

Thermadyne Holdings Corp.
First Quarter 2008 Earnings Conference Call
May 6, 2008

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Thermadyne Holdings Corporation First Quarter 2008 Earnings Conference Call. During today's presentation all parties will be in a listen-only mode. Following the presentation the conference will be open for questions. If you have a question, please press the star, followed by the one on your touchtone phone. If you would like to withdraw your question, please press the star, followed by the two. If you are using speaker equipment, please lift the handset before making your selection. This conference is being recorded today, Tuesday, May 6, 2008. I would now like to the turn the conference over to Mr. Paul Melnuk, Chairman and CEO. Please go ahead sir.

Paul Melnuk: Thank you, good morning everyone. Welcome to Thermadyne's earnings conference call. My name is Paul Melnuk, Chairman and Chief Executive Officer. With me today is Steve Schumm, our CFO.

We issued a press release yesterday with our 2008 first quarter results and we also filed a Form 10-Q with the SEC. A copy of the press release and 10-Q filing may be obtained from our website at www.thermadyne.com or by contacting Investor Relations at 636-728-3189.

As we begin let me remind you that this call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect management's current expectations and involve a number of risks and uncertainties. Actual results may differ materially from such statements due to a variety of factors that could adversely affect the Company's operating results. These risks and other risks relating to our business are set forth in documents filed with the Securities and Exchange Commission, specifically our most recent annual report on Form 10-K and other reports filed from time to time with the SEC. In a moment, Steve Schumm will discuss in detail the 2008 first quarter financial results. Before he does, however, I'll offer a few highlights.

We're pleased with the progress we made in our first quarter. Sales and earnings were stronger than expected as a result of the solid end-user demand in our market, the excellent reception of our new products, the positive reaction to our improving customer service and continued cost take-out in the business. Material inflation continued to escalate at double-digit rate during the quarter. We successfully implemented a price increase on April 1 of approximately 3% and should commodity prices continue at these elevated levels, we'll likely be forced to have another price increase later in the year. Our new procurement strategy which locks in the price of a portion of our forward

commodity purchase requirements, was implemented in late 2007 and early 2008 and that has helped reduce the impact of rising costs on our results.

Our improving results reflect our improving execution. For example, our continuous improvement TCP process is running ahead of plan and we still have huge opportunities to take significant costs out of our business in years to come. We have also made major improvements in working capital efficiency, particularly inventory turns, and we expect this trend will continue. Our strategies to profitably grow market share are also gaining momentum. More focus on customer service needs, more effective new product launches that provide real value to the end-user, more concentrated efforts to penetrate several higher growth markets and more disciplined pricing management are all contributing to robust growth and profitability. I'll talk more about our results and the outlook for the business in a few minutes but before I do, Steve will review the financial results for the quarter. Steve.

Steven Schumm: Thanks Paul and good morning. As Paul indicated, thanks to some real nice hustle, our team across the globe, manufacturing, sales and distribution, were off to a very good start in 2008, the sales increasing almost 13% to \$131 million in the first quarter as compared to last year's first quarter. Excluding the effect of foreign currency translation, the sales growth is approximately 8%. Demand from both the U.S. and international markets contributed to our sales growth. As we experienced throughout last year, sales to international customers continued to escalate and now represent more than 41% of our total sales. When compared to last year's first quarter, our international sales increased approximately 11% as measured in local currency. Our growth in international markets was strongest in our Asia-Pacific region with sales increasing approximately 14% as measured in local currency. We were also pleased to see that our sales to U.S. customers increased 6% with more than half of this from volume growth. In addition to the continuing broad-based global demand for our products, we are also encouraged by the positive reception to certain product line initiatives. Sales from our new Cutmaster manual plasma cutting units, which we launched in 2007 fourth quarter, were strong. We are now also starting to see the favorable impact of the follow-on sales of the cutting tips and other consumables. As a result, the plasma cutting product line increased sales by 20% as compared to the prior year. We also had nearly 20% revenue growth during the quarter in our filler metals product line with very strong contributions from sales of the unique solutions available from our specialty hardfacing products.

Our sales during the first quarter produced a gross margin of 32.3% which was down slightly from the 32.6% gross margin in last year's first quarter. This slight decline reflects the impact of ongoing commodity cost increases over this 12-month period. Last year when one views the entire year, we had an overall trend in the margins and this first quarter continues that trend but we have had variability in our margins from quarter to quarter and we'll

likely continue to have some variability due to a variety of factors. Of course, we can have some variability due to the changes in the mix of our product line sales from quarter to quarter. However, in today's environment the overriding challenge in our drive to steadily improved margins is the need to combat escalating and volatile commodity costs, such as those for copper, steel and petroleum-based products. We're responding to this challenge with several initiatives, including price increases. Our April 1 price increase should help recover inflationary cost increases. In addition, we anticipate further cost savings this year from our TCP process of another \$15 to \$20 million like we have in each of the three preceding years and the forward procurement program, as Paul mentioned that we introduced at the beginning of this year, is helping provide us with time to respond to the increases which impact our margins. On balance, we have been showing a good trend in addressing escalating costs. Our margins have been improving and we expect that to continue. However, while we believe this overall trend of improving margins will continue, there will still be some volatility in quarterly margins given the potential mismatch in the timing of fluctuating commodity costs increases and the other initiatives that I mentioned previously.

SG&A costs in the first quarter of 2008 were 21% of sales. The current year SG&A expense ratio is approximately 140 basis points less than last year's first quarter. This trend of increased operating leverage is part of a longer-term focus, however, we do not expect further improvements in this ratio over the balance of this year as we are expanding our international sales resources in Asia-Pacific, Latin America and Europe, to pursue expanding opportunities in those markets. In addition, we are increasing our engineering expenditures to accelerate the development of certain product innovation ideas.

Another positive factor contributing to the first quarter increase in our profits was the significant decline in interest costs of almost 25%. Interest expense was \$5.3 million as compared to last year's \$7.1 million of expense. This decrease in interest cost results from a combination of favorable factors. First, we have reduced average debt of approximately 11% as compared to last year's first quarter. Secondly, approximately 40% of our debt is variable and floats relative to LIBOR. LIBOR was significantly less during this year's first quarter as compared to last year's. Third, our interest rate grid structure with our lenders was more favorable in the first quarter of this year versus last year due to the more favorable amendments we executed in June of 2007.

Looking forward, the special interest adjustment on the notes declined by 50 basis points to a 75 basis point "adder" effective April 1, 2008. This 50 basis point reduction is a result of the reduced leverage ratio that we reported as of December 31, 2007. We anticipate there will be another 50 basis point reduction later this year as our leverage ratio continues to improve. The income tax expense effective rate we reported in the first quarter this year

was 44%, a decline from last year's 64%. The reason our GAAP financial statement rate is so high in both of these periods is because of the requirement to record U.S. income taxes for GAAP purposes on our earnings from foreign subsidiaries without recognizing the benefit of foreign tax credits which will carry over to future periods.

For 2008, the foreign earnings, subject to this GAAP treatment, are less than in 2007 and thus the decline between the two periods. In contrast to the GAAP income tax rate, we estimate that we will actually be paying income taxes at a rate of approximately 22% of the reported income. These are taxes we are paying primarily in foreign tax in jurisdictions, principally in Australia. Our U.S.-related income taxes are very minimal and should be for several years as we utilize the benefit of all \$122 million of loss carryovers.

We are in the ramp-up phase for disposition of our C&G and Brazilian discontinued operations. We incurred \$200,000 of GAAP losses, net of income taxes, during the quarter related to these activities. The C&G disposition was completed in January. In Brazil, we're in the process of conducting an auction of the building which we hope to complete by June 30. The combination of the many positive developments during the quarter resulted in net income of \$4.5 million or \$0.34 per diluted share, which is an increase of 221% over last year's first quarter.

With respect to EBITDA, a schedule is attached to the earnings release showing the computation for the quarter. Adjusted operating EBITDA from continuing operations increased 18% to \$17.7 million. The EBITDA margin increased to 13.5% of sales versus the 12.9% margin reported in last year's first quarter.

Let's take a moment to look at cash flows from operations and our liquidity position. In the quarter, we had \$3 million positive cash flow from operating activities. This compares very favorably to the prior year's first quarter in which we had a use of cash of \$20 million. During the first quarter of 2008, we funded \$1.5 million of capital expenditures and paid the first installment in conjunction with our buyout of our Chinese joint venture partner. The remaining installment of \$2 million was paid in April to give us 100% ownership of our Chinese manufacturing operation. This purchase should give us much more flexibility in expanding the potential of this manufacturing facility. The positive cash flow during the quarter rose from the income I just mentioned, as well as the favorable management of all components of our working capital. The positive impact of our inventory management practices is particularly noteworthy. Inventory levels declined despite the growth in our business. This is evidenced by the 25% in the inventory turnover metric to 3.9 times as of March 2008 versus 3.1 in March of 2007. This is also an improvement from the 3.7 turnover level we had at December 31. This improvement from year-end is

impressive in that the first quarter is historically a period of inventory build in anticipation of our seasonally stronger second and third quarters.

Due to the positive cash flows we experienced during the quarter, our net debt position was \$214 million, which was essentially the same as at December 2007. By contrast, our debt has historically increased during the first quarter. With respect to our debt-related activity during the quarter, let me also mention we repaid \$7 million of our second lien debt in satisfaction of the excess cash flow requirement in the indenture of our subordinated notes.

Finally, we were pleased that our improved financial position was also recognized by both S&P and Moody's as they upgraded our ratings, their ratings of the Company to B- and B3, respectively.

With that I'll turn it back to Paul.

Paul Melnuk: Thanks, thanks Steve. Because we are past the initial work that was required to return the Company to financial and operational health, we now have the time and resources to focus on long-term execution. As we've discussed, the materials inflation we've experienced in the past few years has been significant. We have more than offset this adverse impact with sales growth, aggressive cost takeout and better pricing management. However, one of the benefits of this significant commodity inflation is that it is creating an enormous investment in these industries, for example, mining, energy and agriculture. When oil is \$120 a barrel, oil companies have a huge incentive to increase capital spending which we are seeing in refinery expansion, new pipeline capacity, shipbuilding, railcar, as well as exploration and oil field development spending, to give just a few examples.

I visited with some of our distributor customers in past weeks and even in areas of housing weakness, such as Arizona and Florida, I was surprised that most of our customers in these economically-challenged markets were experiencing growth, albeit at lower rates than previous years due to continued infrastructure investment for transportation and utilities. As our products are used to cut and weld steel and other metals, we are not materially impacted by housing and related areas. The robust demand for our products, at least relative to the overall general economic environment, stems primarily from all of the infrastructure building that is occurring worldwide. For example, power and water treatment plants, cement plants, road building, rail transportation, as well as agriculture, mining and energy that I mentioned earlier. U.S. exports also continue to grow as the lower dollar helps U.S. manufacturers be more competitive globally. As an illustration of growing export demand, there is a shortage of shipping containers today in this country.

Another factor impacting the outlook for our industry is capacity constraint, and thus pent-up demand, because of the worldwide shortage of welders. As a result, lead times on heavy fabrication items have been extending so that any softening of demand will only serve to shorten them, not send people home. Accordingly, we continue to anticipate sales growth of 8 to 10% in the second quarter over the same period of 2007. We are selectively investing in the expansion of our sales, technical and other resources necessary to successfully penetrate international markets. This includes taking measures to bring a product closer to customers, for example, stocking plasma equipment in China to improve delivery times. We are beginning to see some good returns from our initial investments and will continue to accelerate this investment as opportunities warrant.

We have begun to shift our product development focus from completing our three-tiered strategy to true product innovation. We are building on well-known, well-respected brands and the success in our new product launches in the past six months has been gratifying as our new focus and better execution illustrate the possibilities. As Steve reported, we've had excellent results from our master plasma launch, which has far exceeded expectations. We have the right product, the right marketing and we are taking market share. Because of this success, we feel we have a good foundation and an excellent model for future product launches. We have innovative product ideas and development in plasma, gas equipment, arc accessories and welding equipment and you will see us bring exciting new products to market in future periods. This will take time but we are excited about what we can do.

We were also beginning to intensify our cost reduction efforts. With our operations under one leader, Terry Moody, we are now integrating operation functions into one structure. With one structure, we are better able to share best practices and implement consistent and effective reporting, quality and procurement practices across the organization. We are analyzing the optimal use of each facility and are transferring some manufacturing operations from high cost to low cost areas, improving asset utilization and investing in quick payback capital programs. Leveraging our global spend to reduce procurement costs continues to be a top priority as is looking for better ways to make our products at lower cost. In short, there is ample opportunity to continue to take significant costs out of our products for the foreseeable future to improve profitability.

We continue to be vigilant in finding ways to improve working capital efficiency. You may recall we were slow to show progress in this area because we had to fix our customer delivery problems first. We have been working in a careful way to improve without impacting deliveries. Now it is clear in our results that we are making consistent improvements and this trend should continue for many years to come. This will help support significant free cash flow from operations even as we grow our business.

I want to emphasize that we are a much more stable and effective organization, not only financially but operationally. We have taken the difficult steps to build the Company to perform for the long term. It took more time than many would have liked but with the support of many of you we are now positioned to deliver sustained performance improvement. We have many opportunities and will continue to invest in developing our team, our brands and our facilities that will make a meaningful difference to our future. New product innovation, increased international penetration, substantial improvements in plant productivity, further cost efficiencies and working capital savings will all work together to build our success. As you can tell, we're excited about our future and are gratified that we are now delivering substantially improved results to our shareholders.

As indicated on our last call, we are becoming more proactive in telling our story to equity investors. In mid-April, we had productive investor meetings in New York and we are scheduled for more meetings next week. A lot of shares have changed hands recently and we intend to continue making contact with potential investors to ensure the full value of the Company is reflected in the trading value of our stock.

And with that, I'd now like to open up the call to questions, Nicole.

Operator: Thank you. Ladies and gentlemen, at this time we will conduct the question-and-answer session. As a reminder, if you have a question, please press the star, followed by the one on your touchtone phone. You may withdraw your question at any time by pressing the star, followed by the two. If you are using speaker equipment, please lift the handset before making your selection. Our first question comes from the line of Edward Koones with SP Capital. Please go ahead.

Edward Koones: Hi, Paul and Steve. Well look, great quarter, you could see the turn in the Company about a year ago but, this quarter with the increasing sales and improvement in working capital, I thought you guys did a great job. Congratulations to the employees of the Company. I've got a couple of questions. One is how large is the NOL?

Steven Schumm: \$122 million.

Edward Koones: So, is it correct to say that you earn close to \$0.48 a share if you make that adjustment or somewhere in that range?

Steven Schumm: Well, I'd say \$0.48 a share...

Edward Koones: I assume that there was about a million eight or so of taxes that the difference in the tax rate reported relative to what you actually will pay.

Steven Schumm: Ed, I'd have to think about your math, \$122 million of NOL, in theory, offsets about \$40 million worth of taxes...

Edward Koones: Right. I meant in this quarter, you had a much higher reported tax rate than what you'll actually be paying in cash taxes. You made that adjustment.

Steven Schumm: Our cash flow earnings, if you can look at it that way, are significantly better than reported because I'm reporting a 44% tax rate rather than the tax rate I'm paying at 22%.

Edward Koones: Right, right, that's the point. So that would bump up your EPS pretty significantly. And, do you expect to bring debt down below the \$200 million level by year-end?

Steven Schumm: Yes.

Edward Koones: That would be the net debt, correct?

Steven Schumm: Yes.

Edward Koones: Okay. And that's it. So looks like you're trading somewhere around seven times earnings and that's what I'm coming up with. And, relative, is there much of a difference in the market you serve relative to Lincoln Electric, or you don't want to get into something like that on this type of call?

Paul Melnuk: I mean, Lincoln supplies and sells to the same distributor customers that we sell, the same channel.

Edward Koones: So there's a Company...

Paul Melnuk: The mix of business is different but the end-user market sort of goes into, are generally the same.

Edward Koones: Right. So I'm just saying they're trading in more of a 15 multiple on earnings and you're much lower multiple, similar growth prospects, I would assume. So maybe you have even a more attractive growth prospects in certain because you're at a much lower base. All right, well nice job.

Paul Melnuk: Thanks, Ed.

Edward Koones: Okay, take care.

Operator: Thank you. Ladies and gentlemen, if there are additional questions, please press the star, followed by the one. Again, you may withdraw your question at any time by pressing the star, followed by the two and if you are using speaker equipment, please lift the handset before making your selection. Our next question comes from the line of Jordan Hollander with Jeffries and Company. Please go ahead.

Jordan Hollander: Hi guys, great quarter.

Paul Melnuk: Thanks.

Jordan Hollander: Just had a question. You guys gave guidance on last quarter's call, EBITDA margin about 13/14% for the year. Is there any change to that given where you came in at first quarter and some of the price increases you have going in for second quarter?

Steven Schumm: No, sir. We still feel comfortable that we can achieve that range.

Jordan Hollander: Okay. And are the price increases so far, have they been sticking across the board, any resistance on any of those or is everyone just paying those given the higher commodity prices?

Paul Melnuk: They have been passed through to our customers who are passing them through to the end-users and we have not had any specific pushback from customers. I think people are pretty well aware that the commodity costs are rising and so price increases that reflect the recapture of those commodities, cost increases seem to be being accepted.

Jordan Hollander: Great. And do you guys have any other increases planned if, as you know, steel has run up pretty heavy and copper prices?

Paul Melnuk: Well, in our filler metals business, which their primary raw material is steel, price increases have been passed on to customers in the form of surcharges and we're continuing to be responsive in that market to cost increases on an almost monthly basis. In our other product lines, passing on price takes a much more significant administrative effort, both for us and for our end-user customers. So the ability to pass on price there, we have to be certain that the inflationary increases are not temporary that they're more permanent and as I mentioned in my remarks, if commodity prices stay at the levels that they have been over the last few months, we will likely be faced with putting another price increase through before the end of the year.

Jordan Hollander: Okay, great, just one final question. What percentage of sales were sold internationally during the quarter? It seems to be continuing to rise.

Steven Schumm: Little more than 41%.

Paul Melnuk: Yeah. It keeps creeping up and if you go back a year in time it was about 38%.

Jordan Hollander: Okay, great guys. Is there any target of where you guys want that headed long term or wherever the growth comes from?

Paul Melnuk: Well, we're looking to penetrate some new international markets, you know, China, parts of Southeast Asia, Eastern Europe, Latin America, so we would expect that on balance international markets will grow at rates higher than our North American business but we see opportunities for growth here in North America, as well.

Jordan Hollander: Okay, great guys, thanks a lot.

Operator: Thank you. Our next question comes from the line of Ali Motamed with Boston Partners. Please go ahead.

Ali Motamed: Hi, wonderful quarter. My question is more historically. Looking at your Company over the past sort of 20 years and I know you guys haven't been there that long, but you always for about 15 years had better margins than Lincoln and were very consistent and I would say that as you look from the early 90's for about an eight to ten-year period you put up EBITDA margins that were, I would say, 300 to 500 basis points higher than theirs, every single year consistently and I would imagine some of that has to do with your business mix and although they've done some acquisitions, as we look at the Company now and you're coming through a turnaround, and obviously you're executing very well, when we look at the margin potential, do we have that potential again to get the sort of 3 to 500 basis points higher margins than Lincoln, especially considering that our business mix relatively is pretty similar?

Paul Melnuk: We would agree that over time, given the nature of our business mix, that our EBITDA margin should outperform theirs. They have a much larger mix of business in the filler metal area. Over the last number of years, margins in that area have widened. Traditionally, those have been a narrower margin business and what has happened to our product lines over a longer period of time is that we have historically been a premium branded product line and margins were eroded as a result of competition. Over the last three years, we have implemented a three-tier product strategy – good, better, best – and as a result of that strategy, we now have products that are targeted for the more price conscious customer. For many years, without that additional

product offering, the Company had been forced to effectively discount its premium products in order to retain market share. So, as a result of that strategy and what we've seen in terms of the success of it, we fully expect that we, our EBITDA margins will be, will return to a level higher than Lincoln's over time.

Ali Motamed: And how long do you think that process takes?

Paul Melnuk: It is what we would describe as over a longer timeframe. It's not in the next year but it's more a three to five-year time horizon.

Steven Schumm: Yeah, Ali, one of the things I might call to your attention is if you look at the last investor presentation we did, which is on our website, we say in there that we have longer term goals and we defined in that context, longer term two to three years but the gross margins in the business we should be able to get to the 34/35% range. That's still far short of the points in history you will find to which got as high as 40%. And that contrasts dramatically with what I think, since you've referred to Lincoln, the filler metals business historically has been sub-30% margins. So, the bottom line is a function of the gross margin line and so we think we see some good potential continue to improve.

Ali Motamed: Thank you. And then one other thing, can you maybe talk a little bit about what you're doing to try and bring a little more attention to the Company and exposure to help get this trading volume up, its share price more reasonable?

Paul Melnuk: Well as I mentioned in my remarks, we, well firstly to back up, in the first quarter of this year we engaged an investor relations firm, SM Berger & Company out of Cleveland. They organized for us in April, an investor day of meetings in New York. We met with a large number of high-quality potential investors. We have another such day scheduled for the end of next week. And we're just going to continue that practice. Over time, we also will continue to work to try to get some additional research coverage for the Company and, in short, we're making it a much higher priority to spend time getting out and telling our story. We think we've got a great story to tell. We think we have great value to offer to investors today and so, you know, we're...

Ali Motamed: Do you have a dedicated person on investor relations right now because obviously you operate in a lot of countries? It's a lot of work for a CFO just to make sure that they've got their job taken care of and management and considering the investment in bringing someone who's really an expert at dealing with investors on board to really go out and pound the pavement and bring attention to the Company. Is that in the plans, do you have that?

Paul Melnuk: Well, that is the initial role that SM Berger is serving for us.

Ali Motamed: Right.

Paul Melnuk: And we think certainly they have demonstrated to us that they are very experienced, very capable and the advantage of their firm is it's not just one person. They have a team of people.

Ali Motamed: Okay, thank you.

Steven Schumm: We also have another IR firm, you know, based in St. Louis, helping us.

Ali Motamed: Yeah, I would say the one concern is we're a shareholder. We've bought a decent amount of stock, they have to reach out to people and if you're not even talking to existing shareholders, well you're not probably doing as aggressive a job as someone who's really with the Company, who's future is tied to the Company directly would do. So I would just give you that one.

Paul Melnuk: I think it's a fair point. We had recognized it as, we had to pick up the pace on as we got into this year. We're starting to do it. I think we'll take your observations into consideration. We're also striking that delicate balance of spending your SG&A dollars as discriminatingly as we can.

Ali Motamed: Well you're making so much more operating profit for us now that it doesn't matter, but thank you.

Paul Melnuk: We'll ask the rest of the shareholders if they share your view.

Operator: Thank you. Our next question comes from the line of Tom Scandell with Jetz Capital Management. Please go ahead.

Tom Scandell: Hi, good morning.

Paul Melnuk: Hey, Tom.

Tom Scandell: I was listening to your prepared remarks, and I appreciate the volatility of gross margin given the commodity price environment, and I guess because of the discontinued items probably the spreadsheet that I have with quarterly sequential quarterly numbers, may not be necessarily accurate. So I was wondering if you could clarify what you expect the trends, general trends in gross margin to be for the balance of the year? I'm not sure

whether I interpreted it right or whether you expect continued improvements but just maybe not as much as we might have seen in '07.

Steven Schumm: We expect further improvements through this year. I'm going a little bit from memory but in the published goals document in the investor presentation that's on our website, I think we distinguished near-term goals versus long-term goals and in the near-term goals you'll see numbers that are slightly higher than what you're seeing right now and when we further qualify it, we say that near term to us means 12 to 18 months. So in that document, we say 32 to 33% margins so our expectation is you're going to see it keep moving upward.

Tom Scandell: Mm-hmm. Okay, that's terrific. I appreciate it.

Operator: Thank you. Our next question comes from the line of Andrew Mies with Corsair. Please go ahead.

Andrew Mies: Thanks, good morning. My question is on Capex. What do you anticipate your Capex being for the rest of the year?

Steven Schumm: For the total year, we think we'll be between \$13 and \$15 million and the last few years its run somewhere around \$10 to \$12 million.

Andrew Mies: Okay. And does that include the investment to buy out the Chinese partner?

Steven Schumm: That's right.

Andrew Mies: Okay, it's \$13 to \$15 million plus the Chinese. And what kind of an impact on EBITDA does the buyout of your Chinese partner have? Is it material to EBITDA; won't add much.

Paul Melnuk: No.

Steven Schumm: Not this year, it won't be material.

Andrew Mies: Okay, thank you.

Operator: Thank you. Ladies and gentlemen, once again if there are additional questions, please press the star, followed by the one. Once again, if you are using speaker equipment, please lift the handset before making your selection. Our next question comes from the line of Sarah Thompson with Lehman Brothers. Please go ahead.

Dori Konig: Good morning guys, this is Dori Konig for Sarah Thompson. Just a quick question and I apologize if I missed this, but what percentage of your sales and your costs are denominated in U.S. dollars?

Steven Schumm: What percentage of our sales are denominated in U.S. dollars? I would have to say it's right at 70 to 75% — 70%.

Dori Konig: 70% of sales. And what about costs?

Steven Schumm: It would be somewhat less. It would be similar but somewhat less, because of importing our sources.

Dori Konig: Okay, okay, great. Just one other question, is the 3% price increase that you guys put in in April, does that completely cover the increased costs that you had from commodities?

Paul Melnuk: It was the price increase that was recapturing commodity increases that had occurred to date.

Dori Konig: To date, okay, gotcha, great, thank you guys.

Paul Melnuk: Thank you.

Operator: Thank you. And we have no further questions. I'd like to turn it back over to management for closing remarks.

Paul Melnuk: Okay, thank you everyone for your time and your support and we look forward to reporting to you at the end of our second quarter. Thank you.

Operator: Thank you, ladies and gentlemen, that does conclude our conference for today. Thank you for your participation. You may now disconnect.