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Sauer Danfoss Inc. Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]. The first question comes from Noah Gallibo [ph]. You may ask your question and please state your company name.

Unidentified Analyst

Good morning. RBC Capital Markets.

Karl J. Schmidt - Executive Vice President and Chief Financial Officer

Good morning.

David J. Anderson - President and Chief Executive Officer

Good morning Noah.

Unidentified Analyst

First question, just want to touch on the capacity constraints. Is there any way you guys can quantify kind of, maybe the impact that have had, should have that increased operating costs in the quarter, maybe the impact that had on EPS as well as, what actions are you taking to address that for fiscal 2008 and a Q4?

Karl J. Schmidt - Executive Vice President and Chief Financial Officer

Well Noah, I think one indication is that you look at per business segment information, you can see that we are still trailing in the work function and controls areas on what we consider normal margins and a number of things on the way to address this, strengthening the management in these areas as well as lean programs and other efficiencies as well as capacity. I think we don't have it quantified by quarter, I think it's baked into our guidance that we make, some progress here in the work function area. I would expect it takes couple more quarters to bring the margins up to where we normally would have them. So it is tough to project quarter-by-quarter where we are except that we are pretty sure, we have controlled of this situation both in work function and in controls.

Unidentified Analyst

Okay. But in Q3 was there any of the kind of expedited shipping costs or overtime charges like you had in Q2?

Karl J. Schmidt - Executive Vice President and Chief Financial Officer

Yes. We still had expediting and inefficiencies I would say it's more than \$3 million that we have absorbed in the third quarter number pretax.

Unidentified Analyst

Okay. And then kind of shifting gears to looking at kind of the strong growth you're having in the Asia region and then looking at acquisition, is that something you guys are looking to or have you been looking into acquisitions in Asia or just in general, I guess your overall kind of outlook in terms of acquisitions this month?

David J. Anderson - President and Chief Executive Officer

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