LAYNE CHRISTENSEN CO

FORM 10-Q
(Quarterly Report)

Filed 09/15/97 for the Period Ending 07/31/97

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 1997.

OR

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

For the transition period from to

Commission File Number 33-48432

LAYNE CHRISTENSEN COMPANY

(Exact name of registrant as specified in its charter)

Delaware	48-0920712
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1900 SHAWNEE MISSION PARKWAY, MISSION WOODS, KANSAS 66205
(Address of principal executive offices) (Zip Code)

(913) 362-0510
(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report.)

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 X . No .

There were 11,700,522 shares of common stock, $.01 par value per share, outstanding on September 12, 1997.

PART I

ITEM 1. Financial Statements

LAYNE CHRISTENSEN COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	July 31, 1997	January 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,366	$ 1,697
Customer receivables, less allowance of $2,717 and $1,002, respectively	50,444	32,031
Costs and estimated earnings in excess of billings on uncompleted contracts	10,627	10,284
Inventories	22,378	17,739
Deferred income taxes	10,570	6,356
Other	2,894	1,675
Total current assets	102,279	69,782
Property and equipment:		
Land	8,958	7,922
Buildings	14,538	13,555
Machinery and equipment	133,202	101,945
	156,698	123,422
Less - Accumulated depreciation	(73,820)	(69,015)
Net property and equipment	82,878	54,407
Other assets:		
Investment in foreign affiliates	18,457	17,172
Goodwill and other intangible assets, at cost less accumulated amortization	33,477	521
Property and equipment held for sale	313	713
Other	1,900	1,055
Total other assets	54,147	19,461
	$ 239,304	$ 143,650

See Notes to Consolidated Financial Statements.

LAYNE CHRISTENSEN COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - (Continued)
(in thousands, except share and per share data)

	July 31, 1997	January 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,801	$ 12,550
Current maturities of long-term debt	119	114
Accrued compensation	10,368	8,348
Accrued insurance expense	7,174	5,410
Other accrued expenses	11,787	7,663
Billings in excess of costs and estimated earnings on uncompleted contracts	11,254	6,054
Acquisition related obligation	7,814	-
Total current liabilities	68,317	40,139
Noncurrent and deferred liabilities:		
Long-term debt	88,962	30,314
Deferred income taxes	5,416	3,307
Accrued insurance expense	5,576	5,775
Other	1,488	1,451
Total noncurrent and deferred liabilities	101,442	40,847
Contingencies		
Stockholders' equity:		
Preferred stock, par value $.01 per share, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, par value $.01 per share, 30,000,000 shares authorized, 8,943,957 and 8,871,467 shares issued and outstanding, respectively	89	89
Capital in excess of par value	40,906	39,293
Retained earnings	29,053	24,187
Notes receivable from management stockholders	(175)	(199)
Unrecognized pension cost	(575)	(624)
Cumulative translation adjustment	247	(82)
Total stockholders' equity	69,545	62,664
	$ 239,304	$ 143,650

See Notes to Consolidated Financial Statements.

LAYNE CHRISTENSEN COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)

	Three Months Ended July 31, 1997	Three Months Ended July 31, 1996	Six Months Ended July 31, 1997	Six Months Ended July 31, 1996
Revenues:				
Net service revenues	$ 59,636	$ 50,538	$ 109,107	$ 97,794
Net product sales	8,047	5,774	16,326	12,291
Total	67,683	56,312	125,433	110,085
Cost of revenues (exclusive of depreciation shown below):				
Cost of service revenues	42,813	36,250	79,015	71,226
Cost of product sales	5,865	4,087	11,808	8,814
Total	48,678	40,337	90,823	80,040
Gross profit	19,005	15,975	34,610	30,045
Selling, general and administrative expenses	11,120	9,852	21,447	19,589
Depreciation	2,869	2,611	5,701	5,452
Operating income	5,016	3,512	7,462	5,004
Other income (expense):				
Equity earnings of foreign affiliates	978	726	1,798	1,828
Interest	(732)	(609)	(1,346)	(1,288)
Other, net	(127)	458	(65)	548
Income before income taxes	5,135	4,087	7,849	6,092
Income tax expense	1,952	1,535	2,983	2,437
Net income	$ 3,183	$ 2,552	$ 4,866	$ 3,655
Net income per common and dilutive equivalent share	$ .34	$ .28	$ .52	$ .40
Weighted average number of common and dilutive equivalent shares outstanding:				
Weighted average shares outstanding	8,876,000	8,872,000	8,874,000	8,858,000
Dilutive stock options	448,000	279,000	406,000	258,000
	9,324,000	9,151,000	9,280,000	9,116,000

See Notes to Consolidated Financial Statements.

LAYNE CHRISTENSEN COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(in thousands)

	Six Months Ended July 31,	
	1997	1996
Cash flow from operating activities:		
Net income	$ 4,866	$ 3,655
Adjustments to reconcile net income to cash from operations:		
Depreciation and amortization	5,794	5,512
Deferred income taxes	739	634
Equity earnings in foreign affiliates	(1,798)	(1,828)
Dividends received from foreign affiliates	532	792
(Gain) loss from disposal of property and equipment	86	(351)
Changes in current assets and liabilities (exclusive of effects of acquisitions):		
Increase in customer receivables	(8,052)	(102)
Increase in cost and estimated earnings in excess of billings on uncompleted contracts	(801)	(3,505)
Increase in inventories	(446)	(301)
Increase in other current assets	(125)	(419)
Increase in accounts payable and accrued expenses	853	(580)
Increase in billings in excess of costs and estimated earnings on uncompleted contracts	5,200	1,132
Other, net	354	109
Cash from operating activities	7,202	4,748
Cash flow from investing activities:		
Additions to property and equipment	(8,482)	(6,453)
Investment in foreign affiliates	(19)	-
Proceeds from disposal of property and equipment	467	796
Investment in domestic affiliate	-	26
Acquisition of businesses, net of cash acquired	(50,242)	-
Cash from investing activities	(58,276)	(5,631)
Cash flow from financing activities:		
Net borrowings under revolving facility	54,000	1,000
Repayments of long-term debt	(56)	(52)
Payments on notes receivable from management stockholders	24	114
Issuance of common stock	1,500	-
Debt issuance costs	(725)	(272)
Cash from financing activities	54,743	790
Net increase (decrease) in cash and cash equivalents	3,669	(93)
Cash and cash equivalents at beginning of period	1,697	382
Cash and cash equivalents at end of period	$ 5,366	$ 289

See Notes to Consolidated Financial Statements.

LAYNE CHRISTENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies and Basis of Presentation

The consolidated financial statements include the accounts of Layne Christensen Company and its subsidiaries (together, the Company), all of which are wholly owned. All significant intercompany transactions have been eliminated. Investments in affiliates (33% to 50% owned) in which the Company exercises influence over operating and financial policies are accounted for on the equity method. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended January 31, 1997 as filed in its Annual Report on Form 10-K.

The accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of financial position, results of operations and cash flows. Results of operations for interim periods are not necessarily indicative of results to be expected for a full year.

Net income per common and dilutive equivalent share was calculated by dividing net income by the weighted average number of common and dilutive equivalent shares outstanding. Options to purchase common stock are included except when their effect is antidilutive.

Effective for the Company's financial statements as of January 31, 1998, Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share," specifies the computation, presentation, and disclosure requirements for earnings per share. At the effective date, all prior-period earnings per share data presented will be restated to conform with the provisions of the Statement.

The amounts paid for income taxes and interest are as follows (in thousands):

	Six Months Ended July 31,	
	1997	1996
Income taxes	$ 1,671	$ 1,357
Interest	1,250	640

During the first quarter of fiscal 1998, the Company issued 3,524 shares of common stock and 15,727 stock options to employees related to fiscal 1997 compensation awards. The total value of these awards were approximately $114,000, which was accrued at January 31, 1997. On July 31, 1997, the Company issued 206,897 stock options in connection with the Stanley Acquisition (see Note 2).

Certain amounts for prior periods have been reclassified to conform with the current presentation.

2. Acquisitions

On May 20, 1997, the Company, through its wholly-owned subsidiary Layne Christensen Australia Pty Limited ("Layne Australia"), made a tender offer to the security holders of Stanley Mining Services Limited ("Stanley"), a company listed on the Australian Stock Exchange (the "Stanley Acquisition"). Stanley is an Australian mineral exploration drilling company that provides services predominantly to gold mining companies in Australia and West Africa, principally Ghana. As of October 1, 1996, Stanley purchased 51% of Glindemann & Kitching Pty Ltd. ("G&K"), a drilling contractor based and operating in Western Australia that specializes in diamond core exploration drilling for gold projects. The remaining 49% of G&K was acquired by Stanley as of July 1, 1997 for a purchase price of $7,814,000. The purchase price was paid on September 5, 1997, and is included in the consolidated balance sheet as of July 31, 1997 as an "Acquisition related obligation."

The Stanley Acquisition was substantially consummated on July 25, 1997 for a purchase price of approximately $50,070,000 consisting of a cash purchase price for the tender offer of $48,337,000 and $1,733,000 of transaction costs. The Company also assumed approximately $12,523,000 of Stanley's existing indebtedness. The Company has accounted for the acquisition using the purchase method of accounting. Stanley will be reflected in Layne's results of operations beginning August 1, 1997. The purchase price has been allocated based on estimated fair values of assets and liabilities as of July 31, 1997. This allocation was based on preliminary estimates and may be revised at a later date. The following unaudited pro forma information presents a summary of consolidated results of operations of the Company as if the acquisition of Stanley and G&K had occurred at the beginning of fiscal year 1997, with proforma adjustments to give effect to interest expense on acquisition debt, amortization of goodwill and certain other adjustments, together with related income tax effects:

	Six Months Ended July 31,	
(in thousands, except per share data)	1997	1996
Revenues	$154,398	$136,875
Net income	5,204	3,588
Net income per share	$.56	$.39

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated as of February 1, 1997, nor are they necessarily indicative of future operating results.

In July 1997, the Company also acquired all of the outstanding stock of Stamm-Scheele, Inc., ("Stamm-Scheele") a water well drilling and maintenance company in Louisiana, for approximately $2,574,000 in cash. The acquisition has been accounted for using the purchase method of accounting. Had this acquisition taken place as of February 1, 1997, pro forma operating results would not have been significantly different from those reported.

3. Inventories

The Company values inventories at the lower of cost (first-in, first-out) or market (in thousands):

	As of	
	July 31, 1997	January 31, 1997
Raw materials	$ 1,817	$ 1,790
Work in process	1,247	1,568
Finished products, parts and supplies	19,314	14,381
Total	$ 22,378	$ 17,739

4. Indebtedness

During July 1997, contemporaneously with the consummation of the Stanley Acquisition (see Note 2), the Company amended its existing credit agreement to provide a $100,000,000 reducing revolving credit facility ("New Credit Agreement"). The New Credit Agreement was used to finance the Stanley Acquisition and refinance the Company's existing indebtedness under a $30,000,000 credit facility, and is available for working capital and capital expenditures and for other general corporate purposes. The New Credit Agreement provides a reducing revolving cash borrowing facility of up to $100,000,000, less any outstanding letter of credit commitments ($20,000,000 sublimit). The New Credit Agreement will terminate in July 2002 and any borrowings thereunder will mature at that time. Layne Australia will be eligible to draw down $30,000,000 under the New Credit Agreement. The New Credit Agreement provides for guarantees by certain of the Company's domestic subsidiaries. The New Credit Agreement contains certain covenants including restrictions on the incurrence of additional indebtedness and liens, sale of assets or other dispositions, limits on annual capital expenditures, transactions with affiliates, mandatory prepayments based on the proceeds from the sale of assets and debt and equity securities and certain financial maintenance covenants, including among others, minimum interest coverage and maximum leverage ratios. The New Credit Agreement provides for interest at variable rates equal to (i) for loans in Australian dollars, an Australian Bill rate plus .50% to .875% (depending upon debt to capitalization ratios) or (ii) for loans in United States dollars, at the Company's option, a Eurodollar rate plus .50% to .875% (depending upon debt to capitalization ratios) or an alternate reference rate as defined in the New Credit Agreement. As of July 31, 1997, there was $58,000,000 of outstanding borrowings under the New Credit Agreement, at an interest rate of 6.2625%.

5. Contingencies

The Company's drilling activities involve certain operating hazards that can result in personal injury or loss of life, damage and destruction of property and equipment, damage to the surrounding areas, release of hazardous substances or wastes and other damage to the environment, interruption or suspension of drill site operations and loss of revenues and future business. The magnitude of these

operating risks is amplified when the Company, as is frequently the case, conducts a project on a fixed-price, "turnkey" basis where the Company delegates certain functions to subcontractors but remains responsible to the customer for the subcontracted work. In addition, the Company is exposed to potential liability under foreign, federal, state and local laws and regulations, contractual indemnification agreements or otherwise in connection with its provision of services and products. Litigation arising from any such occurrences may result in the Company's being named as a defendant in lawsuits asserting large claims. Although the Company maintains insurance protection that it considers economically prudent, there can be no assurance that any such insurance will be sufficient or effective under all circumstances or against all claims or hazards to which the Company may be subject or that the Company will be able to continue to obtain such insurance protection. A successful claim or damage resulting from a hazard for which the Company is not fully insured could have a material adverse effect on the Company. In addition, the Company does not maintain political risk insurance or business interruption insurance with respect to its foreign operations.

The Company's former parent corporation, The Marley Company ("Marley"), maintains insurance reserves for the Company on its financial statements to cover expected losses under various casualty insurance policies for occurrences prior to April 30, 1992. Those reserves were funded through intercompany charges to the Company, which were calculated on the basis of the estimated insured losses incurred by the Company. The Company has indemnified Marley for claims or retroactive insurance premiums on those policies that exceed the amount of reserves attributable to the Company's estimated losses through April 30, 1992. The Company believes that the amount of such reserves will be sufficient to cover its reasonably anticipated insured losses under past insurance policies.

The Company is involved in various matters of litigation, claims and disputes which have arisen in the ordinary course of the Company's business. While the resolution of any of these matters may have an impact on the financial results for the period in which the matter is resolved, the Company believes that the ultimate disposition of these matters will not, in the aggregate, have a material adverse effect upon its business or consolidated financial position, results of operations or cash flows.

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

Cautionary Language Regarding Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. Such statements are indicated by words or phrases such as "anticipate," "estimate," "project," "believe," "intend," "expect," "plan" and similar words or phrases. Such statements are based on current expectations and are subject to certain risks, uncertainties and assumptions, including but not limited to unanticipated slowdowns in the Company's major markets, the impact of competition, the effectiveness of operational changes expected to increase efficiency and productivity, worldwide economic and political conditions and foreign currency fluctuations that may affect worldwide results of operations. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially and adversely from those anticipated, estimated or projected. These forward-looking statements are made as of the date of this filing, and the Company assumes no obligation to update such forward-looking statements or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

RESULTS OF OPERATIONS

The Company substantially consummated the Stanley Acquisition at the end of July 1997. Stanley will be reflected in Layne's results of operations beginning in the third quarter ending October 31, 1997. The Stanley Acquisition has been accounted for using the purchase method of accounting, and will have a significant effect on Layne Christensen's future operations and on comparisons of income and expense items in future periods in relation to fiscal 1997 and the first six months of fiscal 1998. Among other things, the Company has incurred a substantial increase in long-term debt and goodwill and will incur a substantial increase in interest expense and goodwill amortization in future periods.

The following table presents, for the periods indicated, the percentage relationship which certain items reflected in the Company's consolidated statements of income bear to revenues and the percentage increase or decrease in the dollar amount of such items period to period.

	Three Months Ended July 31,		Six Months Ended July 31,		Period-to-Period Change	
	1997	1996	1997	1996	Three Months	Six Months
Revenues:						
Water well drilling and maintenance	47.2%	51.2%	46.8%	50.3%	11.0%	5.9%
Mineral exploration drilling	16.8	21.8	21.4	22.8	(7.5)	6.6
Geotechnical construction	15.0	4.0	10.3	3.9	347.5	200.1
Environmental drilling	6.9	10.9	6.5	10.8	(24.1)	(30.6)
Other services	2.2	1.8	2.0	1.0	45.3	123.8
Total service revenues	88.1	89.7	87.0	88.8	18.0	11.6
Product sales	11.9	10.3	13.0	11.2	39.4	32.8
Total revenues	100.0%	100.0%	100.0%	100.0%	20.2	13.9
Cost of revenues:						
Cost of service revenues	71.8%	71.7%	72.4%	72.8%	18.1	10.9
Cost of product sales	72.9	70.8	72.3	71.7	43.5	34.0
Total cost of revenues	71.9	71.6	72.4	72.7	20.7	13.5
Gross profit	28.1	28.4	27.6	27.3	19.0	15.2
Selling, general and administrative expenses	16.4	17.5	17.2	17.8	12.9	9.5
Depreciation	4.3	4.7	4.5	5.0	9.9	4.6
Operating income	7.4	6.2	5.9	4.5	42.8	49.1
Other income (expense):						
Equity earnings of foreign affiliates	1.4	1.3	1.4	1.7	34.7	(1.6)
Interest	(1.1)	(1.1)	(1.1)	(1.2)	20.2	4.5
Other, net	(.1)	.8	.1	.5	*	*
Income before income taxes	7.6	7.2	6.3	5.5	25.6	28.8
Income tax expense	2.9	2.7	2.4	2.2	27.2	22.4
Net income	4.7%	4.5%	3.9%	3.3%	24.7	33.1

* Not meaningful.

Revenues for the three months ended July 31, 1997 increased $11,371,000, or 20.2%, to $67,683,000 while revenues for the six months ended

July 31, 1997 increased $15,348,000, or 13.9%, to $125,433,000 from the three and six months ended July 31, 1996, respectively.

Water well drilling and maintenance revenues increased 11.0%, to $32,000,000, and 5.9%, to $58,678,000, for the three and six months ended July 31, 1997, respectively, compared to revenues of $28,836,000 and $55,403,000 for the three and six months ended July 31, 1996, respectively. The increases in water well drilling and maintenance revenues were primarily the result of a large international water project associated with mining activities which began in the second quarter and increased demand in certain central and southern areas of the United States.

Geotechnical construction revenues increased 347.5%, to $10,141,000, and 200.1%, to $12,858,000, for the three and six months ended July 31, 1997, respectively, compared to revenues of $2,266,000 and $4,284,000 for the three and six months ended July 31, 1996, respectively. This increase was primarily a result of the Company's previously announced ground freeze project in Timmins, Ontario, Canada for Echo Bay Mines, Ltd. (the "Timmins Project") which began in April 1997. It is anticipated that the contract will be substantially completed within one year of inception and will generate geotechnical construction revenues of approximately $27,000,000. In light of the size of this contract, there can be no assurance that this level of revenues will be sustained in the geotechnical construction product line.

Mineral exploration drilling revenues decreased 7.5%, to $11,363,000, and increased 6.6%, to $26,798,000, for the three and six months ended July 31, 1997, respectively, from $12,281,000 and $25,128,000 for the three and six months

ended July 31, 1996, respectively. The decrease for the three months ended July 31, 1997 was a result of the temporary reallocation of resources from mineral exploration services to geotechnical construction services in connection with the Timmins Project. For the six months ended July 31, 1997, the decrease in mineral exploration revenues was offset by strong mining demand in Mexico and the increased utilization of the Company's other mineral exploration resources.

Environmental drilling revenues decreased 24.1%, to $4,664,000, and 30.6%, to $8,206,000, for the three and six months ended July 31, 1997, respectively, from $6,144,000 and $11,832,000 for the three and six months ended July 31, 1996, respectively. The Company believes the market for environmental services offered by the Company, primarily in the southwest region of the United States, continues to be soft due to decreased demand for underground storage tank projects and environmental cleanup work generally. In addition, the Company has continued its strategy of not pursuing lower margin, less technically demanding environmental projects.

Product sales increased 39.4%, to $8,047,000, and 32.8%, to $16,326,000, for the three and six months ended July 31, 1997, respectively, from $5,774,000 and $12,291,000 for the three and six months ended July 31, 1996, respectively, as a result of strong export sales and strong sales to the mining industry.

Gross profit as a percentage of revenues remained relatively constant at 28.1% and 27.6% for the three and six months ended July 31, 1997, respectively, compared to 28.4% and 27.3% for the same periods last year.

Selling, general and administrative expenses increased to $11,120,000 and $21,447,000 (or 16.4% and 17.2% of revenues, respectively) for the three and six months ended July 31, 1997 compared to $9,852,000 and $19,589,000 (or 17.5% and 17.8% of revenues, respectively) for the three and six months ended July 31, 1996. Selling, general and administrative expenses as a percent of revenue decreased period-to-period principally because of the increase in revenues noted above and the non-variable nature of certain components of these expenses.

Depreciation increased to $2,869,000 and $5,701,000 for the three and six months ended July 31, 1997, respectively, compared to $2,611,000 and $5,452,000, respectively, for the same periods last year. The increase in depreciation was primarily a result of increased capital expenditures during the year.

Equity in earnings of foreign affiliates was $978,000 and $1,798,000 for the three and six months ended July 31, 1997, respectively, compared to $726,000 and $1,828,000, respectively, for the same periods last year. The increase for the three months ended July 31, 1997 was primarily a result of improved margins on the Mexican affiliate operations and increased drilling activity in Peru on certain projects which had been delayed in the first quarter by inclement weather.

Interest expense increased $123,000 and $58,000 for the three and six months ended July 31, 1997, respectively, as compared to the three and six months ended July 31, 1996. The increase was primarily a result of additional borrowings made in July 1997 to finance the Stanley Acquisition.

Income taxes of $1,952,000 and $2,983,000 for the three and six months ended July 31, 1997, respectively, increased from $1,535,000 and $2,437,000, respectively, in the same periods last year as a result of higher income before taxes compared to the prior year. The effective tax rate for the three and six months ended July 31, 1997 was 38% compared to 37.6% and 40%, respectively, for the same periods last year. The effective tax rate was reduced in the second quarter of fiscal 1997 primarily as a result of the tax treatment of the Company's foreign affiliates.

CHANGES IN FINANCIAL CONDITION

Cash from operations was $6,116,000 for the six months ended July 31, 1997 compared to $4,748,000 for the same period last year. The change in cash from operations was primarily a result of more profitable operations for the period compared to the same period last year. Cash from operations, and borrowings under the Company's available credit agreement, were primarily used for additions to property and equipment of $8,482,000 during the six months ended July 31, 1997, and the acquisition of Stamm-Scheele.

The Company obtained an investment in limited gold mining concessions as a result of the Stanley Acquisition. In connection with the concessions, the Company expects to make capital contributions of approximately $415,000 through December 31, 1997 and to make further capital contributions thereafter.

During July 1997, the Company amended its existing credit agreement to provide a reducing revolving cash borrowing facility of up to $100,000,000 (the "New Credit Agreement"). Borrowings under the New Credit Agreement were used to complete the Stanley Acquisition (see Note 2 to the Consolidated Financial Statements) and refinance indebtedness under the Company's existing credit agreement. The Company's borrowings and outstanding letter of credit commitments under the New Credit Agreement were $58,000,000 and $5,118,000, respectively, at July 31, 1997, leaving approximately $36,882,000 of unused availability.

On August 19, 1997, the Company completed the sale of 2,756,565 shares of Common Stock in a public offering with net proceeds of approximately $43,500,000 which were used to reduce the debt incurred under the New Credit Agreement in connection with the Stanley Acquisition.

The Company believes that borrowings from its available credit agreement and cash from operations will be sufficient for the Company's seasonal cash requirements and to fund its budgeted capital expenditures for at least the balance of the fiscal year.

PART II

ITEM 1 - Legal Proceedings

NONE

ITEM 2 - Changes in Securities

NOT APPLICABLE

ITEM 3 - Defaults Upon Senior Securities

NOT APPLICABLE

ITEM 4 - Submission of Matters to a Vote of Security Holders

An annual meeting of stockholders was held on May 22, 1997. Set forth below is a brief description of each matter voted upon at the meeting and the results of the balloting:

a) Election of Robert J. Dineen as a Class II Director to hold office for a term expiring at the 2000 Annual Meeting of the Stockholders of the Company and until his successor is duly elected and qualified or until his earlier death, retirement, resignation or removal:

For	Against	Withheld Authority
7,767,230	-0-	152,916

b) Ratification and approval of the selection of the accounting firm of Deloitte & Touche LLP as the independent auditors of the Company for the fiscal year ended January 31, 1998:

For	Against	Withheld Authority
7,919,243	303	600

c) Ratification and approval of the amendment of the Layne Christensen Company 1992 Stock Option Plan increasing the number of shares authorized for issuance under the Plan from 750,000 to 1,250,000:

For	Against	Withheld Authority
6,669,693	406,687	2,150

ITEM 5 - Other Information

NONE

ITEM 6 - Exhibits and Reports on Form 8-K

On August 6, 1997, the Company filed a Form 8-K relating to its acquisition of all of the outstanding capital stock of Stanley Mining Services Limited ("Stanley"), a publicly traded Australian company. The report included the consolidated financial statements of Stanley as of June 30, 1996 and 1995, as of March 31, 1997 and 1996, for the years ended June 30, 1996 and 1995 and for the nine months ended March 31, 1997 and 1996, as well as the financial statements of Glindemann & Kitching Pty Ltd. as of June 30, 1996, as of March 31, 1997 and 1996, for the year ended June 30, 1996 and for the nine months ended March 31, 1997 and 1996.

On August 12, 1997, the Company filed a Form 8-K/A which amended the Company's Form 8-K filed April 9, 1997 which announced the tender offer for Stanley.

The exhibits filed with or incorporated by reference in this report are listed below:

Exhibit No. Description

27(1) Financial Data Schedule

* * * * * * * * * *

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.

LAYNE CHRISTENSEN COMPANY
(Registrant)

DATE:	*September 15, 1997*	*/S/ A.B. Schmitt* ---------- *A.B. Schmitt, President and Chief Executive Officer*
DATE:	*September 15, 1997*	*/s/ Jerry W. Fanska* ---------- *Jerry W. Fanska, Vice President Finance and Treasurer*

ARTICLE 5

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	JAN 31 1998
PERIOD END	JUL 31 1997
CASH	5,366
SECURITIES	0
RECEIVABLES	61,071
ALLOWANCES	2,717
INVENTORY	22,378
CURRENT ASSETS	102,279
PP&E	156,698
DEPRECIATION	73,820
TOTAL ASSETS	239,304
CURRENT LIABILITIES	68,317
BONDS	88,962
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	89
OTHER SE	69,456
TOTAL LIABILITY AND EQUITY	239,304
SALES	16,326
TOTAL REVENUES	125,433
CGS	90,823
TOTAL COSTS	96,524
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	1,346
INCOME PRETAX	7,849
INCOME TAX	2,983
INCOME CONTINUING	4,866
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	4,866
EPS PRIMARY	.52
EPS DILUTED	0

End of Filing

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