	44	41	131	122
Total net periodic benefit cost	$ 131	$ 135	$ 391	$ 404

(12) Warranties

The Company generally warrants its products against certain manufacturing and other defects. These product warranties are provided for specific periods and/or usage of the product. The accrued product warranty costs are for a combination of specifically identified items and other incurred, but not identified, items based primarily on historical experience of actual warranty claims. This reserve is classified within other current liabilities.

The following tables provide the changes in the Company s product warranties:

	Three months ended May 31,	
$ in thousands	**2009**	**2008**
Warranties:		
Product warranty accrual balance, beginning of period	$ 1,598	$ 1,927
Liabilities accrued for warranties during the period	778	1,214
Warranty claims paid during the period	(689)	(834)
Product warranty accrual balance, end of period	$ 1,687	$ 2,307

	Nine months ended May 31,	
$ in thousands	**2009**	**2008**
Warranties:		
Product warranty accrual balance, beginning of period	$ 2,011	$ 1,644
Liabilities accrued for warranties during the period	2,164	2,310
Warranty claims paid during the period	(2,488)	(1,647)
Product warranty accrual balance, end of period	$ 1,687	$ 2,307

(13) Industry Segment Information

The Company manages its business activities in two reportable segments:

Irrigation: This segment includes the manufacture and marketing of center pivot, lateral move, and hose reel irrigation systems as well as various water pumping stations and controls. The irrigation segment consists of eight operating segments that have similar economic characteristics and meet the aggregation criteria of SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information,* (SFAS No. 131).

Infrastructure: This segment includes the manufacture and marketing of movable barriers, specialty barriers and crash cushions, providing outsource manufacturing services and the manufacturing and selling of large diameter steel tubing. The infrastructure segment consists of three operating segments that have similar economic characteristics and meet the aggregation criteria of SFAS No. 131.

The accounting policies of the two reportable segments are described in the Accounting Policies section of Note A to the consolidated financial statements contained in the Company s Form 10-K for the fiscal year ended August 31, 2008. The Company evaluates the performance of its reportable segments based on segment sales, gross profit, and operating income, with operating income for segment purposes excluding general and administrative expenses (which include corporate expenses), interest income, interest expense, other income and expenses, and income taxes. Operating income for segment purposes does include selling expenses, engineering and research expenses and other overhead charges directly attributable to the segment. There are no inter-segment sales. Certain segment reporting prescribed by SFAS No. 131 is not shown as this information cannot be reasonably disaggregated by segment and is not utilized by the Company s management.

The Company had no single customer representing 10% or more of its total revenues during the three or nine months ended May 31, 2009 or 2008, respectively.

Summarized financial information concerning the Company s reportable segments is shown in the following table:

$ in thousands	**Three months ended May 31, 2009**	**Three months ended May 31, 2008**	**Nine months ended May 31, 2009**	**Nine months ended May 31, 2008**
Operating revenues:				
Irrigation	$ 66,362	$ 120,554	$ 200,750	$ 259,686
Infrastructure	18,216	23,008	62,095	68,222
Total operating revenues	$ 84,578	$ 143,562	$ 262,845	$ 327,908
Operating income:				
Irrigation	$ 12,732	$ 26,409	$ 35,103	$ 52,098
Infrastructure	1,805	2,153	5,618	11,484
Segment operating income	14,537	28,562	40,721	63,582
Unallocated general and administrative expenses	(7,000)	(8,112)	(21,837)	(20,763)
Interest and other income, net	371	(142)	(1,661)	(488)
Earnings before income taxes	$ 7,908	$ 20,308	$ 17,223	$ 42,331
Total Capital Expenditures:				
Irrigation	$ 702	$ 1,079	$ 4,673	$ 2,929
Infrastructure	270	2,672	1,475	8,091
	$ 972	$ 3,751	$ 6,148	$ 11,020
Total Depreciation and Amortization:				
Irrigation	$ 1,079	$ 1,064	$ 3,330	$ 2,869
Infrastructure	1,527	1,284	4,587	3,778
	$ 2,606	$ 2,348	$ 7,917	$ 6,647

	May 31, 2009	**May 31, 2008**	**August 31, 2008**
Total Assets:			
Irrigation	$ 189,234	$ 198,124	$ 201,522
Infrastructure	115,086	103,362	125,355
	$ 304,320	$ 301,486	$ 326,877

(14) Share Based Compensation

The Company accounts for awards of share-based compensation in accordance with Statement of Financial Accounting Standards No. 123, (as revised in 2004), *Share-Based Payment*, (SFAS No. 123(R)) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. The Company s current share-based compensation plan, approved by the

stockholders of the Company, provides for awards of stock options, restricted shares, restricted stock units, stock appreciation rights, performance shares and performance stock units to employees and non-employee directors of the Company. In connection with the restricted stock units and performance stock units, the Company is accruing compensation expense based on the estimated number of shares expected to be issued utilizing the most current information available to the Company at the date of the financial statements. Share-based compensation expense was $0.6 million and $1.1 million for the three months ended May 31, 2009 and 2008, respectively. Share-based compensation expense was $1.5 million and $2.4 million for the nine months ended May 31, 2009 and 2008, respectively.

ITEM 2 ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Concerning Forward-Looking Statements

This quarterly report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements that are not historical are forward-looking and reflect expectations for future Company conditions or performance. In addition, forward-looking statements may be made orally or in press releases, conferences, reports, on the Company s worldwide web site, or otherwise, in the future by or on behalf of the Company. When used by or on behalf of the Company, the words expect , anticipate , estimate , believe , intend , will , and similar expressions g identify forward-looking statements. The entire section entitled Market Conditions and Fiscal 2009 Outlook should be considered forward-looking statements. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve a number of risks and uncertainties, including but not limited to those discussed in the Risk Factors section in the Company s annual report on Form 10-K for the year ended August 31, 2008. Readers should not place undue reliance on any forward-looking statement and should recognize that the statements are predictions of future results or conditions, which may not occur as anticipated. Actual results or conditions could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described herein, as well as others not now anticipated. The risks and uncertainties described herein are not exclusive and further information concerning the Company and its businesses, including factors that potentially could materially affect the Company s financial results, may emerge from time to time. Except as required by law, the Company assumes no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

Accounting Policies

In preparing the Company s condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles, management must make a variety of decisions, which impact the reported amounts and the related disclosures. These decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In making these decisions, management applies its judgment based on its understanding and analysis of the relevant circumstances and the Company s historical experience. As discussed in Note 9 to the condensed consolidated financial statements, the Company adopted SFAS No. 157, *Fair Value Measurements,* effective September 1, 2008.

The Company s accounting policies that are most important to the presentation of its results of operations and financial condition, and which require the greatest use of judgments and estimates by management, are designated as its critical accounting policies. See further discussion of the Company s critical accounting policies under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations in the Company s Annual Report on Form 10-K for the Company s year ended August 31, 2008. Management periodically re-evaluates and adjusts its critical accounting policies as circumstances change. There were no changes in the Company s critical accounting policies during the nine months ended May 31, 2009.

Overview

Lindsay Corporation (Lindsay or the Company) is a leading designer and manufacturer of self-propelled center pivot and lateral move irrigation systems that are used principally in the agricultural industry to increase or stabilize crop production while conserving water, energy, and labor. The Company has been in continuous operation since 1955, making it one of the pioneers in the automated irrigation industry. Through the acquisition of Watertronics, Inc. (Watertronics) in January 2008, the Company entered the market for water pumping stations and controls which provides further opportunities for integration with irrigation control systems. The Company also manufactures and markets various infrastructure products, including moveable barriers for traffic lane management, crash cushions, preformed reflective pavement tapes and other road safety devices. In addition, the Company s infrastructure segment produces large diameter steel tubing, and provides outsourced manufacturing and production services for other companies. Industry segment information about Lindsay is included in Note 13 to the condensed consolidated financial statements.

Lindsay, a Delaware corporation, maintains its corporate offices in Omaha, Nebraska, USA. The Company s principal irrigation manufacturing facilities are located in Lindsay, Nebraska, USA. The Company also has international

irrigation production and sales facilities in France, Brazil, South Africa, and China, which provide it with important bases of operations in key international markets. Lindsay Europe SAS, located in France, was acquired in March 2001 and manufactures and markets irrigation equipment for the European market. Lindsay America do Sul Ltda., located in Brazil, was acquired in April 2002 and manufactures and markets irrigation equipment for the South American market. Lindsay Manufacturing Africa, (PTY) Ltd., located in South Africa, was organized in September 2002 and manufactures and markets irrigation equipment for the southern African market. The Company also leases office space and a warehouse in China which are used in marketing irrigation equipment in China.

Watertronics, located in Hartland, Wisconsin, designs, manufactures, and services water pumping stations and controls for the golf, landscape, agricultural and municipal markets. Watertronics has been in business since 1986 and was acquired by the Company in January 2008.

Lindsay has two additional irrigation operating subsidiaries. Irrigation Specialists, Inc. (Irrigation Specialists) is a retail irrigation dealership based in Washington State that operates at three locations. Irrigation Specialists was acquired by the Company in March 2002 and provides a strategic distribution channel in a key regional irrigation market. Lindsay Transportation, Inc., located in Lindsay, Nebraska, primarily provides delivery of irrigation equipment in the U.S.

Barrier Systems, Inc. (BSI), located in Rio Vista, California, manufactures movable barrier products, specialty barriers and crash cushions. BSI has been in business since 1984 and was acquired by the Company in June 2006. In November 2007, the Company completed the acquisition of certain assets of Traffic Maintenance Attenuators, Inc. and Albert W. Unrath, Inc. through a wholly owned subsidiary of BSI. The assets acquired primarily relate to patents that enhance the Company s highway safety product offering globally.

Snoline S.P.A. (Snoline), located in Milan, Italy, was acquired in December 2006, and is engaged in the design, manufacture and sale of road marking and safety equipment for use on roadways.

Results of Operations

For the Three Months ended May 31, 2009 compared to the Three Months ended May 31, 2008

The following section presents an analysis of the Company s operating results displayed in the condensed consolidated statements of operations for the three months ended May 31, 2009 and 2008. It should be read together with the industry segment information in Note 13 to the condensed consolidated financial statements:

	Three months ended May 31,		**Percent Increase**
$ in thousands	**2009**	**2008**	**(Decrease)**
Consolidated			
Operating revenues	$84,578	$143,562	(41.1)%
Cost of operating revenues	$63,509	$106,460	(40.3)%
Gross profit	$21,069	$ 37,102	(43.2)%
Gross margin	24.9%	25.8%	
Operating expenses (1)	$13,532	$ 16,652	(18.7)%
Operating income	$ 7,537	$ 20,450	(63.1)%
Operating margin	8.9%	14.2%	
Interest expense	$ (465)	$ (787)	(40.9)%
Interest income	$ 200	$ 346	(42.2)%
Other income (expense), net	$ 636	$ 299	112.7%
Income tax provision	$ 2,639	$ 6,201	(57.4)%
Effective income tax rate (3)	34.7%	34.6%	
Net earnings	$ 5,269	$ 14,107	(62.6)%
Irrigation Equipment Segment			
Segment operating revenues	$66,362	$120,554	(45.0)%
Segment operating income (2)	$12,732	$ 26,409	(51.8)%
Segment operating margin (2)	19.2%	21.9%	
Infrastructure Products Segment			
Segment operating revenues	$18,216	$ 23,008	(20.8)%
Segment operating income (2)	$ 1,805	$ 2,153	(16.2)%
Segment operating margin (2)	9.9%	9.4%	

(1) Includes $7.0 million and $8.1 million of unallocated general and administrative expenses for the three months ended May 31, 2009 and 2008, respectively.

(2) Excludes unallocated general & administrative expenses.

(3) Effective tax rate before discrete items. Discrete items include a tax benefit of $1.1 million for the three months ended May 31, 2008.

Revenues

Operating revenues for the three months ended May 31, 2009 decreased by $59.0 million to $84.6 million compared with $143.6 million for the three months ended May 31, 2008. The decrease is attributable to a $54.2 million decrease in irrigation equipment revenues and a $4.8 million decrease in infrastructure revenues.

Domestic irrigation equipment revenues for the three months ended May 31, 2009 of $41.7 million decreased $37.4 million compared to the same period last year. The decline in domestic irrigation equipment revenues was mostly due to a decline in the number of systems shipped compared to the third quarter of fiscal 2008. Commodity prices improved during the fiscal third quarter with corn increasing approximately 25% and soybeans approximately 40% from March 2009 prices. Even with healthy increases in commodity prices, corn remained approximately 25% and soybeans were about 10% below prices at the end of the third quarter of fiscal 2008. In addition, USDA projections for 2009 Net Farm Income indicate a 20% decline when compared to 2008 estimates, although the projections remain 9% above the ten

year average. According to USDA reports, farmers balance sheets remain strong and financing for irrigation equipment purchases remains available, yet most have remained conservative regarding capital equipment purchases. International irrigation equipment revenues for the three months ended May 31, 2009 of $24.7 million decreased 40% from $41.5 million as compared to the same prior year period. Exports were down in most regions driven by general economic conditions, lower commodity prices and funding availability in developing markets. Revenue from the Company s international irrigation business units in Brazil, South Africa and France were also significantly lower as compared to the third quarter of fiscal 2008.

Infrastructure products segment revenues for the three months ended May 31, 2009 of $18.2 million decreased $4.8 million from the same prior year period. The decrease in infrastructure revenues in the quarter is primarily attributable to revenues decreasing approximately 35% in the Company s Diversified Manufacturing and Tubing business unit as compared to the third quarter of fiscal 2008. Revenues in this market decreased significantly due to lower sales of tubing to manufacturers of grain handling equipment, also affected by farmers sentiment regarding equipment purchases. BSI revenues were also lower in the third quarter as compared to the same quarter last year due to a lag in spending on government infrastructure projects.

Gross Margin

Gross profit was $21.1 million for the three months ended May 31, 2009, a decrease of $16.0 million as compared to the three months ended May 31, 2008. Gross margin was 24.9% for the three months ended May 31, 2009 compared to 25.8% for the same prior year period. Gross margin on irrigation products decreased during the quarter as compared to the three months ended May 31, 2008 resulting from significantly reduced factory volume. Infrastructure gross margin increased slightly due to a favorable shift in product mix.

Operating Expenses

The Company s operating expenses of $13.5 million for the three months ended May 31, 2009 were $3.2 million lower than the same prior year period, reflecting significant reductions in personnel related expenses. In the third quarter, the Company continued to make appropriate reductions in staffing and other expenses. The Company believes it has right-sized the business for current market conditions and does not anticipate significant further reductions at this time.

Interest, Other Income (Expense), net and Taxes

Interest expense during the three months ended May 31, 2009 decreased by $0.3 million compared to the same prior year period. The decrease in interest expense is due to principal reductions on the Company s two outstanding term notes. In addition, the Company had an outstanding balance of $15.0 million on its revolving line of credit for a portion of the prior year s third quarter compared to having no outstanding balances during the third quarter of fiscal 2009.

Interest income for the three months ended May 31, 2009 of $0.2 million remained essentially flat compared to the prior year period.

Other income, net during the three months ended May 31, 2009 increased by $