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

FORM 10-Q

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

For the quarterly period ended September 30, 2004

☐ **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 1-6948

SPX CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	**38-1016240**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

13515 Ballantyne Corporate Place, Charlotte, North Carolina 28277
(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code (704) 752-4400

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 ☐ No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
☒ Yes ☐ No

Common shares outstanding October 28, 2004 75,136,350

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

SPX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
($ in millions)
(Unaudited)

	September 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and equivalents	$ 416.8	$ 717.1
Accounts receivable, net	1,007.0	946.9
Inventories, net	668.8	564.6
Other current assets	89.2	83.9
Deferred income taxes	192.4	195.4
Assets of discontinued operations	607.0	605.1
Total current assets	2,981.2	3,113.0
Property, plant and equipment	1,184.8	1,147.5
Accumulated depreciation	(561.2)	(502.8)
Net property, plant and equipment	623.6	644.7
Goodwill	2,702.9	2,711.0
Intangibles, net	550.6	504.1
Other assets	642.2	652.2
Total assets	$ 7,500.5	$ 7,625.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 549.3	$ 558.9
Accrued expenses	691.6	776.8
Short-term debt	52.9	65.9
Current maturities of long-term debt	39.8	24.8
Liabilities of discontinued operations	243.8	201.6
Total current liabilities	1,577.4	1,628.0
Long-term debt	2,436.7	2,530.2
Deferred income taxes	737.7	785.3
Other long-term liabilities	604.9	612.7
Total long-term liabilities	3,779.3	3,928.2
Minority interest	1.9	1.6
Shareholders' equity:		
Common stock	904.1	878.1
Paid-in capital	981.7	897.2
Retained earnings	751.1	714.2
Unearned compensation	(79.0)	(40.7)
Accumulated other comprehensive income	217.8	207.2
Common stock in treasury	(633.8)	(588.8)
Total shareholders' equity	2,141.9	2,067.2
Total liabilities and shareholders' equity	$ 7,500.5	$ 7,625.0

The accompanying notes are an integral part of these statements.

SPX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in millions, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Revenues	$1,313.0	$1,120.9	$3,808.6	$3,257.7
Costs and expenses:				
Cost of products sold	934.4	773.1	2,727.5	2,262.7
Selling, general and administrative	249.3	195.4	759.7	620.4
Intangible amortization	5.3	2.5	13.6	6.8
Special charges, net	79.7	13.5	101.6	47.1
Operating income	44.3	136.4	206.2	320.7
Other (expense) income, net	(2.1)	3.4	(6.4)	3.5
Equity earnings in joint ventures	6.5	8.5	18.8	26.2
Interest expense, net	(43.3)	(45.2)	(119.5)	(136.1)
Income from continuing operations before income taxes	5.4	103.1	99.1	214.3
Income tax provision	(14.9)	(37.8)	(19.0)	(84.7)
Income (loss) from continuing operations	(9.5)	65.3	80.1	129.6
Income from discontinued operations, net of tax	11.7	9.6	30.1	26.4
Loss on disposition of discontinued operations, net of tax	—	—	(16.5)	(18.9)
Income from discontinued operations, net of tax	11.7	9.6	13.6	7.5
Net income	$ 2.2	$ 74.9	$ 93.7	$ 137.1
Basic earnings per share of common stock				
Income (loss) from continuing operations	$ (0.13)	$ 0.86	$ 1.08	$ 1.67
Income from discontinued operations	0.16	0.13	0.18	0.10
Net income per share	$ 0.03	$ 0.99	$ 1.26	$ 1.77
Weighted average number of common shares outstanding	74.301	75.601	74.369	77.593
Diluted earnings per share of common stock				
Income (loss) from continuing operations	$ (0.13)	$ 0.85	$ 1.06	$ 1.66
Income from discontinued operations	0.16	0.13	0.18	0.09
Net income per share	$ 0.03	$ 0.98	$ 1.24	$ 1.75
Weighted average number of common shares outstanding	74.667	76.720	75.346	78.167

The accompanying notes are an integral part of these statements.

SPX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
($ in millions)

	Nine months ended September 30,	
	2004	**2003**
Cash flows from (used in) operating activities:		
Net income	$ 93.7	$ 137.1
Income from discontinued operations, net of tax	(13.6)	(7.5)
Income from continuing operations	80.1	129.6
Adjustments to reconcile income from continuing operations to net cash from operating activities		
Special charges	101.6	47.1
Deferred income taxes	(10.8)	28.5
Depreciation	70.9	74.3
Amortization of intangibles and other assets	15.1	7.7
Early extinguishment of debt	1.4	—
Accretion of LYONs	13.2	15.1
Pension and other employee benefits	37.2	22.3
Stock-based compensation	17.1	4.2
Other, net	4.5	17.9
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures		
Accounts receivable and other	10.0	85.8
Inventories	(79.2)	(5.9)
Accounts payable, accrued expenses, and other	(228.0)	(113.5)
Cash spending on restructuring actions	(23.8)	(49.3)
Net cash from continuing operations	9.3	263.8
Net cash from discontinued operations	32.0	18.7
Net cash from operating activities	41.3	282.5
Cash flows from (used in) investing activities:		
Proceeds from asset sales	14.7	232.7
Business acquisitions and investments, net of cash acquired	(135.7)	(189.2)
Capital expenditures	(38.8)	(51.0)
Net cash used in continuing operations	(159.8)	(7.5)
Net cash used in discontinued operations	(6.8)	(3.7)
Net cash used in investing activities	(166.6)	(11.2)
Cash flows from (used in) financing activities:		
Additional debt borrowings	—	293.8
Repayments of debt borrowings	(57.4)	(247.8)
Repurchases of senior notes	(66.2)	—
Net borrowings under other financing arrangements	(11.9)	11.2
Purchases of common stock	(42.3)	(195.4)
Proceeds from the exercise of employee stock options	35.4	4.8
Dividends paid	(56.8)	—
Net cash used in continuing operations	(199.2)	(133.4)
Net cash from discontinued operations	22.5	12.2
Net cash used in financing activities	(176.7)	(121.2)
Net change in cash and equivalents	(302.0)	150.1
Consolidated cash and equivalents, beginning of period	721.6	555.9
Consolidated cash and equivalents, end of period	$ 419.6	$ 706.0
Cash and equivalents of discontinued operations	$ 2.8	$ 5.5
Cash and equivalents of continuing operations	$ 416.8	$ 700.5

The accompanying notes are an integral part of these statements.

(1) BASIS OF PRESENTATION

In our opinion, the accompanying condensed consolidated balance sheets and related interim statements of condensed consolidated income and cash flows include the adjustments (consisting of normal and recurring items) necessary for their fair presentation in conformity with United States generally accepted accounting principles ("GAAP") and represent our accounts after the elimination of inter-company transactions. Investments in unconsolidated companies where we do not exercise control and are not the majority shareholder, but over which we exercise significant influence are accounted for using the equity method. Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates. The unaudited information included in this Form 10-Q should be read in conjunction with the Consolidated Financial Statements contained in our 2003 Annual Report on Form 10-K. Interim results are not necessarily indicative of results for a full year.

We report discontinued operations in accordance with the guidance from SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, we report assets as discontinued operations when, among other things, we commit to a plan to divest the asset, actively begin marketing the asset and when the sale of the asset is deemed probable within the next 12 months. In May and August 2004, we made the determination that our municipal water valve product line and our compaction equipment business, respectively, met the criteria to be reported as discontinued operations. Accordingly, for all periods presented, the results of the municipal water valve product line and our compaction equipment business have been reported as discontinued operations in our condensed consolidated financial statements. The municipal water valve product line and the compaction equipment business were previously reported as components of the Flow Technology and Industrial Products and Services segments, respectively. Additionally, in May 2003, we sold our subsidiary Inrange Technologies Corporation ("Inrange"), a component of our Technical Products and Systems segment. Through the date of its sale, the results of Inrange are reported as discontinued operations. See Note 4 for more information on the divestitures of the municipal water valve product line, the compaction equipment business, and Inrange. Also, see Note 15 with regard to our entering into a definitive share sale agreement for our compaction equipment business. Unless otherwise indicated, amounts provided in these notes pertain to continuing operations.

We label our quarterly information using a calendar convention. Our first quarter is consistently labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our practice to establish actual interim closing dates using a "fiscal" calendar, which requires our businesses to close their books on the Saturday closest to the end of the calendar quarter for efficiency purposes. The interim closing dates for the first, second and third quarters of 2004 were April 3, July 3 and October 2, respectively, and March 29, June 28 and September 27 for 2003, respectively. The effects of this practice only impact the quarterly reporting periods and not the annual reporting period. We had six additional days in the first quarter of 2004 and will have five fewer days in the fourth quarter of 2004 when compared to the respective 2003 periods.

Certain prior period amounts have been reclassified to conform to current quarter presentation. These reclassifications had no impact on previously reported results of operations, in total, or on total shareholders' equity.

(2) NEW ACCOUNTING PRONOUNCEMENTS

The following is a summary of new accounting pronouncements that apply or may apply to our business.

In January 2003, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities," an interpretation of Accounting Research Bulletin 51, "Consolidated Financial Statements." FIN 46 requires that unconsolidated variable interest entities be consolidated by their primary beneficiary and applies immediately to variable interest entities created after January 31, 2003. In December 2003, the FASB revised certain provisions of FIN 46 and modified the effective date for all variable interest entities existing before January 31, 2003 to the first period ending after March 15, 2004. Adoption of FIN 46 in the first quarter of 2004 did not have a material impact on our financial position or results of operations.

In December 2003, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 132R, "Employers' Disclosures about Pension and Other Postretirement Benefits, an update of FASB Statements No. 87, 88, and 106." SFAS No. 132R revises disclosure requirements for pension plans and other postretirement plans to provide additional information in both interim and annual financial statements regarding the type of plan assets, investment strategy, expected future cash flows and the general approach in developing plan assumptions. We have adopted the provisions of this statement as of and for all periods ending after December 31, 2003. Refer to Note 10 for the additional disclosures required by SFAS No. 132R.

In March 2004, the FASB issued an Exposure Draft titled "Share-Based Payment, an Amendment of FASB Statements No. 123 and 95." The Exposure Draft would require the recognition of compensation expense over the vesting period for all share-based payments, including stock options, based on the fair value of the payment at the grant date. The Exposure Draft is not final and was subject to a comment period that ended on June 30, 2004 and the FASB continues to deliberate and propose revisions to the Exposure Draft. Although the provisions of the Exposure Draft are not final, the Exposure Draft is proposed to be effective starting with the first interim period beginning after June 15, 2005. We are currently assessing the potential impact the proposed Exposure Draft could have on our financial position and results of operations.

In March 2004, the Emerging Issues Task Force ("EITF") of the FASB ratified its consensus on the provisions of EITF Issue 03-06: "Participating Securities and the Two-Class Method Under FASB Statement No. 128." The consensus included numerous issues regarding the calculation of earnings per share for an entity that has participating securities as defined by FAS 128. The adoption of the EITF had no impact on our current or previously reported earnings per share calculations.

In April 2004, the FASB issued Financial Staff Position ("FSP") SFAS No. 129-1, "Disclosure of Information about Capital Structure, Relating to Contingently Convertible Securities." FSP SFAS No. 129-1 requires that the significant terms of contingently convertible securities be disclosed, including the circumstances of the contingency and the potential impact of conversion. The guidance from FSP SFAS No. 129-1 was effective upon its issuance. Refer to Note 11 – "Indebtedness – Liquid Yield Option Notes" for the required disclosure regarding our contingent convertible securities.

In May 2004, the FASB issued FSP SFAS No. 106-2 "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("the Act"). FSP SFAS No. 106-2 superceded FSP SFAS No. 106-1 and provides disclosure and accounting guidance for the federal subsidy that will be given to health care plan sponsors who provide specified levels of postretirement healthcare prescription benefits. Effective July 1, 2004, we adopted the provisions of FSP SFAS No. 106-2. The adoption of FSP SFAS 106-2 resulted in a year to date reduction in our net periodic benefit cost related to our postretirement plans of $2.5, all of which was recorded in the third quarter. Refer to Note 10 for additional disclosure regarding our adoption of FSP SFAS No. 106-2.

In October 2004, the EITF reached a consensus on EITF Issue No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per Share." Under the EITF's conclusion, contingently convertible shares attached to a debt instrument are to be included in the calculation of diluted earnings per share regardless of whether the contingency has been met. The effective date for the EITF will be the same as the effective date for the revised version of SFAS No. 128, Earnings Per Share, which has yet to be issued by the FASB. However, the FASB's recent discussions indicate that the revised SFAS No. 128 will be effective for reporting periods ending after December 15, 2004. We have reviewed the provisions of EITF 04-8 and have determined that the adoption will result in the reduction of our diluted earnings per share due to the inclusion of the contingently convertible common stock associated with our Liquid Yield Option Notes ("LYONs"). Refer to Note 11 for additional disclosure regarding the impact of EITF 04-8.

(3) STOCK-BASED COMPENSATION

We have a stock-based compensation plan, including stock options, restricted stock and restricted stock unit awards. We account for our stock-based compensation under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and accordingly, except for awards of restricted stock and restricted stock units, we do not recognize any compensation expense. We have adopted the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123" and the following table illustrates the pro forma effect on income per share for both net income and income (loss) from continuing operations for the three and nine months ended September 30, 2004 and 2003 had the fair value recognition provisions of SFAS No. 123 been applied to employee grants of stock options from the date of grant:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net income — as reported	$ 2.2	$ 74.9	$ 93.7	$ 137.1
Add: Stock-based employee compensation expense included in reported net income, net of related tax effect [1]	4.4	1.4	13.8	4.2
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effect				
Awards granted at market value [2]	(10.3)	(10.9)	(34.2)	(34.7)
Awards granted above market value [2] [3]	(4.8)	(10.6)	(13.6)	(31.8)
Net income (loss) — pro forma	$ (8.5)	$ 54.8	$ 59.7	$ 74.8
Basic earnings per share of common stock:				
Income per share — as reported	$ 0.03	$ 0.99	$ 1.26	$ 1.77
Income (loss) per share — pro forma	$ (0.11)	$ 0.72	$ 0.80	$ 0.96
Diluted earnings per share of common stock:				
Income per share — as reported	$ 0.03	$ 0.98	$ 1.24	$ 1.75
Income (loss) per share — pro forma	$ (0.11)	$ 0.71	$ 0.79	$ 0.96
Basic earnings per share of common stock from continuing operations:				
Income (loss) per share — as reported	$ (0.13)	$ 0.86	$ 1.08	$ 1.67
Income (loss) per share — pro forma	$ (0.27)	$ 0.60	$ 0.62	$ 0.87
Diluted earnings per share of common stock from continuing operations:				
Income (loss) per share — as reported	$ (0.13)	$ 0.85	$ 1.06	$ 1.66
Income (loss) per share — pro forma	$ (0.27)	$ 0.59	$ 0.61	$ 0.86

(1) Reflects expense, net of tax, related to restricted stock and restricted stock unit awards.

(2) No stock options were granted during the three and nine month periods ended September 30, 2004.

(3) The pro-forma impact associated with awards granted above market value is significantly lower for the three and nine months ended September 30, 2004 than the same period in 2003 due to the forfeiture of unvested stock options associated with two members of our senior management team who left the company in 2004.

(4) ACQUISITIONS AND DIVESTITURES

We continually review each of our businesses pursuant to our "grow, fix or sell" strategy. We use acquisitions as a part of our strategy to acquire access to new technologies, expand our geographic reach, penetrate new markets and leverage our existing product, market, manufacturing or technical expertise. We also look to sell business assets that we determine would strategically fit better with another company. During the third quarter, we announced that for the remainder of 2004 we expected less acquisition activity and the potential for business disposals. Business acquisitions and dispositions for the nine months ended September 30, 2004 and 2003 are described below.

All business acquisitions have been accounted for using the purchase method of accounting and, accordingly, the statements of condensed consolidated income include the results of each acquired business since the date of acquisition. The assets acquired and liabilities assumed are recorded at estimates of fair values as determined by management based on information available. We consider a number of factors, including third-party valuations or appraisals, when making these determinations. We finalize the allocation of purchase price to the fair value of the assets acquired and liabilities assumed when we obtain information sufficient to complete the allocation, but in any case, within one year after acquisition.

Acquisitions—2004

During the first quarter, we completed three acquisitions in our Technical Products and Systems segment. Our security and integrated building life-safety systems platform completed one acquisition, for a cash purchase price of $2.2. The acquired company had revenues of $4.2 in the twelve months prior to the date of acquisition. Our broadcast and communications systems and services platform completed one acquisition, for a cash purchase price of $4.0. The acquired company had revenues of $16.6 in the twelve months prior to the date of acquisition. Our laboratory and life sciences platform completed one acquisition for a cash purchase price of $8.1. The acquired company had revenues of $18.0 in the twelve months prior to the date of acquisition.

During the first quarter, our fluid systems platform in the Flow Technology segment completed the acquisition of McLeod Russel Holdings PLC ("McLeod") for a purchase price of $54.5, which included the assumption of $30.5 in debt. McLeod had revenues of $118.6 in the twelve months prior to the date of acquisition.

During the first quarter, our Service Solutions segment completed one acquisition for a cash purchase price of $12.9. The acquired company had revenues of $6.7 in the twelve months prior to the date of acquisition.

During the second quarter, our Industrial Products and Services segment completed one acquisition for a cash purchase price of $14.6. The acquired company had revenues of $11.9 in the twelve months prior to the date of acquisition.

During the second quarter of 2004, our Cooling Technologies and Services segment paid approximately $14.0 for a purchase price holdback relating to a 2002 acquisition.

During the third quarter of 2004, our laboratory and life sciences platform in the Technical Products and Systems segment completed the acquisition of Medical Air Technology Ltd. ("Medical Air") for a cash purchase price of $12.6. Medical Air had revenues of $16.7 in the twelve months prior to the date of acquisition.

During the third quarter of 2004, our Service Solutions segment completed the acquisition of Actron Manufacturing Company ("Actron") for a purchase price, net of cash acquired, of $36.9. Actron had revenues of $40.2 in the twelve months prior to the date of acquisition.

During the third quarter of 2004, our Cooling Technologies and Services segment received approximately $4.6 for the settlement of a purchase price contingency relating to a 2002 acquisition, which resulted in a reduction of goodwill.

These acquisitions are not material individually or in the aggregate.

Acquisitions—2003

During the first quarter, we completed four acquisitions in our Technical Products and Systems segment. Our security and building life-safety systems platform completed two acquisitions, IDenticard Systems, Inc. and Upper Valley Fire Protection Ltd., for an aggregate cash purchase price of $52.8. The acquired companies had combined revenues of $40.6 in the twelve months prior to the respective dates of acquisition. The broadcast and communications systems and services platform completed two acquisitions, Brookstone and Flash Technology, for an aggregate purchase price of $62.1. The acquired companies had combined revenues of $72.9 in the twelve months prior to the respective dates of acquisition.

During the first quarter, our specialty engineered products platform in the Industrial Products and Services segment completed one acquisition for a cash purchase price of $3.2. The acquired company had revenues of $15.7 in the twelve months prior to the date of acquisition.

During the first quarter, our fluid systems platform in the Flow Technology segment completed the acquisition of Hankison International ("Hankison") for a cash purchase price of $35.5. Hankison had revenues of $64.2 in the twelve months prior to the date of acquisition.

During the second quarter, our specialty engineered products platform in the Industrial Products and Services segment completed the acquisition of GenMech ("GenMech") Aerospace for a cash purchase price of $15.4. GenMech had revenues of $15.5 in the twelve months prior to the date of acquisition.

During the second quarter, our Service Solutions segment completed the acquisition of Kitba Consulting Services, L.P. ("Kitba") for a cash purchase price of $5.0. Kitba had revenues of $10.0 in the twelve months prior to the date of acquisition.

During the third quarter, our specialty engineered products platform in the Industrial Products and Services segment completed the acquisition of BHS Torin for a cash purchase price of $3.4. BHS Torin had revenues of $3.7 in the twelve months prior to the date of acquisition.

During the third quarter, our Cooling Technologies and Services segment completed the acquisition of Rothemuhle, for a cash purchase price of $4.9. Rothemuhle had revenues of $20.0 in the twelve months prior to the date of acquisition.

These acquisitions are not material individually or in the aggregate.

Discontinued Operations

We report discontinued operations in accordance with the guidance from SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, we report assets as discontinued operations when, among other things, we commit to a plan to divest the asset, actively begin marketing the asset and when the sale of the asset is deemed probable within the next 12 months. In May and August 2004, we made the determination that our municipal water valve product line and our compaction equipment business, respectively, met the criteria to be reported as discontinued operations. For all periods presented, the results of the municipal water valve product line and our compaction equipment business have been reported as discontinued operations in our condensed consolidated financial statements. The municipal water valve product line and the compaction equipment business were components of the Flow Technology and Industrial Products and Services segments, respectively. Revenues and pre-tax income (loss) for the municipal water valve product line and compaction equipment business are presented below for the three and nine months ended September 30, 2004 and 2003:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Revenues:				
Municipal water valve product line	$ 14.1	$ 14.1	$ 43.5	$ 47.4
Compaction equipment business	134.5	106.9	386.9	323.3
Pre-tax income (loss):				
Municipal water valve product line	—	0.5	(18.0)[1]	1.8
Compaction equipment business	13.4	11.5	36.0	43.0

[1] The pre-tax loss for the municipal water valve product line for the nine months ended September 30, 2004 includes an $18.0 loss on the expected sale.

The major classes of assets and liabilities, excluding inter-company balances, of our municipal water valve business and our compaction equipment business, included in the accompanying consolidated balance sheets as of September 30, 2004 and December 31, 2003, respectively, are shown below.

	2004	2003
Assets:		
Cash and equivalents	$ 2.8	$ 4.5
Accounts receivable, net	70.3	55.6
Inventories, net	105.1	87.7
Other current assets	4.3	4.0
Deferred income taxes	1.8	2.0
Net property, plant and equipment	86.2	90.0
Goodwill	199.5	221.4
Intangibles, net	112.2	115.1
Other assets	24.8	24.8
Assets of discontinued operations	$607.0	$605.1
Liabilities:		
Accounts payable	$ 43.5	$ 32.1
Accrued expenses and other	91.1	82.0
Short-term debt	44.5	22.0
Deferred income taxes	64.7	65.5
Liabilities of discontinued operations	$243.8	$201.6

See Note 15 with regard to our entering into a definitive share sale agreement for our compaction equipment business.

Additionally, in May 2003, we sold our ownership of the outstanding shares of Inrange, a subsidiary that was part of our Technical Products and Systems segment. Our portion of the cash proceeds from the sale was $149.0, after a $24.5 settlement of an

inter-company note payable by us to Inrange. The results of Inrange through the date of the sale are included in the condensed consolidated financial statements as discontinued operations. Inrange had total revenues of $48.3 and a net loss of $28.6, which includes a loss on sale of $18.9.

(5) BUSINESS SEGMENT INFORMATION

We are a global provider of technical products and systems, industrial products and services, flow technology, cooling technologies and services and service solutions. We offer a diverse collection of products, which include fire detection and building life-safety products, TV and radio broadcast antennas and towers, life science products and services, power transformers, high-tech die castings, loading dock products and systems, cooling towers, air filtration products, valves, back-flow prevention and fluid handling equipment and metering and mixing solutions. Our products and services also include specialty service tools, diagnostic systems, service equipment and technical information services. Our products are used by a broad array of customers in various industries, including chemical processing, pharmaceuticals, infrastructure, mineral processing, petrochemical, telecommunications, transportation and power generation.

We have aggregated certain operating segments in accordance with the criteria defined in SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information.” The primary aggregation factors considered in determining the segments were the nature of products sold, production processes and types of customers for these products. In determining our segments, we apply the threshold criteria of SFAS No. 131 to operating income or loss of each segment before considering special charges. This is consistent with the way our chief operating decision maker evaluates the results of each segment. Our results of operations are reported in five segments: Technical Products and Systems, Industrial Products and Services, Flow Technology, Cooling Technologies and Services and Service Solutions.

In 2003, revenues in our cooling technologies business, which was previously reported in our Flow Technology segment, exceeded ten percent of total segment revenue. As a result, we now report the results of cooling technologies and services as a separate reportable business segment. Segment data for 2003 has been restated to separate Cooling Technologies and Services from our Flow Technology segment.

Technical Products and Systems

The Technical Products and Systems segment focuses on solving customer problems with complete technology-based systems and services. Our emphasis is on growth through investment in new technology, new product introductions, alliances and acquisitions. This segment includes operating units that design, manufacture and market laboratory and life science products and services, security and integrated building life-safety systems, broadcast and communication systems and services and electrical test and measurement solutions.

Industrial Products and Services

The strategy of the Industrial Products and Services segment is to provide “Productivity Solutions for Industry.” This segment emphasizes introducing new related services and products, as well as focusing on the replacement parts and service elements of the segment. This segment includes operating units that design, manufacture and market power systems and specialty-engineered products, including engineered components and subsystems, loading dock products and systems, and heating and ventilation products.

Flow Technology

Our Flow Technology segment designs, manufactures and markets solutions and products that are used to process or transport fluids, as well as solutions and products that are used in heat transfer applications and air flow treatment systems. In the Flow Technology segment, we have businesses that supply process and fluid handling equipment, filtration and dehydration products, services for compressed air and process gas systems, and boilers and hydronic products. Our Flow Technology businesses focus on innovative, highly engineered new product introductions and expansion from products to systems and services to create total customer solutions.

Cooling Technologies and Services

Our Cooling Technologies and Services segment designs, manufactures and services cooling products for markets throughout the world. Offering both dry and wet cooling systems, this segment provides a diverse offering of products for power generation,

refrigeration, HVAC and industrial markets. This segment is currently focused on expanding its global reach, including expanding its dry cooling manufacturing capacity, as well as increasing reconstruction service offerings. The segment has long-term contracts whereby revenue is recognized under the percentage-of-completion method. It often provides its customers warranties under these long-term contracts. Estimates associated with the profit margins on these contracts, including warranty costs, are continuously reviewed and subject to adjustment. These adjustments are a normal part of the segment's business process and can be both favorable and unfavorable.

Service Solutions

Our Service Solutions segment consists of: diagnostic systems and service equipment, specialty tools and technical information and services. The strategy of this segment is to focus on the design, manufacture and marketing of a wide range of specialty service tools, hand-held diagnostic systems and service equipment, inspection gauging systems, and technical and training information, primarily for the franchised vehicle dealer industry in North America and Europe. Major customers are franchised dealers of motor vehicle manufacturers, aftermarket vehicle service facilities and independent distributors.

Financial data for our business segments, including the results of acquisitions from the dates of the respective acquisitions, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Revenues:				
Technical Products and Systems	$ 355.6	$ 311.7	$ 999.1	$ 885.8
Industrial Products and Services	265.3	238.9	805.2	741.9
Flow Technology	271.3	225.5	770.5	640.5
Cooling Technologies and Services	214.4	146.9	590.2	432.1
Service Solutions	206.4	197.9	643.6	557.4
	$1,313.0	$1,120.9	$3,808.6	$3,257.7
Segment Income:				
Technical Products and Systems	$ 59.9	$ 54.6	$ 128.7	$ 138.9
Industrial Products and Services	13.3	26.3	45.4	67.9
Flow Technology	37.3	46.2	97.1	103.4
Cooling Technologies and Services	18.0	15.6	51.5	47.4
Service Solutions	21.8	24.6	63.1	63.2
Total Segment Income	150.3	167.3	385.8	420.8
General Corporate	(20.8)	(16.0)	(60.9)	(48.8)
Stock-Based Compensation	(5.5)	(1.4)	(17.1)	(4.2)
Special Charges, net	(79.7)	(13.5)	(101.6)	(47.1)
Consolidated Operating Income	$ 44.3	$ 136.4	$ 206.2	$ 320.7

(6) SPECIAL CHARGES

As part of our Value Improvement Process®, we right size and consolidate operations to drive results. Additionally, in connection with our acquisition strategy, from time to time we alter our business model to better serve customer demand, fix or discontinue lower-margin product lines and rationalize and consolidate manufacturing capacity. Our restructuring and integration decisions are based on discounted cash flows to achieve our goals of increased outsourcing, reduced structural footprint, and profitability in any economic environment. As a result of our strategic review process, we recorded net special charges of $30.1 and $47.1 in the first nine months of 2004 and 2003, respectively. These special charges include cash costs and asset impairments associated with work force reduction, initiatives to divest or consolidate manufacturing and sales facilities, asset divestitures, and the exit of other operations.

The purpose of our restructuring initiatives is to improve profitability, streamline operations, reduce costs and improve efficiency. We estimate that we will achieve operating cost reductions in 2004 and beyond through reduced employee and manufacturing costs and other facility overhead reductions.

In addition to the net special charges resulting from our strategic review process, we recorded a special charge during the third quarter of 2004 of $71.5 for the impairment of goodwill and an indefinite lived intangible asset relating to our loading dock products and systems business (see Note 8), resulting in $101.6 of total special charges for the first nine months of 2004.

The components of the net special charges have been computed based on actual cash payouts or receipts, our estimate of the realizable value of the affected tangible and intangible assets, and estimated exit costs, including severance and other employee benefits based on existing severance practices and local laws.

Special charges, net for the three and nine months ended September 30, 2004 and 2003 include the following:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Employee Benefit Costs	$ 3.3	$ 6.5	$ 8.6	$23.4
Facility Consolidation Costs	2.8	0.9	6.0	3.8
Other Cash Costs	1.1	2.0	2.0	3.6
Non-Cash Asset Write-downs	72.2	4.1	87.9	16.3
Loss (Gain) on Sale of Assets	0.3	—	(2.9)	—
Total special charges, net	$79.7	$13.5	$101.6	$47.1

At September 30, 2004, a total of $11.8 of restructuring liabilities remained on the condensed consolidated balance sheet as shown below. With the exception of certain multi-year operating lease obligations and other contractual obligations, we anticipate that the liabilities related to restructuring actions will be paid within one year from the period in which the action was initiated. The following table summarizes the restructuring accrual activity from December 31, 2002 through September 30, 2004:

	Employee Termination Costs	Facility Consolidation Costs	Other Cash Costs	Non-cash Asset Write-Downs	Total Special Charges
Balance at December 31, 2002	$ 29.6	$ 14.6	$ 2.2	$ —	$ 46.4
Special Charges	30.2	7.7	3.7	22.3	63.9
Adjustments	(2.6)	(1.1)	0.2	—	(3.5)
Non-Cash Asset Write-down	—	—	—	(22.3)	(22.3)
Cash Payments	(47.4)	(15.5)	(2.6)	—	(65.5)
Balance at December 31, 2003	$ 9.8	$ 5.7	$ 3.5	$ —	$ 19.0
Special Charges [1]	9.0	6.3	2.0	87.9	105.2
Adjustments	(0.4)	(0.3)		—	(0.7)
Non-Cash Asset Write-down	—	—	—	(87.9)	(87.9)
Cash Payments	(11.2)	(9.7)	(2.9)	—	(23.8)
Balance at September 30, 2004	$ 7.2	$ 2.0	$ 2.6	$ —	$ 11.8

(1) Excludes $2.9 of gains on asset sales recognized as a component of Special Charges, net.

Special Charges—2004

In the third quarter of 2004, we recorded special charges of $79.7, including the previously mentioned impairment charge of $71.5 for the loading dock products and systems business (see Note 8). We recorded $2.1 related to the Technical Products and

Systems segment, $72.5 related to the Industrial Products and Services segment, $2.4 related to the Flow Technology segment, $1.4 related to the Cooling Technologies and Services segment, $0.8 related to the Service Solutions segment and $0.5 at Corporate.

The charges recorded in the third quarter were primarily the impairment of goodwill and an indefinite lived intangible asset related to our loading dock products and systems business and cash costs and asset impairments related to divestitures, facility consolidation actions and work force reductions at many of our businesses, including our fluid systems, boiler and hydronic products business, service solutions, and laboratory and life sciences platforms. The new restructuring initiatives announced in the third quarter of 2004 will result in the termination of approximately 9 hourly and 30 salaried employees located in the United States and the United Kingdom and the closure of manufacturing and administrative offices located in the United States.

Operating income for the nine months ended September 30, 2004 was reduced by $101.6 of net charges, primarily related to the actions described below.

In the Technical Products and Systems segment, we recorded $11.0 of charges for the nine months ended September 30, 2004 primarily for asset impairments related to asset divestitures, facility consolidation actions and work force reductions at many of our businesses. During the third quarter, we recorded employee severance costs in our laboratory and life science platform as part of the consolidation of administrative functions in Asheville, NC of $0.7, employee severance costs in our security and building life-safety systems platform for the closure and consolidation of certain sales offices in Ontario, Canada of $0.3, and a $0.5 impairment charge relating to the closure of another facility within our lab and life science platform. During the second quarter, we recorded asset write-downs of approximately $5.9 in our laboratory and life sciences platform associated with the planned divestiture of bioprocessing assets and land in Williamsport, PA. In the first quarter of 2004, we also recognized facility closure and holding costs in our laboratory and life science platform associated with the previously initiated closure of the Newtown, CT administrative and manufacturing facility. We also recorded charges in our broadcast and communications systems and services platform for costs related to employee work force reductions at our Bristol, United Kingdom and Raymond, ME facilities of $0.9. These restructuring actions resulted in the termination of approximately 88 hourly and 25 salaried domestic and foreign employees.

In the Industrial Products and Services segment, we recorded $73.5 of special charges for the nine months ended September 30, 2004 related primarily to and asset write-downs and facility closure costs, offset by a gain on the disposition of a manufacturing facility. In the third quarter of 2004, we recorded a $71.5 special charge for the impairment of goodwill and indefinite lived intangible assets related to our loading dock products and systems business. See Note 8 for further information relating to this charge. During the first nine months, our specialty engineered products platform recorded charges associated with the previously announced consolidation of certain manufacturing operations at our loading dock products and systems business from Milwaukee, WI to Reynosa, Mexico of $0.8. In our power systems platform, we recorded facility closure costs, including equipment moving and certain other costs of $1.0 associated with our facility in Milpitas, CA. Our industrial tools and hydraulic power tools unit recorded facility closure costs offset by a $1.9 gain related to the closure and sale of a manufacturing facility in the United Kingdom.

In the Flow Technology segment, we recorded $6.3 of special charges in the nine months ended September 30, 2004 related primarily to asset write-downs and employee severance costs associated with our boiler and hydronic products business. In the second quarter, we announced plans to close and relocate manufacturing activities at our Benton Harbor, MI facility and relocate certain manufacturing operations from our Michigan City, IN facility. As a result of this announcement, we recorded impairment charges for assets that will not be used in the continuing operations. The closure and termination announcements for the impacted employees occurred in June 2004. During the quarter ended September 30, 2004 we recorded $1.2 in employee severance costs associated with these plans, while total charges for the first nine months of 2004 were $5.4. Additionally we will recognize approximately $6.3 of the associated employee severance and facility closure costs in the following twelve to fifteen months. These restructuring actions will result in the termination of approximately 179 hourly and 49 salaried domestic employees. During the first nine months, employee benefit, lease cancellation and facility consolidation costs were also recorded in our fluid systems platform related primarily to work force reductions in the United Kingdom and the previously announced integration of existing air treatment facilities into the facilities of recently acquired businesses. In connection with facility consolidations at our air treatment business, we sold a manufacturing facility in Ireland and recorded a corresponding gain of $1.3. These restructuring actions resulted in the termination of approximately three hourly and 12 salaried foreign employees.

In the Cooling Technologies and Services segment, we recorded $3.2 of charges for the nine months ended September 30, 2004 related primarily to employee termination costs, asset write-downs and losses on asset sales. Additionally, we recognized facility closure costs associated with previously initiated closures of two manufacturing and administrative facilities. These restructuring actions resulted in the termination of approximately 14 hourly and 31 salaried foreign and domestic employees.

In the Service Solutions segment, we recorded $6.3 of charges for the nine months ended September 30, 2004 related primarily to asset write-downs associated with the planned divestiture of inspection gauging system assets and work force reductions. These actions resulted in the termination of approximately 49 hourly and 30 salaried domestic employees.

The Corporate special charges of $1.3 related primarily to a work force reduction and outsourcing of certain information technology support activities. During the three months ended September 30, 2004, we also recorded cash costs associated with the exiting of certain administrative offices totaling $0.4. These restructuring actions resulted in the termination of approximately seven salaried domestic employees.

Special Charges—2003

In the third quarter of 2003, we recorded special charges of $13.5. We recorded charges of $0.8 in the Technical Products and Systems segment, $8.0 in the Industrial Products and Services segment, $4.4 in the Flow Technology segment, and $0.7 in the Service Solutions segment, offset by a credit of $0.4 in the Cooling Technologies and Services segment.

The charges recorded in the third quarter related primarily to employee benefit costs and asset impairments related to facility consolidation actions and work force reductions at many of our businesses, including our fluid systems, specialty engineered products, and laboratory and life sciences platforms. The new restructuring initiatives announced in the second quarter of 2003 resulted in the termination of approximately 413 hourly and 300 salaried employees located in the United States, Canada, France, the United Kingdom, and South Africa and the closure of eight manufacturing and administrative offices located in the United States.

Operating income for the nine months ended September 30, 2003 was reduced by $47.1 of charges, related primarily to the actions described below.

In the Technical Products and Systems segment, we recorded $14.0 of special charges for the nine months ended September 30, 2003 related primarily to employee benefit costs and asset impairments. In the second quarter our laboratory and life science products platform announced the closure of a manufacturing and administrative facility in Newtown, CT. As a result of the facility closure, we recorded impairment charges for certain machinery and equipment. We consolidated facilities and product lines at our broadcast and communication systems and services platform, which resulted in the closure of a manufacturing facility in Palmyra, MO. We also completed the closure of the Mahwah, NJ manufacturing facility at our electrical test and measurement solutions platform. In addition, we recorded charges at our security and building life safety systems platform for rightsizing actions that included a worldwide work force reduction and the consolidation of an existing administrative facility in Falls Church, VA into a facility acquired with our Vance International acquisition. These restructuring actions resulted in the termination of approximately 363 hourly and 181 salaried employees located in the United States, Canada, the United Kingdom, and South Africa.

In the Industrial Products and Services segment, we recorded $18.1 of special charges for the nine months ended September 30, 2003. These charges represent primarily employee benefit costs and asset impairments for initiatives taken to right size manufacturing and administrative operations and the exit of a product line at our specialty engineered products platform. In the second quarter, we formalized plans to consolidate and relocate to Mexico certain manufacturing operations of our loading dock products and systems business by closing a manufacturing facility in Milwaukee, WI. As a result of the facility closure, we recorded impairment charges for certain plant and equipment that will not be used in the continuing operations. The closure and termination announcements to the impacted employees occurred in July 2003 and we recognized a majority of the associated costs in the third quarter. In the third quarter, our hydraulic power tools unit announced the closure of a manufacturing facility in the United Kingdom with certain operations being outsourced or relocated to another facility. In addition, our power systems platform implemented a strategy to exit certain of its breaker repair and service operations which resulted in work force reductions and the closure of three field service offices located in Rochester, NY, Cincinnati, OH, and Cleveland, OH. These restructuring actions resulted in the termination of approximately 300 hourly and 112 salaried domestic employees.

In the Flow Technology segment, we recorded $9.1 of special charges for the nine months ended September 30, 2003. Of these charges, $3.0 relates to employee benefit and facility consolidation costs resulting from the implementation of our process equipment platform consolidation strategy. This business consolidation resulted in work force reductions, the closure of a manufacturing facility in Reading, PA, and the closure of an administrative office in Roselle, IL. The actions taken at our fluid systems platform were predominantly for the integration of existing air treatment operations into the recently acquired Hankison operations. In total, these restructuring and integration initiatives resulted in the termination of approximately 105 hourly and 119 salaried domestic employees.

In the Cooling Technologies and Services segment we recorded $3.8 of special charges for the nine months ended September 30, 2003. These charges related to employee benefit and facility closure costs associated with the closure of a manufacturing facility, located in Eloy, AZ, and three sales and administrative offices, located in Santa Rosa, CA, Atlanta, GA and Philadelphia, PA. In addition, $1.9 of this charge represents an asset impairment as a result of our decision to close the Eloy, AZ manufacturing facility. In total, these restructuring initiatives resulted in the termination of approximately 52 hourly and 41 salaried domestic employees.

In the Service Solutions segment, we recorded $2.1 of special charges for the nine months ended September 30, 2003. These charges relate primarily to as-incurred exit costs associated with the closure of our Montpelier, OH manufacturing facility. In addition, employee benefit costs were recorded for a work force reduction at our technical information and services product line. This rightsizing action resulted in the termination of approximately 12 hourly and 22 salaried employees in the United States, France, and the United Kingdom.

(7) INVENTORY

Inventory consists of the following amounts:

	September 30, 2004	December 31, 2003
Finished goods	$ 299.4	$ 263.1
Work in process	155.5	113.3
Raw material and purchased parts	225.0	196.5
Total FIFO cost	$ 679.9	$ 572.9
Excess of FIFO cost over LIFO inventory value	(11.1)	(8.3)
Total inventory	$ 668.8	$ 564.6

Inventories include material, labor and factory overhead costs and are reduced, when necessary, to estimated realizable values. Progress payments, which are netted against work in process, were $17.5 and $14.8 at September 30, 2004 and December 31, 2003, respectively.

(8) GOODWILL AND OTHER INTANGIBLE ASSETS

The following tables reflect goodwill and other intangible assets as of December 31, 2003 and the activity thereafter through September 30, 2004. The activity reflects the initial allocation of purchase price for acquisitions completed in the first nine months of 2004, subsequent purchase price adjustments for acquisitions completed not more than one year prior to the date of adjustment, currency translation adjustments and amortization. This information is presented first on a consolidated basis and second on a segment basis.

Consolidated:

	Unamortized		Amortized			
	Goodwill	Trademarks/ Tradenames	Patents	Licenses	Other	Total
Weighted average useful life in years	N/A	N/A	8	9	13	
December 31, 2003 gross balance	$2,711.0	$ 454.6	$ 47.9	$ 1.9	$ 19.4	$3,234.8
Acquisitions, related adjustments and currency translation of ($0.1)	46.6	4.6	0.8	1.0	70.5(1)	123.5
Impairment charge (2)	(54.7)	(16.8)	—	—	—	(71.5)
September 30, 2004 gross balance	$2,702.9	$ 442.4	$ 48.7	$ 2.9	$ 89.9	$3,286.8
December 31, 2003 accumulated amortization			$(13.5)	$ (1.0)	$ (5.2)	$ (19.7)
Amortization			(4.8)	(0.3)	(8.5)	(13.6)
September 30, 2004 accumulated amortization			$(18.3)	$ (1.3)	$(13.7)	$ (33.3)

(1) Relates primarily to proprietary technology and customer relationships for our Cooling Technologies and Services and Flow Technology segments.

(2) Represents the impairment of goodwill and tradenames relating to our loading dock products and systems business, which is part of the Industrial Products and Services segment.

Estimated amortization expense:	
For year ended 2004	$19.0
For year ended 2005	$18.5
For year ended 2006	$16.6
For year ended 2007	$15.7
For year ended 2008	$12.9

Segments:

	Unamortized		Amortized			
	Goodwill	Trademarks/ Tradenames	Patents	Licenses	Other	Total
Technical Products and Systems						
December 31, 2003 gross balance	$ 782.4	$ 116.1	$ 22.6	$ 1.8	$10.2	$933.1
Acquisitions, related adjustments and currency translation	5.9	5.3	0.1	—	5.0	16.3
September 30, 2004 gross balance	$ 788.3	$ 121.4	$ 22.7	$ 1.8	$15.2	$949.4
December 31, 2003 accumulated amortization			$ (6.7)	$ (0.9)	$ (2.0)	$ (9.6)
Amortization			(2.2)	(0.3)	(2.6)	(5.1)
September 30, 2004 accumulated amortization			$ (8.9)	$ (1.2)	$ (4.6)	$ (14.7)
Industrial Products and Services						
December 31, 2003 gross balance	$ 606.6	$ 77.0	$ 7.0	$ 0.1	$ 7.9	$698.6
Acquisitions, related adjustments and currency translation	0.4	0.1	(0.1)	—	9.5	9.9
Impairment charge	(54.7)	(16.8)	—	—	—	(71.5)
September 30, 2004 gross balance	$ 552.3	$ 60.3	$ 6.9	$ 0.1	$17.4	$637.0
December 31, 2003 accumulated amortization			$ (1.8)	$ (0.1)	$ (2.4)	$ (4.3)
Amortization			(0.5)	—	(1.4)	(1.9)
September 30, 2004 accumulated amortization			$ (2.3)	$ (0.1)	$ (3.8)	$ (6.2)
Flow Technology						
December 31, 2003 gross balance	$ 551.0	$ 154.5	$ 8.7	$ —	$ 1.3	$715.5
Acquisitions, related adjustments and currency translation	49.3	(0.5)	—	—	10.0	58.8
September 30, 2004 gross balance	$ 600.3	$ 154.0	$ 8.7	$ —	$11.3	$774.3
December 31, 2003 accumulated amortization			$ (2.2)	$ —	$ (0.8)	$ (3.0)
Amortization			(0.6)	—	(1.3)	(1.9)
September 30, 2004 accumulated amortization			$ (2.8)	$ —	$ (2.1)	$ (4.9)
Cooling Technologies and Services						
December 31, 2003 gross balance	$ 478.0	$ 56.3	$ 8.6	$ —	$ —	$542.9
Acquisitions, related adjustments and currency translation	(29.0)	(0.3)	0.6	1.0	33.2	5.5
September 30, 2004 gross balance	$ 449.0	$ 56.0	$ 9.2	$ 1.0	$33.2	$548.4
December 31, 2003 accumulated amortization			$ (2.1)	$ —	$ —	$ (2.1)
Amortization			(1.3)	—	(2.6)	(3.9)
September 30, 2004 accumulated amortization			$ (3.4)	$ —	$ (2.6)	$ (6.0)
Service Solutions						
December 31, 2003 gross balance	$ 293.0	$ 50.7	$ 1.0	$ —	$ —	$344.7
Acquisitions, related adjustments and currency translation	20.0	—	0.2	—	12.8	33.0
September 30, 2004 gross balance	$ 313.0	$ 50.7	$ 1.2	$ —	$12.8	$377.7
December 31, 2003 accumulated amortization			$ (0.7)	$ —	$ —	$ (0.7)
Amortization			(0.2)	—	(0.6)	(0.8)
September 30, 2004 accumulated amortization			$ (0.9)	$ —	$ (0.6)	$ (1.5)

Consistent with the requirements of SFAS No. 142, the fair values of our reporting units are based on discounted cash flow projections that we believe to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about the carrying values of the reported net assets of our reporting units. Other considerations are also incorporated, including comparable industry price multiples. Many of our businesses closely follow changes in the industries and end markets that they serve. Accordingly, we consider estimates and judgments that affect the future cash flow projections including principal methods of competition such as volume, price, service, product performance and technical innovations as well as estimates associated with cost improvement initiatives, capacity utilization, and assumptions for inflation and foreign currency changes. Accordingly, we monitor impairment indicators across our industries and markets specifically including, but not limited to the following businesses: loading dock products and systems, broadcast and telecommunications, security and investigations, industrial tools and hydraulic units, and power transmission. Any significant change in market conditions and estimates or judgments used to determine expected future cash flows that indicates a reduction in carrying value may give rise to an impairment in the period that the change becomes known.

Impairment Charge

In connection with the preparation and review of our financial statements for the third quarter of 2004, we recorded a $71.5 special charge for the impairment of goodwill and an indefinite lived intangible asset related to our loading dock products and systems business, a component of our Industrial Products and Services segment.

In accordance with our policy, we conduct our annual impairment testing of goodwill and indefinite lived intangibles in the fourth quarter in connection with our annual long-range forecasting process. As previously disclosed in our 2003 Form 10-K and subsequent Form 10-Qs, we monitor impairment indicators across our industries and markets including our loading dock products and systems business. Any significant change in market conditions and estimates or judgments used to determine expected future cash flows that indicates a reduction in fair value may give rise to an impairment in the period that the change becomes known. Our loading dock products and systems business has incurred operating losses in the first nine months of 2004 of $15.9 and, thus, has not been able to achieve its 2004 financial plan. Although the business is expected to return to profitability in 2005 and beyond, the recent projections of long-term financial results indicate a potential impairment of goodwill and indefinite lived intangibles, and therefore we have performed an impairment test for our loading dock products and systems business in the third quarter of 2004.

We engaged an independent appraisal firm to assist us with the impairment testing of the loading dock products and systems business. We performed our impairment testing by first comparing the estimated fair value of the business to the carrying value of the reported net assets as of September 30, 2004. Fair value was based on the income approach using a calculation of discounted cash flows from the most recent financial projections for the business. Based on this comparison, the net assets of the business had a carrying value that exceeded the related fair value. The fair value of the business was then allocated among the related assets and liabilities of the business as a means of calculating the implied goodwill for the business. As a result of this test, recorded goodwill was reduced from $98.9 to the implied value of $44.2 and the carrying value of tradenames was reduced from $37.8 to the estimated fair value of $21.0. The combined non-cash charge of $71.5 is recorded as a special charge in our condensed consolidated statements of income.

As a result of the impairment testing and related charge, the carrying value of the assets and liabilities of loading dock products and systems business is equivalent to its estimated fair value as of September 30, 2004. Therefore, unfavorable changes in the future financial results at the loading dock products and systems business could result in an additional impairment.

(9) WARRANTY

In the normal course of business, we issue product warranties for specific product lines and provide for the estimated future warranty cost in the period in which the sale is recorded. We provide for the estimate of warranty cost based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. In addition, due to the seasonal fluctuations at certain of our businesses, the timing of warranty provisions and the usage of warranty accruals can vary period to period. We make adjustments to initial obligations for warranties as changes in the obligations become reasonably estimable. The following is an analysis of our product warranty accrual for the nine months ended September 30, 2004 and 2003:

	Nine months ended September 30,	
	2004	2003
Balance at beginning of period	$ 72.5	$ 55.7
Acquisitions/divestitures, net	3.5	11.3
Provision	9.2	15.0
Usage	(18.1)	(24.1)
Balance at end of period	$ 67.1	$ 57.9

(10) EMPLOYEE BENEFIT PLANS

Components of our net periodic benefit cost (income) for our pension and postretirement plans include the following for the respective periods:

Pension Plans

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Service cost	$ 3.4	$ 4.4	$ 13.8	$ 13.0
Interest cost	19.1	18.6	56.1	55.8
Expected return on assets	(25.0)	(25.4)	(73.9)	(76.2)
Amortization of unrecognized losses	4.2	0.6	12.2	2.2
Amortization of unrecognized prior service cost	—	(0.1)	(0.3)	(0.3)
Net periodic benefit cost (income)	$ 1.7	$ (1.9)	$ 7.9	$ (5.5)

Postretirement Plans

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Service cost	$ (0.1)	$ 0.1	$ 0.1	$ 0.3
Interest cost	2.1	3.2	8.3	9.6
Amortization of unrecognized losses	(0.1)	1.0	2.3	3.0
Amortization of unrecognized prior service cost	(0.3)	(0.3)	(0.9)	(0.9)
Net periodic benefit cost	$ 1.6	$ 4.0	$ 9.8	$ 12.0

The adoption of the provisions of FSP SFAS No. 106-2 (see Note 2), effective July 1, 2004, resulted in a reduction of the accumulated plan benefit obligation of our postretirement plans of $23.1. In addition, the adoption of FSP SFAS No. 106-2 resulted in a year-to-date reduction of the net periodic benefit cost of our postretirement plans of $2.5, all of which was recorded in the third quarter. The components of the decrease in net periodic benefit cost are as follows:

	Three and nine months ended September 30, 2004
Service cost	$ 0.2
Interest cost	1.0
Amortization of unrecognized losses	1.3
Amortization of unrecognized prior service cost	—
Net periodic benefit cost reduction	$ 2.5

Our estimates of required employer contributions to our employee benefit plans have not changed significantly from those disclosed in our 2003 Annual Report on Form 10-K.

(11) INDEBTEDNESS

	September 30, 2004	December 31, 2003
Revolving credit loan	$ —	$ —
Tranche A term loan	191.3	208.1
Tranche B term loan	884.3	891.0
LYONs, net of unamortized discount of $368.8 and $382.0, respectively	654.0	640.8
7.50% senior notes	482.5	500.0
6.25% senior notes	251.5	300.0
Other borrowings	65.8	81.0
	2,529.4	2,620.9
Less: short-term debt	(52.9)	(65.9)
Less: current maturities of long-term debt	(39.8)	(24.8)
Total long-term debt	$ 2,436.7	$ 2,530.2

Credit Facility

Our credit facility includes Tranche A and Tranche B term loans along with a revolving credit loan. Aggregate maturities of the term loans are $7.9 during the remainder of 2004, $42.7 in 2005, $53.9 in 2006, $59.5 in 2007, $275.1 in 2008, and $636.5 in 2009. Although no amounts were borrowed under our revolving credit loans at September 30, 2004, any future borrowings under these revolving credit loans would mature in 2008 when the revolving loan portion of the facility expires, but could be repaid at any time before 2008.

On February 12, 2004, we refinanced our credit facility to reduce the applicable rate on our Tranche B Term Loan. We also amended certain covenants to, among other things, increase our flexibility associated with the mandatory repayment of debt and disposition of assets. The Tranche B Term Loan matures in September 2009.

We are permitted to prepay the Tranche A and Tranche B term loans in whole or in part at any time without penalty or premium. We are not allowed to reborrow any amounts that we repay on the Tranche A or Tranche B term loans.

The final maturity for each loan is as follows:

	Date of Final Maturity
Revolving credit loans	March 31, 2008
Tranche A term loans	March 31, 2008
Tranche B term loans	September 30, 2009

Our credit facility also requires scheduled principal payments of the term loans and mandatory prepayments from net proceeds arising in connection with certain asset sales or dispositions and issuances of subordinated debt under certain circumstances.

Our revolving loans may be borrowed, prepaid and reborrowed. Letters of credit and swing line loans are also available under the revolving credit facility. The facility provides for the issuance of letters of credit in U.S. Dollars, Euros, and Pounds Sterling at any time during the revolving availability period, in an aggregate amount not exceeding $250.0. Letters of credit issued under this facility reduce the aggregate amount available under the revolving loan commitment.

Under our credit facility, the term loans bear interest, at our option, at LIBOR plus the Applicable Rate or the ABR plus the Applicable Rate. The Applicable Rate for the revolving loans and the Tranche A and Tranche B term loans is based upon the Consolidated Leverage Ratio as defined in the credit facility. The Applicable Rate in effect after the February 2004 refinancing is as follows:

	LIBOR based borrowings	ABR based borrowings
Tranche A and B term loans and revolving loans	Between 1.75% and 2.25%	Between 0.75% and 1.25%

The $500.0 of revolving loans available under our credit facility is also subject to annual commitment fees between 0.25% and 0.5% on the unused portion of the loans. At September 30, 2004, no amounts were borrowed against the $500.0 revolving loans; however, the aggregate available borrowing capacity was reduced by $173.5 of letters of credit outstanding.

Our credit facility is secured by a pledge of 100% of the stock of substantially all of our domestic subsidiaries and 66% of the stock in our foreign subsidiaries and a security interest in substantially all of our assets and all of the assets of our wholly owned domestic subsidiaries.

Our credit facility contains covenants, the most restrictive of which are two financial condition covenants. The first financial condition covenant does not permit the Consolidated Leverage Ratio (as defined in the credit facility) on the last day of any period of four consecutive fiscal quarters to exceed 3.25 to 1.00. The second financial condition covenant does not permit the Consolidated Interest Coverage Ratio (as defined in the credit facility) for any period of four consecutive fiscal quarters to be less than 3.50 to 1.00. For the quarter ended September 30, 2004, our Consolidated Leverage Ratio was 2.86 to 1.00 and our Consolidated Interest Coverage Ratio was 4.75 to 1.00.

Our credit facility also includes covenant provisions regarding, among other things, indebtedness, liens, investments, guarantees, acquisitions, dispositions, sales and leaseback transactions, restricted payments and transactions with affiliates. Based on available information, we do not expect these covenants to restrict our liquidity, financial condition or access to capital resources in the foreseeable future. Under the credit facility covenants, our ability to pay cash dividends in a fiscal year is limited to $75.0 plus an amount equal to 50% of Consolidated Net Income (as defined in the covenants) for the immediately preceding fiscal year, minus stock repurchases in excess of $200.0 if our Consolidated Leverage Ratio is between 3.0 and 2.0. In addition, our credit facility contains the following covenants regarding our ability to repurchase shares of our common stock: (1) if our Consolidated Leverage Ratio (as defined in the credit facility) is greater than 3.0, our share repurchase capacity is limited to $100.0, (2) if our Consolidated Leverage Ratio is between 3.0 and 2.0, our share repurchase capacity is limited to $200.0 plus an amount equal to 50% of Consolidated Net Income from October 1, 2002 to the end of the most recent fiscal period, less any cash dividends paid in excess of $75.0, and (3) if our Consolidated Leverage Ratio is less than 2.0, our share repurchase capacity is unlimited. Currently, our most restrictive financial covenant with respect to paying cash dividends and repurchasing stock is contained in the indenture of our senior notes.

Senior Notes

In June 2003, we issued $300.0 of non-callable 6.25% senior notes that mature on June 15, 2011. The interest payment dates for these notes are June 15 and December 15 of each year, which commenced on December 15, 2003. In December 2002, we issued $500.0 of callable 7.50% senior notes that mature on January 1, 2013. The interest payment dates for these notes are January 1 and July 1 of each year, which commenced on July 1, 2003. Both of these note issuances are unsecured and rank equally with all of our existing and future unsecured senior indebtedness, but are effectively junior to our senior secured debt and obligations of our subsidiaries.

During the third quarter of 2004, we repurchased $48.5 and $17.5 of our 6.25% senior notes and 7.5% senior notes, respectively. In connection with the repurchases, we recorded a charge of $1.4 to interest expense relating to the write-off of debt acquisition costs and the net premium associated with the repurchases of the notes.

The indentures governing the notes contain a number of covenants that limit our ability, and the ability of our subsidiaries, to incur additional debt, pay dividends and repurchase stock, make other restricted payments, including, without limitation, investments, create liens, enter into sale leaseback transactions, enter into agreements that restrict dividends from subsidiaries, sell or otherwise dispose of assets, including capital stock of subsidiaries, enter into transactions with our affiliates, and enter into mergers or consolidations. Under the indentures, none of our subsidiaries are restricted from paying dividends to us. Under the most restrictive covenant, our available capacity to make restrictive payments, which includes paying cash dividends or repurchasing our stock, was $68.6 at September 30, 2004.

Liquid Yield Option Notes

On February 6, 2001, we issued Liquid Yield Option(TM) Notes (“February LYONs”) at an original price of $579.12 per $1,000 principal amount at maturity, which represents an aggregate initial issue price of $576.1, including the over allotment exercised by the original purchaser, and an aggregate principal amount of $994.8 due at maturity on February 6, 2021. On May 9, 2001, we issued Liquid Yield Option (TM) Notes (“May LYONs”) at an original price of $579.12 per $1,000 principal amount at maturity, which represents an aggregate initial issue price of $240.3, including the over allotment exercised by the original purchaser, and an aggregate principal amount of $415.0 due at maturity on May 9, 2021.

We may redeem all or a portion of the February LYONs for cash at any time on or after February 6, 2006 at predetermined redemption prices. February LYONs holders may require us to purchase all or a portion of their LYONs on February 6, 2006 for $663.86 per LYON or February 6, 2011 for $761.00 per LYON. We may redeem all or a portion of the May LYONs for cash at any time on or after May 9, 2005. May LYONs holders may require us to purchase all or a portion of their LYONs on May 9, 2005 for $645.97 per LYON or May 9, 2009 for $720.55 per LYON. For either the February LYONs or May LYONs, we have the option to pay the purchase price in cash, shares of common stock or a combination of cash and common stock.

On February 6, 2004, an immaterial amount of the February LYONs was put to us and settled in cash. As of September 30, 2004, the February and May LYONs had accreted carrying values of $636.4 and $17.6, respectively, classified as long-term debt.

SFAS No. 78, “Classification of Obligations That are Callable by the Creditor,” requires that obligations that are by their terms due upon demand within one year of the balance sheet date be considered short-term obligations, unless the obligor has the ability and intent to refinance. The May LYONs have a put option date within twelve months of September 30, 2004. However, we have classified the full-accreted value of the May LYONs, $17.6, as long-term debt as we have the ability and intent at September 30, 2004, through the availability of our revolving loans, to refinance the full amount of any May LYONs that may be put to us. The next put date for the February LYONs is February 6, 2006 and therefore all February LYONs outstanding at September 30, 2004 are classified as long-term debt. In addition to using our revolving loans for the long-term portion of the LYONs, we may use cash or other capital market financings to fund the short-term portion of these obligations if they are put to us or reach maturity.

The LYONs have a yield to maturity of 2.75% per year, computed on a semi-annual bond equivalent basis, calculated from the date of issuance. We will not pay cash interest on the LYONs prior to maturity unless contingent interest becomes payable. The LYONs are unsecured and unsubordinated obligations and are debt instruments subject to United States federal income tax contingent payment debt regulations. Even if we do not pay any cash interest on the LYONs, bondholders are required to include interest in their gross income for United States federal income tax purposes. This imputed interest, also referred to as tax original issue discount, accrues at a rate equal to 9.625% on the February LYONs and 8.75% on the May LYONs. The rate at which the tax original issue discount accrues for United States federal income tax purposes exceeds the stated yield of 2.75% for the accrued original issue

discount. In the event that any of the February LYONs or May LYONs are put to the company or redeemed by the company, the respective imputed interest deduction less the original issue discount of 2.75% would be recaptured at the time of the put or redemption. The amount of the recapture calculated on the next put date is approximately $1.8 and $103.4 on May 9, 2005 and February 6, 2006, respectively.

The LYONs are subject to conversion to shares of our common stock only if certain contingencies are met. These contingencies include:

(1) Our average stock price exceeding predetermined accreted values of our stock price each quarter (see below);

(2) During any period in which the credit rating assigned to the LYONs by either Moody's or Standard & Poor's is at or below a specified level; or

(3) Upon the occurrence of certain corporate transactions, including a change in control.

In addition, a holder may surrender for conversion, at the accreted value, a LYON even if it is not otherwise convertible at such time.

The conversion rights based on predetermined accreted values of our stock include, but are not limited to, the following provisions:

	February LYONs	May LYONs
Initial Conversion Rate (shares of common stock per LYON)	9.6232	8.8588
Initial Stock Price	$ 50.15	$ 55.40
Initial Accretion Percentage	135%	120%
Accretion Percentage Decline Per Quarter	0.3125%	0.125%
Conversion Trigger Prices—For the Next Twelve Months:		
2004 Fourth Quarter	$ 86.86	$ 84.91
2005 First Quarter	$ 87.25	$ 85.40
2005 Second Quarter	$ 87.63	$ 85.89
2005 Third Quarter	$ 88.02	$ 86.39

Holders may surrender LYONs for conversion into shares of common stock in any calendar quarter, if, as of the last day of the preceding calendar quarter, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding calendar quarter is more than the specified percentage beginning at 135% and declining 0.3125% per quarter thereafter for the February LYONs, beginning at 120% and declining 0.125% per quarter thereafter for the May LYONs of the accreted conversion price per share of common stock on the last trading day of such preceding calendar quarter. The accreted conversion price per share as of any day will equal the issue price of a LYON plus the accrued original issue discount to that day, divided by the number of shares of common stock issuable upon conversion of a LYON on that day.

The LYONs are not included in the diluted income per share of common stock calculation unless a LYON is expected to be converted for stock or one of the three contingent conversion tests summarized above are met. If converted as of September 30, 2004, the February LYONs and May LYONs would be exchanged for a total of 9.8 shares of our common stock. If the LYONs were to be put, we expect to settle them for cash and none of the contingent conversion tests have been met; accordingly, they are not included in the diluted income per share of common stock calculation.

In October 2004, the EITF of the FASB reached a consensus on EITF Issue No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per Share." Under the EITF's conclusion, contingently convertible shares attached to a debt instrument are to be included in the calculation of diluted earnings per share regardless of whether the contingency has been met. The effective date for the EITF will be the same as the effective date for the revised version of SFAS No. 128, "Earnings Per Share," which has yet to be issued by the FASB. However, the FASB's recent discussions indicate that the revised SFAS No. 128 will be effective for reporting periods ending after December 15, 2004. Once EITF 04-8 is effective, we will be required to retroactively restate our diluted earnings per share calculations for all periods presented. Based on the "if converted" provisions of SFAS No. 128, if the LYONs had been converted as of January 1, 2004, diluted income per share of common stock from continuing operations would have been $1.04 for the nine months ended September 30, 2004. However, the exact amount

of dilution, which may be more than the "if converted" amounts above, cannot be determined until further guidance is provided by the FASB.

Other Borrowings

Certain of our businesses participate in extended accounts payable programs through agreements with certain lending institutions. Under the arrangements, our businesses are provided extended payment terms. As of September 30, 2004 and December 31, 2003, the participating businesses had $11.3 and $12.9, respectively, outstanding under these arrangements. Additionally, certain of our businesses purchase goods and services under a purchasing card program allowing for extended payments. As of September 30, 2004 and December 31, 2003, the participating businesses had $41.6 and $53.0 outstanding under this arrangement. Through the use of third party financial institutions, both of these arrangements extend the payment of our businesses' payables beyond their normal payment terms, and therefore we have classified these amounts as short-term debt.

Other Financing Activities

In the first nine months of 2004, we entered into sale and assignment transactions whereby certain of our businesses sold without recourse certain accounts receivable. The net proceeds from the sale of receivables were $108.2 at September 30, 2004. Net proceeds from similar non-recourse accounts receivable sales were $30.6 at December 31, 2003. Once sold, these receivables are not included on our balance sheet. We expect to utilize similar agreements in the foreseeable future; however, in the event we were to no longer utilize these programs, the impact on our financial condition or cash flows may be material.

In April 2003, we entered into a three-year trade receivables financing agreement whereby we can borrow, on a continuous basis, up to $130.0. Availability of funds may fluctuate over time given changes in eligible receivables balances, but will not exceed the $130.0 program limit. The facility contains representations, warranties, covenants, and indemnities customary for facilities of this type. The facility does not contain any covenants that we view as materially constraining to the activities of our businesses. During the third quarter of 2004, we borrowed $1.0 under the financing agreement, with such balance included in short term debt at September 30, 2004. Prior to the third quarter of 2004, there had been no borrowings under the financing agreement.

(12) FINANCIAL INSTRUMENTS

We have entered into interest rate protection agreements ("swaps") to hedge the potential impact of increases in interest rates in our variable rate debt portfolio. We account for our swaps as cash flow hedges and as of September 30, 2004, we had outstanding swaps with maturities through November 2009 that convert $1,100.0 of our variable rate debt to a fixed rate of approximately 6.8%. Due to the timing of certain swap contracts, the total notional amount of our swaps was $1,300.0 at September 30, 2004 and will be $1,100.0 at December 31, 2004. During the three and nine months ended September 30, 2004, we recognized in earnings as a component of interest a credit of $1.5 and $11.8, respectively, for the ineffective portion of the swaps and the portion of the swaps without an underlying debt instrument. As of September 30, 2004, the pre-tax accumulated derivative loss recorded in accumulated other comprehensive income was $44.4 and we have recorded a long-term liability of $36.4 to recognize the fair value of the swaps. Based on the unrealized losses of our swaps at September 30, 2004, we expect to reclassify $19.6 of our current derivative loss from accumulated other comprehensive income into interest expense during the next twelve months as the hedged transactions occur. Due to fluctuations in interest rates, however, the derivative loss recorded in accumulated other comprehensive income is subject to change prior to its reclassification into earnings.

From time to time we enter into commodity contracts or currency hedges. Other than the above noted swap and hedge arrangements, there were no material derivative instrument transactions during the quarter or outstanding at September 30, 2004.

(13) SHAREHOLDERS' EQUITY

(All option amounts are in millions)

Earnings Per Share

The following table sets forth calculations used in the computation of diluted earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Numerator:				
Income (loss) from continuing operations, net of tax	$ (9.5)	$ 65.3	$ 80.1	$ 129.6
Income from discontinued operations, net of tax	11.7	9.6	13.6	7.5
Net income	$ 2.2	$ 74.9	$ 93.7	$ 137.1
Denominator:				
Weighted-average shares outstanding	74.301	75.601	74.369	77.593
Effect of dilutive securities:				
Employee stock options, restricted stock and restricted stock units	0.366	1.119	0.977	0.574
Adjusted weighted-average shares and assumed conversions	74.667	76.720	75.346	78.167

The total number of stock options that could be considered as potential common shares that were not included in the computation of diluted earnings per share, because their impact would be anti-dilutive based on the current market prices, were 15.9 and 13.5 for the three and nine months ended September 30, 2004, and were 12.9 and 16.7 for the three and nine months ended September 30, 2003, respectively.

Restricted Stock and Restricted Stock Unit Awards

During the first nine months of 2004, we issued 0.345 shares of restricted stock and 0.771 of restricted stock units to certain business leaders and other employees. The restricted stock shares and units generally vest over three years from the date of grant and result in expense recognition over the vesting period in accordance with Accounting Pronouncement Board Opinion No. 25, "Accounting for Stock Issued to Employees." In total, we recorded $61.4 as a component of unearned compensation in shareholders' equity. For the three and nine months ended September 30, 2004, we recognized $5.5 and $17.1 of compensation expense on the restricted stock and restricted stock units, respectively. For the three and nine months ended September 30, 2004, $4.1 and $12.9 of compensation expense related to current year grants, respectively. Additionally, 0.065 of restricted stock and 0.052 of restricted stock units were cancelled during the first nine months of 2004.

Comprehensive Income

The components of comprehensive income were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net income	$ 2.2	$ 74.9	$ 93.7	$ 137.1
Foreign currency translation adjustments	10.9	(21.8)	8.9	65.5
Unrealized gain (loss) on qualifying cash flow hedges, net [1]	(7.5)	18.5	1.7	2.3
Comprehensive income	$ 5.6	71.6	$ 104.3	204.9

[1] Gain (loss) on qualifying hedges is net of tax benefit of $2.1 and net of tax expense of $11.5 for the three months ended September 30, 2004 and 2003, respectively, and net of tax expense of $3.3 and $0.8, for the nine months ended September 30, 2004 and 2003, respectively.

The components of the balance sheet caption accumulated other comprehensive income are as follows:

	September 30, 2004	December 31, 2003
Foreign currency translation adjustment	$ 313.3	$ 304.4
Unrealized losses on qualifying cash flow hedges, net of tax benefit of $17.1 and $20.9, respectively	(26.6)	(28.3)
Minimum pension liability adjustment, net of tax benefit of $43.9	(68.9)	(68.9)
Accumulated other comprehensive income	$ 217.8	$ 207.2

Treasury Stock

In the first nine months of 2004, we repurchased 1.1 shares of our common stock on the open market for $42.3. The covenants of our senior credit facility as well as the indenture of our senior notes contain certain restrictions on payment of dividends and the repurchase of common stock. See Note 11 for discussion of these restrictions.

Dividends

In December 2003, we announced the implementation of a quarterly dividend program. The Board of Directors has approved an initial target quarterly dividend level of $0.25 per share. The actual amount of each quarterly dividend, as well as each declaration date, record date and payment date is subject to the discretion of the Board, and the target dividend level may be adjusted during the year at the discretion of the Board. The factors the Board of Directors considers in determining the actual amount of each quarterly dividend include our financial performance and on-going capital needs, our ability to declare and pay dividends under the terms of our credit facility and indenture, and other factors deemed relevant. The third quarter dividend, totaling $18.8, was paid on October 1, 2004.

(14) CONTINGENCIES AND OTHER MATTERS

Litigation Matters

Beginning in March 2004, multiple class action complaints were filed or announced by certain law firms representing or seeking to represent purchasers of our common stock during a specified period against us and certain of our current and former executive officers in the United States District Court for the Western District of North Carolina alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The plaintiffs generally allege that we made false and misleading statements regarding the forecast of our 2003 fiscal year business and operating results in order to artificially inflate the price of our stock. These complaints have been consolidated into a single action. On September 20, 2004, we filed a motion to dismiss the consolidated action in its entirety. Additionally, on April 23, 2004, an additional class action complaint was filed in the same court, alleging breaches of the Employee Retirement Income Security Act of 1974 by us, our general counsel and the Administration Committee regarding one of our 401(k) defined contribution benefit plans arising from the plan's holding of our stock. We believe that the allegations stated in the complaints are without merit and intend to defend against them vigorously, but we are currently unable to predict the outcome or reasonably estimate the range of potential loss, if any.

On or about October 29, 2001, we were served with a complaint by VSI Holdings, Inc., or VSI, in the 6th Judicial Circuit Court of the State of Michigan seeking enforcement of a merger agreement that we had terminated. In its complaint, VSI asked the court to require us to complete the $197.0 acquisition of VSI, and/or award damages to VSI and its shareholders. We do not believe the suit has merit and are defending the claim vigorously. On December 26, 2001, we filed our answer denying VSI's allegations, raising affirmative defenses and asserting a counterclaim against VSI for breach of contract. On November 8, 2002, VSI filed a voluntary petition for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. On January 8, 2003, the litigation was removed to the federal Bankruptcy Court, which thereafter transferred the matter to the U.S. District Court in Detroit. Under the U.S. District Court's scheduling order, summary judgment motions were filed in May 2004 and are still pending ruling. The parties are currently

awaiting a trial date to be scheduled by the Court. Because no reasonable projections can be made as to the final timing and outcome of the litigation, no gain or loss has been recorded. While we believe that we should ultimately prevail on the pending litigation claim with VSI, there can be no assurance that we will be successful in the litigation, and if we are not successful, the outcome could have a material adverse effect on our financial condition and results of operations.

One of our Italian subsidiaries, SPX Cooling Technologies Italia, S.p.A., formerly Balcke Marley Italia, S.p.A., has been notified that it is the subject of an investigation by the Milan Public Prosecutor's Office. The investigation relates to the business practices of several individuals and different companies in securing contracts from an Italian power generation company. We are cooperating with the prosecutor's office in this investigation. As the investigation is in its preliminary stages we are currently unable to predict the outcome or to reasonably estimate the range of potential liability, if any. We have enhanced our internal control over financial reporting to address Italian Legislative Decree No. 231, including the appointment of a compliance program supervisor at the cooling tower business. In addition, we are conducting an internal investigation to confirm that internal controls in our cooling tower business unit are appropriately designed and are operating effectively.

Environmental and Other Exposures

Numerous claims, complaints and proceedings arising in the ordinary course of business, including but not limited to those relating to environmental matters, competitive issues, contract issues, intellectual property matters, personal injury and product liability claims, and workers' compensation have been filed or are pending against us and certain of our subsidiaries. Additionally, we may become subject to significant claims of which we are currently unaware or the claims that we are unaware of may result in our incurring a significantly greater liability than we anticipate. This may also be true in connection with past or future acquisitions. While we maintain property, cargo, auto, product, general liability, and directors' and officers' liability insurance and have acquired rights under similar policies in connection with these acquisitions that we believe cover a portion of these claims, this insurance may be insufficient or unavailable to protect us against potential loss exposures. In addition, we have been increasing our self-insurance limits over the past several years. While we believe we are entitled to indemnification from third parties for some of these claims, these rights may be insufficient or unavailable to protect us against potential loss exposures.

We are subject to various environmental laws, ordinances, regulations and other requirements of government authorities in the United States and other nations. These requirements may include, for example, those governing discharges from, and materials handled as part of, our operations, the remediation of soil and groundwater contaminated by petroleum products or hazardous substances or wastes, and the health and safety of our employees. Under certain of these laws, ordinances or regulations, a current or previous owner or operator of property may be liable for the costs of investigation, removal or remediation of certain hazardous substances or petroleum products on, under, or in its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. The presence of, or failure to remediate properly, these substances may have adverse effects, including, for example, substantial investigative or remedial obligations and limitations on the ability to sell or rent that property or to borrow funds using that property as collateral. Under certain of these laws, ordinances or regulations, a party that disposes of hazardous substances or wastes at a third party disposal facility may also become a responsible party required to share in the costs of site investigation and environmental remediation. In connection with our acquisitions and divestitures, we may assume or retain significant environmental liabilities. Although we perform extensive due diligence with respect to acquisitions, divestitures and continuing operations, there may be environmental liabilities of which we are not aware. Future developments related to new or existing environmental matters or changes in environmental laws or policies could lead to material costs for environmental compliance or cleanup. There can be no assurance that these liabilities and costs will not have a material adverse effect on our results of operations or financial position in the future.

It is our policy to comply fully with applicable environmental requirements. We are currently involved in various investigatory and remedial actions at our facilities and at third party waste disposal sites. An estimate of loss, including expenses, from legal actions or claims is accrued when events exist that make the loss or expenses probable and we can reasonably estimate them. Our environmental accruals cover anticipated costs, including investigation, remediation, and operation and maintenance of clean-up sites. Our estimates are based primarily on investigations and remediation plans developed by independent consultants, regulatory agencies and potentially responsible third parties. Accordingly, our estimates may change based on future developments including new or changes in environmental laws or policies, a difference in costs required to complete anticipated actions from estimates provided, future findings of investigation or remediation actions, or alteration to the expected remediation plans. It is our policy to realize a change in estimates once it becomes probable and can be reasonably estimated. In determining our accruals, we do not discount environmental or other legal accruals and do not reduce them by anticipated insurance recoveries. We do take into account third-party indemnification from financially viable parties in determining our accruals where there is no dispute regarding the right to indemnification. While we believe that our accruals related to environmental, litigation and claims are sufficient and that these items and our rights to available insurance and indemnity will be resolved without material adverse effect on our financial position, results

of operations and liquidity, individually or in the aggregate, we cannot assure you that our accruals and right to indemnity and insurance will be sufficient or that these items will be resolved without a material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate.

We are primarily self-insured for workers' compensation, automobile, product and general liability costs, and we believe that we maintain adequate accruals to cover our retained liability. Our accrual for self-insurance liability is determined by management and is based on claims filed and an estimate of claims incurred but not yet reported. Management considers a number of factors, including third-party actuarial valuations, when making these determinations. We maintain third party stop-loss insurance policies to cover liability costs in excess of predetermined retained amounts.

As of September 30, 2004, we had $284.8 of certain standby letters of credit outstanding, of which $173.5 reduced the available borrowing capacity on our revolving loans, and approximately $170.1 of surety bonds. Of the total letters of credit and surety bonds outstanding at September 30, 2004, $330.5 were for bid, performance or warranty arrangements related to commercial sales arrangements with customers of which the fees are reimbursed by the customer. In addition, $80.0 of our standby letters of credit relate to self-insurance matters and originate from workers compensation, auto, or general liability claims made against us. We account for each of these claims as part of our self-insurance accruals.

In the third quarter of 2004 and during the first nine months of 2004, we reduced our income tax provision by $2.0 and $35.3, respectively, and reduced goodwill by $18.7 and $28.3, respectively, associated with changes in estimates of income tax liabilities. These changes in estimates resulted from the closure of certain matters relating to the 1995 to 1997 income tax returns of General Signal Corporation and SPX Corporation and the 2000 income tax return of United Dominion Industries Limited. General Signal Corporation was acquired through a reverse acquisition in 1998, and United Dominion Industries Limited was acquired in 2001. We reassess the adequacy of income tax liabilities at the end of each reporting period, including the results of local, state, federal and foreign statutory audits and estimates and judgments used.

(15) SUBSEQUENT EVENT

On October 28, 2004, we, including our wholly-owned subsidiaries Bomag Holding GmbH, Bomag U.L.M. GmbH and Radiodetection Limited, entered into a definitive share sale agreement to sell our compaction equipment business to Fayat SA for approximately $446.0 in cash. Fayat SA is a privately held business based in Bordeaux, France. The sale of our compaction equipment business will be subject to antitrust clearance and customary closing conditions, but is expected to close by the end of the fourth quarter and result in a gain. The sale of our compaction equipment business is part of our overall "grow, fix or sell" strategy and we may continue to sell business assets that we determine would strategically fit better with another company.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") (dollars and shares in millions, except per share and per LYON data)

FORWARD-LOOKING STATEMENTS

Some of the statements in this document and any documents incorporated by reference constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our businesses or our industries' actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. Such statements include, in particular, statements about our plans, strategies, prospects, changes and trends in our business and the markets in which we operate under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or "continue" or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industries or other factors. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Other Matters" herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors That May Affect Future Results" in our Annual Report on Form 10-K and any documents incorporated by reference that describe risks and factors that could cause results to differ materially from those projected in these forward-looking statements.

We caution you that these risk factors may not be exhaustive. We operate in a continually changing business environment and frequently enter into new businesses and product lines. We cannot predict these new risk factors, and we cannot assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, you should not rely on forward-looking statements as a prediction of actual results. In addition, our estimates of future operating results are based on our current complement of businesses, which is constantly subject to change as we implement our "grow, fix or sell" strategy.

OVERVIEW

We are a global multi-industry company that is focused on profitably growing a number of platform businesses that have scale and growth potential. We are a multinational corporation with operations in over 20 countries. We have approximately 23,100 employees worldwide. Our strategy is to create market advantages through technology, service and product leadership by expanding our market focus to offer full customer solutions and by building critical mass through strategic "bolt-on" acquisitions. Our business strategy is focused on an integrated leadership process that aligns performance measurement, decision support, compensation and communication. Our strategy is to invest capital into acquisitions, physical assets and products that yield a cash return that is greater than our cost of capital to maintain or grow our business and improve the economic value and cash flows of our company.

We continually review our businesses pursuant to our "grow, fix or sell" strategy. These reviews could result in the sale of a product line or business that is required to be accounted for as a discontinued operation, which would require the results of discontinued operations to be excluded from all periods presented including previously reported income from continuing operations along with any gain or loss on sale. During the quarter ended September 30, 2004, we announced that for the remainder of the year we expect less acquisition activity and the potential for disposals. The impact of disposals could be dilutive to earnings per share and require a material amount of earnings to be reclassified to discontinued operations.

We are a global provider of technical products and systems, industrial products and services, flow technology, cooling technologies and services and service solutions. Our products are used by a broad array of customers in various industries, including chemical processing, pharmaceuticals, infrastructure, mineral processing, petrochemical, telecommunications, transportation and power generation.

CONSOLIDATED RESULTS OF OPERATIONS

The unaudited information included in this Form 10-Q should be read in conjunction with the Consolidated Financial Statements contained in our 2003 Annual Report on Form 10-K. Interim results are not necessarily indicative of results for a full year. In May and August 2004 we made the determination that our municipal water valve product line and our compaction equipment business, respectively, met the criteria to be reported as discontinued operations. Accordingly, for all periods presented, the results of the municipal water valve product line and our compaction equipment business have been reported as discontinued operations in our condensed consolidated financial statements. The municipal water valve product line and the compaction equipment business were components of the Flow Technology and Industrial Products and Services segments, respectively. As a result of the planned divestiture of our municipal water valve product line, we recorded a loss on the expected sale, net of tax, of $16.5 during the second quarter of 2004 and we expect to complete this sale by the end of 2004.

On October 28, 2004, we, including our wholly-owned subsidiaries Bomag Holding GmbH, Bomag U.L.M. GmbH and Radiodetection Limited, entered into a definitive share sale agreement to sell our compaction equipment business to Fayat SA for approximately $446.0 in cash. Fayat SA is a privately held business based in Bordeaux, France. The sale of our compaction equipment business will be subject to antitrust clearance and customary closing conditions, but is expected to close by the end of the fourth quarter and result in a gain.

Revenues and pre-tax income (loss) for the municipal water valve product line and compaction equipment business are presented below for the three and nine months ended September 30, 2004 and 2003:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Revenues:				
Municipal water valve product line	$ 14.1	$ 14.1	$ 43.5	$ 47.4
Compaction equipment business	134.5	106.9	386.9	323.3
Pre-tax income (loss):				
Municipal water valve product line	—	0.5	(18.0)[1]	1.8
Compaction equipment business	13.4	11.5	36.0	43.0

(1) The pre-tax loss for the municipal water valve product line for the nine months ended September 30, 2004 includes an $18.0 loss on the expected sale.

Additionally, in May 2003, we sold our subsidiary Inrange Technologies Corporation (“Inrange”), a component of our Technical Products and Systems segment. The results of Inrange through the date of the sale are included in the condensed consolidated financial statements as discontinued operations. Inrange had total revenues of $48.3 and a net loss of $28.6, which includes a loss on sale of $18.9. Unless otherwise indicated, amounts provided herein pertain to continuing operations.

We label our quarterly information using a calendar convention. Our first quarter is consistently labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our practice to establish actual interim closing dates using a “fiscal” calendar, which requires our businesses to close their books on the Saturday closest to the end of the calendar quarter for efficiency purposes. The interim closing dates for the first, second and third quarters of 2004 were April 3, July 3 and October 2, respectively, and March 29, June 28 and September 27 for 2003, respectively. The effects of this practice only impact the quarterly reporting periods and not the annual reporting period. We had six additional days in the first quarter of 2004 and will have five fewer days in the fourth quarter of 2004 when compared to the respective 2003 periods.

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Revenues	$1,313.0	$1,120.9	$3,808.6	$3,257.7
Gross margin	378.6	347.8	1,081.1	995.0
% of revenues	28.8%	31.0%	28.4%	30.5%
Selling, general and administrative expense	249.3	195.4	759.7	620.4
% of revenues	19.0%	17.4%	19.9%	19.0%
Intangible amortization	5.3	2.5	13.6	6.8
Special charges, net	79.7	13.5	101.6	47.1
Operating income	44.3	136.4	206.2	320.7
Other (expense) income, net	(2.1)	3.4	(6.4)	3.5
Equity earnings in joint ventures	6.5	8.5	18.8	26.2
Interest expense, net	(43.3)	(45.2)	(119.5)	(136.1)
Income from continuing operations before income taxes	5.4	103.1	99.1	214.3
Income tax provision	(14.9)	(37.8)	(19.0)	(84.7)
Income (loss) from continuing operations	(9.5)	65.3	80.1	129.6
Income from discontinued operations, net of tax	11.7	9.6	30.1	26.4
Loss on disposition of discontinued operations, net of tax	—	—	(16.5)	(18.9)
Income from discontinued operations, net of tax	11.7	9.6	13.6	7.5
Net income	$ 2.2	$ 74.9	$ 93.7	$ 137.1
Capital expenditures	$ 12.5	$ 17.7	$ 38.8	$ 51.0
Depreciation and amortization	28.7	25.7	86.0	82.0

Consolidated Results of Operations: Third Quarter 2004 compared to Third Quarter 2003

Revenues — In the third quarter of 2004, revenues increased by $192.1, or 17.1%, from $1,120.9 in 2003 to $1,313.0. Organic revenues, which exclude the effect of acquisitions and divestitures, increased 10.1% in the third quarter of 2004 compared to the same period in 2003. Each of our platforms experienced organic revenue growth in the third quarter, other than our broadcast and communications platform, which had a 13.7% organic decline due primarily to lower sales of HDTV broadcast equipment and lower service revenues. In the third quarters of 2004 and 2003, we recognized approximately $193.1 and $127.3, respectively, of revenue under the percentage-of-completion method. This increase was due primarily to the acquisition of Hamon CIE Global Dry and NAFTA Wet Cooling Business ("Hamon") by our Cooling Technologies and Services segment in December 2003 and 28.3% of organic growth within this segment. Hamon had revenues of $125.0 in the twelve months prior to the date of acquisition. The strength of foreign currencies relative to the U.S. dollar had a favorable impact on organic revenues of approximately 2.2%.

Gross margin — In the third quarter, gross margins decreased from 31.0% in 2003 to 28.8% in 2004. The decrease in gross margins was due primarily to operating inefficiencies at our loading dock products and systems and filtration businesses in our Industrial Products and Services segment and at our valves and controls business in our Flow Technology segment. We expect to see improved margins in these businesses in the fourth quarter of 2004. Gross margins were also impacted by raw material cost increases in many of our platforms, in particular steel, copper and oil, as well as acquisitions completed in 2003 and in the first nine months of 2004 of companies that have historically lower margins than our existing businesses. The trends in raw material costs are expected to continue through the remainder of 2004. In addition, gross margins for the third quarter of 2004 were impacted negatively by an inventory write-down of approximately $3.3 at our valves and controls business and favorably impacted by a reduction in the net periodic benefit cost of our postretirement plans of $1.2 relating to the adoption of FSP SFAS No. 106-2.

Selling, general and administrative ("SG&A") expenses — In the third quarter 2004, SG&A expenses were $249.3, or 19.0% of revenues, compared to $195.4, or 17.4% of revenues, in 2003. The increase in SG&A spending was due primarily to an increase in variable costs associated with higher revenues in 2004 compared to 2003, acquisitions completed in 2003 and in the first nine months of 2004, increased pension expense, an increase in consulting costs in 2004 compared to 2003 due primarily to costs required to implement regulatory requirements associated with the Sarbanes-Oxley Act of 2002, a net increase in legal costs, and an increase in stock compensation expense. We recorded expense of $5.5 associated with restricted stock and restricted stock units in the third quarter of 2004 compared to $1.4 in the third quarter of 2003. In December 2003, the Board of Directors announced that restricted stock and restricted stock units would be granted in lieu of stock options. The expense for these stock compensation arrangements is being recognized over the vesting period. These increases in SG&A expenses were partially offset by a reduction in incentive compensation expense during the third quarter of 2004 as ten members of our senior executive team agreed to forego payment of their 2004 incentive compensation, resulting in a credit to incentive compensation expense during the third quarter of 2004 of $3.3. In addition, SG&A expenses for the third quarter of 2004 were favorably impacted by a reduction in the net periodic benefit cost of our postretirement plans of $1.3 relating to the adoption of FSP SFAS No. 106-2 and a favorable settlement of $1.5 relating to an insurance program dispute.

Special charges, net — In the third quarter of 2004, we recorded net special charges of $79.7 compared to $13.5 in the third quarter of 2003. In the third quarter of 2004, we recorded a $71.5 special charge for the impairment of goodwill and indefinite lived intangible assets related to our loading dock products and systems business. The remainder of the special charges include cash costs and asset impairments associated with work force reduction, initiatives to divest or consolidate manufacturing and sales facilities, asset divestitures, and the exit of other operations. We estimate that our restructuring actions will allow us to achieve operating cost reductions in 2004 and beyond through reduced employee and manufacturing costs and other facility overhead. The estimated period in which we realize savings on our restructuring actions is the twelve months from the date of completion. For restructuring actions announced in the third quarter of 2004, we estimate that cost savings in the twelve months following the date of completion will be approximately $6.1. We expect to realize estimated cost savings in cost of products sold and SG&A expenses.

Other expense, net — In the third quarter of 2004, other expense was $2.1 compared to other income of $3.4 in 2003. Other expense in 2004 consisted primarily of currency transaction losses, while the other income in 2003 related primarily to a $1.7 gain on the sale of a facility and a $1.9 gain on the sale of our 20% interest in the Assa Abloy door joint venture.

Equity earnings in joint ventures — Equity earnings in joint ventures was $6.5 in the third quarter of 2004 compared to $8.5 in the third quarter of 2003. Equity earnings in the third quarter of 2004 were impacted negatively by the sale of our 20% interest in the Assa Abloy door joint venture in the third quarter of 2003, as it contributed $2.5 of equity earnings in the third quarter of 2003.

Interest expense, net — In the third quarter of 2004, interest expense was $43.3 compared to $45.2 in the third quarter of 2003. The decrease in interest expense was due mainly to the $200.0 debt repayment of our Tranche B term loan in December 2003 and accounting for interest rate swaps. The ineffective portion of our swaps and the portion of the swaps without an underlying debt instrument have been recognized in earnings as a component of interest expense and resulted in a credit of $1.5 in the third quarter of 2004. Interest expense in the third quarter of 2004 also included $1.4 of charges relating to the repurchase of $66.0 of senior notes.

Income taxes — The effective income tax rate for the third quarter of 2004 was 275.9% compared to 36.7% in 2003. In the third quarter of 2004, we recorded an impairment charge of $71.5 relating to the goodwill and tradenames of our loading dock products and systems business. The income tax benefit associated with this charge was only $9.7. Exclusive of this charge and the corresponding tax benefit, our effective tax rate for the third quarter of 2004 was 32.0%. In the third quarter of 2004, we also reduced our income tax provision by $2.0 associated with changes in estimates of income tax liabilities. The changes in estimates resulted from the closure of certain matters relating to the 2000 income tax return of United Dominion Industries Limited, which we acquired in 2001. We reassess the adequacy of income tax liabilities at the end of each reporting period, taking into account the results of local, state, federal or foreign statutory audits, as well as estimates and judgments used.

Discontinued Operations— In the third quarter of 2004, we recorded income from discontinued operations, net of tax, of $11.7 compared to $9.6 for the third quarter of 2003. Of the income recorded in the third quarter of 2004, $11.7 related to our compaction equipment business while the income for the third quarter of 2003 was composed of $9.3 for our compaction equipment business and $0.3 for our municipal water valve product line.

Consolidated Results of Operations: First Nine Months of 2004 compared to First Nine Months of 2003

Revenues — In the first nine months of 2004, revenues increased by $550.9, or 16.9%, from $3,257.7 in 2003 to $3,808.6. Organic revenues, which exclude the effect of acquisitions and divestitures, increased 9.6% in the first nine months of 2004 compared to the same period in 2003. Each of our platforms experienced organic revenue growth in the first nine months, other than our broadcast and communications platform, which had an organic decline of approximately 13.0%. In the first nine months of 2004 and 2003, we recognized approximately $492.0 and $335.1, respectively, of revenue under the percentage-of-completion method. This increase is primarily due to the acquisition of Hamon by our Cooling Technologies and Services segment in December 2003 and 15.2% of organic growth within this segment. Hamon had revenues of $125.0 in the twelve months prior to the date of acquisition. The strength of foreign currencies relative to the U.S. dollar had a favorable impact on organic revenues of approximately 2.5%.

Gross margin — In the first nine months of 2004, gross margin decreased to 28.4% from 30.5% in 2003. The decrease was due primarily to acquisitions completed in 2003 and in the first nine months of 2004 of companies that have historically lower margins than our existing businesses, the $7.5 write-down of inventories associated with the discontinuance of certain utility and telecommunication product lines in our broadcast and communications platform, stronger organic revenues and a change in product mix at our Service Solutions segment, which has lower average margins than the other segments, and raw material cost increases, in particular steel, copper and oil. These trends are expected to continue through 2004. Gross margins at our hydraulic power tools business improved significantly in the first nine months of 2004 compared to the prior year due to organic revenue growth and completion of restructuring actions in this business, while operating inefficiencies at our loading dock products and systems and valves and controls businesses negatively impacted gross margins in the period. In addition, gross margins for the first nine months of 2004 were impacted negatively by approximately $8.7 of inventory write-downs at our valves and controls business and favorably impacted by a reduction in the net periodic benefit cost of our postretirement plans of $1.2 relating to the adoption of FSP SFAS No. 106-2.

SG&A expenses— In the first nine months of 2004, SG&A expenses were $759.7, or 19.9% of revenues, compared to $620.4 or 19.0% of revenues, in 2003. The increase in SG&A spending was due primarily to an increase in variable costs associated with higher revenues in 2004 compared to 2003, acquisitions completed in 2003 and in the first nine months of 2004, increased pension expense, increased consulting costs in 2004 compared to 2003 due primarily to costs required to implement regulatory requirements associated with the Sarbanes-Oxley Act of 2002, a net increase in legal costs of $5.6, a $3.9 write-off of receivables at our loading dock products and systems business, and an increase in stock compensation expense. We recorded expense of $17.1 associated with restricted stock and restricted stock units in the first nine months of 2004 compared to $4.2 in the first nine months of 2003. These increases were partially offset by the previously mentioned reduction in incentive compensation expense, which resulted in a credit to incentive compensation expense during the third quarter of 2004 of $3.3, the reduction in the net periodic benefit cost of our postretirement plans of $1.3 relating to the adoption of FSP SFAS No. 106-2, and a favorable settlement of $1.5 relating to an insurance program dispute.

Special charges, net— In the first nine months of 2004, we recorded net special charges of $101.6 compared to $47.1 in the first nine months of 2003. In the third quarter of 2004, we recorded a $71.5 special charge for the impairment of goodwill and indefinite lived intangible assets related to our loading dock products and systems business. These special charges include asset impairments and cash costs associated with work force reductions, initiatives to divest or consolidate manufacturing and sales facilities, asset divestitures, and the exit of other operations. We estimate that our restructuring actions will allow us to achieve operating cost reductions in 2004 and beyond through reduced employee and manufacturing costs and other facility overhead. The estimated period in which we realize savings on our restructuring actions is the twelve months from the date of completion. For restructuring actions announced in the first nine months of 2004, we estimate that cost savings in the twelve months following the date of completion will be approximately $21.4. We expect to realize estimated cost savings in cost of products sold and SG&A expenses.

Other expense, net— In the first nine months of 2004, other expense was $6.4 compared to other income of $3.5 in 2003. Other expense in 2004 consisted primarily of currency transaction losses, while other income in 2003 related primarily to a $1.7 gain on the sale of a facility and a $1.9 gain on the sale of our 20% interest in the Assa Abloy door joint venture.

Equity earnings in joint ventures— Equity earnings in joint ventures was $18.8 in the first nine months of 2004 compared to $26.2 in the first nine months of 2003. Equity earnings in the first nine months of 2004 were impacted by a legal charge at our EGS Electrical Group, LLC, ("EGS") joint venture and the sale of our 20% interest in the Assa Abloy door joint venture in the third quarter of 2003. The amount recorded for our 44.5% interest in the legal charge at EGS was $3.8. Income from our Assa Abloy door joint venture totaled $5.4 in the first nine months of 2003.

Interest expense, net— In the first nine months of 2004, interest expense was $119.5 compared to $136.1 in the first nine months of 2003. The decrease in interest expense was due mainly to the $200.0 debt repayment of our Tranche B term loan in December 2003 and accounting for interest rate swaps. The ineffective portion of our swaps and the portion of the swaps without an underlying debt instrument have been recognized in earnings as a component of interest expense and resulted in a credit of $11.8 in the first nine months of 2004. Interest expense for the first nine months of 2004 also included $1.4 of charges relating to the repurchase of $66.0 of senior notes.

Income taxes— The effective income tax rate for the first nine months of 2004 was 19.2% compared to 39.5% in 2003. In the third quarter of 2004, we recorded an impairment charge of $71.5 relating to the goodwill and tradenames of our loading dock products and systems business. The income tax benefit associated with this charge was only $9.7. During the first nine months of 2004, we also reduced our income tax provision by $35.3 associated with changes in estimates of income tax liabilities. These changes in estimates resulted from the closure of certain matters relating to the 1995 to 1997 income tax returns of General Signal Corporation and SPX Corporation and the 2000 income tax return of United Dominion Industries Limited. General Signal Corporation was acquired through a reverse acquisition in 1998, and United Dominion Industries Limited was acquired in 2001. We reassess the adequacy of income tax liabilities at the end of each reporting period, taking into account the results of local, state, federal or foreign statutory audits, as well as estimates and judgments used.

Discontinued Operations— In the first nine months of 2004, we recorded income from discontinued operations, net of tax, of $13.6 compared to $7.5 for the first nine months of 2003. Of the income recorded in the first nine months of 2004, $29.9 related to our compaction equipment business, offset by a loss related to our municipal water valve product line of $16.3. Of the income recorded for the first nine months of 2003, $34.8 and $1.3 related to our compaction equipment business and municipal water valve product line, respectively, offset by a loss from Inrange of $28.6.

Seasonality, Competition and Trends

Many of our businesses closely follow changes in the industries and end markets that they serve. In addition, certain businesses have seasonal fluctuations. Our Technical Products and Systems and Flow Technology segments tend to be stronger during the third and fourth quarter due to the purchasing patterns of customers at these businesses. Demand for products in our Cooling Technologies and Services segment is highly correlated to contract timing on large construction contracts, which may cause significant fluctuations from period to period. Our Service Solutions segment revenues typically follow program launch timing for diagnostic systems and service equipment, the largest market in this segment. In aggregate, our businesses generally tend to be stronger in the second half of the year, particularly in the fourth quarter.

Although our businesses operate in highly competitive markets, our competitive position cannot be determined accurately in the aggregate or by segment since our competitors do not offer all of the same product lines or serve all of the same markets. In addition, specific reliable comparative figures are not available for many of our competitors. In most product groups, competition comes from numerous concerns, both large and small. The principal methods of competition are price, service, product performance and technical innovations. These methods vary with the type of product sold. We believe we can compete effectively on the basis of each of these factors as they apply to the various products we offer.

We define forecasted trends of organic revenues, which exclude the impact of acquisitions and dispositions, as follows: "Growth" — Future end market performance is expected to be above the prior year; "Flat" — Future end market performance is expected to be flat compared to the prior year; "Decline" — Future end market performance is expected to be below the prior year.

The platforms that experienced organic revenue growth in the first nine months of 2004 are summarized below. Also summarized are the annual forecasted trends for these platforms based on information available on the date of this report.

Segment	Platform	2004 Annual Forecasted Trend	Comments
Technical Products and Systems	Security and integrated building life-safety systems	Growth	We experienced organic revenue growth of 10.2% in the first nine months of 2004. Organic revenues were stronger due to strong U.S. sales of fire detection systems, new product introductions in Europe and new guard services contracts. These market trends are expected to continue.
	Laboratory and life science products	Growth	An increase in international sales and the stronger Euro relative to the U.S. dollar compared to the prior year were the primary reasons for 8.4% organic revenue growth in the first nine months of 2004. New product introductions, improved industry demand and new repository business are expected to support organic growth in 2004.
	Electrical test and measurement	Growth	This platform is expected to experience growth for the year due primarily to new municipal contracts for automated fare collection systems. Demand for these products is highly correlated to contract timing, which causes significant fluctuations from quarter to quarter.
Cooling Technologies and Services		Growth	This platform experienced 15.2% organic growth in the first nine months of 2004. The organic growth was due primarily to strong revenue growth in Asia, increased demand for U.S. HVAC products and service growth in Europe. These trends are expected to continue through 2004. The strength of foreign currencies relative to the U.S. dollar had a favorable impact on organic revenues of approximately 4.9% in the nine-month period.
Industrial Products and Services	Specialty engineered products	Growth	This platform experienced 9.0% organic growth in the first nine months due primarily to improved demand for products in these businesses. Mid-single digit organic growth is expected from improved demand in the U.S. industrial economy.
	Power systems	Growth	Although power generation markets continue to experience soft demand and competitive pressures, organic revenues grew 14.1% in the first nine months of 2004 due to improved volume for power equipment in the period. Despite a soft power market in 2004, we expect organic growth in this platform for the full year.
Service Solutions		Growth	Organic revenues grew 12.5% in the first nine months due to increased demand for dealer equipment services (“DES”), aftermarket mechanical tool sales and improved global demand for original equipment tool sales in the U.S. and Europe. Organic growth is expected for the year due primarily to improved organic revenues in the first nine months of 2004, whereas in 2003, this business experienced the majority of its organic growth, approximately 18%, in the second half of the year.
Flow Technology	Fluid systems	Growth	Organic revenues for this platform increased 4.0% in the first nine months as demand for boilers, valves and air filtration products offset lower demand for process equipment. Slightly improved cyclical demand for engineered products in power, chemical and mineral processing and industrial markets is expected to offset lower large-project business in 2004.

The platform that experienced organic revenue decline in the first nine months of 2004 is summarized below. Also summarized is the annual forecasted trend for this platform based on information available on the date of this report.

Segment	Platform	2004 Annual Forecasted Trend	Comments
Technical Products and Systems	Broadcast and communication systems and services	Decline	Organic revenues decreased 13.0% in the first nine months. Extensions granted by the FCC have caused delays in the HDTV rollout in the U.S. and we have experienced lower service revenues in 2004 compared to the prior year. The timing associated with the delays in the HDTV rollout remains uncertain as regulatory decisions are pending in this market with respect to broadcast customers. Lower demand for telecommunication line management systems also contributed to the lower revenues. These market trends are expected to continue in 2004.

SEGMENT RESULTS OF OPERATIONS

The following unaudited information should be read in conjunction with our unaudited Condensed Consolidated Financial Statements and related notes. The results of operations exclude the operating results of discontinued operations for all periods presented.

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Revenues:				
Technical Products and Systems	$ 355.6	$ 311.7	$ 999.1	$ 885.8
Industrial Products and Services	265.3	238.9	805.1	741.9
Flow Technology	271.3	225.5	770.6	640.5
Cooling Technologies and Services	214.4	146.9	590.2	432.1
Service Solutions	206.4	197.9	643.6	557.4
	$1,313.0	$1,120.9	$3,808.6	$3,257.7
Segment Income:				
Technical Products and Systems	$ 59.9	$ 54.6	$ 128.7	$ 138.9
Industrial Products and Services	13.3	26.3	45.4	67.9
Flow Technology	37.3	46.2	97.1	103.4
Cooling Technologies and Services	18.0	15.6	51.5	47.4
Service Solutions	21.8	24.6	63.1	63.2
Total Segment Income	150.3	167.3	385.8	420.8
Corporate Expenses	(20.8)	(16.0)	(60.9)	(48.8)
Stock-Based Compensation	(5.5)	(1.4)	(17.1)	(4.2)
Special Charges, net	(79.7)	(13.5)	(101.6)	(47.1)
Consolidated Operating Income	$ 44.3	$ 136.4	$ 206.2	$ 320.7

Segment Results of Operation: Third Quarter 2004 compared to Third Quarter 2003

Technical Products and Systems

Revenues — Revenues in the third quarter of 2004 were $355.6, compared to $311.7 in the year-ago period, an increase of $43.9, or 14.1%. Organic revenues increased 8.4% as organic growth at our security and integrated building life-safety systems platform, laboratory and life sciences platform and automated fare collection systems business was offset by organic revenue declines at our broadcast and communications platform. The broadcast and communications platform experienced lower revenues due primarily to a decline in sales of HDTV broadcast equipment and lower service revenues. The strength of foreign currencies relative to the U.S. dollar had a favorable impact on organic revenues of approximately 2.3%. The remainder of the segment's revenue increase was due to acquisitions completed in 2003 and in the first nine months of 2004.

Segment Income — Segment income was $59.9, or 16.8% of revenues, compared to $54.6, or 17.5% of revenues, in the third quarter of 2003. The decrease in operating margins was due primarily to an increase in SG&A expenses associated with higher pension expense and new acquisitions completed in 2003 and 2004. These decreases in operating margins were partially offset by the favorable impact of organic growth within the automated fare collection systems business, a business that historically generates higher margins than other businesses within the segment.

Industrial Products and Services

Revenues — Revenues in the third quarter of 2004 were $265.3, compared to $238.9 in the year-ago period, an increase of $26.4, or 11.1%. The increase was due primarily to organic revenue growth of 13.3% in the segment resulting from stronger product demand.

Segment Income — Segment income was $13.3, or 5.0% of revenues, compared to $26.3, or 11.0% of revenues, in the third quarter of 2003. The decrease in operating margins is due primarily to raw material price increases and higher operating costs at our loading dock products and systems business as a result of operating inefficiencies associated with the start-up of a new facility in Reynosa, Mexico. As a result of higher operating costs, our loading dock products and systems business had an operating loss of $5.0 in the quarter. We expect this business to return to profitability in 2005 supported by organic revenue growth and increased product margins due to improved operating performance and product pricing. Segment income in our hydraulic power tools business improved in the third quarter of 2004, compared to the prior-year period, due to organic revenue growth and completion of restructuring actions in this business. In addition, our filtration business experienced lower margins due to competitive pressures in after market sales.

Flow Technology

Revenues — Revenues in the third quarter of 2004 were $271.3, compared to $225.5 in the year-ago period, an increase of $45.8, or 20.3%. The increase in revenues was due primarily to a bolt-on acquisition completed in the first quarter of 2004 and 6.8% organic revenue growth in the segment. The strength of foreign currencies relative to the U.S. dollar had a favorable impact on organic revenue of approximately 2.6%.

Segment Income — Segment income was $37.3, or 13.7% of revenues, compared to $46.2, or 20.5% of revenues, in the third quarter of 2003. The segment experienced lower margins in our air treatment business due to an acquisition completed in the first quarter of 2004, which has historically lower margins than the segment and operating inefficiencies at our valves and controls business. In addition, an inventory write-down of $3.3 was recorded at our valves and controls business in the third quarter of 2004. The operating inefficiencies in this business are expected to improve in the fourth quarter of 2004. Segment margins were also reduced by increased raw material costs.

Cooling Technologies and Services

Revenues — Revenues in the third quarter were $214.4, compared to $146.9 in the year-ago period, an increase of $67.5, or 45.9%. The increase in revenues was largely a result of acquisitions completed in 2003. Organic revenue growth was 28.3% due to strong product demand in Asia and service revenues in Europe. The strength of foreign currencies relative to the U.S. dollar had a favorable impact on organic revenues of approximately 4.5%.

Segment Income — Segment income was $18.0, or 8.4% of revenues, compared to $15.6, or 10.6% of revenues, in the third quarter of 2003. Segment margins declined as a result of acquisitions completed in 2003 of companies that have historically lower margins than our existing business and a higher proportion of projects in Asia, which generate lower operating margins. Segment income for the third quarter of 2004 was favorably impacted by $2.0 of net contract adjustments when compared to the third quarter of 2003. In addition, segment income for the third quarter of 2004 was unfavorably impacted by $1.6 of costs for potential acquisitions that are no longer being considered.

Service Solutions

Revenues — Revenues in the third quarter of 2004 were $206.4, compared to $197.9 in the year-ago period, an increase of $8.5, or 4.3%. The increase in revenues was due primarily to the Actron acquisition in the third quarter of 2004.

Segment Income — Segment income was $21.8, or 10.6% of revenues, compared to $24.6, or 12.4% of revenues in the third quarter of 2003. Segment margins declined due primarily to higher pension expense in 2004 compared to 2003.

Corporate Expenses

Corporate expenses increased from $16.0 in 2003 to $20.8 in 2004 due to increased pension expense and higher legal and consulting costs in 2004 compared to 2003. Corporate expenses may continue to be unfavorably impacted by legal expenses, as well as costs required to implement regulatory requirements associated with the Sarbanes-Oxley Act of 2002. These increases in Corporate expense were partially offset by a reduction in incentive compensation expense during the third quarter of 2004 as ten members of our senior executive team agreed to forego payment of their 2004 incentive compensation, resulting in a credit to incentive compensation expense during the third quarter of 2004 of $3.3, and a favorable settlement of $1.5 relating to an insurance program dispute.

Segment Results of Operation: First Nine Months of 2004 compared to First Nine Months of 2003

Technical Products and Systems

Revenues — Revenues in the first nine months of 2004 increased to $999.1 from $885.8 in 2003, an increase of $113.3, or 12.8%. The increase was due mainly to organic revenue growth in our laboratory and life science platform, security and integrated building life-safety systems platforms and our automated fare collection systems business, as well as acquisitions completed in 2003 and in the first nine months of 2004. Organic revenues declined approximately 13.0% in our broadcast and communication systems and services platform due primarily to a decline in sales of HDTV broadcast equipment and lower service revenues. The strength of foreign currencies relative to the U.S. dollar had a favorable impact on organic revenue of approximately 2.7%.

Segment Income — Segment income as a percentage of revenues decreased from 15.7% in 2003 to 12.9% in 2004. The decrease in operating margins was due primarily to the $7.5 inventory write-down associated with the discontinuance of certain utility and telecommunication product lines at our broadcast and communications platform in the second quarter of 2004, acquisitions completed in 2003 and in the first nine months of 2004 of businesses that have lower average margins than the segment, higher product development expenses in our integrated building life-safety systems platforms for new product introductions, competitive pressures, and an unfavorable impact due to the continued strong Euro relative to the U.S. Dollar at our laboratory and life science platform. These decreases in operating margins were partially offset by the favorable impact of organic growth within the automated fare collection systems business, a business that historically generates higher margins than other businesses within the segment. Segment income in 2003 included a $2.5 gain associated with a commercial contract settlement in our laboratory and life sciences platform.

Industrial Products and Services

Revenues — Revenues in the first nine months of 2004 increased to $805.1 from $741.9 in 2003, an increase of $63.2, or 8.5%. The increase was due primarily to strong organic revenues in our power systems and specialty engineered products platforms, as organic revenues for the segment were approximately 10.0% for the first nine months of 2004.

Segment Income — Segment income as a percentage of revenues decreased from 9.2% in 2003 to 5.6% in 2004. Segment margins were lower in 2004 due primarily to the $3.9 write-down of receivables at our loading dock products and systems business, $12.0 of additional operating losses at our loading dock products and systems business related primarily to operating inefficiencies associated with the start-up of a new facility in Reynosa, Mexico, raw material cost increases across the segment, and competitive pressures in our power systems and filtration after-market businesses. Segment income from our hydraulic power tools business improved significantly in the first nine months of 2004 compared to the prior year due to organic revenue growth and completion of restructuring actions in this business.

Flow Technology

Revenues — Revenues in the first nine months of 2004 increased to $770.6 in 2004 from $640.5 in 2003, an increase of $130.1, or 20.3%. The increase in revenues was due primarily to bolt-on acquisitions completed in 2003 and the first nine months of 2004 and organic revenue growth of approximately 6.2% for the first nine months of 2004, with 2.9% resulting from the strength of foreign currencies relative to the U.S. dollar.

Segment Income — Segment income as a percentage of revenues decreased from 16.1% in 2003 to 12.6% in 2004. Improved margins in our process equipment and boiler and hydronic products businesses due to restructuring actions completed in 2003 were more than offset by lower margins in our air filtration business due to an acquisition completed in the first quarter of 2004 of a company that has historically lower margins than the segment and operating inefficiencies in our valves and controls business. In addition, our valves and controls business recorded an inventory write-down of $8.7 during the first nine months of 2004. The operating inefficiencies at our valves and controls business are expected to improve in the fourth quarter of 2004. Segment margins were also impacted by raw material cost increases.

Cooling Technologies and Services

Revenues — Revenues in the first nine months of 2004 increased to $590.2 in 2004 from $432.1 in 2003, an increase of $158.1 or 36.6%. The increase in revenues was due to acquisitions completed in 2003, the stronger Euro relative to the U.S. dollar compared to the prior year, and organic revenue growth due primarily to strong demand for cooling technology products in Asia and service revenues in Europe. Organic revenue was approximately 15.2% for the first nine months of 2004, with 4.9% resulting from the strength of foreign currencies relative to the U.S. dollar.

Segment Income — Segment income as a percentage of revenues decreased from 11.0% in 2003 to 8.7% in 2004 due to acquisitions completed in 2003 of companies that have historically lower margins than our business and a higher content of projects in Asia, which generate lower operating margins. Segment income for the first nine months of 2004 was favorably impacted by $1.4 of net contract adjustments when compared to the first nine months of 2003. In addition, segment income for the first nine months of 2004 was unfavorably impacted by $1.6 of costs for potential acquisitions that are no longer being considered. Segment income in 2003 included a $3.2 benefit from an operational cost improvement at an environmental remediation site.

Service Solutions

Revenues — Revenues in the first nine months of 2004 increased to $643.6 in 2004 from $557.4 in 2003, an increase of $86.2, or 15.5%. Organic revenues grew approximately 12.5% in the first nine months due to increased demand for DES and aftermarket mechanical tools and higher global demand for original equipment tools compared to the first nine months of 2003. The strength of foreign currencies relative to the U.S. dollar had a favorable impact on organic revenue of approximately 1.9%.

Segment Income — Segment income as a percentage of revenues decreased from 11.3% in 2003 to 9.8% in 2004 due to changes in product mix resulting from increased demand for DES and aftermarket mechanical tools, which tend to have lower overall margins. In addition, segment income for the first nine months of 2004 was impacted by increased SG&A expenses to support new product launches.

Corporate Expenses

Corporate expenses in the first nine months increased from $48.8 in 2003 to $60.9 in 2004 due to increased pension expense and higher legal and consulting costs in 2004 compared to 2003. In the first nine months of 2004, we incurred a net increase in legal costs of $5.6. Corporate expenses may continue to be unfavorably impacted by legal expenses as well as costs required to implement regulatory requirements associated with the Sarbanes-Oxley Act of 2002. These increases in Corporate expense were partially offset by the previously mentioned reduction in incentive compensation expense, which resulted in a credit to incentive compensation during the third quarter of 2004 of $3.3, and a favorable settlement of $1.5 relating to an insurance program dispute.

LIQUIDITY AND FINANCIAL CONDITION

Our liquidity needs arise primarily from capital investment in equipment and facilities, funding working capital requirements to support business growth initiatives, debt service costs and acquisitions.

Cash Flow

	Nine months ended September 30,	
	2004	2003
Cash flows from (used in):		
Operating activities	$ 9.3	$ 263.8
Investing activities	(159.8)	(7.5)
Financing activities	(199.2)	(133.4)
Discontinued operations	47.7	27.2
Net change in cash balances	$(302.0)	$ 150.1

Operating Activities—In the first nine months of 2004, cash from continuing operations totaled $9.3 compared to $263.8 in the first nine months of 2003. The primary factors contributing to the decline in cash from continuing operations in 2004 as compared to 2003 are as follows:

- Investments in working capital to support organic revenue expansion, most notably at Service Solutions and Cooling Technologies and Services which experienced organic revenue growth of 12.5% and 15.2%, respectively, in the first nine months of 2004. Working capital investments include investments of $79.2 in inventory in the first nine months of 2004 compared to $5.9 in 2003. In addition, cash inflows from accounts receivable totaled only $10.0 in the first nine months of 2004 compared to $85.8 in the first nine months of 2003. Cash flows for the first nine months of 2004 include $108.2 of proceeds received from the non-recourse sale of accounts receivable. There were no such sales during the first nine months of 2003.
- Incremental interest payments during the first nine months of 2004 in comparison to the first nine months of 2003 of $27.0 associated primarily with the timing of interest payments on our senior notes.
- A larger portion of our net income during the first nine months of 2004 was composed of non-cash benefits, including reductions of income tax liabilities of $35.3.
- Cash outflows for the first quarter of 2004 of $14.9 relating to legal fees primarily associated with the December 2003 Microsoft settlement.

Investing Activities—In the first nine months of 2004, we used $159.8 of cash for investing activities in continuing operations compared to $7.5 in the first nine months of 2003. Cash used for business acquisitions was $135.7 in the first nine months of 2004 as compared to $189.2 in the first nine months of 2003. Proceeds from asset and business sales were $14.7 in the first nine months of 2004 compared to $232.7 in the first nine months of 2003. Proceeds from asset and business sales in the first nine months of 2003 included $148.5 of cash received in May 2003 for the sale of our ownership in Inrange and $76.2 of cash received in July 2003 from the sale of our 20% interest in the Assa Abloy door joint venture. We completed eight acquisitions in the first nine months of 2004 compared to ten acquisitions in the first nine months of 2003. The companies acquired during the first nine months of 2004 and 2003 had aggregate revenues over the twelve months prior to acquisition of $232.9 and $242.6, respectively. Capital expenditures were $38.8 in the first nine months of 2004 compared to $51.0 in the first nine months of 2003.

Financing Activities—In the first nine months of 2004, cash flows used in financing activities were $199.2, mainly due to $66.2 of senior note repurchases and $57.4 of debt repayments relating to debt assumed with the acquisition of McLeod and scheduled

repayments on the Tranche A and B term loans. We paid dividends of $56.8 during the first nine months of 2004 in conjunction with the current year implementation of our quarterly dividend program. In addition, we spent $42.3 to repurchase 1.1 shares of our common stock during the third quarter of 2004. These amounts were partially offset by cash proceeds of $35.4 received from the exercise of employee stock options. Cash flows used in financing activities were $133.4 during the first nine months of 2003, consisting primarily of $236.9 of cash used to settle 0.387 of LYONs that were put to us in May 2003 and $195.4 spent to repurchase 5.1 shares of our common stock, offset by our issuance of $300.0 of senior notes in June 2003.

Discontinued Operations—In the first nine months of 2004, cash flows from discontinued operations were $47.7 as compared to $27.2 for the first nine months of 2003. The increase in 2004 cash flows is due primarily to improvements in working capital within our compaction equipment business and additional borrowings by the compaction equipment business under its extended accounts payable program.

Indebtedness

The following summarizes the total debt outstanding and credit facility availability, as of September 30, 2004:

	Total Commitment	Amount Outstanding	Unused Credit Availability
Revolving loan [1]	$ 500.0	$ —	$ 326.5
Tranche A loan	191.3	191.3	—
Tranche B loan	884.3	884.3	—
LYONs, net of unamortized discount of $368.8	654.0	654.0	—
7.50% senior notes	482.5	482.5	—
6.25% senior notes	251.5	251.5	—
Other borrowings	65.8	65.8	—
Total	$ 3,029.4	$ 2,529.4	$ 326.5

[1] Decreased by $173.5 of certain facility letters of credit outstanding at September 30, 2004, which reduce the availability under our revolving loan agreement.

Credit Facility

Our credit facility includes Tranche A and Tranche B term loans along with a revolving credit loan. Aggregate maturities of the term loans are $7.9 during the remainder of 2004, $42.7 in 2005, $53.9 in 2006, $59.5 in 2007, $275.1 in 2008, and $636.5 in 2009. Although no amounts were borrowed under our revolving credit loans at September 30, 2004, any future borrowings under these revolving credit loans would mature in 2008 when the revolving loan portion of the facility expires, but could be repaid at any time before 2008.

On February 12, 2004, we refinanced our credit facility to reduce the applicable rate on our Tranche B Term Loan. We also amended certain covenants to, among other things, increase our flexibility associated with the mandatory repayment of debt and disposition of assets. The Tranche B Term Loan matures in September 2009.

We are permitted to prepay the Tranche A and Tranche B term loans in whole or in part at any time without penalty or premium. We are not allowed to reborrow any amounts that we repay on the Tranche A or Tranche B term loans.

The final maturity for each loan is as follows:

	Date of Final Maturity
Revolving credit loans	March 31, 2008
Tranche A term loans	March 31, 2008
Tranche B term loans	September 30, 2009

Our credit facility also requires scheduled principal payments of the term loans and mandatory prepayments from net proceeds arising in connection with certain asset sales or dispositions and issuances of subordinated debt under certain circumstances.

Our revolving loans may be borrowed, prepaid and reborrowed. Letters of credit and swing line loans are also available under the revolving credit facility. The facility provides for the issuance of letters of credit in U.S. Dollars, Euros, and Pounds Sterling at any

time during the revolving availability period, in an aggregate amount not exceeding $250.0. Letters of credit issued under this facility reduce the aggregate amount available under the revolving loan commitment.

Under our credit facility, the term loans bear interest, at our option, at LIBOR plus the Applicable Rate or the ABR plus the Applicable Rate. The Applicable Rate for the revolving loans and the Tranche A and Tranche B term loans is based upon the Consolidated Leverage Ratio as defined in the credit facility. The Applicable Rate in effect after the February 2004 refinancing is as follows:

	LIBOR based borrowings	ABR based borrowings
Tranche A and B term loans and revolving loans	Between 1.75% and 2.25%	Between 0.75% and 1.25%

The $500.0 of revolving loans available under our credit facility is also subject to annual commitment fees between 0.25% and 0.5% on the unused portion of the loans. At September 30, 2004, no amounts were borrowed against the $500.0 revolving loans; however, the aggregate available borrowing capacity was reduced by $173.5 of letters of credit outstanding.

Our credit facility is secured by a pledge of 100% of the stock of substantially all of our domestic subsidiaries and 66% of the stock in our foreign subsidiaries and a security interest in substantially all of our assets and all of the assets of our wholly owned domestic subsidiaries.

Our credit facility contains covenants, the most restrictive of which are two financial condition covenants. The first financial condition covenant does not permit the Consolidated Leverage Ratio (as defined in the credit facility) on the last day of any period of four consecutive fiscal quarters to exceed 3.25 to 1.00. The second financial condition covenant does not permit the Consolidated Interest Coverage Ratio (as defined in the credit facility) for any period of four consecutive fiscal quarters to be less than 3.50 to 1.00. For the quarter ended September 30, 2004, our Consolidated Leverage Ratio was 2.86 to 1.00 and our Consolidated Interest Coverage Ratio was 4.75 to 1.00.

Our credit facility also includes covenant provisions regarding, among other things, indebtedness, liens, investments, guarantees, acquisitions, dispositions, sales and leaseback transactions, restricted payments and transactions with affiliates. Based on available information, we do not expect these covenants to restrict our liquidity, financial condition or access to capital resources in the foreseeable future. Under the credit facility covenants, our ability to pay cash dividends in a fiscal year is limited to $75.0 plus an amount equal to 50% of Consolidated Net Income (as defined in the covenants) for the immediately preceding fiscal year, minus stock repurchases in excess of $200.0 if our Consolidated Leverage Ratio is between 3.0 and 2.0. In addition, our credit facility contains the following covenants regarding our ability to repurchase shares of our common stock: (1) if our Consolidated Leverage Ratio is greater than 3.0, our share repurchase capacity is limited to $100.0, (2) if our Consolidated Leverage Ratio is between 3.0 and 2.0, our share repurchase capacity is limited to $200.0 plus an amount equal to 50% of Consolidated Net Income from October 1, 2002 to the end of the most recent fiscal period, less any cash dividends paid in excess of $75.0, and (3) if our Consolidated Leverage Ratio is less than 2.0, our share repurchase capacity is unlimited. Currently, our most restrictive financial covenant with respect to paying cash dividends and repurchasing stock is contained in the indenture of our senior notes.

Senior Notes

In June 2003, we issued $300.0 of non-callable 6.25% senior notes that mature on June 15, 2011. The interest payment dates for these notes are June 15 and December 15 of each year, which commenced on December 15, 2003. In December 2002, we issued $500.0 of callable 7.50% senior notes that mature on January 1, 2013. The interest payment dates for these notes are January 1 and July 1 of each year, which commenced on July 1, 2003. Both of these note issuances are unsecured and rank equally with all of our existing and future unsecured senior indebtedness, but are effectively junior to our senior secured debt and obligations of our subsidiaries.

During the third quarter of 2004, we repurchased $48.5 and $17.5 of our 6.25% senior notes and 7.5% senior notes, respectively. In connection with the repurchases, we recorded a charge of $1.4 to interest expense relating to the write-off of debt acquisition costs and the net premium associated with the repurchases of the notes.

The indentures governing the notes contain a number of covenants that limit our ability, and the ability of our subsidiaries, to incur additional debt, pay dividends and repurchase stock, make other restricted payments, including, without limitation, investments, create liens, enter into sale leaseback transactions, enter into agreements that restrict dividends from subsidiaries, sell or otherwise dispose of assets, including capital stock of subsidiaries, enter into transactions with our affiliates, and enter into mergers or consolidations. Under the indentures, none of our subsidiaries are restricted from paying dividends to us. Under the most restrictive covenant our available capacity to make restrictive payments, which includes paying cash dividends or repurchasing our stock, was $68.6 at September 30, 2004.

Liquid Yield Option Notes

On February 6, 2001, we issued the February LYONs at an original price of $579.12 per $1,000 principal amount at maturity, which represents an aggregate initial issue price of $576.1, including the over allotment exercised by the original purchaser, and an aggregate principal amount of $994.8 due at maturity on February 6, 2021. On May 9, 2001, we issued the May LYONs at an original price of $579.12 per $1,000 principal amount at maturity, which represents an aggregate initial issue price of $240.3, including the over allotment exercised by the original purchaser, and an aggregate principal amount of $415.0 due at maturity on May 9, 2021.

We may redeem all or a portion of the February LYONs for cash at any time on or after February 6, 2006 at predetermined redemption prices. February LYONs holders may require us to purchase all or a portion of their LYONs on February 6, 2006 for $663.86 per LYON or February 6, 2011 for $761.00 per LYON. We may redeem all or a portion of the May LYONs for cash at any time on or after May 9, 2005. May LYONs holders may require us to purchase all or a portion of their LYONs on May 9, 2005 for $645.97 per LYON or May 9, 2009 for $720.55 per LYON. For either the February LYONs or May LYONs, we have the option to pay the purchase price in cash, shares of common stock or a combination of cash and common stock.

On February 6, 2004, an immaterial amount of the February LYONs was put to us and settled in cash. As of September 30, 2004, the February and May LYONs had accreted carrying values of $636.4 and $17.6, respectively classified as long-term debt.

SFAS No. 78, "Classification of Obligations That are Callable by the Creditor," requires that obligations that are by their terms, due upon demand within one year of the balance sheet date be considered short-term obligations, unless the obligor has the ability and intent to refinance. The May LYONs have a put option date within twelve months of September 30, 2004. However, we have classified the full-accreted value of the May LYONs, $17.6, as long-term debt as we have the ability and intent at September 30, 2004, through the availability of our revolving loans, to refinance the full amount of any May LYONs that may be put to us. The next put date for the February LYONs is February 6, 2006 and therefore all February LYONs outstanding at September 30, 2004 are classified as long-term debt. In addition to using our revolving loans for the long-term portion of the LYONs, we may use cash or other capital market financings to fund the short-term portion of these obligations if they are put to us or reach maturity.

The LYONs have a yield to maturity of 2.75% per year, computed on a semi-annual bond equivalent basis, calculated from the date of issuance. We will not pay cash interest on the LYONs prior to maturity unless contingent interest becomes payable. The LYONs are unsecured and unsubordinated obligations and are debt instruments subject to United States federal income tax contingent payment debt regulations. Even if we do not pay any cash interest on the LYONs, bondholders are required to include interest in their gross income for United States federal income tax purposes. This imputed interest, also referred to as tax original issue discount, accrues at a rate equal to 9.625% on the February LYONs and 8.75% on the May LYONs. The rate at which the tax original issue discount accrues for United States federal income tax purposes exceeds the stated yield of 2.75% for the accrued original issue discount. In the event that any of the February LYONs or May LYONs are put to the company or redeemed by the company, the respective imputed interest deduction less the original issue discount of 2.75% would be recaptured at the time of the put or redemption. The amount of the recapture calculated on the next put date is approximately $1.8 and $103.4 on May 9, 2005 and February 6, 2006, respectively.

The LYONs are subject to conversion to shares of our common stock only if certain contingencies are met. These contingencies include:

(1) Our average stock price exceeding predetermined accreted values of our stock price each quarter (see below);

(2) During any period in which the credit rating assigned to the LYONs by either Moody's or Standard & Poor's is at or below a specified level; or

(3) Upon the occurrence of certain corporate transactions, including a change in control.

In addition, a holder may surrender for conversion, at the accreted value, a LYON even if it is not otherwise convertible at such time.

The conversion rights based on predetermined accreted values of our stock include, but are not limited to, the following provisions:

	February LYONs	May LYONs
Initial Conversion Rate (shares of common stock per LYON)	9.6232	8.8588
Initial Stock Price	$ 50.15	$ 55.40
Initial Accretion Percentage	135%	120%
Accretion Percentage Decline Per Quarter	0.3125%	0.125%
Conversion Trigger Prices—For the Next Twelve Months:		
2004 Fourth Quarter	$ 86.86	$ 84.91
2005 First Quarter	$ 87.25	$ 85.40
2005 Second Quarter	$ 87.63	$ 85.89
2005 Third Quarter	$ 88.02	$ 86.39

Holders may surrender LYONs for conversion into shares of common stock in any calendar quarter, if, as of the last day of the preceding calendar quarter, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding calendar quarter is more than the specified percentage beginning at 135% and declining 0.3125% per quarter thereafter for the February LYONs, beginning at 120% and declining 0.125% per quarter thereafter for the May LYONs of the accreted conversion price per share of common stock on the last trading day of such preceding calendar quarter. The accreted conversion price per share as of any day will equal the issue price of a LYON plus the accrued original issue discount to that day, divided by the number of shares of common stock issuable upon conversion of a LYON on that day.

The LYONs are not included in the diluted income per share of common stock calculation unless a LYON is expected to be converted for stock or one of the three contingent conversion tests summarized above are met. If the LYONs were to be put, we expect to settle them for cash and none of the contingent conversion tests have been met; accordingly, they are not included in the diluted income per share of common stock calculation. If converted as of September 30, 2004, the February LYONs and May LYONs would be exchanged for a total of 9.8 shares of our common stock. Based on the "if converted" provisions of SFAS No. 128, "Earnings Per Share", if the LYONs had been converted as of January 1, 2004, diluted income per share of common stock from continuing operations would have been $1.04 for the nine months ended September 30, 2004.

In October 2004, the EITF of the FASB reached a consensus on EITF Issue No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings per Share." Under the EITF's conclusion, contingently convertible shares attached to a debt instrument are to be included in the calculation of diluted earnings per share regardless of whether the contingency has been met. The effective date for the EITF will be the same as the effective date for the revised version of SFAS No. 128, "Earnings Per Share," which has yet to be issued by the FASB. However, the FASB's recent discussions indicate that the revised SFAS No. 128 will be effective for reporting periods ending after December 15, 2004. Once EITF 04-8 is effective, we will be required to retroactively restate our diluted earnings per share calculations for all periods presented. We have reviewed the provisions of EITF 04-8 and have determined that the adoption will result in the reduction of our diluted earnings per share due to the inclusion of the contingently convertible common stock associated with our LYONs. However, the exact amount of dilution, which may be more than the "if converted" amounts above, cannot be determined until further guidance is provided by the FASB.

Other Borrowings

Certain of our businesses participate in extended accounts payable programs through agreements with certain lending institutions. Under the arrangements, our businesses are provided extended payment terms. As of September 30, 2004 and December 31, 2003, the participating businesses had $11.3 and $12.9, respectively, outstanding under these arrangements. Additionally, certain of our businesses purchase goods and services under a purchasing card program allowing for extended payments. As of September 30, 2004 and December 31, 2003, the participating businesses had $41.6 and $53.0 outstanding under this arrangement. Through the use of third party financial institutions, both of these arrangements extend the payment of our businesses' payables beyond their normal payment terms, and therefore we have classified these amounts as short-term debt.

Other Financing Activities

In the first nine months of 2004, we entered into sale and assignment transactions whereby certain of our businesses sold without recourse certain accounts receivable. The net proceeds from the sale of receivables were $108.2 at September 30, 2004. Net proceeds from similar non-recourse accounts receivable sales were $30.6 at December 31, 2003. Once sold, these receivables are not included on our balance sheet. We expect to utilize similar agreements in the foreseeable future; however, in the event we were to no longer utilize these programs, the impact on our financial condition or cash flows may be material.

In April 2003, we entered into a three-year trade receivables financing agreement whereby we can borrow, on a continuous basis, up to $130.0. Availability of funds may fluctuate over time given changes in eligible receivables balances, but will not exceed the $130.0 program limit. The facility contains representations, warranties, covenants, and indemnities customary for facilities of this type. The facility does not contain any covenants that we view as materially constraining to the activities of our businesses. During the third quarter of 2004, we borrowed $1.0 under the financing agreement, with such balance included in short term debt at September 30, 2004. Prior to the third quarter of 2004, there had been no borrowings under the financing agreement.

Financial Instruments

We have entered into swaps to hedge the potential impact of increases in interest rates in our variable rate debt portfolio. We account for our swaps as cash flow hedges and as of September 30, 2004, we had outstanding swaps with maturities through November 2009 that convert $1,100.0 of our variable rate debt to a fixed rate of approximately 6.8%. Due to the timing of certain swap contracts, the total notional amount of our swaps was $1,300.0 at September 30, 2004 and will be $1,100.0 at December 31, 2004. During the three and nine months ended September 30, 2004, we recognized in earnings as a component of interest a credit of $1.5 and $11.8, respectively, for the ineffective portion of the swaps and the portion of the swaps without an underlying debt instrument. As of September 30, 2004, the pre-tax accumulated derivative loss recorded in accumulated other comprehensive income was $44.4 and we have recorded a long-term liability of $36.4 to recognize the fair value of the swaps. Based on the unrealized losses of our swaps at September 30, 2004, we expect to reclassify $19.6 of our current derivative loss from accumulated other comprehensive loss into interest expense during the next twelve months as the hedged transactions occur. Due to fluctuations in interest rates, however, the derivative loss recorded in accumulated other comprehensive loss is subject to change prior to its reclassification into earnings.

From time to time we enter into commodity contracts or currency hedges. Other than the above noted swap and hedge arrangements, there were no material derivative instrument transactions during the quarter or outstanding at September 30, 2004.

Current Liquidity and Concentration of Credit Risk

At September 30, 2004, we had $419.6 of cash, which includes $2.8 from assets of discontinued operations, and an unused $500.0 revolver under our credit facility. When adjusted by the $173.5 of letters of credit outstanding at September 30, 2004, $326.5 of the revolver was available for use.

We believe that current cash and equivalents, cash flows from operations and our unused revolving credit facility will be sufficient to fund working capital needs, planned capital expenditures, other operational cash requirements and required debt service obligations. We have the ability to repurchase shares and outstanding indebtedness to the extent permitted under our credit facility and senior indentures. In addition, we have the ability and may elect to refinance the LYONs, if put, with other debt.

We have a shelf registration statement for 4.3 shares of common stock that may be issued for acquisitions. We also have a $1,000.0 shelf registration that may be used in connection with an offering of certain debt and or equity securities for general corporate purposes or for the refinancing of existing debt. In addition, other financing instruments may be used from time to time, including, but not limited to, private placement instruments, operating leases, capital leases and securitizations. We expect that we will continue to access these markets as appropriate to maintain liquidity and to provide sources of funds for general corporate purposes or to refinance existing debt.

We are currently in compliance with all covenants included in our capital financing instruments.

In 2003, our Board of Directors approved the implementation of a quarterly dividend program. The actual amount of each quarterly dividend, as well as each declaration date, record date and payment date is subject to the discretion of the Board of Directors, and the target dividend level may be adjusted during the year at the discretion of the Board of Directors. The factors the Board of Directors considers in determining the actual amount of each quarterly dividend includes our financial performance and on-going capital needs, our ability to declare and pay dividends under the terms of our credit facility and indenture, and other factors deemed relevant. The third quarter dividend, totaling $18.8, was paid on October 1, 2004.

Financial instruments that potentially subject us to significant concentrations of credit risk consist of cash and temporary investments, trade accounts receivable and interest rate protection agreements.

Cash and temporary investments and our interest rate protection agreements are placed with high-quality financial institutions throughout the world. We periodically evaluate the credit standing of these financial institutions.

We are exposed to credit losses in the event of nonperformance by counter parties to our interest rate protection agreements, but have no other off-balance-sheet credit risk of accounting loss. We anticipate, however, that counter parties will be able to fully satisfy their obligations under the contracts. We do not obtain collateral or other security to support financial instruments subject to credit risk, but we do monitor the credit standing of counter parties.

Concentrations of credit risk arising from trade accounts receivable are due to selling to a large number of customers in a particular industry. We perform ongoing credit evaluations of our customers' financial conditions and obtain collateral or other security when appropriate.

As of September 30, 2004, we had $284.8 of certain standby letters of credit outstanding, of which $173.5 reduced the available borrowing capacity on our revolving loans, and approximately $170.1 of surety bonds. Of the total letters of credit and surety bonds outstanding at September 30, 2004, $330.5 were for bid, performance or warranty arrangements related to commercial sales arrangements with customers of which the fees are reimbursed by the customer. In addition, $80.0 of our standby letters of credit relate to self-insurance matters and originate from workers compensation, auto, or general liability claims made against us. We account for each of these claims as part of our self-insurance accruals. Except for the previously mentioned matters, we do not have any other material guarantees, off-balance sheet arrangements or purchase commitments.

Our Certificate of Incorporation provides that we shall indemnify our officers and directors to the fullest extent permitted by the Delaware General Corporation Law for any personal liability in connection with their employment or service with us. While we maintain insurance for this type of liability, the liability could exceed the amount of the insurance coverage.

In addition, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Other Matters" herein, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors That May Affect Future Results" in our Annual Report on Form 10-K and similar sections in any future filings should be read for an understanding of the risks, uncertainties, and trends facing our businesses.

Other Matters

Acquisitions and Divestitures—We continually review each of our businesses pursuant to our "grow, fix or sell" strategy. These reviews could result in selected acquisitions to expand an existing business or result in the disposition of an existing business. Additionally, we may consider a larger acquisition, more than $1,000.0 in revenues, if certain criteria are met. There can be no assurances that future acquisitions will not have an impact on our capital financing instruments, will be integrated successfully, or that they will not have a negative effect on our operations. Further, these reviews could result in the sale of a product line or business that is required to be accounted for as a discontinued operation. The impact on our income from continuing operations may be material as the provisions of SFAS No. 144 require the results of discontinued operations to be excluded from all periods presented including previously reported income from continuing operations along with any gain or loss on sale.

On October 28, 2004, we, including our wholly-owned subsidiaries Bomag Holding GmbH, Bomag U.L.M. GmbH and Radiodetection Limited, entered into a definitive share sale agreement to sell our compaction equipment business to Fayat SA for approximately $446.0 in cash. Fayat SA is a privately held business based in Bordeaux, France. The sale of our compaction equipment business will be subject to antitrust clearance and customary closing conditions, but is expected to close by the end of the fourth quarter and result in a gain. The sale of our compaction equipment business is part of our overall "grow, fix or sell" strategy and we may continue to sell business assets that we determine would strategically fit better with another company.

Environmental and Other Exposures—Numerous claims, complaints and proceedings arising in the ordinary course of business, including but not limited to those relating to environmental matters, competitive issues, contract issues, intellectual property matters, personal injury and product liability claims, and workers' compensation have been filed or are pending against us and certain of our subsidiaries. Additionally, we may become subject to significant claims of which we are currently unaware or the claims of which we are aware may result in our incurring a significantly greater liability than we anticipate. This may also be true in connection with past or future acquisitions. While we maintain property, cargo, auto, product, general liability, and directors' and officers' liability insurance and have acquired rights under similar policies in connection with these acquisitions that we believe cover a portion of these claims, this insurance may be insufficient or unavailable to protect us against potential loss exposures. In addition, we have been increasing our self-insurance limits over the past several years. While we believe we are entitled to indemnification from third parties for some of these claims, these rights may be insufficient or unavailable to protect us against potential loss exposures.

We are subject to various environmental laws, ordinances, regulations and other requirements of government authorities in the United States and other nations. These requirements may include, for example, those governing discharges from, and materials handled as part of, our operations, the remediation of soil and groundwater contaminated by petroleum products or hazardous substances or wastes, and the health and safety of our employees. Under certain of these laws, ordinances or regulations, a current or previous owner or operator of property may be liable for the costs of investigation, removal or remediation of certain hazardous

substances or petroleum products on, under, or in its property, without regard to whether the owner or operator knew of, or caused, the presence of the contaminants, and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. The presence of, or failure to remediate properly, these substances may have adverse effects, including, for example, substantial investigative or remedial obligations and limitations on the ability to sell or rent that property or to borrow funds using that property as collateral. Under certain of these laws, ordinances or regulations, a party that disposes of hazardous substances or wastes at a third party disposal facility may also become a responsible party required to share in the costs of site investigation and environmental remediation. In connection with our acquisitions and divestitures, we may assume or retain significant environmental liabilities. Although we perform extensive due diligence with respect to acquisitions, divestitures and continuing operations, there may be environmental liabilities of which we are not aware. Future developments related to new or existing environmental matters or changes in environmental laws or policies could lead to material costs for environmental compliance or cleanup. There can be no assurance that these liabilities and costs will not have a material adverse effect on our results of operations or financial position in the future.

It is our policy to comply fully with applicable environmental requirements. We are currently involved in various investigatory and remedial actions at our facilities and at third party waste disposal sites. An estimate of loss, including expenses, from legal actions or claims is accrued when events exist that make the loss or expenses probable and we can reasonably estimate them. Our environmental accruals cover anticipated costs, including investigation, remediation, and operation and maintenance of clean-up sites. Our estimates are based primarily on investigations and remediation plans developed by independent consultants, regulatory agencies and potentially responsible third parties. Accordingly, our estimates may change based on future developments including new or changes in environmental laws or policies, a difference in costs required to complete anticipated actions from estimates provided, future findings of investigation or remediation actions, or alteration to the expected remediation plans. It is our policy to realize a change in estimates once it becomes probable and can be reasonably estimated. In determining our accruals, we do not discount environmental or other legal accruals and do not reduce them by anticipated insurance recoveries. We do take into account third-party indemnification from financially viable parties in determining our accruals where there is no dispute regarding the right to indemnification. While we believe that our accruals related to environmental litigation and claims are sufficient and that these items and our rights to available insurance and indemnity will be resolved without material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate, we cannot assure you that our accruals and right to indemnity and insurance will be sufficient or that these items will be resolved without a material adverse effect on our financial position, results of operations and liquidity, individually or in the aggregate.

See Note 14 to the Condensed Consolidated Financial Statements for further discussion of contingencies and other matters.

Pension Plans — The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of market interest rates. The historic lows in long-term interest rates experienced in 2003 primarily resulted in a $198.5 underfunded status for our pension plans at December 31, 2003. Our German pension plans accounted for $144.7 of the underfunded status at December 31, 2003, as plans in Germany are typically not funded in accordance with local regulations. The updated measurement of the plans' funded status will be determined in the fourth quarter of 2004 and will be affected by the performance of U.S. financial markets, performance of plan assets, and the level of market interest rates at December 31, 2004. Regardless of the outcome, at this time we do not expect that we will be required to make any plan contributions for our primary domestic pension plans in 2004. In the first nine months of 2004, we recorded net pension expense of $7.9 compared to pension benefit income of $5.5 in the first nine months of 2003. There can be no assurance that future periods will include similar net pension results or that regulatory mandated plan contributions would not be required

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," when the accumulated benefit obligation of a pension plan exceeds the plan assets, a minimum pension liability must be recognized. As a result of the improvement in the funded status of our pension plans during 2003 when compared to 2002, we were required to record an adjustment to reduce our minimum pension liability at December 31, 2003. We recorded the $164.1 non-cash, non-income statement adjustment, net of tax, at December 31, 2003 as a component of accumulated other comprehensive income in the Consolidated Statement of Shareholders' Equity. Based on economic factors existing at September 30, 2004, primarily long-term interest rates and the year-to-date return on invested assets, it is probable that we will have to increase our minimum pension liability at December 31, 2004, by recording a non-cash reduction to Shareholders' Equity which we currently estimate at $225.0.

Employment—At September 30, 2004, we had approximately 23,100 employees. Eighteen domestic collective bargaining agreements or relationships and various foreign collective labor arrangements cover approximately 2,900 employees, on a worldwide basis. Over approximately the last ten months, we have been involved in collective bargaining agreement negotiations with a union covering approximately 320 employees at our Waukesha Electric facility in Waukesha, Wisconsin. Although we are attempting to finalize these negotiations, we cannot assure you that we will be able to negotiate this agreement without production interruptions caused by work stoppages. We also are signatories to various area standards agreements for certain construction, maintenance and repair work in the cooling tower industry. In October 2004, employees at our Contech facility in Dowagiac, Michigan voted to decertify a union

that covered approximately 88 employees. While we generally have experienced satisfactory labor relations at our various locations, we are subject to potential union campaigns, work stoppages, union negotiations and other potential labor disputes.

Income taxes—The amount of income tax that we pay annually is dependent on various factors, including the timing of certain deductions. These deductions can vary from year to year and consequently, the amount of income taxes paid in current and future years may be greater than amounts paid in 2003, 2002 and 2001. In the third quarter of 2004 and during the first nine months of 2004, we reduced our income tax provision by $2.0 and $35.3, respectively, and reduced goodwill by $18.7 and $28.3, respectively, associated with changes in estimates of income tax liabilities. These changes in estimates resulted from the closure of certain matters relating to the 1995 to 1997 income tax returns of General Signal Corporation and SPX Corporation and the 2000 income tax return of United Dominion Industries Limited. General Signal Corporation was acquired through a reverse acquisition in 1998 and United Dominion Industries Limited was acquired in 2001. We reassess the adequacy of income tax liabilities at the end of each reporting period, including the results of local, state, federal or foreign statutory audits or estimates and judgments used. As a result of our planned divestiture of our compaction equipment business, we anticipate an increase in our future effective income tax rate as the compaction equipment business has historically had a lower effective income tax rate in comparison to our remaining businesses.

Significance of Goodwill and Intangibles—We had goodwill of $2,702.9, net intangible assets of $550.6 and shareholders' equity of $2,141.9 at September 30, 2004. There can be no assurance that circumstances will not change in the future that will affect the useful lives or the carrying value of our goodwill and intangible assets. In accordance with our policy, we conduct our annual impairment testing of goodwill and indefinite-lived intangibles in connection with our long-range forecasting process, which takes place in the fourth quarter. In addition, goodwill and indefinite-lived intangibles are reviewed for impairment more frequently if impairment indicators arise. Intangible assets that are subject to amortization are reviewed for impairment in accordance with the provisions of SFAS No. 144. Consistent with the requirements of SFAS No. 142, the fair values of our reporting units are based on discounted cash flow projections that are believed to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about the carrying values of the reported net assets of our reporting units. Other considerations are also incorporated, including comparable industry price multiples. Many of our businesses closely follow changes in the industries and end markets that they serve. Accordingly, we consider estimates and judgments that affect the future cash flow projections including principal methods of competition such as volume, price, service, product performance and technical innovations as well as estimates associated with cost improvement initiatives, capacity utilization, and assumptions for inflation and foreign currency changes. We monitor impairment indicators across our industries and markets including, but not limited to the following businesses: loading dock products and systems, broadcast and telecommunications, security and investigations, industrial tools and hydraulic units, and power transmission. Our loading dock products and systems business has incurred operating losses in the first nine months of 2004 of $15.9 and, thus, has not been able to achieve its 2004 financial plan. Although the business is expected to return to profitability in 2005 and beyond, the recent projections of long-term financial results indicate a potential impairment of goodwill and indefinite lived intangibles, and therefore we have performed an impairment test for our loading dock products and systems business in the third quarter of 2004. As a result of this test, recorded goodwill was reduced from $98.9 to the implied value of $44.2 and the carrying value of tradenames was reduced from $37.8 to the estimated fair value of $21.0. The combined non-cash charge of $71.5 is recorded as a special charge in our condensed consolidated statements of income. As a result of the impairment testing and related charge, the carrying value of the assets and liabilities of our loading dock products and systems business is equivalent to its estimated fair value as of September 30, 2004. Therefore, unfavorable changes in the future financial results at the loading dock products and systems business could result in an additional impairment.

Raw Materials—Many of our businesses manufacture products that are comprised of readily available commodities including copper and steel and utilize certain other commodities including oil and gas in their production processes. Additionally, certain of our businesses generate revenues from long-term fixed contracts and expose us to commodity risks over extended periods of time. Changes in raw material prices have materially affected our results of operations in 2004. There can be no assurance that we can recover any incremental increases in raw material prices from our customers.

We manufacture many of the components used in our products; however, our strategy includes increasing the amount of components and sub-assemblies that we outsource to other companies. Our increasing dependence on third party suppliers for outsourced products or components subjects us to the risk of customer dissatisfaction with the quality or performance of the products we sell because of supplier failure. In addition, business difficulties experienced by a third party supplier can lead to the interruption of our ability to obtain the outsourced product and ultimately our inability to supply products to our customers. We believe that we generally will be able to obtain adequate supplies of major items or appropriate substitutes at reasonable costs.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Management does not believe our exposure to market risk has significantly changed since December 31, 2003 and does not believe that such risks will result in significant adverse impacts to our financial condition or results of operations.

ITEM 4. Controls and Procedures

SPX management, including the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(b), as of September 30, 2004. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective and no changes are required at this time.

We have enhanced our internal control over financial reporting to address Italian Legislative Decree No. 231, including the appointment of a compliance program supervisor at the cooling tower business. In addition, we are conducting an internal investigation to confirm that internal controls in our cooling tower business unit are appropriately designed and are operating effectively. In connection with the evaluation by SPX management, including the Chief Executive Officer and Chief Financial Officer, of our internal control over financial reporting, pursuant to Exchange Rule Act 13a-15(d), during the quarter ended September 30, 2004, these changes were identified as having materially affected, or being reasonably likely to materially affect, our internal control over financial reporting.

PART II —OTHER INFORMATION

ITEM 1. Legal Proceedings

Numerous claims, complaints and proceedings arising in the ordinary course of business, including but not limited to those relating to environmental matters, competitive issues, contract issues, intellectual property matters, personal injury and product liability claims, and workers' compensation have been filed or are pending against us and certain of our subsidiaries. Additionally, we may become subject to significant claims of which we are unaware currently or the claims that we are aware of may result in our incurring a significantly greater liability than we anticipate. This may also be true in connection with past or future acquisitions. While we maintain property, cargo, auto, product, general liability, and directors' and officers' liability insurance and have acquired rights under similar policies in connection with our acquisitions that we believe cover a portion of these claims, this insurance may be insufficient or unavailable to protect us against potential loss exposures. In addition, we have been increasing our self-insurance limits over the past several years. While we believe we are entitled to indemnification from third parties for some of these claims, these rights may be insufficient or unavailable to protect us against potential loss exposures.

In our opinion, these matters are either without merit or are of a kind that should not have a material adverse effect individually or in the aggregate on our financial position, results of operations, or cash flows. However, we cannot assure you that recoveries from insurance or indemnification claims will be available or that any of these claims or other matters will not have a material adverse effect on our financial position, results of operations or cash flows.

Beginning in March 2004, multiple class action complaints were filed or announced by certain law firms representing or seeking to represent purchasers of our common stock during a specified period against us and certain of our current and former executive officers in the United States District Court for the Western District of North Carolina alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The plaintiffs generally allege that we made false and misleading statements regarding the forecast of our 2003 fiscal year business and operating results in order to artificially inflate the price of our stock. These complaints have been consolidated into a single action. On September 20, 2004, we filed a motion to dismiss the consolidated action in its entirety. Additionally, on April 23, 2004, an additional class action complaint was filed in the same court, alleging breaches of the Employee Retirement Income Security Act of 1974 by us, our general counsel and the Administration Committee regarding one of our 401(k) defined contribution benefit plans arising from the plan's holding of our stock. We believe that the allegations stated in the complaints are without merit and intend to defend against them vigorously, but we are currently unable to predict the outcome or reasonably estimate the range of potential loss, if any.

On or about October 29, 2001, we were served with a complaint by VSI Holdings, Inc., or VSI, in the 6th Judicial Circuit Court of the State of Michigan seeking enforcement of a merger agreement that we had terminated. In its complaint, VSI asked the court to require us to complete the $197.0 acquisition of VSI, and/or award damages to VSI and its shareholders. We do not believe the suit has merit and are defending the claim vigorously. On December 26, 2001, we filed our answer denying VSI's allegations, raising affirmative defenses and asserting a counterclaim against VSI for breach of contract. On November 8, 2002, VSI filed a voluntary petition for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. On January 8, 2003, the litigation was removed to the federal Bankruptcy Court, which thereafter transferred the matter to the U.S. District Court in Detroit. Under the U.S. District Court's scheduling order, summary judgment motions were filed in May 2004 and are still pending ruling. The parties are currently awaiting a trial date to be scheduled by the Court. Because no reasonable projections can be made as to the final timing and outcome of the litigation, no gain or loss has been recorded. While we believe that we should ultimately prevail on the pending litigation claim with VSI, there can be no assurance that we will be successful in the litigation, and if we are not successful, the outcome could have a material adverse effect on our financial condition and results of operations.

One of our Italian subsidiaries, SPX Cooling Technologies Italia, S.p.A., formerly Balcke Marley Italia, S.p.A., has been notified that it is the subject of an investigation by the Milan Public Prosecutor's Office. The investigation relates to the business practices of several individuals and different companies in securing contracts from an Italian power generation company. We are cooperating with the prosecutor's office in this investigation. As the investigation is in its preliminary stages we are currently unable to predict the outcome or to reasonably estimate the range of potential liability, if any. We have enhanced our internal control over financial reporting to address Italian Legislative Decree No. 231, including the appointment of a compliance program supervisor at the cooling tower business. In addition, we are conducting an internal investigation to confirm that internal controls in our cooling tower business unit are appropriately designed and are operating effectively.

On September 19, 2002, a pH meter malfunction at our facility in Stockton, California resulted in the release of caustic into the Stockton Diverting Canal and adverse impacts on local fish. We have received a notice of violation in connection with this incident but no fine has been proposed. However, based on discussions with the enforcement authorities, we do not believe the fine for this incident will be material.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the repurchases of common stock during the quarter ended September 30, 2004:

Period	Total number of shares purchased	Average price per share	Total number of shares purchased as part of a publicly announced plan or program	Maximum number of shares that may yet be purchased under the plan or program
7/1/04– 7/31/04	—	—	—	—
8/1/04-8/31/04	1,144,035	$ 36.99	1,144,035	(1)
9/1/04-9/30/04	—	—	—	—
Total	1,144,035	$ 36.99	1,144,035	(1)

(1) On August 28, 2003, we announced our share repurchase program. The share repurchase program authorizes the repurchase of shares in an amount up to the sum of $200.0 plus 50% of Consolidated Net Income (as defined in the Sixth Amended and Restated Credit Agreement) during the period from October 1, 2002 to the end of the most recent fiscal quarter for which financial information is available preceding the date of such repurchase.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

2.1	International Share Sale Agreement dated October 28, 2004, between Bomag Holding GmbH, Bomag U.L.M. GmbH, Radiodetection Limited, SPX Corporation and Fayat SA.*
10.1	SPX Corporation 2004 Executive EVA Incentive Compensation Plan.
10.2	Form of Restricted Stock Agreement under the SPX Corporation 2002 Stock Compensation Plan.
10.3	Amendment to SPX Corporation Supplemental Retirement Plan for Top Management dated June 23, 2004.
11.1	Statement regarding computation of earnings per share. See Condensed Consolidated Statements of Income, page 3 of this Form 10-Q.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* The annexes and schedules are not filed, but SPX Corporation undertakes to furnish a copy of any annex or schedule to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPX CORPORATION
(Registrant)

Date: November 1, 2004

By /s/ JOHN B. BLYSTONE

John B. Blystone
Chairman, President and Chief Executive Officer

Date: November 1, 2004

By /s/ PATRICK J. O'LEARY

Patrick J. O'leary
Vice President Finance,
Treasurer, Chief Financial Officer and Chief Accounting Officer

INDEX TO EXHIBITS

Item No.	Description
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Exhibit 2.1

Dated October 28, 2004

BOMAG Holding GmbH,
BOMAG U.L.M. GmbH,
Radiodetection Limited

And

SPX Corporation

And
FAYAT SA

INTERNATIONAL SHARE SALE AGREEMENT

relating to the companies and participations comprising the BOMAG Group

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International Share Sale Agreement

This Agreement is made on October 28, 2004 **between**:

(1) BOMAG Holding GmbH, a company incorporated in Germany whose registered office is at Hellerwald, 56154 Boppard, Germany (“**BOMAG Holding**”);

(2) BOMAG U.L.M. GmbH, a company incorporated in Germany whose registered office is at Hellerwald, 56154 Boppard, Germany (“**BOMAG U.L.M.**”);

(3) Radiodetection Limited, a company incorporated in England and Wales whose principal business address is at Western Drive, Bristol BS14 OAZ, England;

Parties (1) to (3) acting jointly and severally hereinafter collectively referred to as “**Seller**”; and

(4) FAYAT SA, a company incorporated in Bordeaux France (RCS 595759589) whose registered office is at 137 rue du Palais Gallien 33 000 Bordeaux, France (the “**Purchaser**”), acting on its behalf or on behalf of any Relevant Purchaser as defined below;

(5) SPX Corporation, a company incorporated in Delaware, with office in 13515 Ballantyne Corporate Place, Charlotte, NC 28277, USA, acting as a Guarantor of the Seller according to Section 14.15 of this Agreement;

Seller and Purchaser hereinafter referred to as the “**Parties**” or individually as “**Party**”.

Whereas:

(A) The Seller at the time of Closing shall be the direct or indirect (i) sole shareholder of the companies BOMAG Americas, Inc. (“**BOMAG Americas**”), BOMAG (Canada) Inc. (“**BOMAG Canada**”), BOMAG GmbH (“**BOMAG Germany**”), BOMAG (Great Britain) Limited (“**BOMAG UK**”), BOMAG France S.A.S. (“**BOMAG France**”), BOMAG Italia S.r.l. (“**BOMAG Italy**”), BOMAG Maschinenhandelsgesellschaft m.b.H. (“**BOMAG Austria**”), BOMAG Unternehmensverwaltung GmbH (“**BOMAG Unternehmensverwaltung**”), and (ii) owner of 80 % of the shares in BOMAG (Shanghai) Compaction Machinery Co. Ltd (“**BOMAG China**”) and 90 % of the shares in BOMAG Japan Co. Ltd. (“**BOMAG Japan**”), together hereinafter referred to as the “**BOMAG Group Companies**”.

(B) The BOMAG Group Companies are engaged in the business of the design, manufacture and sale of heavy and light equipment for soil, asphalt and refuse compaction; in addition they sell compaction measurement and documentation systems and are active in the spare parts and service business as well as in the business of machinery for the recycling and stabilization of road beds under repair (the “**BOMAG Business**”).

(C) BOMAG U.L.M. shall terminate prior to or as of the Closing Date the profit and loss transfer agreement with BOMAG Germany and BOMAG Unternehmensverwaltung and sell the resulting claims against BOMAG Germany and BOMAG Unternehmensverwaltung to the Purchaser under the terms and conditions of this Agreement.

(D) The Seller intends to sell and cause the Relevant Shareholders to transfer the shares in certain BOMAG Group Companies to the Purchaser or purchasing entities designated by the Purchaser (the “**Relevant Purchasers**”), and the Purchaser has agreed to purchase or cause the Relevant Purchasers to purchase the shares, all subject to the terms and conditions of this Agreement.

It is agreed as follows:

1 Interpretation

In this Agreement, unless the context otherwise requires, the provisions in this Section 1 apply:

Definitions

“**Profit Claims**” shall mean the nominal value of the claims of BOMAG U.L.M. against BOMAG Unternehmensverwaltung and BOMAG Germany for payment of profits (*Gewinnabführung*) resulting from the profit and loss transfer agreements dated Novermber 8, 2003 for BOMAG Unternehmensverwaltung and dated October 7, 2002 for BOMAG Germany for fiscal years ending on or prior to the Closing, taking into account any advanced distributions of profits provided that such advance distributions do not affect the Working Capital of Bomag GmbH and Bomag Unternehmensverwaltung as of Closing;

“**Accounts Date**” means November 30, 2003 for all BOMAG Group Companies except for BOMAG Germany, where January 31, 2004 shall be the Accounts Date and for BOMAG China, where December 31, 2003 shall be the Accounts Date;

“**Affiliates**” shall have the meaning as defined in Section 15 German Stock Corporation Act (*AktG*);

“**Agreement**” shall mean this International Share Sale Agreement and any amendments thereto;

“**AktG**” shall mean the German Stock Corporation Act (*Aktiengesetz*);

“**BGB**” shall mean the German Civil Code (*Bürgerliches Gesetzbuch);*

“**BOMAG Americas**” means BOMAG Americas, Inc., as further specified in **Annex 1.1**;

“**BOMAG Austria**” means BOMAG Maschinenhandelsgesellschaft m.b.H., as further specified in **Annex 1.1**;

“**BOMAG Business**” shall have the meaning as defined in Preamble (B);

“**BOMAG Canada**” means BOMAG (Canada) Inc., as further specified in **Annex 1.1**;

"**BOMAG China**" means BOMAG (Shanghai) Compaction Machinery Co. Ltd., as further specified in **Annex 1.1**;

"**BOMAG France**" means BOMAG France S.A.S., as further specified in **Annex 1.1**;

"**BOMAG Germany**" means BOMAG GmbH, as further specified in **Annex 1.1** ;

"**BOMAG Germany Balance Sheets**" shall have the meaning as defined in Section 3 of this Agreement;

"**BOMAG Group Companies**" means, collectively or individually, BOMAG Americas, BOMAG Austria, BOMAG Canada, BOMAG France, BOMAG Germany, BOMAG Italy, BOMAG UK, BOMAG Unternehmensverwaltung, BOMAG China and BOMAG Japan, details of which are set out in **Annex 1.1**;

"**BOMAG Group Shares**" means the shares, participations and interests in the capital of the BOMAG Group Companies specified in **Annex 1.1** and that are directly or indirectly held by Seller;

"**BOMAG Holding**" means BOMAG Holding GmbH, a company incorporated in Germany whose registered office is at Hellerwald, 56154 Boppard, Germany;

"**BOMAG Italy**" means BOMAG Italia S.r.l., as further specified in **Annex 1.1**;

"**BOMAG Japan**" means BOMAG Japan Co. Ltd., as further specified in **Annex 1.1**;

"**BOMAG UK**" means BOMAG (Great Britain) Limited, as further specified in **Annex 1.1**;

"**BOMAG U.L.M.**" shall have the meaning as defined in heading (2) of this Agreement;

"**BOMAG Unternehmensverwaltung**" means BOMAG Unternehmensverwaltung GmbH, as further specified in **Annex 1.1**;

"**BOMAG Unternehmensverwaltung Balance Sheets**" shall have the meaning as defined in Section 3 of this Agreement;

"**Business Day**" means a day which is not a Saturday, a Sunday or a public holiday in Frankfurt am Main, Germany, and Charlotte, North Carolina;

"**Cash**" shall have the meaning as defined in **Annex 1.4** to this Agreement;

"**Cash Management System**" shall mean the system of accounts maintained by Bank Mendes Gans to settle inter-company transactions between Seller's Group and the BOMAG Group Companies and to provide financing to the BOMAG Group Companies as well as the Cash management Agreement between BOMAG Germany and BOMAG ULM dated July 1, 2003;

"**Cash Statement**" shall have the meaning as defined in Section 5.2.1 of this Agreement;

"**Closing**" means the completion of the sale of the Shares pursuant to Section 8 of this Agreement and any relevant Local Transfer Document;

“**Closing Conditions**” shall have the meaning as defined in Section 6.2 of the Agreement;

“**Closing Date**” means the date on which Closing takes place;

“**Closing Date Financial Statements**” shall have the meaning as defined in Section 5.2 of this Agreement;

“**Closing Events**” shall mean the actions set forth in Section 8.2 of this Agreement;

“**Code**” shall mean the United States Internal Revenue Code of 1986, as amended;

“**Confidentiality Agreement**” means the confidentiality agreement dated August, 11 2004 between UBS Investment Bank Ltd. and Purchaser pursuant to which the Seller made available to the Purchaser certain confidential information relating to the Group;

“**Debt Statement**” shall have the meaning as defined in Section 5.2.2 of this Agreement;

“**Disclosed Information**” shall mean all documents and written information disclosed to the Purchaser, its employees, officers, agents, representatives, advisors or consultants in the teaser, the information memorandum, in management presentations, in the course of due diligence in the data room or otherwise including the Disclosure Schedule annexed to this Agreement;

“**Disclosure Schedule**” shall mean the Disclosure Schedule annexed to this Agreement as **Annex 1.7**;

“**Employees**” means those employees who on the Closing Date are employed by any of the BOMAG Group Companies or any employees transferred to a designee of the Purchaser as part of the Pre-Closing Restructuring (which shall not exceed the number of 70 employees, all of which were dedicated at least 80% to the BOMAG Business);

“**Encumbrance**” means any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, usufruct, retention of title, right of pre-emption, right of first refusal or other third party rights or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing;

“**Environment**” means all or any of the following media (alone or in combination): air (including the air within buildings and the air within other natural or man-made structures whether above or below ground); water (including water under or within land); soil and land including underground and any ecological systems and living organisms supported by these media;

“**Environmental Authority**” means any legal person or body of persons (including any government department or government agency or court or tribunal) having jurisdiction to determine any matter arising under Environmental Law and/or relating to the Environment;

“**Environmental Law**” means all applicable laws (including, for the avoidance of doubt, common law), statutes, regulations, statutory guidance notes and final and

binding court and other tribunal decisions of any relevant jurisdiction as in effect in the relevant jurisdiction at Closing whose purpose is to protect, or prevent pollution of, the Environment or to regulate emissions, discharges, or releases of Hazardous Substances into the Environment, or to regulate the use, treatment, storage, burial, disposal, transport or handling of Hazardous Substances, and all regulations, decrees or orders issued or promulgated or approved thereunder;

"**Environmental Material Adverse Effect**" means a material adverse effect on the business, properties, results of operations or financial condition of the BOMAG Group Companies, taken as a whole, in relation to Environmental Law, Environmental Permits, Environmental Contamination or Environmental Authorities resulting in a loss exceeding a minimum global amount of US$ 1,000,000, but excluding any effect resulting from or relating to (i) general political or economic conditions, general financial and capital market conditions (including interest rates) or general effects on any of the industries in which the businesses of the BOMAG Group Companies are engaged, or, in each case, any changes therein, (including as a result of (x) an outbreak or escalation of hostilities involving the United States, any country in Europe or any other country, or the declaration by the United States, any country in Europe or any other country of a national emergency or war, or (y) the occurrence of any other calamity or crisis (including any act of terrorism)), (ii) any changes in law, GAAP or any authoritative interpretations thereof, (iii) the public announcement or the becoming public of the transactions contemplated by this Agreement, (iv) any action taken or failed to be taken by Seller or any of its Affiliates (including the BOMAG Group Companies) or representatives required or contemplated by this Agreement or at the request of Purchaser, or (v) any action taken by Purchaser or any of its Affiliates or representatives, or (vi) any failure to meet internal projections;

"**Environmental Permit**" means any license, approval, authorization, permission, notification, waiver, order or exemption which is issued, granted or required under Environmental Law and which is Material to the operation of the business of the BOMAG Group Companies on or before Closing;

"**ERISA**" shall mean the Employee Retirement Income Security Act, as amended;

"**Expert Arbitrator**" shall have the meaning as defined in Section 5.9 of this Agreement;

"**Financial Debt**" shall have the meaning as defined in **Annex 1.5** to this Agreement;

"**Financial Statements**" shall have the meaning as defined in Section 10.4 of this Agreement;

"**Fixed Purchase Price Component**" shall have the meaning as defined in Section 4.1.1 of this Agreement;

"**GAAP**" shall mean the generally accepted accounting principles and, to the extent consistent therewith, the historical practices of the BOMAG Group Companies in the relevant countries/ jurisdictions constantly applied within the years 2002 and 2003;

"**Hazardous Substances**" means any wastes, pollutants, contaminants and any other natural or artificial substance (whether in the form of a solid, liquid, gas or vapor) which is capable of causing harm or damage to the Environment or a nuisance to any person;

"**HGB**" shall mean the German Commercial Code (*Handelsgesetzbuch*);

"Indemnified Taxes" shall have the meaning as defined in Section 13.1.1 of this Agreement;

"**Local Transfer Document**" has the meaning given to it in Section 2.3.1;

"**Losses**" means all losses, liabilities, costs (including without limitation reasonable legal costs and experts' and consultants' fees), charges, expenses, actions, proceedings, claims and demands;

"**Material**" means material to the business, properties, results of operations or financial conditions of the BOMAG Group Companies, taken as a whole;

"**Material Adverse Effect**" means a material adverse effect on the business, properties, results of operations or financial condition of the BOMAG Group Companies, taken as a whole, but excluding any effect resulting from or relating to (i) general political or economic conditions, general financial and capital market conditions (including interest rates) or general effects on any of the industries in which the businesses of the BOMAG Group Companies are engaged, or, in each case, any changes therein, (including as a result of (x) an outbreak or escalation of hostilities involving the United States, any country in Europe or any other country, or the declaration by the United States, any country in Europe or any other country of a national emergency or war, or (y) the occurrence of any other calamity or crisis (including any act of terrorism)), (ii) any changes in law, GAAP or any authoritative interpretations thereof, (iii) the public announcement or the becoming public of the transactions contemplated by this Agreement, (iv) any action taken or failed to be taken by Seller or any of its Affiliates (including the BOMAG Group Companies) or representatives required or contemplated by this Agreement or at the request of Purchaser, or (v) any action taken by Purchaser or any of its Affiliates or representatives, or (vi) any failure to meet internal projections;

"**Non-Consolidated Tax Returns**" means Tax Returns other than Tax Returns that are included in a consolidated or combined Tax Return of the Seller or any of its Affiliates;

"**Parties**" or "**Party**" shall have the meaning as defined in the heading of this Agreement;

"**PBGC**" shall mean Pension Benefit Guaranty Corporation;

"**Permitted Encumbrances**" means (i) U.S. liens for taxes not yet due or being contested in good faith by appropriate proceedings and (ii) statutory liens in the ordinary course of business,that do not have a Material Adverse Effect;

"**Pre-Closing Restructuring**" means the transfer of certain assets, personnel and liabilities, including, but not limited to pension liabilities pertaining to the Employees, currently owned by BOMAG Holding but pertaining to the BOMAG Business, to a BOMAG Group Company, the consummation of cash dividends to eliminate cash, transfer of shares in any of the BOMAG Group Companies to Affiliates of the Seller as set forth in **Annex 1.2**;

"**Pre-Closing Tax Period**" means any taxable period ending on or before the Closing Date;

"**Preliminary Purchase Price**" shall have the meaning as defined in Section 4.1.5 of this Agreement;

"**Purchase Price**" shall have the meaning as defined in Section 4.1.1 of this Agreement;

"**Purchase Price Adjustment**" shall have the meaning as defined in Section 5 of this Agreement;

"**Purchaser**" shall have the meaning as defined in heading (4) of this Agreement;

"**Purchaser's Assumptions**" shall have the meaning as defined in Section 10 of this Agreement;

"**Purchaser's Disagreement Notice**" shall have the meaning as defined in Section 5.9;

"**Purchaser's Group**" means the Purchaser and its Affiliates from time to time, including the BOMAG Group Companies after the Closing Date;

"**Relevant Purchaser**" means, in relation to each of the BOMAG Group Companies referred to in **Annex 2.2.1**, the company whose name is set out in the column with the heading "Relevant Purchasers", as it may be amended by the Purchaser pursuant to Section 2.2.1 of this Agreement;

"**Relevant Shareholder**" means, in relation to each of the BOMAG Group Companies referred to in **Annex 2.2.1**, the company whose name is set out in the column with the heading Relevant Shareholder;

"Retained US Employees" means those employees who on the Closing Date are employed by BOMAG Americas;

"**Restricted Employee**" means any Employee who (a) has access to trade secrets or other confidential information of any of the BOMAG Group Companies; (b) has participated in discussions relating to the transaction pursuant to this Agreement; or (c) holds the position of director or managing director of any of the BOMAG Group Companies;

"**Restricted Period**" means two years commencing on the Closing Date;

"Retirement's Saving Plan" shall have the meaning as defined in section 14.14.1;

"**Seller**" shall have the meaning as defined in heading (1) of this Agreement;

"**Seller Insurance Policies**" shall have the meaning as defined in Section 10.15 of this Agreement;

"**Seller's Assumptions**" shall have the meaning as defined in Section 9 of this Agreement;

"**Seller's Auditors**" shall mean Deloitte & Touche GmbH, Frankfurt am Main, Germany;

"**Seller's Group**" means the Seller and its Affiliates except the BOMAG Group Companies;

"**Seller's Knowledge**" shall have the meaning as defined in Section 10.19 of this Agreement;

"**Shares**" means the BOMAG Group Shares except for shares held by any of the BOMAG Group Companies specified in **Annex 1.3**;

"Stow Site" shall have the meaning as defined in Section 14.12;

"Straddle Period" means any taxable period beginning on or before the Closing Date and ending after the Closing Date;

"**Taxation**" or "**Tax**" means (i) all forms of taxation whether direct or indirect and whether levied by reference to income, profits, gains, net wealth, asset values, turnover, added value or other reference and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions, rates and levies (including without limitation social security contributions and any other payroll taxes), whenever and wherever imposed (whether imposed by way of a withholding or deduction for or on account of tax or otherwise) and in respect of any person and (ii) all penalties, charges, costs and interest relating thereto;

"**Tax Audit**" means any tax audit, inspection or similar investigation by any Tax Authority (other than routine matters of a minor nature);

"**Tax Authority**" means any taxing or other authority competent to impose any liability in respect of Taxation or responsible for the administration and/or collection of Taxation or enforcement of any law in relation to Taxation;

"**Tax Claim**" means the issue of any notice, demand, assessment, letter or other document by or on behalf of any Tax Authority, or the imposition (or any document referring to the possible imposition) of any withholding of or on account of Tax, or the delivery of a Tax Return, from which it appears that a liability to Taxes will be imposed or payable;

"**Tax Election**" means a claim, election, application, surrender or disclaimer, the giving of a notice, consent, or the doing of any other similar thing under the provision of any law relating to Tax;

"**Tax Refund**" means any set-off, deduction, credit, reimbursement, repayment or refund in respect of any Tax;

"**Tax Return**" means any tax return filed or to be filed by a BOMAG Group Company relating to the Pre-Closing Tax Period or Straddle Period;

"**Third Party Claim**" shall have the meaning as defined in Section 12 of this Agreement;

"**UmwG**" shall mean the German Transformation Act (*Umwandlungsgesetz*);

"**US Purchaser Subsidiaries**" shall have the meaning as defined in section 14.14.1;"

US-GAAP" shall mean the accounting principles generally accepted in the United States of America and, to the extent consistent therewith, the historical practices of the BOMAG Group Companies constantly applied within the years 2002 and 2003;

"**VAT**" means within the European Union such Tax as may be levied in accordance with (but subject to derogations from) the Directive 77/338/EEC and outside the European Union any Taxation levied by reference to added value or sales;

"**Working Capital**" shall have the meaning as defined in **Annex 1.6** to this Agreement;

"**Working Capital Statement**" shall have the meaning as defined in Section 5.2.3 of this Agreement;

"**ZPO**" shall mean the German Code on Civil Procedure (*Zivilprozessordnung*).

2 Agreement to Sell the Shares

2.1 Sale and Purchase of the Shares

2.1.1 On and subject to the terms of this Agreement, at the Closing the Seller shall sell to Purchaser, who shall accept such sale the Shares and shall transfer or cause the transfer of the Shares to the respective Relevant Purchaser in accordance with Section 2.3.

2.1.2 The Shares shall be sold together with all rights and advantages attaching to them as at Closing (including, without limitation, the right to receive all dividends or distributions declared after Closing and the BOMAG Group Shares held by BOMAG Group Companies).

2.1.3 The Seller will procure that the Relevant Shareholders will transfer to the Purchaser or the respective Relevant Purchaser the Shares including the BOMAG Group Shares held by BOMAG Group Companies at Closing.

2.2 Relevant Purchasers

2.2.1 The Relevant Purchasers are listed in **Annex 2.2.1** to this Agreement. Purchaser shall be entitled to amend this list and to nominate, by notice in writing to the Seller at any time up to 25 Business Days after the date of this Agreement, one or more Relevant Purchasers to purchase the Shares or any part thereof, provided that such action does not cause any delay in the receipt of any required regulatory approval or otherwise adversely affect Seller.

2.2.2 Any Relevant Purchaser nominated pursuant to Section 2.2.1 shall be a member of the Purchaser's Group.

2.3 Local Transfer Documents and Delivery of all BOMAG Group Shares

2.3.1 On Closing, the Relevant Shareholders and the Relevant Purchasers shall execute such agreements, transfers, conveyances and other documents (subject to the relevant local law, drafts of which are attached to this Agreement in **Annex 8.2.2** (i) - (ix)), to implement the share and transfer of the BOMAG Group Shares on Closing (collectively, the "**Local Transfer Documents**" and each, a "**Local Transfer Document**").

2.3.2 To the extent that the provisions of a Local Transfer Document are inconsistent with or (except to the extent they implement a transfer in accordance with this Agreement) additional to the provisions of this Agreement:

(i) the provisions of this Agreement shall prevail; and

(ii) so far as permissible under the laws of the relevant jurisdiction, the Seller and the Purchaser shall procure that the provisions of the relevant Local Transfer Document are adjusted to the extent necessary to give effect to the provisions of this Agreement.

2.3.3 Neither Purchaser nor any other member of Purchaser's Group shall bring any claim against any Seller or any other member of the Seller's Group in respect of or based upon the Local Transfer Documents save to the extent necessary to implement and/or enforce any transfer of the BOMAG Group Shares in accordance with this Agreement. To the extent that a claim is brought in breach of this Section, the Purchaser shall indemnify the members of the Seller's Group against all Losses which they may suffer through or arising from the bringing of such a claim.

2.3.4 Neither Seller nor any other member of Seller's Group shall bring any claim against any Purchaser or any other member or the Purchaser's Group in respect of or based upon the Local Transfer Documents save to the extent necessary to implement and/or enforce any transfer of the BOMAG Group Shares in accordance with this Agreement. To the extent that a claim is brought in breach of this Section, the Seller shall indemnify the members of the Purchaser's Group against all Losses which they may suffer through or arising from the bringing of such claim.

3 Agreement to Sell the Profit Claims

On and subject to the terms of this Agreement, at the Closing BOMAG U.L.M. shall sell and transfer to Purchaser, who shall accept such sale and transfer, the Profit Claims, which shall be derived from the audited financial statements (to be prepared in accordance with Section 5.12) of BOMAG Germany and BOMAG Unternehmensverwaltung as at the close of the fiscal years ending prior to Closing for which the financial statements have not been established on or prior to Closing (the "**BOMAG Germany Balance Sheets**" and the "**BOMAG Unternehmensverwaltung Balance Sheets**").

4 Purchase Price

4.1 Purchase Price

The Purchase Price to be paid by the Purchaser for the BOMAG Group Shares and the Profit Claims as sold, purchased and transferred hereunder shall be the aggregate of:

4.1.1 A fixed amount of US$ 445,000,000 (in words: US Dollar four hundred forty five million) (hereinafter referred to as the "**Fixed Purchase Price Component**");

less

4.1.2 the Financial Debt

plus

4.1.3 the consolidated amount of Cash as existing at the Closing Date;

plus

4.1.4 the amount, if any, by which the balance of the Working Capital of the BOMAG Group as of the Closing Date exceeds US$ 46,500,000 (in words: forty six million five hundred thousand US dollars);

minus

the amount, if any, by which the Working Capital as of the Closing Date (for the avoidance of doubt, including any Working Capital below zero), falls short of US$ 46,500,000 (in words: forty six million five hundred thousand US dollars;

(hereinafter referred to as the "**Purchase Price**").

4.1.5 Preliminary Purchase Price

As of the date of this Agreement, the Parties have estimated and agreed in the form of the Closing Date Financial Statements (as defined below) the estimated Financial Debt, the estimated Cash and an adjustment resulting from an estimated Working Capital excess or shortfall. The Parties have agreed on a preliminary purchase price of US$ 446,000,000 (in words: US Dollar four hundred forty six million) (hereinafter referred to as the "**Preliminary Purchase Price**").

4.1.6 The Purchase Price shall be allocated by mutual agreement as set out in **Annex 4.1.6** (subject to the Purchase Price Adjustment attributable to the particular BOMAG Group Shares).

4.1.7 The Purchaser shall not be entitled to exercise any rights to retention (*Zurückbehaltungsrechte*) or set off (*Aufrechnung*) Purchaser may have with regard to payments to be made under this Agreement.

4.1.8 The Preliminary Purchase Price shall be paid at Closing from the Purchaser to the Seller or its designees in immediately available funds by wire transfer to the bank account or bank accounts designated by the Seller in accordance with Section 4.1.9.

4.1.9 All payments from the Purchaser to the Seller shall be made to the bank account or bank accounts designated by the Seller only subject to bank accounts being duly disclosed five Business Days prior to the Closing Date.

4.2 Reduction of Consideration

4.2.1 If any payment is made to the Purchaser or any Relevant Purchaser in respect of any claim for any breach of this Agreement or pursuant to an indemnity under this Agreement, the payment shall be made by way of adjustment of the consideration paid for the particular BOMAG Group Shares to which the payment and/or claim relates under this Agreement and the consideration shall be deemed to have been reduced by the amount of such payment.

4.2.2 If the payment and/or claim relates to the BOMAG Group Shares in more than one BOMAG Group Company, it shall be allocated in a manner which reflects the impact of the matter to which the payment and/or claim relates; if the payment and/or claim does not relate to any particular BOMAG Group Share in any BOMAG Group Company, it shall, unless the Purchaser expresses any specific interest that does not negatively affect the Seller, be allocated rateably to all the BOMAG Group Shares by reference to the proportions in which the consideration is allocated, and in each case the consideration shall be deemed to have been reduced by the amount of such payment.

4.3 Cash Management

The Cash Management System shall continue and be operated for the BOMAG Group Companies in accordance with past principles and practices up to and including 5 Business Days prior to the Closing Date and shall cease to be operated thereafter. The resulting balances will be settled prior to Closing. For the interim period between settlement of the balances and Closing, Seller shall make available cash to the BOMAG Group Companies in accordance with **Annex 4.3.**

5 Purchase Price Adjustment

If on the basis of the Closing Date Financial Statements (as defined in and finally agreed or determined in accordance with this Section 5), the Purchase Price is higher than the Preliminary Purchase Price, the Purchaser shall pay to the Seller an amount equal to the amount by which the Purchase Price exceeds the Preliminary Purchase Price. If, on the basis of the Closing Date Financial Statements, the Preliminary Purchase Price is higher than the Purchase Price, the Seller shall pay to the Purchaser an amount equal to the amount by which the Preliminary Purchase Price exceeds the Purchase Price. Any such amount to be paid by either Purchaser or the Seller (hereinafter referred to as the "**Purchase Price Adjustment**") shall be paid as follows:

5.1.1 Any Purchase Price Adjustment owed by the Purchaser shall be paid by the Purchaser by way of wire transfer - to be credited on the same day - free of any costs and fees no later than 10 Business Days after the Closing Date Financial Statements have become final and binding upon the Parties in accordance with this Section 5 to the account designated by Seller or within 10 Business Days after the notification of such bank account whichever is the later.

5.1.2 Any Purchase Price Adjustment owed by the Seller shall be paid by the Seller by way of wire transfer - to be credited on the same day - free of any costs and fees no later than 10 Business Days after the Closing Date Financial Statements have become final and binding upon the Parties in accordance with this Section 5 to the account designated by Purchaser or within 10 Business Days after the notification of such bank account whichever is the later.

5.1.3 Any payment to be made in accordance with this Section 5 shall include interest thereon calculated from the Closing Date to the date of payment at a rate per annum of 3-month EURIBOR plus 100 basispoints. Such interest shall accrue from day to day. In case that any interest becomes payable to the Purchaser under this Section, Purchaser is obliged to provide Seller with any applicable tax documents, including, without being limited thereto, the US forms W-9 or W-9(Ben), before such interest becomes payable. Seller is entitled to withhold any withholding Taxes according to the laws of the country of the Relevent Shareholder in case that the applicable Tax documents have not been provided by Purchaser.

5.2 Preparation of the Closing Date Financial Statements

The Financial Debt, the Cash, the Working Capital, each existing as per the Closing Date, as well as any Purchase Price Adjustment resulting therefrom, shall be determined on the basis of a:

5.2.1 "**Cash Statement**" shall mean a statement showing only the Cash (as defined herein) of the BOMAG Group Companies as of the Closing Date;

5.2.2 “**Debt Statement**” shall mean a statement showing only the Financial Debt (as defined herein) of the BOMAG Group Companies as of the Closing Date;

5.2.3 “**Working Capital Statement**” shall mean a statement showing only the Working Capital (as defined herein to be calculated in accordance with Sections 4.1.4 and Annex 1.6) of the BOMAG Group Companies as of the Closing Date.

The Cash Statement, the Debt Statement and the Working Capital Statement derived therefrom are hereinafter collectively referred to as the “**Closing Date Financial Statements**”. The draft of the Closing Date Financial Statements shall be prepared by the Seller’s Auditors upon instruction from the Seller and in cooperation with the Seller and the Purchaser.

5.3 For the avoidance of doubt, the receivable and reserve related to the Tax Risk shall not be included in the Working Capital Statement.

5.4 The Closing Date Financial Statements shall be drawn up in accordance with:

5.4.1 the policies, procedures and practices set out in **Annex 5.4**;

5.4.2 to the extent not inconsistent with paragraph 5.4.1, the same accounting methods, policies, procedures and practices, including the same judgments and estimation methodology utilized in preparing the estimated Financial Debt, Cash and Working Capital excess or shortfall, applied on a consistent basis;

5.4.3 to the extent not inconsistent with paragraphs 5.4.1 and 5.4.2, US-GAAP shall apply.

5.5 The Closing Date Financial Statements shall be drawn up as at close of business in the relevant locations as of the end of the day preceding the Closing Date and in case the Closing takes place in 2004, as of December 31, 2004. No account shall be taken of events taking place after the close of business (local time) on the Closing Date and regard shall only be made to information available to the Parties to this Agreement at that time.

5.6 The Closing Date Financial Statements shall be expressed in US$. Amounts in other currencies shall be translated into US$ at the exchange rates of the European Central Bank as published on the website of ECB (www.ecb.int/exchange/eurofxref/html/index.en.html) or such other site that comes to substitute it.

5.7 No later than 45 days following Closing, the Seller shall deliver to the Purchaser the Closing Date Financial Statements.

5.8 In order to enable the Seller and, upon his instructions, the Seller’s Auditors, to prepare and agree the Closing Date Financial Statements, the Purchaser and the

Relevant Purchasers shall keep up-to-date and, subject to reasonable notice, make available to the Seller's representatives and to the Seller's Auditors all books and records relating to the BOMAG Group Companies during normal office hours and co-operate with them with regard to the preparation of the Closing Date Financial Statements. The Purchaser agrees to make available the services of the employees of the BOMAG Group Companies as reasonably required to assist the Seller's Auditor in the performance of its duties under this Agreement.

5.9 To the extent the Purchaser does not within 15 days of reception by it of the Closing Date Financial Statements give notice to the Seller that it disagrees with the Closing Date Financial Statements or any item thereof, such notice stating the reasons for the disagreement in reasonable detail and specifying the adjustments which, in the Purchaser's opinion, should be made to the draft of the Closing Date Financial Statements (the "**Purchaser's Disagreement Notice**"), the Closing Date Financial Statement shall be final and binding on the Parties for all purposes. If the Purchaser gives a valid Purchaser's Disagreement Notice within such 15 days, the Purchaser and the Relevant Purchasers shall keep up to date and, subject to reasonable notice, make available to the Seller's representatives and the Seller's Auditors all books and records relating to the relevant part of the BOMAG Group Companies during normal office hours during the period from the date of the Purchaser's Disagreement Notice until the date on which such disagreement is resolved. The Seller and the Purchaser shall attempt in good faith to reach agreement in respect of the Closing Date Financial Statements and, if and to the extent they are unable to do so within 15 days of the Purchaser's Disagreement Notice, the Seller or the Purchaser may submit the disputed issues to Ernst & Young, Frankfurt am Main (the "**Expert Arbitrator**"). If Ernst & Young, Frankfurt am Main, does not accept its appointment as Expert Arbitrator, the Parties shall reach an agreement on another auditor as Expert Arbitrator without undue delay (*unverzüglich*). If such agreement is not reached within 10 Business Days after Ernst & Young, Frankfurt am Main rejected its appointment, the *Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf*, shall be asked to appoint another auditing firm that has to be internationally known and experienced in preparing financial statements under US-GAAP. It is expressly understood between the Parties that any Expert Arbitrator that performs services for any of the Parties or any Affiliate of any of the Parties will become immediately disqualified as Expert Arbitrator. In such case, the Parties shall reach an agreement on another auditor as Expert Arbitrator without undue delay (*unverzüglich*) and, if such agreement is not reached within 10 Business Days after the fact that the Expert Arbitrator performs services for any of the Parties or any Affiliate of any of the Parties became known to all Parties, the *Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf*, shall be asked to appoint another auditing firm that has to be internationally known and experienced in preparing financial statements under US-GAAP.

5.10 The Expert Arbitrator shall be instructed by the Party or the Parties submitting the dispute to render a decision regarding the disputed issues within a period of 20 Business Days, which decision shall be final and binding upon the Parties. The Expert

Arbitrator shall furthermore be instructed to make his decision strictly in accordance with the provisions of this Agreement, in particular to Section 5.4, Section 5.5 and this Section 5.10, and shall not have jurisdiction to hear or decide issues, claims or disputes not relating to the Purchase Price Adjustment in Section 5 of this Agreement, including claims for incorrect Purchasers' Assumptions under Section 10. The Expert Arbitrator shall give each of the Parties the opportunity to present their views in writing and in an oral hearing prior to rendering its decision and then shall render its decision in writing and stating detailed reasons for its conclusions. After the oral hearing, the Expert Arbitrator shall give each of the Parties the opportunity to submit an additional written statement. In rendering its decision, the Expert Arbitrator shall not go beyond the disputed issues or resolve on issues that have already been agreed upon or settled by the Parties or assign a value to any item greater than the greatest value for such item claimed by either Party or less than the smallest value for such item claimed by either Party.

5.11 The cost of the Expert Arbitrator shall be borne by the Parties pursuant to Section 91 et seq. ZPO.

5.12 The draft of the BOMAG Germany Balance Sheets and of the BOMAG Unternehmensverwaltung Balance Sheets shall be prepared simultaneously with the Closing Date Financial Statements by the Seller's Auditors upon instruction from and in cooperation with the Seller. Subject to the applicable German GAAP, Sections 5.4 to 5.11 of this Agreement shall apply accordingly, provided that this Section does not affect the Purchase Price. Purchaser or the Relevant Purchaser acquiring BOMAG Germany and BOMAG Unternehmensverwaltung is obliged to approve (*feststellen*) the BOMAG Germany Balance Sheets and the BOMAG Unternehmensverwaltung Balance Sheets and to pass the respective shareholder's resolutions in accordance with the Seller's instructions it being understood that the provisions of this Section shall not prevent or prejudice any claim of the Purchaser to claim under this Agreement.

6 Closing Conditions

6.1 Preparation of Closing

6.1.1 The Parties shall make all reasonable preparations in order to expedite the consummation of this Agreement as soon as possible after fulfillment of the conditions pursuant to Section 6.2.1 below.

6.1.2 The Purchaser shall make any required merger filings without undue delay (*unverzüglich*) following the signing of this Agreement, provided, however, that the content of such filings shall require prior written approval of the Seller that cannot be unreasonably withheld. This shall apply, *mutatis mutandis*, to any further written communication with the relevant merger control authorities. The

Seller shall provide the Purchaser with any assistance reasonably requested by the Purchaser in relation to the required merger filings. The Seller and/or its legal advisors shall inform SPX and/or its legal advisors of all substantial contact which the Purchaser has with the merger control authorities. In addition, (i) the Purchaser shall provide to the Seller a copy of all substantial communications sent or received from the merger control authorities without undue delay (*unverzüglich)*), (ii) the Seller or the Seller's legal advisors shall be invited to attend all meetings and (iii) the Seller or the Seller's legal advisors shall be invited to take part in all substantial prearranged telephone conversation meetings with the merger control authorities. A filing cannot be withdrawn or left pending without the written consent of the Seller.

6.1.3 To the extent possible and reasonable, the Purchaser will, with the prior written approval of the Seller, enter into pre-notification discussions with and submit pre-notification submissions to the merger control authorities prior to the signing of this Agreement.

6.1.4 The Purchaser shall and shall cause any member of the Purchaser's Group to take all steps necessary to obtain approvals from the competent merger control authorities, including, without limitation, (i) all steps necessary to effect the divestment of particular assets or businesses of the Purchaser of any member of the Purchaser's Group or the BOMAG Group Companies; and (ii) agreeing to enter into a hold-separate arrangement with a trustee approved by the relevant merger control authority pending such divestment. For the avoidance of doubt, neither the Seller nor any member of the Seller's Group shall be subjected to or obliged to fulfill any conditions or obligations imposed by any competent merger control authority which in any way affect any part of the Seller's Group or its business.

6.2 Closing Conditions

The agreement to sell and purchase and transfer the BOMAG Group Shares contained in Section 2.1 is conditional upon satisfaction of the following conditions, or their satisfaction subject only to Closing:

6.2.1 All competent merger control authorities:

(i) taking a decision that the sale of the BOMAG Group Shares to the Purchaser does not give rise to a concentration falling within the scope of the relevant competition laws; or

(ii) taking a decision approving the sale of the BOMAG Group Shares to the Purchaser with or without imposing any conditions or obligations to be fulfilled by the Purchaser; or

(iii) not taking a decision to oppose or approve the transaction within the time limit as set out by the relevant competition laws.

6.2.2 The profit and loss transfer agreements between BOMAG Unternehmensverwaltung and BOMAG U.L.M. dated November 8, 2003 and between BOMAG Germany and BOMAG U.L.M. dated October 7, 2002 have been terminated effective on or prior to the Closing Date, with registration of the change of the fiscal years of both companies occuring prior to such termination, as applicable.

6.2.3 The Pre-Closing Restructuring has been completed.

6.2.4 The BOMAG Group Companies have been released from all obligations under the Seventh Amended and Restated Credit Agreement, dated October 6, 1998, as amended and restated as of February 12, 2004.

6.2.5 The cash management agreements between the BOMAG Group Companies and Bank Mendes Gans and the local cash pooling agreement (Cash-Management-Vertrag) dated July 1, 2003 between BOMAG Germany and BOMAG U.L.M. have been terminated effective on or prior to the Closing Date and the resulting balance has been settled in accordance with Section 4.3.

6.2.6 No Material Adverse Effect has occured or become known between the date of this Agreement and the Closing Date.

6.3 Satisfaction/Waiver

6.3.1 The Seller shall use its best endeavors to ensure the satisfaction of the conditions set out in Section 6.2.1 as soon as possible and of the conditions set out in Sections 6.2.2 to 6.2.5 at the Closing Date at the latest and the Purchaser shall use its best endeavors to ensure the satisfaction of the conditions set out in Section 6.2.1 as soon as possible.

6.3.2 The Party responsible for satisfaction of each condition shall give notice to the other Party of the satisfaction of the relevant conditions within two Business Days of becoming aware of the same.

6.3.3 If legally permitted, the Purchaser may at any time waive in whole or in part and conditionally or unconditionally the conditions set out in Section 6.2.6 by notice in writing to the Seller.

6.3.4 If Closing has not occurred until six months after the date of this Agreement the Purchaser or the Seller may, in its sole discretion, terminate this Agreement by written notice to the other Party and no Party shall have any claim against any other under it, save for any claim arising in relation to Section 6.3.6.

6.3.5 If Closing has not occurred until six months after the date of this Agreement due to the fact that the Closing Conditions in Sections 6.2.2 and 6.2.3 and 6.2.5 have not been fulfilled by Seller, Purchaser may, by written declaration to the Seller, extend the six month termination period pursuant to Section 6.3.4 to a period up to six months. If after such additional six month period, the above mentioned Closing Conditions are not met then the Agreement shall be automatically nul and void except if Purchaser and SPX decide otherwise.

6.3.6 If the Closing Condition pursuant to Section 6.2.1 has not occurred within five months after the date of this Agreement, and regardless of Section 6.3.5, the Seller or the Purchaser may terminate this Agreement (*Rücktritt vom Vertrag*) by written notice to the other Party. Any termination under this Section 6.3.6 shall only be valid, if the recipient Party has received such written notice of termination prior to the date on which the relevant Closing Condition has been satisfied or waived.

If this Agreement is terminated in accordance with this Section, this Agreement shall cease to have force and effect and shall not create any binding obligation between the Parties except that Sections 15 (Confidentiality) and 18.2 to 18.9 (Miscellaneous) shall remain in force and effect.

6.3.7 If Closing has not occurred until five months after the date of this Agreement or if it otherwise becomes clear by objective measures (*objektive Maßstäbe*), that the Closing Condition pursuant to Section 6.2.1 will not be satisfied due to the fact that a competent merger control authority pursuant to Section 6.2.1 has not approved the transaction contemplated in this Agreement, subject to the Seller fully complying with its obligation pursuant to Section 6.3.1, Seller may request consummation of Closing subject to the following modifications:

(i) Seller shall keep the BOMAG Group Shares, sale and transfer of which is not permitted due to the outstanding clearance by the competent merger control authority for a maximum period of 12 months. Following the receipt of the outstanding merger control clearance, Seller shall transfer, or cause the Respective Shareholder to transfer, the BOMAG Group Shares pursuant to this Agreement to the Purchaser. If such transfer does not occur within this 12 month period, Purchaser may designate a third party to which Seller may transfer the respective BOMAG Group Shares in compliance with applicable antitrust law.

(ii) Purchaser will pay on the Closing Date the full Purchase Price as stated in this Agreement without taking into account the non occurrence of the transfer of any or all of the BOMAG Group Shares.

(iii) Purchaser will fully indemnify and hold harmless Seller from any Losses or liabilities arising from the fact that the BOMAG Group Shares have to be kept by Seller after Closing and the transfer of such BOMAG Group Shares to Purchaser or its designee, it being understood that Seller shall inform Purchaser before the payment of out-pocket expenses in excess of US$ 100,000.

(iv) The Parties will agree on a reasonable management fee to be paid from Purchaser to Seller for the time period Seller has to keep BOMAG Group Shares following the Closing Date.

7 Conduct of Business prior to Closing

Seller undertakes to procure that between the date of this Agreement and Closing each BOMAG Group Company:

7.1 shall carry on its business as a going concern in the ordinary course as carried on prior to the date of this Agreement, save in so far as agreed in writing by the Purchaser, such consent not to be unreasonably withheld or delayed, or as otherwise provided herein;

7.2 shall or shall procure that the relevant members of the Seller's Group shall, to the extent possible, maintain in force all existing insurance policies on the same terms and similar level of cover prevailing at the date of this Agreement for the benefit of the BOMAG Group Companies until the Closing Date;

7.3 shall not without the prior written consent of the Purchaser, such consent not to be unreasonably withheld or delayed:

7.3.1 enter into any agreement or incur any commitment involving any capital expenditure in excess of US$ 1,000,000 per item and US$ 5,000,000 in aggregate, in each case exclusive of VAT;

7.3.2 enter into any agreement or incur any commitment which is not in the ordinary course of business or which involves or may involve total annual expenditure in excess of US$ 1,000,000, exclusive of VAT;

7.3.3 acquire or dispose of, or agree to acquire or dispose of, any asset or stocks, involving consideration, expenditure or liabilities in excess of US$ 2,000,000, exclusive of VAT, in the individual case, other than in the ordinary course of business;

7.3.4 acquire or agree to acquire any share, shares or other interest in any company, partnership or other venture;

7.3.5 incur any additional borrowings or incur any other indebtedness in each case in excess of US$ 3,000,000 other than in the ordinary course of business;

7.3.6 create, allot or issue, or grant an option to subscribe for, any share capital of any BOMAG Group Company.

7.4 Any activity in relation to the Pre-Closing Restructuring shall be permitted and shall not require any Purchaser's approval.

7.5 Until such time as all merger control authorities to whom a competition filing has been made, clear the transaction or after such clearance is deemed to have been given following the expiry of the relevant waiting period, the Purchaser shall not, directly or indirectly, exercise influence over the BOMAG Group Companies in such a way as to affect competitive conditions in any jurisdiction, nor shall any steps be taken towards the integration of the Purchaser's Group and the BOMAG Group Companies which are not reasonably necessary to enable integration following Closing.

8 Closing

It is the common intention of the Parties that Closing will take place on December 31, 2004.

8.1 Date and Place

Closing shall take place at 10.00 h German time (i) with regard to the transfer of the Shares in BOMAG Unternehmensverwaltung and the other transactions pursuant to Section 8.2.1 and 8.2.3 through 8.2.5, at the offices of Linklaters Oppenhoff & Rädler in Frankfurt am Main, and (ii) with regard to the transfer of the Shares of the other BOMAG Group Companies at the offices of the respective BOMAG Group Company and

8.1.1 on the first Business Day of the following month, if the conditions set out in Section 6.2.1 are fulfilled or waived up to and including the 10th calendar day of a month and notified to the other Party within such timeframe, or

8.1.2 on the first Business Day of the month after next, if the conditions set out in Section 6.2.1 are fulfilled or waived on or after the 11th calendar day of a month and/or are notified to the other Party within such timeframe,

and/or at such other location, time or date as may be agreed between the Purchaser and the Seller. Closing shall be effective as of 24.00 h of the previous day / 00.00 h of the Closing Date German time. For purposes of the Closing in different time zones, the Closing shall be deemed to be effective as of 24.00 h of the previous day / 00.00 h of the Closing Date in the applicable time zone.

Subject to the conditions in Section 6.2.1, and in the time period between December 10 and December 31, 2004, if the conditions set out in Section 6 can be fulfilled in the time before Closing, Seller may choose at its sole discretion to hold Closing on any Business Day in December 2004. Closing shall take place at 10.00 h German time at the offices of Linklaters Oppenhoff & Rädler in Frankfurt am Main, effective as of 24.00 h of 31 December 2004 German time. For purposes of the Closing in different time zones, the Closing shall be deemed to be effective as of 24.00 h of 31 December 2004 in the applicable time zone.

Any Closing Events shall occur simultaneously.

8.2 Closing Events

On Closing, the Parties shall comply with their respective obligations as follows:

8.2.1 Purchaser shall pay the Preliminary Purchase Price to the Seller in cash as set forth in Section 4.1.8.

8.2.2 The BOMAG Group Shares shall be transferred as follows:

(i) Germany

The Relevant Shareholders and the Relevant Purchaser shall notarize a transfer agreement through which the Relevant Shareholder transfers title to the BOMAG Group Shares in BOMAG Unternehmensverwaltung to the Relevant Purchaser, and the Relevant Purchaser accepts such transfer, a draft of such transfer agreement is attached to this Agreement as **Annex 8.2.2(i)**.

(ii) France

In relation to any BOMAG Group Shares having the form of *actions* in BOMAG France, the Relevant Shareholder shall deliver to the Relevant Purchaser duly completed, executed and dated share transfer forms (*ordres de mouvements*) in favor of the Relevant Purchaser (together with tax returns for payment of the stamp duties), drafts of such share transfer forms are attached to this Agreement as **Annex 8.2.2 (ii)**.

(iii) Italy

In relation to any BOMAG Group Shares of Italian limited liability companies (*società a responsabilità limitata*) the Relevant Shareholder and the Relevant Purchaser shall execute a notarized deed of conveyance in the agreed terms as set forth in **Annex 8.2.2(iii)** for the transfer of the relevant BOMAG Group Shares to the Relevant Purchaser.

(iv) United Kingdom

The Relevant Shareholders shall deliver or make available to the Relevant Purchasers transfer of the BOMAG Group Shares in BOMAG UK duly executed by the registered holders in favor of the Relevant Purchaser, accompanied by the relevant share certificate (or an express indemnity in a form satisfactory to the Relevant Purchaser in case of any certificate found to be missing);

(v) Austria

The Relevant Shareholder and the Relevant Purchaser shall notarize a transfer agreement through which the Relevant Shareholder transfers title to the BOMAG Group Shares in BOMAG Austria to the Relevant Purchaser, and the Relevant Purchaser accepts such transfer, a draft of such transfer agreement is attached to this Agreement as **Annex 8.2.2(v)**.

(vi) USA

The Relevant Shareholders shall deliver or make available to the Relevant Purchasers certificates representing the relevant Shares in

BOMAG Americas, duly endorsed by the Relevant Shareholder for transfer to the Relevant Purchaser or accompanied by duly executed stock powers in blank.

(vii) Canada

The Parties shall execute and file all appropriate documents and undertake all necessary steps to execute the transfer of the shares in BOMAG Canada.

(viii) Japan

The Relevant Shareholder and the Relevant Purchaser shall execute a share transfer agreement through which the Relevant Shareholder transfers title to the relevant BOMAG Group Shares in BOMAG Japan to the Relevant Purchaser, and the Relevant Purchaser accepts such transfer, a draft of such transfer agreement is attached to this Agreement as **Annex 8.2.2(viii)**.

(ix) China

The Parties shall execute and file all appropriate documents and undertake all other necessary steps resulting from or required by the indirect transfer of BOMAG China.

8.2.3 At Closing Seller and Purchaser shall confirm in writing that the Closing Conditions contained in Section 6 have been fulfilled and the Closing Events contained in Section 8 have occurred.

8.2.4 At Closing, the Relevant Shareholders shall hand over to Purchaser resignation letters of all supervisory board members (except for supervisory board members appointed by the employees according to German law) and directors of the BOMAG Group Companies. In addition, to the extent permitted, Seller shall take the necessary steps to convene the relevant corporate bodies so as to appoint the new directors or members of supervisory boards effective as of the Closing Date to be designated by Purchaser not later than five Business Days prior to the Closing Date and requested by Purchaser in writing.

8.2.5 At Closing, the Purchaser shall release or cause the release of all Seller Insurance Policies which covered the BOMAG Group Companies prior to the Closing Date provided that Seller shall disclose to Purchaser summaries of such insurance policies not later than 15 Business Days after the execution of this Agreement.

8.2.6 Where required, Purchaser and Seller shall provide evidence that all works council consultation or similar proceedings have been complied with.

9 Sellers' Assumptions

9.1 Within the meaning and with the legal consequences according to Section 9.2 below, this Agreement is based on the following assumptions being true and correct on the day hereof and on the Closing Date (hereinafter referred to as **"Seller's Assumptions"):**

9.1.1 Incorporation

Each of the Purchaser and the Relevant Purchasers is validly existing and a company duly incorporated and registered under the law of its jurisdiction of incorporation and registration.

9.1.2 Authority to enter into Agreement

(i) Each of the Purchaser and the Relevant Purchasers has the legal right and full power and authority to enter into and perform this Agreement, any Local Transfer Document to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Local Transfer Document.

(ii) The documents referred to in paragraph (i) will, when executed, constitute valid and binding obligations on the Purchaser and the Relevant Purchasers in accordance with their respective terms.

9.1.3 Authorization

Each of the Purchaser and the Relevant Purchasers has taken or will have taken by Closing all corporate action required by it to authorize it to enter into and perform this Agreement, any Local Transfer Document to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Local Transfer Document.

9.1.4 Financing

At the relevant time for payment, the Purchasers will be able to pay the Preliminary Purchase Price and any Purchase Price Adjustment from its then existing banking facilities and available cash.

9.1.5 Claims

The Purchaser is not aware of any circumstance which as of today entitles Purchaser to any claim under Sections 10, 11 or 13 of this Agreement.

9.2 If and to the extent that a Seller's Assumption pursuant to Section 9.1, above, is incorrect, the provision of this Section 9.2 shall apply, it being understood (i) that according to the joint intention of the Parties those provisions shall originally and finally define the legal consequences of, and provide the exclusive remedy for, the incorrectness of any of the Seller's Assumptions, and (ii) that these provisions and the Seller's Assumptions made in Section 9.1 above shall constitute one integral, unseverable provision regarding the allocation of risks regarding the subject matter of the Seller's Assumptions, irrespective of fault.

Insofar as a Seller's Assumption pursuant to Section 9.1 above should be incorrect, the Purchaser shall be entitled to put the Seller in the situation he would have been in, had the Seller's Assumption been correct. This shall apply irrespective of whether such Seller's Assumption is made with regard to a quality (*Beschaffenheit*) or not.

10 Purchasers' Assumptions

Within the meaning and with the legal and contractual consequences according to Sections 11 and 12 below, this Agreement is based on the following assumptions being true, correct and complete in all respects covered or addressed by each of them on the day hereof and on the Closing Date (hereinafter referred to as "**Purchasers' Assumptions**") except as otherwise disclosed in the Disclosure Schedule:

10.1 Authority and Capacity

10.1.1 Each of the Seller, the Relevant Shareholders and each BOMAG Group Company is validly existing and is a company duly incorporated and registered under the law of its jurisdiction of incorporation and registration.

10.1.2 Each of the Seller and the Relevant Shareholders has the legal right and full power and authority to enter into and perform this Agreement, any Local Transfer Document to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Local Transfer Document.

10.1.3 The documents referred to in paragraph 10.1.2 will, when executed, constitute valid and binding obligations on the Seller and the Relevant Shareholders, in accordance with their respective terms.

10.1.4 Each of the Seller and the Relevant Shareholders has taken or will have taken by Closing all corporate action required by it to authorize it to enter into and to perform this Agreement, any Local Transfer Document to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Local Transfer Document.

10.1.5 The Seller is not aware of any circumstances which would entitle Purchaser to any claim under Sections 10, 11 or 13 of this Agreement.

10.2 Insolvency etc.

10.2.1 No BOMAG Group Company is or is likely to become insolvent or overindebted under the laws of its jurisdiction of incorporation and registration or unable to pay its debts as they fall due, subject to the Purchaser providing sufficient financing following Closing.

10.2.2 There are no proceedings in relation to any compromise or arrangement with creditors or any winding up, bankruptcy or other insolvency proceedings concerning any BOMAG Group Company.

10.3 Corporate Information

10.3.1 The BOMAG Group Shares and the BOMAG Group Companies

(i) The Seller is the indirect owner and the Relevant Shareholders are the direct Shareholders of the BOMAG Group Shares. Hence, the Seller or the Relevant Shareholders have proper and full ownership of the Shares.

(ii) Except for BOMAG Japan and BOMAG China, the BOMAG Group Shares comprise the whole of the issued share capital of the BOMAG Group Companies, have been properly and validly issued and are each fully paid. The Shares in BOMAG Japan comprise 90%, the Shares in BOMAG China 80% of the issued share capital of BOMAG Japan and BOMAG China, respectively.

(iii) No person has the right (whether exercisable now or in the future and whether contingent or not) to call for the allotment, conversion, issue, registration, sale or transfer, amortization or repayment of any share capital or any other security giving rise to a right over, or an interest in, the capital of any BOMAG Group Company under any option, agreement or other arrangement (including conversion rights and rights of pre-emption).

(iv) At the Closing, there will be no Encumbrances on the BOMAG Group Shares in any BOMAG Group Company, unless arranged for by Purchaser.

(v) All consents for the transfer of the Shares except for any merger clearance have been obtained or will be obtained by the Closing.

(vi) The particulars contained in Annex 1.1 are true and accurate in all aspects.

10.3.2 Constitutional Documents, Corporate registers and minute books

(i) The constitutional documents for BOMAG Americas, BOMAG Canada, BOMAG Germany, BOMAG UK, BOMAG France, BOMAG Italy, BOMAG Austria, BOMAG Japan, BOMAG Unternehmensverwaltung and BOMAG China as attached in **Annex 10.3.2 (i)**, are true and accurate copies of the constitutional documents of the BOMAG Group Companies as currently in effect, no amendments or supplements to the constitutional documents have been agreed or resolved, and other than

the intercompany agreements referenced in Section 15.2, no further agreements exist between the Relevant Shareholders and the relevant BOMAG Group Company, which affect the relationship between the Relevant Shareholders and the relevant BOMAG Group Company, and, to Seller's Knowledge, there have not been and are not any breaches by any BOMAG Group Company of its constitutional documents as amended from time to time which would have a Material Adverse Effect.

(ii) Except the intercompany agreements referenced in Section 14.2, none of the BOMAG Group Companies is party to a contract between business enterprises within the meaning of Section 291 and 292 German Stock Corporation Akt (*AktG*) or similar agreements, including, but not limited to control agreements, agreements to transfer profits, profit pool agreements, agreement to transfer a portion of profit, or company lease agreement (*Betriebspachtverträge*).

(iii) The registers and minute books required to be maintained by each BOMAG Group Company under the law of the jurisdiction of its incorporation, if any, are up-to-date; are maintained in accordance with applicable law; and contain records of all matters required to be dealt with in such books and records, in each case except where the failure to do so would not have a Material Adverse Effect.

10.3.3 Except for the partnership interest of BOMAG Unternehmensverwaltung in BOMAG GmbH & Co. OHG, no BOMAG Group Company holds or has held within the past five years any shareholding or interest in companies, partnerships, joint-ventures or other entities where the partners or shareholders' liability is unlimited.

10.4 Financial Statements

Seller has delivered to Purchaser the financial statements of the BOMAG Group Companies all of which are audited in accordance with local GAAP except for the financial statements of BOMAG Americas and BOMAG Canada, which are unaudited as at November 30, 2003 (except for BOMAG GmbH, where the financial statements relate to January 31, 2004 and except for BOMAG China where the financial statements relate to December 31, 2003) (collectively, the "**Financial Statements**"), copies of which are attached to this Agreement for the purpose of evidence only in **Annex 10.4**. The Financial Statements truly and accurately reflect the financial performance of the BOMAG Group Companies as at the respective dates indicated and for the respective periods then ended in conformity with local GAAP (except as set forth in the notes thereto).

10.5 Guarantees

Except for retention of title in the ordinary course of business there is no outstanding guarantee, indemnity, suretyship or security given by any BOMAG Group Company or for the benefit of any BOMAG Group Company.

10.6 Real Property

10.6.1 **Annex 10.6.1** contains a list of all real property owned by the BOMAG Group Companies. The BOMAG Group Companies have title to all such property free and clear of all Encumbrances except for Permitted Encumbrances and except as disclosed in such Annex.

10.6.2 **Annex 10.6.2** contains a list of all lease agreements regarding real property, including ground lease or building lease, providing for an annual rent in the excess of US$ 50,000.

10.7 Ownership of Assets

10.7.1 All assets included in the Financial Statements or acquired by any of the BOMAG Group Companies since the date of the respective Financial Statement, other than any assets disposed of or realized in the ordinary course of business, and excepting rights and retention of title arrangements arising by operation of law or in the ordinary course of business and except where such failure would not have a Material Adverse Effect:

(i) are owned by the BOMAG Group Companies; and

(ii) are, where capable of possession, in the possession or under the control of the relevant BOMAG Group Company;

10.7.2 BOMAG Holding owns the assets to be transferred to a designee of Purchaser prior to or as of the Closing Date pursuant to Annex 1.2.

None of such assets is the subject of an Encumbrance, except for Permitted Encumbrances.

10.8 Sufficiency of Assets

Subject to the Pre-Closing Restructuring, to the Seller’s Knowledge, the property, rights and assets currently owned, leased or otherwise used by the BOMAG Group Companies comprise all the property, rights and assets necessary for the carrying on of the BOMAG Business substantially in the manner in, and to the extent to, which it is presently being conducted, except where failure to own, lease or otherwise use such property, rights or assets would not have a Material Adverse Effect.

10.9 Intellectual Property

10.9.1 All of the patents, trademarks, trade names and copyrights (other than the SPX name) which are necessary for or are used in or in connection with, the

BOMAG Business, are either exclusively owned by the BOMAG Group Companies or the BOMAG Group Companies have a right to use these under an exclusive, valid and enforceable, irrevocable licensing arrangement which has an indefinite term and cannot be terminated by the licensor except for cause. All of such patents, trademarks, trade names and copyrights, and pending applications thereof, are set forth in **Annex 10.9.1.** To the Seller's Knowledge, none of such patents, trademarks, trade names and copyrights and pending applications thereof does infringe any third party rights.

10.9.2 Since July 1, 2001, no person has asserted any written claim based upon the use of any patent, trademark, trade name or copyright by, or in connection with the BOMAG Business, which claims would have a Material Adverse Effect;

10.9.3 Since July 1, 2001, to the Seller's Knowledge, none of the intellectual property rights listed in Annex 10.9.1 have been infringed by any third party.

10.10 Contracts

10.10.1 Contracts

No BOMAG Group Company is a party to any contract, arrangement, understanding or obligation (other than in relation to any property, lease or contract of employment) the aggregate value of which (exclusive VAT) is above US$ 50,000 and which:

(i) is not in the ordinary course of business;

(ii) is of a long term nature that is unlikely to have been fully performed, in accordance with its terms, more than 12 months after the date on which it was entered into or undertaken;

(iii) involves the supply or distribution of goods and services, the aggregate sales value of which (exclusive of VAT) will be more than 15 per cent of turnover of the business of the respective BOMAG Group Company (exclusive of VAT) for the preceding financial year;

(iv) restricts the kinds of businesses in which any of the BOMAG Group Companies may engage or the geographical area in which any of the BOMAG Group Companies may conduct its business;

(v) is an indenture, mortgage, loan agreement or other commitment for the borrowing of money or a line of credit (other than the Seventh Amended and Restated Credit Agreement, dated as of October 6, 1998, as Amended and Restated as of February 12, 2004, between SPX Corporation, the foreign subsidiary borrowers party thereto and the lenders thereto); or

(vi) is a joint venture, partnership or similar agreement;

(vii) can be terminated or modified to the detriment of the relevant BOMAG Group Company by its counter party as a result of the executions of this Agreement or the consummation of the transactions contemplated by this Agreement.

10.10.2 **Annex 10.10.2** contains a list of all leasing agreements of the BOMAG Group Companies, other than agreements related to real estate, the aggregate value of which (exclusive VAT) is above US$ 30,000.

10.10.3 Each of the contracts and arrangements listed in Annex 10.10.2 is a valid and binding obligation of a BOMAG Group Company and is enforceable against such BOMAG Group Company in accordance with its terms, except to the extent such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), and no BOMAG Group Company and, to Seller's Knowledge, no party is in default under such contract or arrangement except in each case for such failures to be valid, binding, and enforceable and for such defaults that would not have a Material Adverse Effect.

10.11 Employees and Employee Benefits

10.11.1 Employees and Terms of Employment

Annex 10.11.1 contains a list, in relation to each BOMAG Group Company, of the employees, including officers and managing directors, of the BOMAG Group Company earning in excess of US$ 100,000 per annum, their position, the salary and other benefits, period of continuous employment or start date of each Employee.

10.11.2 Works Councils and Employee Representative Bodies

Annex 10.11.2 lists all works councils and employee representative bodies which by law or any collective bargaining agreement have the right to be informed and consulted on matters which affect the employees of the BOMAG Group Companies.

10.11.3 Collective Bargaining Agreements etc.

Other than national collective bargaining agreements or industry wide collective agreements, the union recognition agreements, collective agreements and European Works Council agreements or shop agreements listed in the **Annex 10.11.3** there are no agreements between the BOMAG Group Companies and trade unions or representative bodies.

10.11.4 Pension Plans

Annex 10.11.4 lists all pension plans or arrangements (other than arrangements mandated by statute) regarding the Employees of the BOMAG Group Companies. Provisions for pension obligations under German law have been made in the financial statements of BOMAG GmbH as of January 31,

2004 in accordance with § 6a of the German Income Tax Act (*Einkommensteuergesetz*). All company pensions of the employees of BOMAG Germany are based on the Pension Plan 1991 and the employees are not entitled to any other company pension commitments other than those resulting from the Pension Plan 1991.

10.11.5 Termination of Employment Contracts

Save as disclosed in **Annex 10.11.5**, none of the employment contracts of any employee including officers and managing directors of any BOMAG Group Company is (i) subject to restrictions on the termination of the relevant employment relationship which exceeds the statutory restrictions or restrictions in collective bargaining agreements (except for notice periods) and (ii) does contain any obligation for severance payment in case of termination. Annex 10.10.5 contains a list of all employees including officers and managing directors of the BOMAG Group Companies with a notice period exceeding six months.

10.11.6 Phased Retirement (Altersteilzeit)

Annex 10.11.6 contains a list of all employees of the BOMAG Group Companies which have agreed to phased retirement listing the date of commencement and the termination date of both the phased retirement agreement and/or the period in which the relevant employee is released from his or her duty to work.

10.11.7 US Benefit Plans

All benefit plans affecting US Employees conform to, and the administration thereof is in compliance with, their respective terms and all applicable laws and regulations, including without limitation the Employee Retirement Income Security Act, as amended ("**ERISA**") and the United States Internal Revenue Code of 1986, as amended (the "**Code**"). All contributions required, by law or by contract, to be made to any such benefit plan by the BOMAG Group Companies for any plan year, or other period on the basis of which contributions are required, ending before the date hereof, and as of the Closing Date have been and will be made. The BOMAG Group Companies have complied in all material respects with all reporting and disclosure requirements with respect to each such benefit plan. The BOMAG Group Companies have not participated, maintained, contributed or incurred any liability or obligation with respect to, nor will any of the Purchaser Group be required to participate, maintain or contribute or make payment to, or have any liability or obligation under or with respect to, any multi-employer employee benefit plan (whether by reason of being a member of an affiliated group of companies, one of which maintains such a plan, or otherwise). There are no unfunded accrued benefits under any such benefit plans.

10.11.8 US Prohibited Transactions

No benefit plan (including any trust created thereunder), nor any trustee or administrator thereof, nor the Seller has engaged in any transaction prohibited by any law which could subject any of the BOMAG Group Companies, or any of the Purchaser's Group or any benefit plan or trustee or administrator to any penalty imposed under any law or to any tax imposed by any law.

10.11.9 PBGC, Reportable Event, Etc.

No liability under Title IV of ERISA has been incurred and no condition exists that presents a risk of any of the Purchaser's Group incurring a liability under Title IV other than liability for premiums due the Pension Benefit Guaranty Corporation (the "**PBGC**") which premiums have been paid when due. The PBGC has not instituted any proceeding to terminate any benefit plan and no condition exists that presents a risk that such proceeding will be instituted. No "reportable event" as that term is defined in ERISA has occurred with respect to any of the benefit plans.

10.11.10 US Benefit Plans Funding

No benefit plan or trust has incurred any accumulated funding deficiency within the meaning of Section 302 of ERISA or Section 412 of Code, and no plan subject to Section 412 of Code or 302 of ERISA has applied for or obtained a waiver from the IRS of any minimum funding requirement under Section 412 of the Code. All contributions required to be made with respect thereto on or prior to the Closing Date have been timely made.

10.12 Legal Compliance

10.12.1 Licenses and Consents

All licenses, consents, authorizations, orders, warrants, confirmations, permissions, certificates, approvals, registrations and authorities (excluding Environmental Permits) have been obtained, are in force and, to Seller's Knowledge, are being complied with, except where the failure to obtain, maintain or comply with such licenses, consents, authorizations, orders, warrants, confirmations, permissions, certificates, approvals, registration and authorities would prevent or restrict the BOMAG Group Companies from conducting their BOMAG Business as currently conducted.

10.12.2 Compliance with Laws

Except with respect to Environmental Law and Environmental Permits:

(i) To Seller's Knowledge, there is no investigation, disciplinary proceeding or enquiry by, or order, decree, decision or judgment of, any court, tribunal, arbitrator, governmental agency or regulatory body outstanding against any BOMAG Group Company which would have a Material Adverse Effect.

(ii) No BOMAG Group Company has received any written notice during the past 12 months from any court, tribunal, arbitrator, governmental agency or regulatory body with respect to a violation and/or failure to comply with any such applicable law, regulation, or requiring it to take or omit any action which would have a Material Adverse Effect.

(iii) Since July 1, 2001, (a) the operations of the BOMAG Group Companies have been and are conducted in compliance and (b) the products of the BOMAG Group have been and are manufactured in compliance with all applicable laws and regulations, except where failure to comply would not have a Material Adverse Effect.

10.13 Environment

10.13.1 To Seller's Knowledge and since January 1, 2003, each BOMAG Group Company is conducting its business in compliance with Environmental Law currently in effect, except where failure to comply would not have an Environmental Material Adverse Effect.

10.13.2 All Environmental Permits have been obtained, are in force and, to Seller's Knowledge, have been complied with since January 1, 2003, except where failure to obtain, maintain or comply with Environmental Permits would not have an Environmental Material Adverse Effect.

10.13.3 No BOMAG Group Company has received any written notice since January 1, 2003 of any civil, criminal, regulatory or administrative action, claim, investigation or other proceeding or suit relating to Environmental Law or Environmental Permits, which would have an Environmental Material Adverse Effect.

10.13.4 No BOMAG Group Company has received written notice since January 1, 2003 that either (i) an Environmental Authority is intending to revoke, suspend, vary or limit any Environmental Permits or (ii) any amendment to any Environmental Permit is required to enable the continued operation of the BOMAG Business, and which would have an Environmental Material Adverse Effect.

10.13.5 To the Seller' s Knowledge, there is no Environmental Contamination existing in relation to any of the assets owned or leased by any BOMAG Group Company including real property, which would have an Environmental Material Adverse Effect. For the purpose of this Section 10.13.5, Environmental Contamination means any pollution of, or the condition of, air, soil, ground water, surface water and buildings, which violates Environmental Law.

10.13.6 Certain BOMAG Group Companies manufactured certain walk-behind rollers and plates, rubber tire rollers and single drum rollers in Germany between 1969 and 1994 that included a component part containing asbestos. To the

Seller's Knowledge, a total of approximately 7,000 of those units were manufactured in Germany and shipped to the United States for distribution during the time period of approximately 1981 to current (records do not exist for earlier periods). Seller believes approximately five percent (5%) of units shipped to the United States were distributed to countries outside of the United States after they reached BOMAG America's U.S. plant.

Seller estimates that the normal lifespan of these units is as follows: (i) walk-behind rollers and plates up to ten (10) years, and (ii) large, ride-on rollers: up to 15 years. The walk-behind rollers and plates were manufactured between 1969 and 1988. With a 10-year life-span, Seller believes most of these type rollers and plates are no longer in service. The rubber tire rollers with asbestos containing components were manufactured between 1980 and 1994. The single drum rollers with asbestos containing components were manufactured between 1980 and 1989. With a 15-year life span, Seller believes that most of the units manufactured prior to 1990 would no longer be in service.

Finally, most units would require routine maintenance and replacement of the asbestos containing components at approximately the five-year point after manufacture. Any unit, which underwent such maintenance may have had any such asbestos component replaced with non-asbestos component parts.

10.14 Litigation

10.14.1 Current Proceedings

No BOMAG Group Company is involved whether as claimant or defendant or other party in any claim, legal action, proceeding, suit, litigation, prosecution or arbitration. To Seller's Knowledge, no BOMAG Group Company is involved in any investigation or enquiry with respect to which there is the reasonable likelihood of a determination that would have a Material Adverse Effect.

10.14.2 Threatened Proceedings

No claim, legal action, proceeding, suit, litigation, prosecution, investigation, enquiry or arbitration against any BOMAG Group Company has been notified to any BOMAG Group Company in writing that would have a Material Adverse Effect.

10.15 Insurance

A list of particulars of the insurance policies of the BOMAG Group Companies Material to the business of the BOMAG Group Companies is contained in **Annex 10.15** (the **"Seller Insurance Policies**"). In respect of the Seller Insurance Policies, all premiums have been duly paid to date and will be paid until Closing. The Seller has not received any written notification from insurance carriers purporting to cancel coverage under any such insurance policies.

10.16 Taxes

10.16.1 The BOMAG Group Companies have timely and duly filed all Tax Returns required under the applicable law and relating to periods up to the date of this Agreement with the appropriate Tax Authority and will do so until Closing.

10.16.2 The BOMAG Group Companies have timely paid all Taxes shown in such Tax Returns and will do so until Closing or have entered adequate provisions or liabilities in the statutory financial statements as of the Accounts Date to cover the full payment of all unpaid Taxes for all the periods up to the Accounts Date.

10.16.3 The BOMAG Group Companies have duly and timely withheld from employee salaries, wages and other compensation and paid over to the appropriate Tax Authority all amounts required to be so withheld and paid over for all periods up to the date of this Agreement and will do so until Closing.

10.17 Important Business Issues

Since the Accounts Date:

10.17.1 there has been no change in the financial position of the BOMAG Group Companies, which would have a Material Adverse Effect;

10.17.2 the BOMAG Business has been carried on as a going concern in the ordinary course, without any interruption or alteration in its nature, scope or manner which would have a Material Adverse Effect;

10.17.3 no capital commitment involving a capital expenditure in the aggregate of over US$ 5,000,000 has been entered into or proposed by any BOMAG Group Company;

10.17.4 the business of the BOMAG Group Companies has not been affected by the loss of any important customer or source of supply which would have a Material Adverse Effect;

10.17.5 the BOMAG Group Companies have not suffered any damage, destruction or casualty loss to its physical properties that would have a Material Adverse Effect;

10.17.6 no BOMAG Group Company has incurred or discharged any obligation or liability or entered into any other transaction except in the ordinary course of business and except for obligations, liabilities and transactions that would not have a Material Adverse Effect.

Any activity in relation to the Pre-Closing Restructuring shall be permitted and shall not require any specific disclosure in this Section.

10.18 Public Grants and Subsidies

All grants, subsidies, public loans and tax advantages have been used for the purpose to which they were paid, conditions attaching thereto have been observed and they will not have to be repaid upon the execution of this Agreement or the consummation of the transactions contemplated by this Agreement.

10.19 Seller's Knowledge

Any Purchaser's Assumption qualified by the expression to "Seller's Knowledge" or any similar expression shall mean that none of the persons whose names are set out in Annex 10.19 positively knows that such Purchaser's Assumption would be incorrect or incomplete if made without such qualification.

11 Seller's Liability

If and to the extent that a Purchaser's Assumption pursuant to Section 10, above, is incorrect or incomplete, the following provisions of Sections 11 and 12, below, shall apply, it being understood (i) that according to the joint intention of the Parties those provisions shall originally and finally define the legal and contractual consequences of, and provide the exclusive remedy for, the incorrectness of any of the Purchasers' Assumptions, (ii) that these provisions and the Purchasers' Assumptions made in Section 10 above shall constitute one integral, unseverable provision regarding the allocation of risks between Seller and Purchaser, irrespective of fault, and (iii) that claims under these provisions can only be raised by Purchaser after Closing.

11.1 Insofar as a Purchaser's Assumption pursuant to Section 10 above should be incorrect or incomplete, the Seller shall be entitled to put, either Purchaser or the BOMAG Group Company, as the case may be, in the situation they would have been in, had the Purchaser's Assumption been correct. This shall apply irrespective of whether such Purchaser's Assumption is made with regard to a quality (*Beschaffenheit*) of the BOMAG Group Companies or not.

11.2 The Purchaser shall promptly inform Seller without undue delay (*unverzüglich*) of any alleged breach of Purchaser's Assumption and shall set a deadline of at least one month to enable Seller to put, either Purchaser or the BOMAG Group Company, as the case may be, in the situation they would have been in, had the Purchaser's Assumption been correct. If Purchaser fails to comply with its obligation to inform Seller under this Section 11.2, then Purchaser shall not be entitled to make any claims or receive any payment, indemnity or relief for the acts or circumstances giving rise to the Purchaser's claim except to the extent Purchaser proves that Seller is not disadvantaged by such failure.

11.3 If and to the extent Seller fails, refuses or is unable to put, either Purchaser or the BOMAG Group Company, as the case may be, in the position they would have been in, had the Purchaser's Assumption been correct and to restore conformity pursuant to Section 11.1, above, Seller is (under express deviation from the calculation method provided for in Section 441 para 3 BGB) obliged to pay to the Purchaser the amount of the Loss suffered by the Purchaser or any of the BOMAG Group Companies, provided, however, that the following limitations and those in Section 12 shall apply:

11.3.1 Purchaser may only recover for established Losses;

11.3.2 no amount is payable for consequential damages, damage to reputation, lost business opportunities, lost profits, mental or emotional distress, interference with business operations, diminution in value, loss of good will, or other indirect damages;

11.3.3 no amount is payable if and to the extent Seller demonstrates that such Loss might or could have been avoided or mitigated by reasonable acts or measures of the Purchaser;

11.3.4 no amount is payable if (a) the Loss (i) is covered by any insurance contract (up to the recovered amount) or (ii) would have been covered by insurance contracts as existing on Closing had they been continued without change or (b) any other third party is liable for this Loss, up to effective indemnification;

11.3.5 any cash advantages (including tax benefits) of Purchaser or the BOMAG Group Companies demonstrated by Seller in connection with such additional Loss shall be deducted from amounts payable to Purchaser; this shall also apply to deductions in case of replacement of old items by new items;

11.3.6 the maximum amount to be assessed for continuous or periodical expenditure is capped at an amount equal to five times the yearly expenditure;

11.3.7 Purchaser's Losses shall be reduced by any applicable reserves or accruals reflected in the financial statements of the BOMAG Group Companies.

11.4 Purchaser shall have claims based upon an incorrect Purchaser's Assumption only if an individual claim exceeds an amount of US$ 100,000 and, in addition, only if the aggregate amount of such claims exceeds US$ 4,000,000 (*Freigrenze*), in which case the Purchaser shall be entitled to claim only the amount as from the first USD exceeding a deductible of US$ 3,000,000 (*Freibetrag*), such deductible being included in the US$ 4,000,000 threshold.

11.5 Purchaser shall not be entitled to any recovery, relief or claim for the incorrectness of any Purchaser's Assumption or for any other failure of Seller under this Agreement, if Purchaser knew or should have known that such Purchaser's Assumption or

underlying fact was incorrect on or before the Closing Date. For the purposes of this Section, the information in the Annexes, the Disclosure Schedule, including any updates received by the Purchaser until the Closing Date in accordance with Section 14.16. and the Disclosed Information made available to the Purchaser and the due diligence, which the Purchaser confirms it has completed to its satisfaction, are deemed to be known to the Purchaser.

11.6 Purchaser shall not have any claims and shall not be entitled to any recovery or relief if it requests compensation for Third Party Claims and has failed to comply with Section 12.

11.7 Unless provided otherwise herein, the claims of Purchaser based upon an incorrect Purchaser's Assumption shall be time-barred on September 30, 2006. Claims of Purchaser against the Seller under Section 10.16 shall be exclusively governed by the limitation period of Section 13.1.7.

11.8 The regulations contained in the Sections 10, 11, 12 and 13 shall, save for mandatory statutory provisions of German law to the contrary (especially Sections 123 and 276 para 3 BGB) apply instead of all statutory rights a buyer has for defects of acquired companies. Every further liability of the Seller and all deviating rights of the Purchaser, including but not limited to the rights to void (*Anfechtung*), rescind (*Rücktritt* / *Wandlung*) or terminate (*Kündigung*) this Agreement based on whatever legal reason including violation of pre-contractual duty (c*ulpa in contrahendo*), violation of contractual duties (*positive Vertragsverletzung*), frustration of contract (*Wegfall der Geschäftsgrundlage*) are herewith explicitly excluded.

11.9 Purchaser understands and agrees that the rights accorded by Section 11 in respect of Section 10.13 of this Agreement are its sole and exclusive remedy against Seller with respect to any Environmental matters whatsoever. Purchaser hereby waives any right to seek contribution or other recovery from Seller or from any of its Affiliates that it may now or in the future ever have under any Environmental Law, including, without limitation, 42 U.S.C. §§ 9607 and 9613(f) of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), Sec. 4, Sec. 7, and Sec. 24 of the German Federal Soil Protection Act, and similar provisions under any other Environmental Law, as such laws were in the past or are currently in effect, or may in the future be enacted or be in effect. Purchaser hereby further unconditionally releases Seller and its Affiliates from any and all claims, demands and causes of action that it may now or in the future ever have against either Seller or any of its Affiliates for recovery under CERCLA or under any other Environmental Law as such laws were in the past or are currently in effect, or may in the future be enacted or be in effect.

12 Conduct of Third Party Claims

If the matter or circumstance that may give rise to a claim against the Seller under this Agreement is a result of or in connection with a claim by or liability to a third party (“**Third Party Claim”)** then:

12.1 The Purchaser shall inform Seller, and Seller shall inform Purchaser of any events and circumstances that may have an effect on the obligations of Seller set forth hereunder without undue delay (*unverzüglich*), however, within 15 days of the date it has knowledge of such event or circumstance at the latest.

12.2 No admissions in relation to such Third Party Claim shall be made by or on behalf of the Purchaser or any Affiliate of the Purchaser (including the BOMAG Group Companies) and the claim shall not be compromised, disposed of or settled without the written consent of the Seller.

12.3 Purchaser and/or the BOMAG Group Companies shall have to, at the choice of Seller, either (i) take all measures to defend against such claims, file all remedies against any court judgments or public orders or reject such Third Party Claims and pursue the respective proceedings or matters or (ii) irrevocably authorize Seller or any persons designated by Seller to take (at their own expense) any measures to defend against such claims as with respect to the respective court judgments, public orders or claims, in particular to reject or accept such claims, enter into negotiations, file remedies and pursue the respective proceedings and enter into settlement agreements for and on behalf of Purchaser and/or the BOMAG Group Companies.

12.4 The Purchaser shall, and the Purchaser shall procure that any Affiliates of the Purchaser shall, give subject to their being paid all reasonable out of pocket costs and expenses, all such information and assistance including access to premises and personnel, and the right to examine and copy or photograph any assets, accounts, documents and records, as the Seller may reasonably request. Furthermore, Purchaser and/or the BOMAG Group Companies shall assign to Seller any claims which Purchaser and/or the BOMAG Group Companies may have against any parties in connection with the matters to be indemnified hereunder to the extent and within the limitations, Seller has paid to Purchaser any amount in relation to such Third Party Claim.

13 Taxes

13.1 Tax Indemnity

13.1.1 The Seller shall indemnify or cause the Relevant Shareholders to indemnify the Purchaser against any and all liabilities for Taxes of the BOMAG Group Companies for the Pre-Closing Tax Period and for the Straddle Period to the extent such Taxes are not paid prior to the Closing Date, and with respect to

the Straddle Period only to the extent that pursuant to Section 13.1.2 such Taxes are allocable to the portion of such period ending on the Closing Date ("**Indemnified Taxes**").

13.1.2 With respect to the Straddle Period, the Taxes that are allocable to the portion of the Straddle Period ending on the Closing Date shall be

(i) in the case of Taxes that are:

(a) based upon or related to actual or deemed income or receipts; or

(b) imposed or payable in connection with any actual or deemed service, sale or other transfer or assignment of property (real or personal, tangible or intangible); or

(c) required to be deducted from any actual or deemed payment, deemed equal to the amount which would be payable if the taxable period ended on (and included) the Closing Date; and

(ii) in the case of Taxes not falling within Section (i) and imposed or payable on a periodic basis with respect to the assets of any BOMAG Group Company, or otherwise measured by the level of any item, deemed to be the amount of such Taxes for the entire Straddle Period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period), multiplied by a fraction the numerator of which is the number of calendar days in the period ending on (and including) the Closing Date and the denominator of which is the number of calendar days in the entire Straddle Period; and

(iii) in the case of other Taxes not falling within Section (i) or Section (ii), deemed equal to an amount calculated on a just and reasonable basis.

In the case of any Tax based upon or measured by capital (including net worth or long term debt) or intangibles, any amount thereof required to be allocated under this Section 13.1.2 shall be computed by reference to the level of such items on the Closing Date. All determinations necessary to effect the foregoing allocations shall be made in a manner consistent with prior practice of the BOMAG Group Companies if and to the extent such prior practice complies with the applicable GAAP and Tax regulations.

13.1.3 Section 13.1.1 shall also apply if any of the BOMAG Group Companies is assessed for Taxes for the Pre-Closing Tax Period or the Straddle Period and such assessment is caused by the pure shift of Taxes into different Tax years (*Phasenverschiebung*). The amount of indemnification shall be reduced by the net present value of the Purchaser's, any member of the Purchaser Group's or BOMAG Group Companies' Tax savings generated after the Closing Date as a direct or indirect result of the facts or changes that led to the Indemnified Taxes using a discounting factor of 4%.

13.1.4 If a BOMAG Group Company receives a Tax Refund relating to Taxes for the Pre-Closing Tax Period or for the Straddle Period, which is higher than a corresponding amount reflected in the last financial statements, Purchaser shall pay to the Seller the exceeding amount net after taxes, but with respect to the Straddle Period only to the extent that such Tax Refund is allocable pursuant to this Section to the period ending on the Closing Date. Any Tax Refund relating to the Straddle Period shall be allocated based upon the method employed in Section 13.1.2 taking into account the type of Tax to which the Tax Refund relates.

13.1.5 Payments of the Seller or the Relevant Shareholder to the Purchaser shall be considered to be a reduction of the Purchase Price and shall in no case give the relevant BOMAG Group Company a right or claim against the Seller. Payments of the Purchaser to the Seller represent an increase of the Purchase Price.

13.1.6 The payments of the Seller or the Relevant Shareholder to be made pursuant to this Section 13.1 are due five bank working days before the due date of the respective Taxes of the relevant BOMAG Group Company, unless the amount is being contested by the Seller and not payable because of such contest. If and to the extent any such contest being successful subsequently, such payments will be refunded to the Seller. Payments of the Purchaser to the Seller are due five Business Days after the payment of the Tax reimbursement or Tax refund to the relevant BOMAG Group Company, respectively in the event of a set-off, five Business Days after the set-off.

13.1.7 The claims pursuant to this Section 13.1 will become time-barred in each relevant jurisdiction upon the expiry of a six-month period after the final expiration of all relevant statutes of limitation periods (*Festsetzungsfristen*) for the relevant Taxes in such relevant jurisdiction.

13.2 Conduct of Tax Claims

13.2.1 After the Closing, if the Purchaser or any other member of Purchaser's Group (including without limitation any BOMAG Group Company) become aware of a Tax Claim relevant for the Pre-Closing Tax Period or for the Straddle Period, or of a Tax Audit in respect of the Pre-Closing Tax Period or of the Straddle Period, then the Purchaser shall notify the Seller in writing of the Tax Claim or Tax Audit as soon as reasonably practicable. Such notice shall contain factual information describing the Tax Claim or Tax Audit in reasonable detail and shall include copies of any notice or other document received from any Tax Authority in respect of any such Tax Claim or Tax Audit. The Purchaser shall, subject to Section 13.2.2 and 13.2.3, take, or cause the BOMAG Group Company to take, such action as the Seller may reasonably request to avoid, resist, appeal or compromise the Tax Claim or deal with the Tax Audit. The Purchaser shall cause any BOMAG Group Company which becomes aware of a Tax Claim relevant for the Pre-Closing Tax Period or for the Straddle Period or of a Tax Audit in respect of the Pre-Closing Tax Period or of the Straddle Period to notify the Seller as soon as reasonably practicable.

13.2.2 In the case of a Tax Claim or Tax Audit that relates:

(i) to the Pre-Closing Tax Period; or

(ii) to any Straddle Period in which the number of calendar days in the period ending on (and including) the Closing Date is greater than or equal to 183 days (pro rata for any Straddle Period not one year in duration),

the following shall apply:

(a) if the Seller notifies the Purchaser of the intention to direct and control the conduct of any such Tax Claim or Tax Audit within 30 calendar days of receipt of the notice of Tax Claim or Tax Audit from the Purchaser pursuant to Section 13.2.1, the Seller shall have the sole right to direct and control, through counsel of its own choosing and at its expense, the conduct of any such Tax Claim or Tax Audit and the Purchaser shall fully cooperate (and shall cause the BOMAG Group Companies to fully cooperate) at the Seller's expense, limited to any third party expenses reasonably incurred in connection with the obligations under this Section as long as substantial expenses were approved by the Seller in advance, in each phase of such conduct;

(b) if the Seller does not notify the Purchaser under Section (a) within 30 calendar days of receipt of the notice of Tax Claim or Tax Audit from the Purchaser pursuant to Section 13.2.1, the Purchaser and any BOMAG Group Company may assume control of such Tax Claim or Tax Audit (at the Purchaser's own expense). The Seller shall have the right (at its own cost) to review and comment on the documents and proposed actions in relation to such Tax Claim or Tax Audit prior to the filing of such documents or the taking of such actions, and the Purchaser shall take account of the reasonable comments of the Seller to the extent they relate to matters which may give rise to a liability of the Seller under this Agreement. Neither of the Purchaser nor any BOMAG Group Company may settle or compromise the Tax Claim without prior written consent of the Seller; provided, however, that consent to settlement or compromise shall not be unreasonably withheld or delayed;

(c) if in accordance with Section (a) the Seller has control of a Tax Claim or Tax Audit that relates to a Straddle Period, the Purchaser shall have the right (at its own cost) to review and comment on the documents and proposed actions in relation to such Tax Claim or Tax Audit prior to the filing of such documents or the taking of such actions, and the Seller shall take account of the reasonable

comments of the Purchaser to the extent they relate to matters which may not give rise to a liability of the Seller under Section 13.2.1. The Seller may not settle or compromise a Tax Claim which may not give rise to a liability of the Seller under Section 13.2.1 without the prior written consent of the Purchaser, provided that consent to settlement or compromise shall not be unreasonably withheld or delayed.

13.2.3 In the case of a Tax Claim or Tax Audit which relates to any Straddle Period in which the number of calendar days in the taxable period ending on (and including) the Closing Date is less than 183 days (pro rata for any Straddle Period not one year in duration), the following shall apply:

(i) the Purchaser and any BOMAG Group Company shall have the sole right to direct and control, through counsel of their own choosing and at their expense, the conduct of any such Tax Claim or Tax Audit;

(ii) the Seller shall have the right (at its own cost) to review and comment on the documents and proposed actions in relation to such Tax Claim or Tax Audit prior to the filing of such documents or the taking of such actions, and the Purchaser shall take account of the reasonable comments of the Seller to the extent they relate to matters which may give rise to a liability of the Sellers under Section 13.2.1. Neither the Purchaser nor any BOMAG Group Company may settle or compromise a Tax Claim which may give rise to a liability of the Seller under Section 13.2.1 without the prior written consent of the Seller, provided that consent to settlement or compromise shall not be unreasonably withheld or delayed.

13.3 Preparation of Non-Consolidated Tax Returns

13.3.1 In respect of the Pre-Closing Tax Period and the Straddle Period, the Purchaser shall on a basis consistent with those Tax Returns prepared in the past and on the basis of the annual accounts prepared consistent with past practice to the extent that such practice comply with both the applicable GAAP and tax regulations, cause the BOMAG Group Companies to prepare and file all Non-Consolidated Tax Returns for the BOMAG Group Companies. The Purchaser shall provide the Seller and its authorized representative with a copy of each such completed draft Non-Consolidated Tax Return and the draft annual accounts at least 30 calendar days prior to the due date (including any extension thereof) for filing of such Non-Consolidated Tax Return. In the event that the Purchaser or a BOMAG Group Company proposes to make any amendment to a draft Non-Consolidated Tax Return or the draft annual accounts provided to the Seller before it is filed, the Purchaser shall provide the Seller with a copy of the revised draft Non-Consolidated Tax Return and the revised annual accounts as soon as reasonably practicable prior to the filing of such Tax Return. The Seller and its authorized representative shall have the

right to review and comment on such Non-Consolidated Tax Return and annual accounts prior to the filing of such Non-Consolidated Tax Return and no such Non-Consolidated Tax Return shall be filed without the prior written consent of the Seller, such consent not to be unreasonably withheld or delayed.

13.3.2 The Purchaser shall procure that:

(i) the Seller and their duly authorized agents are afforded such information and assistance as it or they reasonably require to enable the Seller to review and comment the Non-Consolidated Tax Returns and the annual accounts. The Seller shall reimburse the Purchaser for any third party expenses reasonably incurred in connection with the obligations under this Section 13.2 as long as substantial expenses were approved by the Seller in advance;

(ii) the Sellers are promptly provided with a copy of any material communication from any Tax Authority insofar as it relates to the tax affairs of any BOMAG Group Company in respect of the Pre-Closing Tax Period or the Straddle Period.

13.3.3 For the avoidance of doubt, where any matter relating to Taxes gives rise to a Tax Claim for which the Seller may be liable, the provisions of Section 13.2 (Conduct of Claims) shall apply to the effect that, in relation to that matter, the provisions of Section 13.2 shall take precedence over the provisions of this Section 13.3.

13.4 Tax Cooperation and Exchange of Information

13.4.1 The Seller and the Purchaser shall without undue delay (*unverzüglich*) provide each other with such cooperation and information as either of them reasonably may request of the other (and the Purchaser shall cause the BOMAG Group Companies to provide such cooperation and information) in filing any Tax Return, amended Tax Return or claim for refund, determining a Tax liability or a right to a refund of Taxes or participating in or conducting any Tax Audit or other proceeding in respect of Taxes for the Pre-Closing Tax Period and for the Straddle Period. Such cooperation and information shall in particular include providing copies of relevant Tax Returns or portions thereof, together with related work papers and documents relating to rulings by Tax Authorities. The Seller and the Purchaser shall make themselves (and their respective employees) reasonably available on a mutually convenient basis to provide explanations of any documents or information provided under this Section 13.4.

13.4.2 Notwithstanding anything to the contrary in this Agreement, the Seller, on the one hand, and the Purchaser, on the other hand, shall retain a copy of all Tax Returns, work papers and all material records or other documents in its possession (or in the possession of its affiliates) relating to Tax matters of any BOMAG Group Company for the Pre-Closing Tax Periods and the Straddle

Period until the later of (i) six months after the expiration of the applicable statutes of limitations for the Taxes in question of the taxable periods to which such Tax Returns and other documents relate (taking into account any extension or waiver thereof), or (ii) six years following the due date (taking into account any extension or waiver) for such Tax Return. After such time, before the Seller or the Purchaser shall dispose of such documentation in its possession (or in the possession of its affiliates), the other party shall be given an opportunity after 90 calendar days prior written notice to receive, to remove and retain all or any part of such documents as such other party may select (at such other party's expense).

13.5 Limitations

13.5.1 Notwithstanding any other limitations contained in this Agreement, the Seller shall not be obliged to indemnify the Purchaser under this Section 13 if and to the extent that:

(i) an individual indemnification does not exceed an amount of US$ 100,000 and, in addition, the aggregate amount of such indemnifications under Section 13.1 exceeds US$ 2,000,000; or

(ii) the Purchaser or a BOMAG Group Company are in breach of Section 13.2, 13.3 or 13.4 of this Agreement unless the Purchaser can demonstrate that this breach has not caused or increased Indemnified Taxes; or

(iii) the Indemnified Taxes would not have arisen but for Tax Elections made (or omitted to be made) after the Closing Date by the Purchaser or any BOMAG Group Company, other than Tax Elections taking place with the written approval of the Seller; or

(iv) the Indemnified Taxes would not have arisen but for any action or omission of the Purchaser or BOMAG Group Company after the Closing Date, but excluding any action or omission:

(a) carried out (or omitted) pursuant to a legally binding obligation of any BOMAG Group Company incurred before Closing; or

(b) carried out (or omitted) pursuant to an obligation imposed by any law, regulation or requirement having the force of law; or

(c) taking place at the written request or with the written approval of the Seller; or

(v) such Indemnified Taxes arise or are increased as a consequence of any change in the law (including subordinate legislation) or in the generally published interpretation or practice of any Tax Authority coming into force after Closing, provided that, the change was not announced by the relevant Tax Authority prior to Closing.

13.5.2 The limitations under Section 11.3 shall apply to claims under this Section 13 *mutatis mutandis*, while, for the avoidance of doubt, those under Section 11.5 do explicitly not apply.

13.6 Purchaser shall advise Seller prior to the Closing Date if it wishes to elect to treat the sale of BOMAG Americas in accordance with Section 338(h)(10) of the Internal Revenue Code of 1986, as amended. Seller shall consent to such election only if the Parties reach a mutual agreement on compensation and terms and conditions for agreeing to such election.

13.7 The Parties agree that on or prior to Closing, the BOMAG Germany Balance Sheets shall contain a related reserve and receivable (from a Seller's Group Company) in the amount of a contingent liability of EUR 14,600,000 related to the potential non acceptance by the competent Tax Authorities of the fiscal unity (*Organschaft*) of BOMAG Germany in the year 2002/2003, ("Tax Risk"). Seller shall indemnify BOMAG Germany for any Losses related to the Tax Risk, it being understood

a) the amount up to EUR 14,600,000 shall not be subject to the de minimis or deductible set forth in Section 13.5.1 (i) but shall be considered as part of the cap of US$ 25,000,000;

b) any amounts in excess of the EUR 14,600,000 shall not be limited by the cap of US $ 25,000,000 in Section 14.7;

c) with respect to the reserve established by BOMAG Germany for the Tax Risk, Section 11.3.7 shall not apply or limit this indemnity;

d) BOMAG GmbH will receive a letter from Deloitte & Touche confirming that they will fully approve the treatement of the Tax Risk in their audit of the BOMAG Germany Balance Sheets.

14 Undertakings

14.1 The Parties undertake and undertake to cause their Affiliates to, upon the request of the other Party, any time after the day of this Agreement and without any further compensation to execute all documents in proper form and to take all measures or actions, which may still be necessary in order to consummate the transactions contemplated herein and to comply fully with the purpose of this Agreement.

14.2 Intercompany Agreements

14.2.1 All legal relations and contracts between any member of Seller's Group on the one side and any of the BOMAG Group Companies on the other side, including without limitation as set forth in **Annex 14.2 (a)**, shall be terminated as of

Closing except for those as listed in **Annex 14.2 (b)**, which shall survive Closing but be modified in accordance with Annex 14.2 (b), and no obligation or liability whatsoever shall arise for the BOMAG Group Companies from such termination.

14.2.2 If any of the agreements set forth in Annex 14.2 (a) shall not have been terminated by Closing, neither Purchaser nor any member of the Purchaser's Group shall be entitled to any benefit arising of such agreements. To the extent any Party becomes aware that any of such agreements has not been terminated by Closing, it shall give notice thereof to the other Party and the Parties shall use reasonable endeavors to procure that the respective agreement is terminated within a 30-day-period after such notice.

14.2.3 **Annex 14.2 (c)** contains a list of agreements under which BOMAG Group Companies are liable for obligations of a member of the Seller's Group and are not the beneficiaries of such agreements. Seller shall take the necessary steps before Closing to obtain the release of the relevant BOMAG Group Company from such liability. Pending such release the Seller shall indemnify the relevant BOMAG Group Company and the Purchaser and any other BOMAG Group Company and any person connected with any of them for all amounts paid by any of them pursuant to any such agreement.

14.3 Seller shall procure that as from the Closing and subject to the following provision the Seller and any Affiliates of the Seller shall cease using the name, trademark or brand "BOMAG" or any mark, name logo or other material containing the same except for any action prescribed by law or rules of any recognized stock exchange and except for existing brochures and other marketing and business material, which Seller and any Affiliate of the Seller shall be entitled to use for a period of 3 months after the Closing. The name "BOMAG" or any combination thereof will be deleted from the names of Affiliates of the Seller within 3 months after Closing. After expiry of this 3 month period, Seller and its Affiliates shall not have any right to use the name "BOMAG", or any combination thereof. Domain names of the Seller or Affiliates of the Seller containing the name "BOMAG", or any combination thereof will be transferred to Purchaser or any Relevant Purchaser on the Closing Date without any additional compensation to be paid by Purchaser, but on Purchaser's costs.

14.4 Purchaser shall procure that subject to the following provision the Purchaser and any Affiliates of the Purchaser (including the BOMAG Group Companies) shall cease using the name, trademark or brand "SPX" or any mark, name logo or other material containing the same within 3 months after Closing. After the expiry of the 3 month period, Purchaser and its Affiliates (including the BOMAG Group Companies) shall not have any right to use the name "SPX", or any combination thereof. Domain names of the Purchaser or Affiliates of the Purchaser containing the name "SPX ", or any combination thereof will be transferred to Seller on his demand without any additional compensation to be paid by Seller, but on Seller's costs.

14.5 Seller shall procure, that any Employees, directors or officers of the BOMAG Group Companies also holding an office with any member of the Seller's Group shall be removed from these offices within the Seller's Group immediately following the Closing Date. Any employee, director or officer of Seller's Group, holding an office as pension trustee with a pension trust transferred to the Purchaser, shall be removed as well.

14.6 Release of Guarantees

14.6.1 The Purchaser shall use reasonable endeavors to procure by Closing or, to the extent not done by Closing, within 90 days after Closing or to the extent not done within such period, as soon as reasonably practicable thereafter, the release of the Relevant Shareholders or any other member of the Seller's Group or any person connected with any of them from any securities, guarantees, letters of comfort or indemnities given by or binding upon the Relevant Shareholders or any other member of the Seller's Group or any person connected with any of them in respect of any liability of the BOMAG Group Companies. Pending such release the Purchaser shall indemnify the Relevant Shareholders and any other member of the Seller's Group and any person connected with any of them against all amounts paid by any of them pursuant to any such securities, guarantees and indemnities in respect of such liability of the BOMAG Group Companies.

14.6.2 The Relevant Shareholders shall use reasonable endeavors to procure, by Closing or, to the extent not done by Closing, within 30 days thereafter, or, to the extent not done within such period, as soon as reasonably practicable thereafter, the release of each BOMAG Group Company from any securities, guarantees, letters of comfort or indemnities given by or binding upon the BOMAG Group Company in respect of any liability of the Relevant Shareholders or any member of the Seller's Group. Pending such release, the Seller shall indemnify the BOMAG Group Companies against all amounts paid by any of them pursuant to any such securities, guarantees and indemnities in respect of such liability of the Relevant Shareholders.

14.7 All claims of Purchaser under or in connection with this Agreement shall be limited to an aggregate amount of US$ 25,000,000, except in relation with Sections 10.1 to 10.3 or in case of wilfull misconduct or fraud.

14.8 For any claims of the Purchaser not based on Sections 10 to 13, the following shall apply:

Purchaser shall have all claims for specific performance (*Erfüllungsansprüche*) and all claims resulting from Seller's non-fulfillment of Purchaser's claims for specific performance. Notwithstanding Purchaser's rights under the preceding sentence, all rights of Purchaser to withdraw from this Agreement for whatever reason, including but not limited to the rights to void (*Anfechtung*), rescind (*Rücktritt/Wandlung*), or

terminate (*Kündigung*) this Agreement based on whatever legal reason including violation of pre-contractual duty of care (*culpa in contrahendo*), violation of contractual duties (*positive Vertragsverletzung*) are herewith, to the extent legally permissible, explicitly excluded.

14.9 Fees

Neither Purchaser nor any BOMAG Group Company has any liability or obligation to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby for which the Seller could become liable or obligated. Neither the Seller nor any Affiliate of the Seller has any liability or obligation to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby for which Purchaser or any of the Bomag Group Companies could become liable or obligated.

14.10 Insurances

Purchaser shall not and shall cause its Affiliates, including the BOMAG Group Companies, not to assert, by way of claim, action, litigation or otherwise, any right to any Seller Insurance Policies covering the BOMAG Group Companies or benefit thereunder, other than the insurance policies as set forth on **Annex 14.10**. Seller shall retain all right, title and interest under the Seller Insurance Policies.

14.11 Product liability

Seller shall indemnify Purchaser against any Losses resulting from products liabilites litigation listed in **Annex 14.11** up to the aggregate amount of US$ 1,000,000. This indemnity shall expire on the fifth anniversary of the Closing Date. Purchaser hereby authorizes Seller to defend Purchaser and the BOMAG Group Companies as set forth in Section 12.3. (ii).

14.12 Stow indemnity

Seller shall indemnify Purchaser from any Losses resulting from the existence of Hazardous Substances on the former Stow Manufacturing factory in Binghampton, New York (“**Stow Site**”) up to the amount of US$ 5,4000,000. This indemnity shall expire on the fifth anniversary of the Closing Date. In case that any competent authority issues prior to the date of the fifth anniversary of the Closing Date a No-Action-letter regarding the Stow Site or expresses otherwise that they will not request any actions in relation to such Hazardous Substances, this indemnity shall expire on the date of such letter or indication. Purchaser hereby authorizes Seller to defend Purchaser and the BOMAG Group Companies as set forth in Sections 12.3. (ii).

14.13 Allocation of payments etc.

In case that Seller or Purchaser receives erroneously a payment from a third party which belongs to the BOMAG Group Companies in relation to the BOMAG Business,

the receiving party shall transfer such payment without undue delay (*unverzüglich)* to the entitled party and the transferring party shall have no rights in relation to such payments. This applies as well to any claims received by third parties.

14.14 US Employees

14.14.1 US Employees

If a subsidiary designated by Purchaser to acquire the purchasers US business (the "**US Purchaser Subsidiary**") does not already have a 401 (k) plan (the "**Retirement's Savings Plan**"), then, promptly following the Closing, Purchaser shall establish a 401 (k) plan for the participation of all Retained US Employees that are, on the Closing Date, employees of the BOMAG Business purchased by Purchaser (the "**Retained US Employees**"). Purchaser shall permit Retained US Employees who participated in Seller's Retirement Savings Plan immediately prior to the Closing to effect a direct rollover of their accounts in cash (including outstanding participant loans) to Purchaser's 401 (k) plan. If the rollovers are to Purchaser's existing 401 (k) plan, Purchaser shall amend such plan if necessary to effect such rollovers. Retained US Employees on a long term disability shall be retained by Seller until released to return to work or no longer disabled, who shall be identified by Seller prior to the Closing Date.

14.14.2 Purchaser shall assume and maintain for a period of at least two years following the Closing Date the benefit plans maintained or sponsored by SPX Corporation immediately prior to the Closing Date that solely cover Retained US Employees (and not any other employees of Seller or any member of Seller's Group), and shall establish and maintain for at least two years following the Closing Date employee benefit plans for continuing employees of US Purchaser Subsidiary providing benefits that are comparable to the benefits provided to Retained US Employees under each other benefit plan maintained or sponsored by Seller (other than any defined benefit pension plan (except as required by law, rule, regulation or collective bargaining agreement) or equity incentive plan). Purchaser shall cause the applicable BOMAG Group Company to maintain for a period of at least two years following the Closing Date the benefit plans maintained or sponsored by any of the BOMAG Group Companies immediately prior to the Closing Date or employee benefit plans providing for continuing employees of US Purchaser Subsidiary benefits that are substantially the same as the benefits provided to Retained US Employees under each such benefit plan. Neither Purchaser nor any member of the Purchaser Group is assuming any defined benefit, retirement or similar plan or benefit in respect of Retained US Employees except for obligations under the agreement between the Independent Construction Equipment Builders Union and Compaction America, Inc. (2002 – 2006).

14.14.3 Purchaser shall cause the Retained US Employees to be granted credit for all service with Seller or any of its Affiliates and their respective predecessors prior to the Closing for all purposes for which such service was recognized by Seller

and its Affiliates. Any employee benefit plan of US Purchaser Subsidiary which provides medical, dental or life insurance benefits after the Closing to any US Employee or a dependent thereof shall, with respect to such individuals, waive any waiting period and any pre-existing conditions and actively-at-work exclusions and shall provide that any expenses incurred on or before the Closing by such individuals (as set forth on the US Employee's Explanation of Benefit Statement) shall be taken into account under such plans for purposes of satisfying applicable deductible or coinsurance provisions.

14.14.4 Except liabilities and obligations, the existence of which are breaches of Purchaser's Assumptions and warranties of Seller, Purchaser shall assume, as of the Closing Date, all Retained US Employee-related liabilities and obligations of Seller (other than liabilities related to the Seller Pension Plan), and all liabilities and obligations in respect of retirees of BOMAG Group Companies (other than liabilities related to the SPX Corporation Individual Account Retirement Plan), under those benefit plans and workers' compensation arrangements with respect to Retained US Employees, retirees, and their respective dependents and beneficiaries whether incurred or accrued prior to, on or following the Closing as set forth in **Annex 14.14.4**. Purchaser shall reimburse Seller for any Retained US Employee-related liabilities paid for by Seller after the Closing Date, provided that such liabilites do not relate to a period prior to the Closing Date.

14.14.5 Purchaser shall provide severance pay and other benefit entitlement that may be owing to any Retained US Employee whose employment is terminated by Purchaser on or after the Closing Date or by reason of the transactions contemplated hereby. If such severance occurs on or within six months after the Closing Date or by reason of the transactions contemplated hereby, such severance pay and benefit entitlements shall be determined (for continuing employees of US Purchaser Subsidiary US Employee by Retained US Employee basis) in accordance with the severance policy applicable to such Retained US Employee immediately prior to the Closing, if more favorable that the severance policy of Purchaser in effect after the Closing.

14.14.6 In this Section Purchaser includes US Purchaser Subsidiaries, as the case may be.

14.15 SPX hereby irrevocably guarantees (selbstschuldnerische Bürgschaft) the performance of this Agreement by Seller of all claims of the Purchaser against the Seller of any type whatsoever pursuant to this Agreement and its Annexes.

14.16 Finalisation of Annexes

The Parties acknowledge that the Annexes to this Agreement have not been finalized and attached to this Agreement yet, except for Annexes 1.1 and 1.3 to 1.6, which are attached to this Agreement, and except for Annex 1.2 which is attached in a non final form. Reference is made to the Annexes attached.

The Parties agree that,

14.16.1 the Annexes 2.2.1 and 17 will be negotiated and agreed between the Parties in good faith.

14.16.2 The other Annexes will be provided to the Purchaser as set out in more detail hereinafter.

(i) Seller undertakes to deliver a draft of the Annexes to the Purchaser within ten Business Days after the date hereof.

(ii) The Seller will use its best endeavors to deliver the Annexes as soon as they are available in a reasonable final form in order to enable the Purchaser to review them.

(iii) The final set of such Annexes will be delivered by the Seller to the Purchaser five Business Days prior to the Closing at the latest, provided that Seller shall have the opportunity to update such final set up until the third Business Day prior to Closing for events which arise or become known to the Seller between the fifth and the third Business Day prior to Closing.

14.16.3 The Parties undertake to have all Annexes notarized on or prior to the Closing Date.

14.16.4 Should the information contained in the Annexes provided by Seller pursuant to Section 14.16.2 evidence a Material Adverse Effect then Purchaser shall in its sole discretion be entitled to terminate this Agreement (*Rücktritt vom Vertrag*) by written notice to Seller stating the details for this termination. With respect to the calculation of a Material Adverse Effect pursuant to this Section 14.16.4 the following shall apply:

(i) Losses below the amount of EUR 35,000 shall be disregarded for the purpose of this Section,

(ii) provided, however, damages resulting from the same cause or origin ("**Multiple Damages**") shall count as one damage; and the Loss amount attributed to such Multiple Damages shall be deemed to be the aggregate amount of the Loss caused by such Multiple Damages.

14.16.5 In case of a termination of this Agreement on the basis of 14.16.4, no Party nor SPX shall have any claim against any other Party or SPX under this Agreement.

14.16.6 The acting notary advised the Deponents that in case the Parties will not notarize the Annexes this Agreement may not be valid and binding. Nevertheless, the Deponents insisted on notarizing this Agreement.

15 Confidentiality

15.1 Announcements

No announcement or circular in connection with the existence or the subject matter of this Agreement shall be made or issued by or on behalf of Seller or Purchaser or any Affiliate of Seller or Purchaser without the prior written approval of the Seller and the Purchaser. This shall not affect any announcement or circular required by law or any regulatory body or the rules of any recognised stock exchange on which the shares of either Party are listed but the Party with an obligation to make an announcement or issue a circular shall consult with the other Party insofar as is reasonably practicable before complying with such an obligation.

15.2 Confidentiality

15.2.1 This Section 15.2 shall be without prejudice to the Confidentiality Agreement, which Agreement shall remain in force until Closing.

15.2.2

(i) The Seller shall treat as strictly confidential and not disclose or use any information relating to the BOMAG Group Companies following Closing and any other information relating to the BOMAG business, financial or other affairs (including future plans and targets) of the Purchaser's Group.

(ii) The Purchaser shall treat as strictly confidential and not disclose or use any information relating to the business, financial or other affairs (including future plans and targets) of the Affiliates of Seller including, prior to Closing, the BOMAG Group Companies.

15.2.3 Section 15.2.2 shall not prohibit disclosure or use of any information if and to the extent:

(i) the disclosure or use is required by law, any regulatory body or any recognised stock exchange on which the shares of the Seller or the Purchaser are listed;

(ii) the disclosure or use is required to vest the full benefit of this Agreement in the Seller or the Purchaser;

(iii) the disclosure or use is required for the purpose of any judicial proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement or the disclosure is made to a Tax Authority in connection with the Tax affairs of the disclosing party;

(iv) the disclosure is made to professional advisers of the Seller or the Purchaser on terms that such professional advisers undertake to comply with the provisions of Section 15.2.2 in respect of such information as if they were a party to this Agreement;

(v) the information is or becomes publicly available (other than by breach of the Confidentiality Agreement or of this Agreement);

(vi) the other party has given prior written approval to the disclosure or use;

provided that prior to disclosure or use of any information pursuant to Section 15.2.3(i), (ii) or (iii), the party concerned shall promptly notify the other party of such requirement with a view to providing that other party with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

16 Non-Competition Covenants

16.1 Restrictions

The Seller undertakes that no member of the Seller's Group will during the Restricted Period on the relevant markets, which are specified in **Annex 16.1**, in which the BOMAG Group Companies are active on the Closing Date:

16.1.1 carry on, be engaged in or be economically interested in any business which is of the same or similar type to the current BOMAG Business;

16.1.2 induce or seek to induce any present Restricted Employee to become employed whether as employee, consultant or otherwise by any member of the Seller's Group, whether or not such Restricted Employee would thereby commit a breach of his contract of service. The placing of an advertisement of a post available to a member of the public generally and the recruitment of a person through an employment agency shall not constitute a breach of this Section 15 provided that no member of the Seller's Group encourages or advises such agency to approach any Restricted Employee.

16.2 Exceptions

The restrictions in Section 16.1 shall not operate to prohibit any member of the Seller's Group:

16.2.1 from carrying on or having an economic interest in any business which is of the same or similar type to the business carried on by the BOMAG Group Companies after such time as the Purchasers cease to carry on or be engaged in or economically interested in the BOMAG Business;

16.2.2 from holding or having an economic interest in up to 10 per cent of the outstanding issued share capital of a company listed on any recognized stock exchange;

16.2.3 from fulfilling any obligation pursuant to this Agreement and any agreement to be entered into pursuant to this Agreement;

16.2.4 if the compaction business within an acquired business or target is responsible for less than 15% of such acquired business's or target's turnover.

16.3 Reasonableness of Restrictions

The Parties agree that the restrictions contained in this Section are no greater than is reasonable and necessary for the protection of the interest of the Purchaser and/or the BOMAG Group Companies, but if any such restriction shall be held to be void but would be valid if deleted in part or reduced in application, such restriction shall apply with such deletion or modification as may be necessary to make it valid and enforceable.

16.4 Cure Period

The Parties agree that any non-compliance under this Section 16 shall only constitute a breach of this Agreement, if and to the extent the respective Party fails to remedy such non-compliance within one year after having received a notice with this regard from the other Party.

17 Interim Services

Purchaser and Seller shall enter into and cause their Affiliates to enter into interim service agreements, including an interim service agreement for data, network and messaging services, in the form of the agreement attached as **Annex 17**.

18 Miscellaneous

18.1 The Purchaser shall, and shall procure that the relevant BOMAG Group Companies shall, retain for a period of 10 years from Closing the books, records and documents of the BOMAG Group Companies to the extent they relate to the period prior to Closing and shall, and shall procure that the relevant BOMAG Group Companies, allow the Seller reasonable access to such books, records and documents, including the right to take copies, at the Seller's expense. Purchaser shall allow Seller and its agents access to all books and records on reasonable notice and at reasonable times at the relevant BOMAG Group Companies' principal place of business or at any location where any books and records are stored, and Seller shall have the right, at its own expense, to make copies of any books and records of the relevant BOMAG Group Companies; provided, however, that any such access or copying shall be had or done in such a manner so as not to unduly interfere with the normal conduct of the relevant BOMAG Group Companies' business.

18.2 Except as set forth in Section 14.16, this Agreement contains the whole agreement

between the Seller and the Purchaser relating to the subject matter of this Agreement at the date hereof to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the Seller and the Purchaser in relation to the matters dealt with in this Agreement, except for the Confidentiality Agreement, which shall remain in force until Closing in accordance with Section 15.2.1 of this Agreement.

18.3 Except as otherwise expressly provided in this Agreement, neither the Seller nor the Purchaser may without the prior written consent of the other, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of this Agreement, except within the Purchaser's Group.

18.4 No variation of this Agreement shall be effective unless in writing and notarized, if notarization is required. This shall also apply to any change of this provision as well.

18.5 The Purchaser shall bear the cost of all notarial fees and all registration, stamp and transfer taxes and duties or their equivalents in all jurisdictions where such fees, taxes and duties are payable as a result of the transactions contemplated by this Agreement. The Purchaser shall be responsible for arranging the payment of all such fees, taxes and duties, including fulfilling any administrative or reporting obligation imposed by the jurisdiction in question in connection with the payment of such taxes and duties. The Purchaser shall indemnify the Seller or any other member of the Seller's Group against any Losses suffered by the Seller or Affiliates of Seller as a result of the Purchaser failing to comply with its obligations under this Section 18.5. Apart therefrom, any Party shall bear its own costs and taxes and the costs of its advisors and auditors. The Parties agree that this Section 18.5 overrules Section 13.1 of this Agreement, thereby assuring that all fees, taxes and duties in the scope of this Section 18.5 are borne by Purchaser.

18.6 Any notice or other communication in connection with this Agreement shall be in writing in English provided, however, that documents to be submitted do not have to be accompanied by an English translation if they are in a language other than English, and delivered by hand, fax, registered post or by courier using an internationally recognized courier company addressed as follows or to such other person or address as the Party may notify to the other Party from time to time.

To Seller:	SPX Corporation 40 Shattuck Rd. Suite 308 Andover MA 01810-2455 USA
Fax:	001 978 837 4442
Attention:	Amy Etherington
with a copy to:	Linklaters Oppenhoff & Rädler Hohenstaufenring 62 50674 Cologne
Fax:	0049-221-20 91-435
Attention:	Wolfgang F. Sturm

To Purchaser:	Fayat SA 137, rue du Palais Gallien - BP 28 33029 Bordeaux Cedex France
Fax: Attention:	0033 1 69 12 67 22 and 0033 5 56 81 03 06 Mr. Hervé Bourcier and Alain Pauzié
with a copy to:	Hoche Société d'Avocats 8, Avenue Delcassé 75008 Paris France
Fax: Attention:	0033 1 53 77 36 60 Jean-Luc Blein

18.7 If any provision in this Agreement shall be held to be totally or partially invalid or not contain a necessary regulation, the validity of the other provisions of this Agreement shall not be affected thereby. The invalid provision shall be replaced and the gap be filled by a legally valid arrangement which corresponds as closely as possible to the intentions of the Parties or what would have been the intentions of the Parties according to the aim and purpose of this Agreement if they had recognized the gap.

18.8 Subject to Section 5 (Purchase Price Adjustment), any dispute arising out of or connected with this Agreement, including a dispute as to the validity or existence of this Agreement shall be resolved by the competent Courts of Cologne.

18.9 This Agreement shall be governed by and construed in accordance with German law except for (i) the German law provisions regarding conflicts of laws, and (ii) the Uniform Code on the International Sale of Goods.

[David J. Wilson] [Herve Bourcier] [Dr. Klaus K. Fischer, deputy notary]

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2004

SPX CORPORATION

EXECUTIVE EVA INCENTIVE COMPENSATION PLAN

Company Confidential

I. PURPOSE

The objectives of the SPX Corporation EVA Executive Incentive Compensation Plan (the "Plan") are to link incentive awards for Plan participants to the creation of investor wealth and to promote a culture of performance and ownership. Accordingly, the Plan rewards sustained improvements in investor value.

The Plan is a statement of SPX Corporation's (the "Company's) intentions and does not constitute a guarantee that any bonus shall be paid. It does not create a contractual relationship or any contractually enforceable rights for Participants. A Bonus shall be payable under the Plan if the Chief Executive Officer ("CEO") and/or the Compensation Committee of the Board of Directors of the Company ("Compensation Committee") determines, in its sole discretion, a Participant is entitled to one. Either the CEO and/or the Compensation Committee may delegate such authority as he/they deem appropriate, in their sole discretion.

II. ELIGIBILITY

Officers and key managers in both line and staff positions who have significant impact on the achievement of the Company's strategic objectives and who are not participating in any other Company-sponsored bonus or incentive plan, are eligible to participate in the Plan. Participation for each plan year is based on the recommendation of the supervising officer or business unit President and approval by the CEO and/or the Compensation Committee.

Upon approval by the CEO and/or the Compensation Committee, in his/their sole discretion, participation shall be offered to eligible employees conditioned upon such eligible employee's agreement to sign a non-competition and confidentiality agreement and any other documents as the Company may require. The terms of the non-competition and confidentiality agreement and such other required documents shall be on terms acceptable to the Company. Once an eligible employee has executed all the necessary documents as required by the Company, he/she shall become a participant in the Plan (a "Participant").

III. DEFINITIONS AND EVA INCENTIVE PLAN PARAMETERS

A. Economic Value Added:

Improvement in economic value added ("EVA") provides the best operating measure of increases in shareholder wealth. EVA is an estimate of the Company's economic profit after subtracting the cost of all capital (debt and equity) employed in the business. EVA is the difference between the Company's net operating profits after-tax ("NOPAT") and the charge for capital employed, as follows:

EVA = Net Operating Profit After Taxes (NOPAT) – Capital Charge

where,

Capital Charge = Cost of Capital X Capital Employed in the Business

NOPAT is the profit after subtracting cost of sales, operating expenses, taxes and other adjustments from revenues. "Cost of Capital" is the required, or minimum, rate of return necessary to compensate all investors for the capital they have invested in the business. "Capital" represents the investment made by shareholders and lenders in the business (total assets minus current liabilities).

B. Expected Improvement:

Expected Improvement ("EI") represents the annual EVA improvement, or growth, required to provide the Company's investors with a competitive, or Cost of Capital, return on the market value of their investment. The amount of the bonus payable to Participants is based on the achievement of EI for a plan year, i.e., bonuses are payable to Participants based on whether investors receive their target investment return. The Expected EVA Improvement amounts for the Company and its business units ("Business Units") for 2004 are shown in Appendix A.

C. Target Bonus:

The "Target Bonus" is the amount of the bonus that will be credited to a Participant's Bonus Bank for achieving EI for a plan year. A Participant's Target Bonus is calculated by multiplying his/her year-end salary (as of December 31) by his/her Bonus Percentage. For example, if a Participant's year-end salary is $75,000 and bonus percent is 10%, the Target Bonus is $7,500:

Year End Salary x Bonus Percentage = Target Bonus

$75,000 x 10% = $7,500

Each Participant's Bonus Percentage for a plan year shall be determined by the CEO and/or the Compensation Committee in his/their sole discretion.

D. EVA Interval:

The "EVA Interval" is

- the amount of EVA improvement in excess of EI needed to earn each additional multiple of the Target Bonus; or
- the shortfall in EVA improvement below EI that results in a zero bonus.

For example, EVA improvement of one interval in excess of EI will result in a Bonus Multiple of 2.0, or 1.0 more than Target Bonus, while EVA improvement of two intervals in excess of EI earns a Bonus Multiple of 3.0, or 2.0 more than Target Bonus.

E. Bonus Multiple:

The "Bonus Multiple" is determined by, (1) the difference between actual and expected EVA improvement and (2) the EVA Interval:

Bonus Multiple = (1+[(DEVA – EI)/EVA Interval])

When the EVA improvement equals EI, the Bonus Multiple is 1.0. When the EVA improvement exceeds EI, the Bonus Multiple is greater than 1.0 and when the EVA improvement falls short of EI, the Bonus Multiple is less than 1.0.

F. Declared Bonus:

The "Declared Bonus", which is determined at the end of the plan year, is the amount of the bonus credited to a Participant's Bonus Bank as a result of EVA performance during such plan year. There is no limit to how large or small bonuses may be. The Declared Bonus may even be a negative amount as a result of a negative change in economic value. The annual Declared Bonus for a Participant may be stated as:

Declared Bonus = Target Bonus * Bonus Multiple
Declared Bonus = Target Bonus* (1+ [(DEVA – EI)/EVA Interval])

An easy and practical way for a Participant to determine his/her Declared Bonus is to multiply Target Bonus times the Bonus Multiple.

The Declared Bonus can also be expressed as:

Declared Bonus = Target Bonus + a share of (DEVA - Expected Improvement)
Declared Bonus = Target Bonus + [(Target Bonus/EVA Interval) * (DEVA – EI)]

The ratio [Target Bonus/EVA Interval] is a Participant's share of EVA improvement in excess of EI.

G. Bonus Bank:

The Company will maintain a separate memorandum account on behalf of each Participant, called the Participant's Bonus Bank. A Participant's Bonus Bank is credited with the Participant's Declared Bonus, positive or negative, for the year and will be reduced by the amount of paid Bonus Awards.

The Bonus Bank is an essential component in protecting and building investor value. *All Declared Bonus amounts flow through the Bonus Bank*, to promote a long term horizon and ensure that only sustainable improvements are rewarded. Thus, the Bonus Bank maintains a cumulative relationship between bonuses paid and EVA improvement over time.

The amount in the Participant's Bonus Bank determines the amount of the bonus available for payment to the Participant for a plan year (the "Available Bonus") as follows:

- If, after the Declared Bonus is determined, the prior plan year Bonus Bank balance plus the Declared Bonus is less than the Target Bonus for the current plan year, the Participant's Available Bonus will be equal to the entire Bonus Bank balance.
- If, after the Declared Bonus is determined, the Bonus Bank balance exceeds the Target Bonus for the current year, the Participant's Available Bonus will be equal to the Target

Bonus _plus_ one-third of any remaining Bonus Bank balance. The other two-thirds remains in the Bonus Bank and ultimately is paid out only if the performance is sustained. If EVA falls by enough, a negative amount is banked. When a negative Bonus Bank balance exists, it must be recovered through future EVA improvements *before any bonus is paid*, maintaining the sharing relationship between cumulative EVA achievement and cumulative bonuses. The determination of a Participant's Available Bonus is depicted below.

[GRAPHIC APPEARS HERE]

H. Bonus Award:

The "Bonus Award" is the amount of bonus actually payable to a Participant for a given year.

IV. BUSINESS UNIT AND CORPORATE PERFORMANCE

Some Participants may have a portion of their EVA bonus tied to the Company's corporate performance or the performance of another Business Unit. The Declared Bonus for these Participants shall be calculated by allocating a portion of their Target Bonus to each Business Unit. For example, if a Participant's EVA bonus is based 80% on his/her Business Unit's performance and 20% on the Company's corporate performance, the Participant's Declared Bonus shall be equal to:

0.8 *Target Bonus * Business Unit Bonus Multiple

+

0.2 * Target Bonus * Company Corporate Bonus Multiple

V. PERSONAL PERFORMANCE

A. Determining Personal Performance Award Amounts:

The Plan award for personal performance can be earned only after improving EVA (a "Personal Performance Award"). Thus the Personal Performance Award is based on a "carve out" portion of the Available Bonus. The Personal Performance carve-out for Participants is 20% of the total annual bonus available to be paid. Thus, of the award payment amount available in any plan year, 80% is paid **based on Business Unit performance** and 20% is paid based on Personal Performance, depicted for a Business Unit President as follows:

[GRAPHIC APPEARS HERE]

Any funds remaining from Personal Performance Awards that are not distributed shall be forfeited.

B. Measuring Personal Performance:

At year-end, the immediate supervisor shall evaluate each Participant's performance **to determinewhat their discretionary bonus percentage shall be**. The evaluation shall be based on the Participant's leadership skills focusing on Company Leadership Principles, the performance of the Participant in carrying out their primary functional assignment, and the overall impact, contribution, and achievement of the Participant (the "Personal Performance Achievement Rating").

Personal Performance Achievement Rating	**Amount of Available 20% Earned**
• Requires significant improvement.	zero to 5%
• Inconsistent; occasional good performance, sometimes falls short.	up to 10%
• Good commitment and good, consistent results. On par performance.	up to 15%
• High achiever; recognized by others as having high impact and strong leadership skills.	up to 20%

C. Bonus Award and Bonus Bank Example:

The chart below is an example of a Participant's Bonus Award and Bonus Bank through 3 years. For simplification, Target Bonus is set at $10,000 in all three years.

SPX Corporation

Bonus Award and Bonus Bank Example

			2002	**2003**	**2004**
A.	Target Bonus		10,000	10,000	10,000
B.	Bonus Multiple		2.50	1.80	1.30
C.	Declared Bonus	A x B	25,000	18,000	13,000
D.	Beg. Bonus Bank Balance		0	10,000	12,000
E.	Beg Bonus Bank Balance + Declared Bonus	C + D	25,000	28,000	25,000
F.	Pay Target Bonus (or available if less)	A	10,000	10,000	10,000
G.	1/3 of Bonus Bank Balance	(E -F)/3	5,000	6,000	5,000
H.	Available Bonus for performance	F + G	15,000	16,000	15,000
I.	Company Performance Award	80%	12,000	12,800	12,000
J.	Personal Performance Award	15%	2,250	2,400	2,250
K.	Bonus Award	I + J	14,250	15,200	14,250
L.	Ending Bonus Bank Balance	E - H	10,000	12,000	10,000

VI. ADMINISTRATIVE MATTERS

A. Bonus Award:

In order to be eligible to receive a bonus under the Plan, a Participant must have been recommended and approved for participation in the applicable plan year in accordance with this Plan, and must be employed by the Company at the time payment of the bonus is made (bonus payments are typically administered the first week of March). A bonus shall be payable under the Plan if the the CEO and/or Compensation Committee determines, in its/their sole discretion, that a Participant is entitled to one.

B. New Participants:

Subject to the terms and conditions contained in this Plan, a new Participant will be eligible to receive a Declared Bonus based on their length of service during the plan year, expressed as a percent of the total plan year. In the event the Participant works in more than one Business Unit during the plan year, the terms of Paragraph C shall apply.

C. Transfers:

A Participant who transfers from one Business Unit to another shall have his/her Bonus Bank transferred to the new Business Unit. If a Participant works part of the year in Business Unit A and part of the year in Business Unit B, his/her Declared Bonus shall be the sum of a pro-rated bonus based on Business Unit A performance and a pro-rated bonus based on Business Unit B performance:

Declared Bonus =

Target Bonus * Business Unit A Bonus Multiple * (Business Unit A Months/12)

+

Target Bonus * Business Unit B Bonus Multiple * (Business Unit B Months/12)

The pro-rated bonuses shall be based on the Business Units' full year Bonus Multiples, the Participant's Target Bonus for the plan year, and the time spent in each Business Unit.

D. Awards Despite Negative Bank Status:

Notwithstanding the requirement in Section III G that negative Bonus Bank balances must be recovered through future EVA improvements *before any bonus is paid*, the CEO and/or the Compensation Committee may, at their sole discretion, authorize the payment of a Bonus Award despite a negative Bonus Bank balance subject to the terms and conditions of this Section. Such Bonus Awards may only be approved where a Participant's Declared Bonus is positive, but is not sufficient to generate a Bonus Bank in excess of Target Bonus. Any Bonus Awards approved under this Section shall not exceed the Participant's Target Bonus. Any amount in excess of Target Bonus shall be applied against the Participant's negative Bonus Bank. Any such discretionary Bonus Award will be granted on a voluntary basis and even repeated payments of such Awards shall not give rise to any future entitlement.

E. Death:

If a Participant dies during the plan year, the Participant's Declared Bonus shall be a pro-rated bonus based on the number of months worked during the plan year:

Target Bonus * Unit Bonus Multiple * (Months Worked/12)]

The Bonus Award shall be calculated based on the Declared Bonus, the beginning Bonus Bank balance and the Participant's Personal Performance Achievement Rating as provided in Section V. The Bonus Award and the ending Bonus Bank balance, if positive, shall be paid to the Participant's designated Company–paid basic life insurance beneficiaries at the normal bonus payment date after the end of the plan year.

F. Retirement and Disability:

When a Participant who is ≥ 55 years of age, has ≥ five years of service and has ≥ three years of SPX Company service[1] retires or when a Participant, regardless of age and service, becomes disabled (as determined by the Company, in its sole discretion), the Participant's Declared Bonus shall be a pro-rated bonus based on the number of months worked during the plan year:

Target Bonus * Unit Bonus Multiple * (Months Worked/12)

Nothing herein shall be interpreted, however, as amending or otherwise changing the vesting requirement in any other Company pension or benefit plans.

The Bonus Award shall be calculated based on the Declared Bonus, the beginning Bonus Bank balance and the Participant's Personal Performance Achievement Rating as provided in Section V. The Bonus Award, if positive, shall be paid to the Participant at the normal bonus payment date after the end of the plan year. When a Participant's disability carries over into a subsequent plan year, the Participant's Declared Bonus for that year shall also be calculated using the formula above.

Retirement before age 55 or with less than five years of service or with less than three years of SPX Company service[1] is considered voluntary termination, and shall result in a Participant's ineligibility to receive the Bonus Bank, the bonus payment for the year in which the termination occurs and any bonus for the prior year to the extent unpaid at the time of termination of employment.

For Participants who retire, or become disabled and are not expected to return to work, the ending Bonus Bank balance, if positive, shall be paid to the Participant, up to a maximum of six times the Participant's final annual Target Bonus, at the normal bonus payment date after the end of the plan year. For Participants who are temporarily disabled, the ending Bonus Bank balance remains fully at risk and is not paid out. For Participants who retire or who become disabled and are not expected to return to work, the ending Bonus Bank balance in excess of six times the Participant's Target Bonus (the "Excess Bonus Bank Balance") shall be at risk and adjusted at

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[1] Three (3) years of SPX Company service means three (3) years employment with the Company or a Business Unit owned by the Company for more than three (3) years.

the end of the first and second post-retirement (or post disability) plan years by the addition of a Declared Bonus. The Declared Bonus for the first and second post-retirement (or post disability) plan years shall be equal to:

$$\text{Target Bonus} * [\text{Unit Bonus Multiple}_{\text{retirement year}} - 1] * (\text{Months not worked}/12)$$
$$+ \text{Target Bonus} * [\text{Unit Bonus Multiple}_{\text{1st post-retirement year}} - 1]$$

The Declared Bonus for the second post-retirement (or post disability) plan years shall be equal to:

Target Bonus * [Unit Bonus Multiple – 1]

50% of the Excess Bonus Bank Balance, if positive, shall be paid to the Participant at the normal bonus payment time after the end of first post-retirement (or post disability) plan year, and the remainder of the Excess Bonus Bank Balance shall be paid at the normal bonus payment time after the end of the second post-retirement (or post disability) plan year.

The example below is based on the following data:

Target Bonus	$ 20,000
Beginning Bonus Bank	$400,000
Retirement Date	July 31
Unit Bonus Multiple – Retirement Year	1.45
Unit Bonus Multiple – 1st Post Retirement Year	2.00
Unit Bonus Multiple – 2nd Post Retirement Year	.7

The Participant's Declared Bonus for his/her retirement year is:

Target Bonus * Unit Bonus Multiple * (Months Worked/12)]

$20,000 * 1.45 * (7/12) = $16,917

The Declared Bonus increases the Bonus Bank balance to $416,917, and makes the Available Bonus $146,750. After deducting the Available Bonus, the ending Bonus Bank balance is $270,167 = $416,917 - $146,750. The ending Bonus Bank balance is 13.5 times the Participant's Target Bonus and exceeds six times the Target Bonus by $150,167. At the normal bonus payment date after the end of the plan year, the Participant receives his/her Bonus Award ($152,306, assuming the highest Personal Performance Achievement Rating) and the ending Bonus Bank balance, up to a maximum of six times target bonus, or $120,000. The total payment is $266,750, and leaves an Excess Bonus Bank Balance of $150,167.

The Declared Bonus for the first post-retirement plan year is:

$$\text{Target Bonus} * [\text{Unit Bonus Multiple}_{\text{retirement year}} - 1] * (\text{Months Not Worked}/12)$$

$$+ \text{Target Bonus} * [\text{Unit Bonus Multiple}_{\text{1st post-retirement year}} - 1]$$

$20,000 * [1.45 – 1] * (5/12) + $20,000 * [2.00 – 1] = $23,750

This Declared Bonus is added to the Excess Bonus Bank Balance, giving a new Bonus Bank balance of $173,917 (= $150,167 + $23,750). 50% of this Bonus Bank balance, or $86,959, is paid out at the normal bonus payment date following the end of the first post-retirement plan year, leaving an Excess Bonus Bank Balance of $86,958.

The Declared Bonus for the second post-retirement plan year is:

Target Bonus * [Unit Bonus Multiple – 1]
$20,000 * [0.7 – 1] = -$6,000

This Declared Bonus is added to the Excess Bonus Bank Balance, giving a new Bonus Bank balance of $80,958 (= $86,958 - $6,000). This Bonus Bank balance is paid out in full at the normal bonus payment date following the end of the second post-retirement plan year.

G. Change from Uncapped to Capped Plan:

When a participant is moved from the Plan to a capped EVA bonus plan (the “Capped Plan”), he/she shall retain his/her Bonus Bank and receive a Bonus Award each plan year from the Plan until his/her Bonus Bank is exhausted, provided he/she remains employed by the Company. For the plan year in which the Participant is moved from the Plan to the Capped Plan, the Participant’s Declared Bonus shall be a pro-rated bonus based on the number of months in the Plan:

Target Bonus * Unit Bonus Multiple * (Uncapped Plan Months/12)

The Bonus Award shall be calculated based on the Declared Bonus, the beginning Bonus Bank balance, the Participant’s last Target Bonus in the Plan and the participant’s Personal Performance Achievement Rating as provided in Section V. Thereafter, the Bonus Bank is suspended from the addition of any future Declared Bonuses, and is available for payments over the subsequent three years in equal 1/3 amounts, subject to all the eligibility and payment terms and conditions contained in this Plan. In each of the three successive years, 20% of the amount payable for that year shall be at-risk depending on the participant’s Personal Performance Achievement Rating as provided in Section V. Any funds remaining from Personal Performance Awards that are not distributed shall be forfeited, and regardless of whether the 1/3 Bonus Bank amount is payable to the participant in a particular year, the Bonus Bank for each remaining year shall reflect the full cumulative 1/3 reduction(s) from the Ending Bonus Bank balance as of the year in which the change from the Plan to the Capped Plan occurred.

H. Change from Uncapped to Commission Plan:

Bonus Awards and Bonus Bank eligibility and calculations for Participants moved from the Plan to a commission plan are the same as for participants moved from the Plan to the Capped Plan, except as provided below. In addition to the terms and conditions applicable to participants moved from the Plan to the Capped Plan, participants moved to a commission plan must meet certain commission plan and business unit EVA performance requirements in order to be eligible for any Bonus Award or Bonus Bank payments. Specifically, such Participants’ eligibility to receive any Bonus Award or any part of the Bonus Bank is conditioned upon commission plan achievement at 95% or greater, and upon achievement of a positive Business Unit Bonus Multiple.

I. Resignations and Termination:

Voluntary termination of employment with the Company and termination for any reason other than 1) death or 2) qualifying retirement as defined in paragraph F or disability (as determined by the Company) shall result in a Participant's ineligibility to receive the Bonus Bank, the bonus payment for the year in which the termination or resignation occurred and any bonus for the prior year to the extent unpaid at the time of termination or resignation of employment.

J. Sale of a Business Unit:

When a Business Unit is sold, a Participant's Declared Bonus shall be a partial plan year bonus unless the sale agreement includes an "earn-out" provision. The partial plan year Declared Bonus (in the absence of an "earn-out" provision) shall be based on a pro-rated Target Bonus, the EVA improvement for the partial plan year ending on the closing date of the sale, and a pro-rated EI:

$$\text{Target Bonus} * (\text{Days through Closing}/365)$$
$$+$$
$$[\text{Target Bonus}/\text{EVA Interval}] * [\text{DEVA}_{\text{Thru Closing}} - (\text{EI} * (\text{Days through Closing}/365))]$$

The EVA improvement for the partial plan year ending on the closing date of the sale shall be equal to the EVA for the partial plan year ending on the closing date minus prior plan year EVA for the partial plan year ending at the month end closest to the closing date. The Bonus Award shall be calculated based on the Declared Bonus, the beginning Bonus Bank balance and the Participant's Personal Performance Achievement Rating as provided in Section V. The Bonus Award and the ending Bonus Bank balance, if positive, shall be paid to the Participant at the normal bonus payment date after the end of the plan year. If the Participant is not actively employed with the Company through the closing date of the sale, the Participant shall not be entitled to any Bonus Award or Bonus Bank payment.

If the sale agreement includes an "earn-out" provision, the Company shall have no obligation to pay bonuses based on partial plan year performance and shall have the right to negotiate with the buyer the payment of bonuses based on full plan year performance. If the sale agreement includes an "earn-out" provision and bonuses are paid based on full plan year performance, a Participant shall not be entitled to any Bonus Award or Bonus Bank payment unless the Participant is actively employed by the buyer at the end of the plan year.

K. Non-Competition and Non-Disclosure:

For purposes of the Plan, if a Participant leaves the Company with rights to future payments from the Plan, until those payments are distributed to the Participant, he/she shall not directly or indirectly own, manage, operate, join, control, become employed by or participate in the management, operation or control of, any business which is a competitor, customer, or supplier of the Company, or any subsidiary or division thereof without the specific consent of the Company; except as a shareholder of a publicly-held competitor, customer or supplier corporation where such ownership does not exceed one percent (1%) of the total shares outstanding.

Additionally, the Participant shall not disclose any confidential information pertaining to the business of the Company, including the location and identity of its customers and suppliers, its costs of operation, the pricing of its products and services, its operating practices and its product details without the express written approval of the Company.

The failure of a Participant or former Participant to comply with the provisions of this Paragraph K shall result in forfeiture of any payments that might otherwise be due to him/her because of his/her participation in the Plan.

L. Change-Of-Control:

In the event of a change-of-control of the Company (defined in Appendix B) the full Bonus Bank shall be paid as of the date the change-of-control occurs. Additionally, the change-of-control date shall be treated as if it were the end of that plan year, EVA performance shall be measured, and the Participant shall be paid the higher of that full plan year's Target Bonus or the actual earned bonus.

M. Negative Balances and Residual Amounts:

At year-end when the Business Unit's DEVA is calculated, each Participant's Declared Bonus is then determined. The Declared Bonus, whether a positive or negative amount, flows through each Participant's Bonus Bank. A negative Declared Bonus has the effect of reducing the amount of the beginning Bonus Bank balance. If the year-end Bonus Bank balance (the beginning Bonus Bank balance adjusted by that plan year's Declared Bonus) is positive, up to Target Bonus plus one third of the balance above Target Bonus is available to be paid out. Residual amounts, including negative Bonus Bank balances, are carried forward to be credited or debited against future Declared Bonus amounts. Negative Bonus Bank balances shall not be held as claims against Participants who leave the payroll for any reason. Positive residual Bonus Bank balances of $1,000.00 or less, retained in accordance with the Plan by a former Participant, may be paid out in whole or in part at any time at the Company's sole discretion, provided that the former Participant remains employed by the Company and is otherwise eligible to receive such payments according to the terms and conditions of this Plan.

N. Administration of the Plan:

Subject to the provisions of the Plan, the CEO and/or the Compensation Committee shall have the sole authority and discretion:

1. To construe and interpret the Plan;
2. To establish, amend, change, add to, alter and/or and rescind rules, regulations and guidelines for administration of the Plan;
3. To make all designations and determinations specified in the Plan;

4. To determine the amount of awards and payments to be made under the Plan and the status and rights of any participant to payments under the Plan; and
5. To decide all questions concerning the Plan and to make all other determinations and to take all other steps necessary or advisable for the administration of the Plan.

All decisions made by the CEO and/or the Compensation Committee pursuant to the provisions of the Plan shall be made in its sole discretion and shall be final, conclusive, and binding upon all parties.

Except where specifically authorized by the CEO and/or the Compensation Committee in his/their sole discretion, no one is authorized to act in any manner that is contrary to the Plan itself or any rules, regulations or guidelines established under the Plan.

O. Plan Continuation:

The Compensation Committee, in its sole discretion, may at any time amend, suspend, discontinue or terminate the Plan. It also reserves the right to (i) reduce, modify or withhold any bonus or Bonus Bank payments under the Plan based on such factors as regulatory events, changes in business conditions or individual performance (ii) deduct from such payments any separation allowance or severance pay provided pursuant to any Company plan or individual agreement, and (iii) decide all questions and issues arising under the Plan. The CEO and/or the Compensation Committee's decisions shall be final and binding on all parties.

P. No Right of Assignment:

Except as expressly provided herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the person entitled to such right or benefit.

Q. No Guarantee:

The Plan is a statement of the Company's intentions and does not constitute a guarantee that any bonus shall be paid. It does not create a contractual relationship or any contractually enforceable rights for Participants. Further, nothing in the Plan shall be construed to give any Participant any right to be granted any award other than at the CEO's or Compensation Committee's sole discretion, to limit the right of the Company to terminate the employment of any Participant at any time, or to be evidence of any agreement or understanding, express or implied, of a Participant's right to continued employment.

A Bonus shall be payable under the Plan if the CEO or the Compensation Committee determines, in its sole discretion, that a Participant is entitled to one.

R. Company’s Books and Records Conclusive:

The Company’s books and records and internal methods of accounting shall be conclusive for all purposes under the Plan.

S. Right to Withhold Taxes:

The Company shall have the right to withhold such amounts from any payment under this Plan as it determines necessary to fulfill any federal, state, or local wage or compensation withholding requirements.

T. No Claim Against Company Assets:

Nothing in this Plan shall be construed as giving any Participant or his or her legal representative, or designated beneficiary, any claim against any specific assets of the Company or any affiliate of the Company as imposing any trustee relationship upon the Company in respect of the Participant. The Company shall not be required to segregate any assets in order to provide for the satisfaction of the obligations hereunder. If and to the extent that the Participant or his or her legal representative or designated beneficiary acquires a right to receive any payment pursuant to this Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

U. No Other Agreements or Understandings:

Except as expressly provided in this Plan, or in a written agreement between the Company and a Participant that specifically refers to Bonus Awards under this Plan, this Plan represents the sole agreement between the Company and Participants concerning its subject matter and it supersedes all prior agreements, arrangements, understandings, warranties, representations, and statements between the parties concerning its subject matter.

V. Governing Law:

The Plan and all actions taken pursuant thereto shall be governed by, and construed in accordance with the laws of the State of North Carolina applied without regard to conflict of law principles.

W. Headings:

Section headings are used in this Plan for convenience of reference only and shall not affect the meaning of any provision of the Plan.

Appendix A

[Expected EVA Improvement Amounts and Intervals]

APPENDIX B

CHANGE OF CONTROL OF SPX CORPORATION

A. “Change of Control” shall be deemed to have occurred if:

(a) Any “Person” (as defined below), excluding for this purpose SPX Corporation (the “Company”) or any subsidiary of the Company, any employee benefit plan of the Company or of any subsidiary of the Company, or any entity organized, appointed or established for or pursuant to the terms of any such plan which acquires beneficial ownership of common shares of the Company, is or becomes the “Beneficial Owner” (as defined below) of twenty percent (20%) or more of the common shares of the Company then outstanding; provided, however, that no Change of Control shall be deemed to have occurred as the result of an acquisition of common shares of the Company by the Company which, by reducing the number of shares outstanding, increases the proportionate beneficial ownership interest of any Person to twenty percent (20%) or more of the common shares of the Company then outstanding, but any subsequent increase in the beneficial ownership interest of such a Person in common shares of the Company shall be deemed a Change of Control; and provided further that if the Board of Directors of the Company determines in good faith that a Person who has become the Beneficial Owner of common shares of the Company representing twenty percent (20%) or more of the common shares of the Company then outstanding has inadvertently reached that level of ownership interest, and if such Person divests as promptly as practicable a sufficient number of shares of the Company so that the Person no longer has a beneficial ownership interest in twenty percent (20%) or more of the common shares of the Company then outstanding, then no Change of Control shall be deemed to have occurred. For purposes of this paragraph (a), the following terms shall have the meanings set forth below:

(i) “Person” shall mean any individual, firm, limited liability company, corporation or other entity, and shall include any successor (by merger or otherwise) of any such entity.

(ii) “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

(iii) A Person shall be deemed the “Beneficial Owner” of and shall be deemed to “beneficially own” any securities:

(A) which such Person or any of such Person’s Affiliates or Associates beneficially owns, directly or indirectly (determined as provided in Rule 13d-3 under the Exchange Act);

(B) which such Person or any of such Person’s Affiliates or Associates

has (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a *bona fide* public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than rights under the Company's Rights Agreement dated June 25, 1996 with The Bank of New York, as amended), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (2) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (a) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (b) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(C) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a *bona fide* public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to subparagraph (a)(iii)(B)(2), above) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's beneficial ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(b) During any period of two (2) consecutive years, individuals who at the beginning of such two-year period constitute the Board of Directors of the Company and any new director or directors (except for any director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (a), above, or paragraph (c), below) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at

the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board; or

(c) Approval by the shareholders of (or if such approval is not required, the consummation of) (i) a plan of complete liquidation of the Company, (ii) an agreement for the sale or disposition of the Company or all or substantially all of the Company's assets, (iii) a plan of merger or consolidation of the Company with any other corporation, or (iv) a similar transaction or series of transactions involving the Company (any transaction described in parts (i) through (iv) of this paragraph (c) being referred to as a "Business Combination"), in each case unless after such a Business Combination the shareholders of the Company immediately prior to the Business Combination continue to own at least eighty percent (80%) of the voting securities of the new (or continued) entity immediately after such Business Combination, in substantially the same proportion as their ownership of the Company immediately prior to such Business Combination.

A "Change of Control" shall not include any transaction described in paragraph (a) or (c), above, where, in connection with such transaction, a participant and/or any party acting in concert with that participant shall substantially increase their, his/her or its, as the case may be, ownership interest in the Company or a successor to the Company (other than through conversion of prior ownership interests in the Company and/or through equity awards received entirely as compensation for past or future personal services).

Exhibit 10.2

Form of
SPX Corporation

2002 STOCK COMPENSATION PLAN

RESTRICTED STOCK AGREEMENT
____ AWARD

Recipient:____

Award Date: ____________

Effective Date for Start of Vesting: ____________

Number of Shares: ____

THIS AGREEMENT is made between SPX CORPORATION, a Delaware corporation (the "Company"), and the Recipient pursuant to the SPX Corporation 2002 Stock Compensation Plan and related plan documents (the "Plan") on and as of the Award Date. The parties hereto agree as follows:

1. Grant of Restricted Stock. The Company hereby grants to the Recipient, pursuant to Section 9 of the Plan, the number of shares of Company common stock (the "Common Stock") specified above (the "Restricted Stock"), subject to the terms and conditions of the Plan and this Agreement. The Recipient must accept the Restricted Stock award within 90 days after the Award Date in accordance with the instructions provided by the Company. The award automatically will be rescinded upon the action of the Company, in its discretion, if the award is not accepted within 90 days after the Award Date.

2. Restrictions. The Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, whether voluntarily or involuntarily or by operation of law, until the termination of the applicable Period of Restriction (as defined in Section 4 below) or as otherwise provided in the Plan or this Agreement. Except for such restrictions, the Recipient will be treated as the owner of the shares of Restricted Stock and shall have all of the rights of a shareholder, including, but not limited to, the right to vote such shares and the right to receive all dividends, if any, paid on such shares. If any dividends are paid in shares of Common Stock, the dividend shares shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid.

3. Restricted Stock Certificates. The stock certificate(s) representing the Restricted Stock shall be issued or held in book entry form promptly following the acceptance of this Agreement. If a stock certificate is issued, it shall be delivered to the Secretary of the Company or such other custodian as may be designated by the Company, to be held until the end of the Period of Restriction or until the Restricted Stock is forfeited. The certificates representing shares of Restricted Stock granted pursuant to this Agreement shall bear a legend in substantially the form set forth below:

> The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer set forth in the SPX Corporation 2002 Stock Compensation Plan, rules and administration adopted pursuant to such Plan, and a Restricted Stock award agreement with an Award Date of ____________. A copy of the Plan, such rules and such Restricted Stock award agreement may be obtained from the Secretary of SPX Corporation.

4. Period of Restriction. Subject to the provisions of the Plan and this Agreement, unless it is vested or forfeited earlier as described in Section 5, 6, or 7 of this Agreement, as applicable, the Restricted Stock shall become vested and freely transferable as to thirty-three and one-third percent (33 1/3%) of the shares on the first anniversary of the Effective Date for Start of Vesting set forth above ("Effective Date"), as to an additional thirty-three and one-third percent (33 1/3%) on the second anniversary of the Effective Date, and as to the remaining thirty-three and one-third percent (33 1/3%) on the third anniversary of the Effective Date. Upon vesting, all vested shares shall cease to be considered Restricted Stock, subject to the terms and conditions of the Plan and this Agreement, and the Recipient shall be entitled to have the legend removed from his or her Common Stock certificate(s). The period prior to the vesting date with respect to a share of Restricted Stock is referred to as the "Period of Restriction."

5. Vesting upon Termination due to Retirement, Disability or Death. If, while the Restricted Stock is subject to a Period of Restriction, the Recipient terminates employment with the Company (or a Subsidiary of the Company if the Recipient is then in the employ of such Subsidiary) by reason of retirement, disability (as determined by the Company) or death, then the portion of the Restricted Stock subject to a Period of Restriction shall become fully vested as of the date of employment termination without regard to the Period of Restriction set forth in Section 4 of this Agreement. A Recipient will be eligible for "retirement" treatment for purposes of this Agreement if, at the time of employment termination, he/she is age 55 or older, he/she has completed five years of service with the Company or a Subsidiary (provided that the Subsidiary has been directly or indirectly owned by the Company for at least three years), and he/she voluntarily elects to retire. The term "Subsidiary" is defined in the Plan and means a corporation with respect to which the Company directly or indirectly owns 50% or more of the voting power.

6. Forfeiture upon Termination due to Reason other than Retirement, Disability or Death. If, while the Restricted Stock is subject to a Period of Restriction, the Recipient's employment with the Company (or a Subsidiary of the Company if the Recipient is then in the employ of such Subsidiary) terminates for a reason other than the Recipient's retirement, disability or death, then the Recipient shall forfeit any portion of the Restricted Stock that is subject to a Period of Restriction on the date of such employment termination.

7. Vesting upon Change of Control. In the event of a “Change of Control” of the Company as defined in this Section, the Restricted Stock shall cease to be subject to the Period of Restriction set forth in Section 4 of this Agreement. A “Change of Control” shall be deemed to have occurred if:

(a) Any “Person” (as defined below), excluding for this purpose (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company, and (iii) any entity organized, appointed or established for or pursuant to the terms of any such plan that acquires beneficial ownership of common shares of the Company, is or becomes the “Beneficial Owner” (as defined below) of twenty percent (20%) or more of the common shares of the Company then outstanding; provided, however, that no Change of Control shall be deemed to have occurred as the result of an acquisition of common shares of the Company by the Company which, by reducing the number of shares outstanding, increases the proportionate beneficial ownership interest of any Person to twenty percent (20%) or more of the common shares of the Company then outstanding, but any subsequent increase in the beneficial ownership interest of such a Person in common shares of the Company shall be deemed a Change of Control; and provided further that if the Board of Directors of the Company determines in good faith that a Person who has become the Beneficial Owner of common shares of the Company representing twenty percent (20%) or more of the common shares of the Company then outstanding has inadvertently reached that level of ownership interest, and if such Person divests as promptly as practicable a sufficient number of shares of the Company so that the Person no longer has a beneficial ownership interest in twenty percent (20%) or more of the common shares of the Company then outstanding, then no Change of Control shall be deemed to have occurred. For purposes of this paragraph (a), the following terms shall have the meanings set forth below:

(i) “Person” shall mean any individual, firm, limited liability company, corporation or other entity, and shall include any successor (by merger or otherwise) of any such entity.

(ii) “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

(iii) A Person shall be deemed the “Beneficial Owner” of and shall be deemed to “beneficially own” any securities:

(A) which such Person or any of such Person’s Affiliates or Associates beneficially owns, directly or indirectly (determined as provided in Rule 13d-3 under the Exchange Act);

(B) which such Person or any of such Person’s Affiliates or Associates has (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and

between underwriters and selling group members with respect to a *bona fide* public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than rights under the Company's Rights Agreement dated June 25, 1996 with The Bank of New York, as amended), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (2) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (a) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (b) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(C) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a *bona fide* public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to subparagraph (a)(iii)(B)(2), above) or disposing of any securities of the Company.

Notwithstanding anything in this "Beneficial Ownership" definition to the contrary, the phrase "then outstanding," when used with reference to a Person's beneficial ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(b) During any period of two (2) consecutive years (not including any period prior to the acceptance of this Agreement), individuals who at the beginning of such two-year period constitute the Board of Directors of the Company and any new director or directors (except for any director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (a), above, or paragraph (c), below) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board; or

(c) Approval by the shareholders of (or if such approval is not required, the consummation of) (i) a plan of complete liquidation of the Company, (ii) an agreement for the sale or disposition of the Company or all or substantially all of the Company's assets, (iii) a plan of merger or consolidation of the Company with any other corporation, or (iv) a similar transaction or series of transactions involving the Company (any transaction described in parts (i) through (iv) of this paragraph (c) being referred to as a "Business Combination"), in each case unless after such a Business Combination the shareholders of the Company immediately prior to the Business Combination continue to own at least eighty percent (80%) of the voting securities of the new (or continued) entity immediately after such Business Combination, in substantially the same proportion as their ownership of the Company immediately prior to such Business Combination.

Notwithstanding any provision of this Agreement to the contrary, a "Change of Control" shall not include any transaction described in paragraph (a) or (c), above, where, in connection with such transaction, the Recipient and/or any party acting in concert with the Recipient substantially increases his or its, as the case may be, ownership interest in the Company or a successor to the Company (other than through conversion of prior ownership interests in the Company and/or through equity awards received entirely as compensation for past or future personal services).

8. Settlement Following Change of Control. Notwithstanding any provision of this Agreement to the contrary, in connection with or after the occurrence of a Change of Control as defined in Section 7 of this Agreement, the Company may, in its sole discretion, fulfill its obligation with respect to all or any portion of the Restricted Stock that ceases to be subject to a Period of Restriction in conjunction with the Change of Control by:

(a) delivery of (i) the number of shares of Common Stock that have ceased to be subject to a Period of Restriction or (ii) such other ownership interest as such shares of Common Stock may be converted into by virtue of the Change of Control transaction;

(b) payment of cash in an amount equal to the fair market value of the Common Stock at that time; or

(c) delivery of any combination of shares of Common Stock (or other converted ownership interest) and cash having an aggregate fair market value equal to the fair market value of the Common Stock at that time.

9. Adjustment in Capitalization. In the event of any change in the Common Stock of the Company through stock dividends or stock splits, a corporate split-off or split-up, or recapitalization, merger, consolidation, exchange of shares, or a similar event, the number of shares of Restricted Stock subject to this Agreement may be equitably adjusted by the Committee, in its sole discretion.

10. Delivery of Stock Certificates. Subject to the requirements of Sections 11 and 12 below, as promptly as practicable after shares of Restricted Stock cease to be subject to a Period of Restriction in accordance with Section 4, 5, or 7 of this Agreement, the Company shall cause to be issued and delivered to the Recipient, the Recipient's legal representative, or a brokerage account for the benefit of the Recipient, as the case may be, certificates for the vested shares of Common Stock.

11. Tax Withholding. Whenever a Period of Restriction applicable to the Recipient's rights to some or all of the Restricted Stock lapses as provided in Section 4, 5, or 7 of this Agreement, the Company or its agent shall notify the Recipient of the related amount of tax that must be withheld under applicable tax laws. Regardless of any action the Company, any Subsidiary of the Company, or the Recipient's employer takes with respect to any or all income tax, social security, payroll tax, payment on account or other tax-related withholding ("Tax") that the Recipient is required to bear pursuant to all applicable laws, the Recipient hereby acknowledges and agrees that the ultimate liability for all Tax is and remains the responsibility of the Recipient.

Prior to receipt of any shares that correspond to Restricted Stock that vests in accordance with this Agreement, the Recipient shall pay or make adequate arrangements satisfactory to the Company and/or any Subsidiary of the Company to satisfy all withholding and payment on account obligations of the Company and/or any Subsidiary of the Company. In this regard, the Recipient authorizes the Company and/or any Subsidiary of the Company to withhold all applicable Tax legally payable by the Recipient from the Recipient's wages or other cash compensation paid to the Recipient by the Company and/or any Subsidiary of the Company or from the proceeds of the sale of shares. Alternatively, or in addition, the Company may sell or arrange for the sale of Common Stock that the Recipient is due to acquire to satisfy the withholding obligation for Tax and/or withhold any Common Stock, provided that the Company sells or withholds only the amount of Common Stock necessary to satisfy the minimum withholding amount. Finally, the Recipient agrees to pay the Company or any Subsidiary of the Company any amount of any Tax that the Company or any Subsidiary of the Company may be required to withhold as a result of the Recipient's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver Common Stock if the Recipient fails to comply with its obligations in connection with the tax as described in this section.

The Company advises the Recipient to consult his or her lawyer or accountant with respect to the tax consequences for the Recipient under the Plan.

The Company and/or any Subsidiary of the Company: (a) make no representations or undertakings regarding the tax treatment in connection with the Plan; and (b) do not commit to structure the Plan to reduce or eliminate the Recipient's liability for Tax.

12. Securities Laws. This award is a private offer that may be accepted only by a Recipient who is an employee or director of the Company or a Subsidiary of the Company and who satisfies the eligibility requirements outlined in the Plan and the Committee's administrative procedures. If a Registration Statement under the Securities Act of 1933, as amended, is not in effect with respect to the shares of Common Stock to be issued pursuant to this Agreement, the Recipient hereby represents that he or she is acquiring the shares of Common Stock for investment and with no present intention of selling or transferring them and that he or she will not sell or otherwise transfer the shares except in compliance with all applicable securities laws and requirements of any stock exchange on which the shares of Common Stock may then be listed.

13. No Employment or Compensation Rights. Participation in the Plan is permitted only on the basis that the Recipient accepts all of the terms and conditions of the Plan and this Agreement, as well as the administrative rules established by the Committee. This Agreement shall not confer upon the Recipient any right to continuation of employment by the Company or its Subsidiaries, nor shall this Agreement interfere in any way with the Company's or its Subsidiaries' right to terminate Recipient's employment at any time. Neither the Plan nor this Agreement forms any part of any contract of employment between the Company or any Subsidiary and the Recipient, and neither the Plan nor this Agreement confers on the Recipient any legal or equitable rights (other than those related to the Restricted Stock award) against the Company or any Subsidiary or directly or indirectly gives rise to any cause of action in law or in equity against the Company or any Subsidiary.

The Restricted Stock granted pursuant to this Agreement does not constitute part of the Recipient's wages or remuneration or count as pay or remuneration for pension or other purposes. If the Recipient terminates employment with the Company or any Subsidiary, in no circumstances will the Recipient be entitled to any compensation for any loss of any right or benefit or any prospective right or benefit under the Plan or this Agreement that he or she might otherwise have enjoyed had such employment continued, whether such compensation is claimed by way of damages for wrongful dismissal, breach of contract or otherwise.

14. Plan Terms and Committee Authority. This Agreement and the rights of the Recipient hereunder are subject to all of the terms and conditions of the Plan, as it may be amended from time to time, as well as to such rules and regulations as the Committee (meaning the Compensation Committee of the Board of Directors of the Company, as defined in the Plan) may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate for the administration of the Plan and this Agreement, all of which shall be binding upon Recipient. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan. The Recipient hereby acknowledges receipt of a copy of the Plan and this Agreement.

15. Governing Law and Jurisdiction. This Agreement is governed by the substantive and procedural laws of the state of Michigan. The Recipient and the Company agree to submit to the exclusive jurisdiction of, and venue in, the courts in Michigan in any dispute relating to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Award Date.

[signature page follows]

SPX CORPORATION

John B. Blystone
Chairman, President and CEO

Attest:

Christopher J. Kearney
Vice President, Secretary and General Counsel

RECIPIENT

____

Exhibit 10.3

AMENDMENT TO THE
SPX CORPORATION SUPPLEMENTAL RETIREMENT PLAN
FOR TOP MANAGEMENT

Pursuant to the powers of amendment reserved in Section 6.1 of the SPX Corporation Supplemental Retirement Plan for Top Management (the "Plan"), SPX Corporation hereby amends the Plan in the following manner:

1. Effective as of June 23, 2004, the second sentence of Section 6.1 is deleted and replaced with the following new sentence:

   "Any such amendment or termination shall be made pursuant to a resolution of the Compensation Committee and shall be effective as of the date of such resolution or as specified therein."

EXHIBIT 31.1

Certification

I, John B. Blystone, certify that:

1. I have reviewed this report on Form 10-Q of SPX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:
   a. designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2004

/s/ JOHN B. BLYSTONE

Chairman, President and Chief Executive Officer

EXHIBIT 31.2

Certification

I, Patrick J. O’Leary, certify that:

1. I have reviewed this report on Form 10-Q of SPX Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:
    a. designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 1, 2004

/s/ PATRICK J. O’LEARY

Vice President Finance, Treasurer,
Chief Financial Officer and Chief Accounting Officer

EXHIBIT 32.1

The following statement is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: SPX Corporation

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), each of the undersigned hereby certifies that:

(i) this Quarterly Report on Form 10-Q, for the period ended September 30, 2004, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of SPX Corporation.

Dated as of this 1st day of November 2004.

/s/ JOHN B. BLYSTONE
John B. Blystone
Chairman, President and Chief Executive Officer

/s/ PATRICK J. O'LEARY
Patrick J. O'Leary
Vice President Finance, Treasurer, Chief Financial Officer and Chief Accounting Officer