FORM 10–Q

LAYNE CHRISTENSEN CO – LAYN

Filed: June 07, 2004 (period: April 30, 2004)

Quarterly report which provides a continuing view of a company's financial position

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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 April 30, 2004

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)

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

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 [ ].

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

There were 12,545,634 shares of common stock, $.01 par value per share, outstanding on May 14, 2004.

PART I

ITEM 1. Financial Statements

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

	April 30, 2004 (unaudited)	January 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,147	$ 21,602
Customer receivables, less allowance of $4,179 and $4,104, respectively	46,341	55,336
Costs and estimated earnings in excess of billings on uncompleted contracts	16,531	13,746
Inventories	15,770	13,947
Deferred income taxes	10,080	9,357
Income taxes receivable	224	724
Other	4,706	6,057
Total current assets	99,799	120,769
Property and equipment:		
Land	7,810	7,861
Buildings	14,201	14,648
Machinery and equipment	163,360	160,327
Gas transportation facilities and equipment	3,412	2,267
Oil and gas properties	13,394	10,376
Mineral interest in oil and gas properties	2,630	1,441
	204,807	196,920
Less - Accumulated depreciation	(133,980)	(132,120)
Net property and equipment	70,827	64,800
Other assets:		
Investment in affiliates	19,325	19,239
Goodwill	2,449	2,449
Deferred income taxes	7,474	7,717
Other	2,526	2,353
Total other assets	31,774	31,758
	$ 202,400	$ 217,327

See Notes to Consolidated Financial Statements.

- Continued -

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

	April 30, 2004	January 31, 2004
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 23,086	$ 25,568
Accrued compensation	10,063	11,925
Accrued insurance expense	6,378	6,392
Other accrued expenses	7,149	8,511
Lease termination costs	--	6,603
Income taxes payable	1,955	463
Billings in excess of costs and estimated earnings on uncompleted contracts	7,067	8,901
Total current liabilities	55,698	68,363
Noncurrent and deferred liabilities:		
Long-term debt	40,000	42,000
Accrued insurance expense	8,064	7,690
Other	5,253	5,589
Total noncurrent and deferred liabilities	53,317	55,279
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, 12,545,634 and 12,533,818 shares issued and outstanding, respectively	125	125
Capital in excess of par value	89,852	89,759
Retained earnings	14,930	13,458
Accumulated other comprehensive loss	(11,522)	(9,629)
Notes receivable from management stockholders	--	(28)
Total stockholders' equity	93,385	93,685
	$ 202,400	$ 217,327

See Notes to Consolidated Financial Statements.

- Concluded -

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

	Three Months Ended April 30, (unaudited)	
	2004	2003
Revenues	$ 76,209	$ 59,745
Cost of revenues (exclusive of depreciation shown below)	56,153	42,494
Gross profit	20,056	17,251
Selling, general and administrative expenses	13,925	12,499
Depreciation and amortization	3,185	3,060
Other income (expense):		
Equity in earnings of affiliates	469	92
Interest	(683)	(559)
Other, net	344	268
Income from continuing operations before income taxes	3,076	1,493
Income tax expense	1,538	864
Minority interest	--	56
Net income from continuing operations before discontinued operations	1,538	685
Loss from discontinued operations, net of income taxes of ($95) and ($54)	(66)	(66)
Net income	$ 1,472	$ 619
Basic income (loss) per share:		
Net income from continuing operations	$ 0.12	$ 0.06
Loss from discontinued operations, net of tax	(0.01)	(0.01)
Net income	$ 0.11	$ 0.05
Diluted income (loss) per share:		
Net income from continuing operations	$ 0.12	$ 0.06
Loss from discontinued operations, net of tax	(0.01)	(0.01)
Net income	$ 0.11	$ 0.05
Weighted average shares outstanding	12,535,000	11,903,000
Dilutive stock options	326,000	276,000
	12,861,000	12,179,000

See Notes to Consolidated Financial Statements.

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

	Three Months Ended April 30, (unaudited)	
Cash flow from operating activities:	2004	2003
Net income	$ 1,472	$ 619
Adjustments to reconcile net income to cash used in operations:		
Loss on discontinued operations, net of tax	66	66
Depreciation and amortization	3,185	3,060
Deferred income taxes	(1,049)	(1,017)
Equity in earnings of affiliates	(469)	(92)
Dividends received from foreign affiliates	422	273
Minority interest	--	(56)
Gain from disposal of property and equipment	(479)	(224)
Changes in current assets and liabilities:		
(Increase) decrease in customer receivables	975	(1,096)
Increase in costs and estimated earnings in excess of billings on uncompleted contracts	(2,789)	(4,980)
Increase in inventories	(1,929)	(1,026)
Decrease in other current assets	1,387	54
Increase in accounts payable and accrued expenses	1,081	3,820
Decrease in billings in excess of costs and estimated earnings on uncompleted contacts	(1,845)	(422)
Other, net	(371)	637
Cash used in continuing operations	(343)	(384)
Cash used in discontinued operations	(4,178)	(2,647)
Cash used in operating activities	(4,521)	(3,031)
Cash flow used in investing activities:		
Additions to property and equipment	(4,646)	(2,121)
Additions to oil and gas properties	(2,639)	(280)
Addition to gas transportation facilities and equipment	(1,145)	(17)
Additions to mineral interest in oil and gas properties	(79)	(331)
Proceeds from disposal of property and equipment	962	77
Proceeds from sale of business	300	--
Acquisition of oil and gas working interest	(1,000)	--
Investment in joint venture	(38)	--
Cash used in continuing operations	(8,285)	(2,672)
Cash used in discontinued operations	--	(1,384)
Cash used in investing activities	(8,285)	(4,056)
Cash flow from (used in) financing activities:		
Net borrowings (repayments) under revolving facility	(2,000)	4,000
Repayment of long-term debt	--	(1,368)
Payments on notes receivable from management stockholders	28	--
Payments on DrillCorp promissory note	(660)	--
Issuance of common stock	54	--
Cash from (used in) financing activities	(2,578)	2,632
Effects of exchange rate changes on cash	(71)	189
Net decrease in cash and cash equivalents	(15,455)	(4,266)
Cash and cash equivalents at beginning of period	21,602	10,770
Cash and cash equivalents at end of period	$ 6,147	$ 6,504

See Notes to Consolidated Financial Statements.

LAYNE CHRISTENSEN COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 significant intercompany transactions have been eliminated. Investments in affiliates (20% 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, 2004 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.

Revenue is recognized on large, long-term contracts using the percentage of completion method based upon materials installed and labor costs incurred. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Revenue is recognized on smaller, short-term contracts using the completed contract method. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company values inventories at the lower of cost (first in, first out) or market. Allowances are recorded for inventory considered to be excess or obsolete. Inventories consist primarily of parts and supplies.

Through its energy division, the Company engages in the operation, development, production and acquisition of oil and gas properties, principally focusing on coalbed methane gas projects. The Company follows the full-cost method of accounting for these properties. Under this method, all productive and nonproductive costs incurred in connection with the exploration for and development of oil and gas reserves are capitalized. Such capitalized costs include lease acquisition, geological and geophysical work, delay rentals, drilling, completing and equipping oil and gas wells, including salaries, benefits and other internal costs directly attributable to these activities. The capitalized costs associated with the Company's oil and gas properties are depleted using the units of production method. Costs associated with production and general corporate activities are expensed in the period incurred. As of April 30, 2004 and January 31, 2004, the Company has capitalized $16,024,000 and

$11,817,000, respectively, related to oil and gas properties and mineral interest acquisition costs. The Company has also capitalized $3,412,000 and $2,267,000 as of April 30, 2004 and January 31, 2004, respectively, related to gas transportation facilities and equipment. The Company's projects are in the early stages of completion and the Company does not have sufficient production information by which reserves can be established.

The Company follows SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended, which requires all derivative financial instruments to be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. Under SFAS 133, the Company accounts for its unrealized hedges of forecasted costs as cash flow hedges, such that changes in fair value for the effective portion of hedge contracts, if material, are recorded in accumulated other comprehensive income in stockholders' equity. Changes in the fair value of the effective portion of hedge contracts are recognized in accumulated other comprehensive income until the hedged item is recognized in operations. The ineffective portion of the derivatives change in fair value, if any, is immediately recognized in operations (see Note 5 for disclosure regarding the fair value of foreign currency derivative instruments).

Income taxes are provided using the asset/liability method, in which deferred taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and tax bases of existing assets and liabilities. Deferred tax assets are reviewed for recoverability and valuation allowances are provided as necessary. Provision for U.S. income taxes on undistributed earnings of foreign subsidiaries and foreign affiliates is made only on those amounts in excess of those funds considered to be invested indefinitely.

Earnings per share are based upon the weighted average number of common and dilutive equivalent shares outstanding. Options to purchase common stock are included based on the treasury stock method for dilutive earnings per share, except when their effect is antidilutive.

Stock-based compensation may be accounted for either based on the estimated fair value of the awards at the date they are granted (the "SFAS 123 Method") or based on the difference, if any, between the market price of the stock at the date of grant and the amount the employee must pay to acquire the stock (the "APB 25 Method"). The Company uses the APB 25 Method to account for its stock-based compensation programs. Pro forma net income and earnings per share for the three months ended April 30, 2004 and 2003, determined as if the SFAS 123 Method had been applied, are presented in the following table (in thousands, except per share amounts):

	Three Months Ended April 30,	
	2004	2003
Net income, as reported	$ 1,472	$ 619
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(17)	(147)
Pro forma net income	$ 1,455	$ 472

	Three Months Ended April 30,	
	2004	2003
Income per share:		
Basic - as reported	$ 0.11	$ 0.05
Basic - pro forma	$ 0.11	$ 0.04
Diluted - as reported	$ 0.11	$ 0.05
Diluted - pro forma	$ 0.11	$ 0.04

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

	Three Months Ended April 30,	
	2004	2003
Income taxes	$ 79	$ 337
Interest	1,280	459

Supplemental Non-cash Transactions - The Company issued 217,504 shares of common stock at fair market value related to compensation awards during the three months ended April 30, 2003. The Company did not issue shares of common stock related to compensation awards during the three months ended April 30, 2004.

Reclassifications - Certain fiscal 2004 amounts, primarily related to discontinued operations, have been reclassified to conform with the fiscal 2005 presentation.

2. Discontinued Operations

During the third quarter of fiscal 2004, the Company reclassified the results of operations of its Toledo Oil and Gas ("Toledo") business to discontinued operations. Toledo was historically reported in the Company's energy segment and offered conventional oilfield fishing services and coil tubing fishing services (see Note 9). On January 6, 2004, the Company sold the Toledo operation for $2,500,000 and recorded a gain on the sale of $57,000, net of income taxes of $30,000, for the year ended January 31, 2004. The Company received $2,200,000 upon the sale and an additional $300,000 in February 2004 at the end of a contingency period.

In connection with the sale of Toledo, the Company recorded a contract termination liability for a long-term lease of the Toledo facilities. The contract termination liability represents the present value of the rental payments specified in the lease reduced by an estimate for sublease rentals (based on market value of similar properties). The Company will record accretion expense due to the passage of time for the difference between the expected lease obligations, net of sublease rentals, and the present value of such operations. The present value liability was adjusted during the quarter to reflect higher than anticipated sublease rentals during February and March. A summary of the lease liability follows (in thousands):

	Amounts
February 1, 2004	$ 117
Payments	(2)
Accretion	1
Adjustments	(4)
April 30, 2004	$ 112

The present value liability was adjusted to reflect higher than anticipated sublease rentals during February and March.

Lease obligations of $131,000, net of sublease rentals, are expected to be paid over the term of the lease which extends to 2008.

On January 30, 2004, the Company sold its Layne Christensen Canada Ltd. ("Layne Canada") subsidiary for $15,914,000. Layne Canada was a component of the Company's energy segment (see Note 9) and provided drilling services to the shallow, unconventional oil and gas market. The Company recorded a gain on the sale of $1,652,000, net of income taxes of $994,000 for the year ended January 31, 2004.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations for Toledo and Layne Canada have been classified as discontinued operations. Revenues and net income (loss) from discontinued operations for the three months ended April 30, 2004 and 2003 were as follows (in thousands):

	Three Months Ended April 30,	
	2004	2003
Revenues:		
Canada	$ --	$ 5,980
Toledo	--	622
Total	$ --	$ 6,602
Income (loss) from discontinued operations before income taxes:		
Canada	$ (152)	$ 267
Toledo	(9)	(387)
Total	$ (161)	$ (120)

3. Indebtedness

On July 31, 2003, the Company entered into an agreement ("Master Shelf Agreement") whereby it could issue up to $60,000,000 in unsecured notes. Upon closing, the Company issued $40,000,000 of notes ("Senior Notes") under the Master Shelf Agreement. The remaining $20,000,000, subject to terms and conditions and acceptance by the lender, is available for issuance by the Company at market rates until July 31, 2005. The Senior Notes bear a fixed interest rate of 6.05% and are due on July 31, 2010, with annual principal payments of $13,333,000 beginning July 31, 2008. Proceeds from issuance of the Senior Notes were used to refinance borrowings outstanding under the Company's previous term loan and revolving credit facility ("Previous Loan Facilities").

Concurrent with the signing of the Master Shelf Agreement, the Company closed on a new bank revolving credit facility ("Credit Agreement"). The Credit Agreement is an unsecured $30,000,000 revolving facility to be used for working capital requirements and general corporate purposes. The maximum available under the Credit Agreement is $30,000,000, less any outstanding letter of credit commitments (which are subject to a $15,000,000 sublimit). The Credit Agreement provides interest at variable rates equal to, at the Company's option, a Eurodollar rate plus 1.75% to 2.75% (depending upon certain ratios) or an alternative reference rate as defined in the Credit Agreement. The Credit

Agreement will be due and payable on July 31, 2006. On April 30, 2004, there were letters of credit of $9,028,000 outstanding on the Credit Agreement.

The Master Shelf Agreement and the Credit Agreement contain certain covenants including restrictions on the incurrence of additional indebtedness and liens, investments, acquisitions, transfer or sale of assets, transactions with affiliates, payment of dividends and certain financial maintenance covenants, including among others, fixed charge coverage, maximum debt to EBITDA, minimum tangible net worth and minimum asset coverage. The Company was in compliance with its covenants as of April 30, 2004.

The Company's previous floating rate debt exposed it to changes in interest rates going forward. During September 2002, the Company entered into an interest rate swap agreement (the "Swap Agreement"), as required by the Previous Loan Facilities. The Swap Agreement effectively converted a portion of the previous term loan to a fixed rate basis, thus reducing the impact of interest rate changes. Upon entering the Master Shelf Agreement, a fixed interest rate contract, the Swap Agreement no longer qualified for hedge accounting and gains and losses related to the Swap Agreement were included in Other, net in the Company's Consolidated Statements of Income as incurred. The Swap Agreement calls for quarterly interest payments which commenced on October 1, 2002, and will terminate September 9, 2004. The Swap Agreement is recorded at its fair market value of $80,000 as of April 30, 2004, in other accrued expenses in the Company's Consolidated Balance Sheets.

	April 30, 2004	January 31, 2004
Long-term debt:		
Credit Agreement	$ --	$ 2,000
Senior Notes	40,000	40,000
Total long-term debt	40,000	42,000
Total debt	$40,000	$42,000

4. Acquisitions

During April 2004, the Company acquired the remaining 50% working interest in oil and gas properties, including mineral interests, held by a third party under an August 2002 development agreement for $1,000,000 cash and forgiveness of approximately $489,000 in joint interest receivables from such partner. The acquisition furthers the Company's expansion of its energy presence in the mid-continent region of the United States. The acquisition had the following effect on the Company's consolidated financial position.

	April 30, 2004
Customer receivables	$ (409,000)
Other current assets	(80,000)
Mineral interest in oil and gas properties	1,110,000
Oil and gas properties	379,000
Total cash purchase price	$1,000,000

5. Foreign Currency Derivatives

The Company has foreign operations that have significant costs denominated in foreign currencies, and thus is exposed to risks associated with changes in

foreign currency exchange rates. At any point in time, the Company might use various hedge instruments, primarily foreign currency option contracts, to manage the exposures associated with forecasted expatriate labor costs and purchases of operating supplies. The Company does not enter into foreign currency derivative financial instruments for speculative or trading purposes.

As of April 30, 2004, the Company held option contracts with an aggregate U.S. dollar notional value of $18,025,000 to hedge the risks associated with forecasted Australian dollar denominated costs in its African operations. The contracts settle in various increments through January 2005. The fair value of the instruments of $391,000 at April 30, 2004, is recorded in other current assets and, net of income taxes of $151,000, in accumulated other comprehensive income. Aggregate gains of $5,000 on foreign currency hedging transactions were recognized for the three months ended April 30, 2004 as the forecasted transactions being hedged occurred and were recorded primarily in cost of revenues in the Company's Consolidated Statements of Income.

6. Severance Costs

During the second quarter of fiscal 2004, the Company announced involuntary workforce reductions of 189 employees. The actions were primarily necessary to align the Company's cost structure with current market conditions. As of July 31, 2003, the Company had notified all applicable employees affected by these actions. The Company recorded severance and benefit charges of approximately $530,000 related to these actions in the second quarter of fiscal 2004 in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities."

As of April 30, 2004, the Company had paid $523,000 in costs associated with these workforce reductions. A summary of the severance costs and related activity follows:

	Number of Employees	Amount (in 000's)
Balance February 1, 2003	--	$ --
Charges	189	530
Payments	(187)	(502)
Balance January 31, 2004	2	28
Charges	--	--
Payments	(1)	(21)
Balance April 30, 2004	1	$ 7

7. Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) are summarized as follows (in thousands):

	Three Months Ended April 30, 2004	2003
Net income	$ 1,472	$ 619
Other comprehensive income (loss), net of taxes;		
Foreign currency translation adjustments	(1,277)	101
Unrealized loss on available for sale investments	--	(4)
Unrealized loss on Swap	--	(23)
Unrealized loss on Exchange Contract	(616)	--
Other comprehensive income (loss)	$ (421)	$ 693

The components of accumulated other comprehensive loss for the three months ended April 30, 2004 are as follows (in thousands):

	Cumulative Translation Adjustment	Unrecognized Pension Liability	Unrealized Gain (loss) on Exchange Contracts	Accumulated Other Comprehensive Loss
Balance, February 1, 2004	$ (8,701)	$ (1,784)	$ 856	$ (9,629)
Period change	(1,277)	-	(616)	(1,893)
Balance, April 30, 2004	$ (9,978)	$ (1,784)	$ 240	$ (11,522)

8. Employee Benefit Plans

The Company sponsors a pension plan covering certain hourly employees not covered by union-sponsored, multi-employer plans. Benefits are computed based mainly on years of service. The Company makes annual contributions to the plan substantially equal to the amounts required to maintain the qualified status of the plans. Contributions are intended to provide for benefits related to past and current service with the Company. Effective December 31, 2003, the Company froze the pension plan and recorded a curtailment loss of approximately $20,000 for the year ended January 31, 2004. Benefits will no longer be accrued after December 31, 2003, and no further employees will be added to the Plan. The Company expects to maintain the assets of the Plan to pay normal benefits accrued through December 31, 2003. Assets of the plan consist primarily of stocks, bonds and government securities.

Net periodic pension cost for the three months ended April 30, 2004 and 2003 includes the following components (in thousands):

	Three Months Ended April 30, 2004	2003
Service cost	$ 17	$ 53
Interest cost	110	105
Expected return on assets	(113)	(104)
Net amortization	48	48
Net periodic pension cost	$ 62	$ 102

The Company has recognized the full amount of its actuarially determined pension liability and the related intangible asset (if applicable). The unrecognized

pension cost has been recorded as a charge to consolidated stockholders' equity after giving effect to the related future tax benefit.

The Company also provides supplemental retirement benefits to its chief executive officer. Benefits are computed based on the compensation earned during the highest five consecutive years of employment reduced for a portion of Social Security benefits and an annuity equivalent of the chief executive's defined contribution plan balance. The Company does not contribute to the plan or maintain any investment assets related to the expected benefit obligation. The Company has recognized the full amount of its actuarially determined pension liability. Net periodic pension cost of the supplemental retirement benefits for the three months ended April 30, 2004 and 2003 include the following components (in thousands):

	Three Months Ended April 30,	
	2004	2003
Service cost	$ 25	$ 25
Interest cost	18	17
Net periodic pension cost	$ 43	$ 42

9. Operating Segments

The Company is a multinational company which provides sophisticated services and related products to a variety of markets. The Company is organized into discrete divisions based on its primary product lines. The Company's reportable segments are defined as follows:

Water Resources Division

This division provides a full line of water-related services and products including hydrological studies, site selection, well design, drilling and well development, pump installation, and repair and maintenance. The division's offerings include design and construction of water treatment facilities and the manufacture and sale of products to treat volatile organics and other contaminants such as nitrates, iron, manganese, arsenic, radium and radon in groundwater. The division also offers environmental services to assess and monitor groundwater contaminants.

Mineral Exploration Division

This division provides a complete range of drilling services for the mineral exploration industry. Its aboveground and underground drilling activities include all phases of core drilling, diamond, reverse circulation, dual tube, hammer and rotary air-blast methods.

Geoconstruction Division

This division focuses on services that improve soil stability, primarily jet grouting, grouting, vibratory ground improvement, drilled micropiles, stone columns, anchors and tiebacks. The division also manufactures a line of high-pressure pumping equipment used in grouting operations and geotechnical drilling rigs used for directional drilling.

Energy Division

This division primarily focuses on exploration and production of coalbed methane ("CBM") properties in the United States. To date it has been concentrated on projects in the mid-continent region of the United States. Historically, the division has also included service businesses in shallow gas and tar sands exploration drilling, conventional oilfield fishing services and coil tubing fishing services. During fiscal 2004, the division's strategy shifted to focus mainly on resource development rather than providing services to external customers. Accordingly, in January 2004, the Company sold its Canadian drilling unit to Ensign Drilling and its oilfield fishing services to Smith International. The results of operations for these units have been reclassified to discontinued operations for all periods presented (see Note 2). The division is now composed of the Company's CBM development activities and two small, specialty energy service companies.

Revenues and income from continuing operations pertaining to the Company's operating segments are presented below. Intersegment revenues are accounted for based on the fair market value of the services provided. The Corporate operating loss consists of unallocated corporate expenses, primarily general and administrative functions and incentive compensation. Operating segment revenues and income from continuing operations are summarized as follows (in thousands):

	Three Months Ended April 30,	
	2004	2003
Revenues		
Water resources	$ 45,283	$ 38,769
Mineral exploration	24,089	14,056
Geoconstruction	6,090	6,131
Energy	747	789
Total revenues	$ 76,209	$ 59,745
Income (loss) from continuing operations		
Water resources	$ 4,567	$ 5,400
Mineral exploration	3,818	(178)
Geoconstruction	(109)	262
Energy	(971)	(199)
Unallocated corporate expenses	(3,546)	(3,233)
Interest	(683)	(559)
Total income from continuing operations	$ 3,076	$ 1,493
Geographic Information:		
Revenues		
North America	$ 58,908	$ 49,018
Africa/Australia	16,250	9,357
Other foreign	1,051	1,370
Total revenues	$ 76,209	$ 59,745

10. 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 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 for 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 with respect to its foreign operations.

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.

11. New Accounting Pronouncements

On April 30, 2004, the FASB staff issued FASB Staff Position (FSP) FAS 141-1 and FAS 142-1, which amends FASB Statement No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets." The FSP clarifies that mineral rights in oil and gas properties should be classified as tangible assets. This amendment is effective for the first reporting period beginning after April 29, 2004. The adoption of this amendment will not have a significant impact on the Company's results of operations or financial position as the Company's mineral interests in oil and gas properties are recorded as tangible assets.

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 prevailing prices for various metals, 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 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 April 30,		Period-to-Period Change
	2004	2003	Three Months
Revenues:			
Water resources	59.4%	64.9%	16.8
Mineral exploration	31.6	23.5	71.4
Geoconstruction	8.0	10.3	(0.7)
Energy	1.0	1.3	(5.3)
Total net revenues	100.0%	100.0%	27.6
Cost of revenues	73.7	71.1	32.1
Gross profit	26.3	28.9	16.3
Selling, general and administrative expenses	18.3	20.9	11.4
Depreciation and amortization	4.2	5.2	4.1
Other income (expense):			
Equity in earnings of affiliates	0.6	0.2	*
Interest	(0.9)	(0.9)	22.2
Other, net	0.5	0.4	28.4
Income from continuing operations before income taxes and minority interest	4.0	2.5	*
Income tax expense	2.0	1.4	78.0
Minority interest	0.0	0.0	*
Net income from continuing operations before discontinued operations	2.0	1.0	*
Loss from discontinued operations, net of tax	(0.1)	(0.1)	*
Net income	1.9%	1.0%	*

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*   Not meaningful.

Results of Operations

Revenues for the three months ended April 30, 2004 increased $16,464,000, or 27.6%, to $76,209,000 compared to $59,745,000 the same period last year. See further discussion of results of operations by division below.

Gross profit as a percentage of revenues was 26.3% for the three months ended April 30, 2004 compared to 28.9% for the three months ended April 30, 2003. The decrease in gross profit percentage was primarily attributable to continued pricing pressures in the water resources division and reduced margins associated with the promotion of certain new water treatment products. The decrease in the

water resources division was partially offset by increased margins in the mineral exploration division due to increased activity levels associated with higher gold and base metal prices.

Selling, general and administrative expenses increased to $13,925,000 for the three months ended April 30, 2004 compared to $12,499,000 for the three months ended April 30, 2003. The increase was primarily the result of expenses related to the Company's expansion of its water treatment capabilities and increased expenses associated with the Company's CBM development efforts.

Depreciation and amortization increased to $3,185,000 for the three months ended April 30, 2004 compared to $3,060,000 for the same period last year. The increase was primarily the result of increased depreciation in the mineral exploration division and depletion associated with the Company's CBM projects.

Interest expense increased to $683,000 for the three months ended April 30, 2004 compared to $559,000 for the three months ended April 30, 2003. The increase was primarily a result of increases in the Company's average borrowings for the period.

Income tax expense of $1,538,000 (an effective rate of 50.0%) was recorded for the three months ended April 30, 2004, compared to $864,000 (an effective rate of 57.9%) for the same period last year. The improvement in the effective rate is primarily attributable to improved pre-tax earnings, especially in international operations. The effective rate in excess of the statutory federal rate for the periods was a result of the impact of nondeductible expenses and the tax treatment available for certain foreign operations.

WATER RESOURCES DIVISION
(in thousands)

	Three months ended April 30,	
	2004	2003
Revenues	$45,283	$38,769
Income from continuing operations	4,567	5,400

Water resources revenues increased 16.8% to $45,283,000 from $38,769,000 for the three months ended April 30, 2004 and 2003. The increase in revenues was primarily attributable to the Company's continued efforts to maintain market share, results from the Company's water treatment initiatives and increased infrastructure needs in metropolitan areas of California and Illinois.

Income from continuing operations for the water resources division decreased 15.5% to $4,567,000 for the three months ended April 30, 2004, compared to $5,400,000 for the three months ended April 30, 2003. The decrease in income from continuing operations was the result of the impact of competitive pricing pressures and an increased level of additional costs associated with the Company's water treatment initiatives.

MINERAL EXPLORATION DIVISION
(in thousands)

	Three months ended April 30,	
	2004	2003
Revenues	$24,089	$14,056
Income (loss) from continuing operations	3,818	(178)

Mineral exploration revenues increased 71.4% to $24,089,000 from $14,056,000 for the three months ended April 30, 2004 and 2003, respectively. The increase was primarily attributable to increased worldwide exploration activity due to higher gold and base metal prices. The largest increases for the Company were in Africa and Australia, partially the result of additional capacity from the DrillCorp asset purchase late in fiscal 2004.

Income from continuing operations for the mineral exploration division was $3,818,000 for the three months ended April 30, 2004, compared to a loss from continuing operations of $178,000 for the three months ended April 30, 2003. The improved earnings in the division were primarily attributable to the increased activity levels noted above and improved earnings by the Company's Latin American affiliates. In the first quarter of last year, the Company incurred increased expenses in Australia to bring equipment into compliance with changes to local transportation regulations, negatively impacting prior year earnings.

GEOCONSTRUCTION DIVISION
(in thousands)

	Three months ended April 30,	
	2004	2003
Revenues	$6,090	$6,131
Income (loss) from continuing operations	(109)	262

Geoconstruction revenues were essentially flat at $6,090,000 for the three months ended April 30, 2004, compared to $6,131,000 for the three months ended April 30, 2003.

The geoconstruction division had a loss from continuing operations of $109,000 for the three months ended April 30, 2004, compared to income from continuing operations of $262,000 for the three months ended April 30, 2003. The decrease in income from continuing operations was primarily the result of customer delays on certain public sector projects.

ENERGY DIVISION
(in thousands)

	Three months ended April 30,	
	2004	2003
Revenues	$747	$789
Loss from continuing operations	(971)	(199)

Energy revenues decreased 5.3% to $747,000 for the three months ended April 30, 2004, compared to revenues of $789,000 for the three months ended April 30, 2003. The decrease in revenue was primarily attributable to a slow first quarter for the division's service businesses, partially offset by increased revenue from the Company's CBM projects.

The loss from continuing operations for the energy division was $971,000 for the three months ended April 30, 2004, compared to $199,000 for the three months ended April 30, 2003. The increased loss for the division was the result of increased costs associated with the Company's CBM development efforts and the slow start to the year in the division's service businesses.

CORPORATE EXPENSES

Corporate expenses not allocated to individual divisions were $3,546,000 for the three months ended April 30, 2004 compared to $3,233,000 for the three months ended April 30, 2003. The increase in unallocated corporate expenses was attributable to increased incentive-related accruals for the mineral exploration division and increased travel-related expenditures.

Changes in Financial Condition

Management exercises discretion regarding the liquidity and capital resource needs of its business segments. This includes the ability to prioritize the use of capital and debt capacity, to determine cash management policies and to make decisions regarding capital expenditures.

The Company's primary sources of liquidity have historically been cash from operations, supplemented by borrowings under its credit facilities. The Company usually experiences a decrease in cash available from operations in the first quarter due to incentive compensation payments and increased working capital requirements principally in the Company's water division as it prepares for the summer drilling season. Cash used in operating activities was $4,521,000 and $3,031,000 for the three months ended April 30, 2004 and 2003, respectively. Cash available at January 31, 2004 was used to fund capital spending during the quarter and the acquisition of a partner's working interest in oil and gas properties for $1,000,000. As of April 30, 2004, the Company had no material commitments outstanding for capital assets.

The Company maintains an agreement (the "Master Shelf Agreement") whereby it can issue up to $60,000,000 in unsecured notes. The Company also holds a revolving credit facility (the "Credit Agreement") composed of an unsecured $30,000,000 revolving facility. Borrowings under the Master Shelf and Credit Agreements were used to refinance borrowings outstanding under the Company's previous credit facilities. At April 30, 2004, the Company had no borrowings outstanding under the Credit Agreement and outstanding notes of $40,000,000 under the Master Shelf Agreement (see Note 3 of the Notes to Consolidated Financial Statements). The remaining $20,000,000 of notes under the Master Shelf Agreement are available for issuance at market rates until July 2005. Issuance of the notes is contingent on, among other things, compliance with financial covenants in the Master Shelf and Credit Agreements. The Company was in compliance with its financial covenants at April 30, 2004 and expects to remain in compliance through the foreseeable future.

The Company's working capital as of April 30, 2004 and January 31, 2004 was $44,101,000 and $52,406,000, respectively. The decrease in working capital at April 30, 2004 was primarily attributable to the use of available cash to fund capital expenditures. The Company believes it will have sufficient cash from operations and access to credit facilities to meet the Company's operating cash requirements and to fund its budgeted capital expenditures for fiscal 2005.

Operating Activities

Cash used in operating activities, including discontinued operations, increased $1,490,000 to $4,521,000 for the three months ended April 30, 2004. The cash used for operating activities for the three months ended April 30, 2004 included $4,178,000 used in discontinued operations. This was primarily attributable to the payment of lease termination liabilities and closing costs related to the sale of Layne Canada, partially offset by collection of receivables related to Layne Canada. Proceeds from the sale of Layne Canada of approximately $16,000,000 had been received on January 31, 2004. Cash from operations was also negatively impacted by increased inventory levels at the Company's manufacturing subsidiary in Italy due to higher work-in-process balances for pending orders.

Investing Activities

The Company's capital expenditures of $9,509,000 for the three months ended April 30, 2004 were directed primarily toward the Company's expansion into coalbed methane exploration and production, including the acquisition of a joint interest partner's working interest for $1,000,000. The remaining capital expenditures were directed towards expansion and upgrading of the Company's equipment and facilities primarily in the water resources and mineral exploration divisions.

Financing Activities

The Company's financing activities primarily related to the repayment of $2,000,000 under the Company's revolving credit facility and payment of $660,000 for the DrillCorp promissory note.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our accounting policies are more fully described in Note 1 to the financial statements, located elsewhere in this Form 10-Q and in Note 1 of our Annual Report on Form 10-K for the year ended January 31, 2004. We believe that the following represent our more critical estimates and assumptions used in the preparation of our consolidated financial statements, although not all inclusive.

Revenue Recognition - Revenue is recognized on large, long-term contracts using the percentage of completion method based upon materials installed and labor costs incurred. Changes in job performance, job conditions and estimated

profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Other Long-lived assets - In evaluating the fair value and future benefits of long-lived assets, including the Company's coalbed methane assets, the Company performs an analysis of the anticipated future net cash flows of the related long-lived assets and reduce their carrying value by the excess, if any, of the result of such calculation. The Company believes at this time that the long-lived assets' carrying values and useful lives continue to be appropriate.

Accrued Insurance Expense - The Company maintains insurance programs where it is responsible for a certain amount of each claim up to a self-insured limit. Estimates are recorded for health and welfare, property and casualty insurance costs that are associated with these programs. These costs are estimated based on actuarially determined projections of future payments under these programs. Should a greater amount of claims occur compared to what was estimated or costs of the medical profession increase beyond what was anticipated, reserves recorded may not be sufficient and additional costs to the consolidated financial statements could be required.

Costs estimated to be incurred in the future for employee medical benefits, workers' compensation and casualty insurance programs resulting from claims which have occurred are accrued currently. Under the terms of the Company's agreement with the various insurance carriers administering these claims, the Company is not required to remit the total premium until the claims are actually paid by the insurance companies. These costs are not expected to significantly impact liquidity in future periods.

Income Taxes - Income taxes are provided using the asset/liability method, in which deferred taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and tax bases of existing assets and liabilities. Deferred tax assets are reviewed for recoverability and valuation allowances are provided as necessary. Provision for U.S. income taxes on undistributed earnings of foreign subsidiaries and foreign affiliates is made only on those amounts in excess of those funds considered to be invested indefinitely.

Litigation and Other Contingencies - The Company is involved in litigation incidental to its business, the disposition of which is expected to have no material effect on the Company's financial position or results of operations. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in the Company's assumptions related to these proceedings. The Company accrues its best estimate of the probable cost for the resolution of legal claims. Such estimates are developed in consultation with outside counsel handling these matters and are based upon a combination of litigation and settlement strategies. To the extent additional information arises or the Company's strategies change, it is possible that the Company's best estimate of its probable liability in these matters may change.

The Company's contractual obligations and commercial commitments are summarized as follows:

	Payments/Expiration by Period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Contractual Obligations and Other Commercial Commitments					
Credit facilities	$ 40,000	$ --	$ --	$ 13,333	$ 26,667
Operating leases	15,518	6,222	7,201	1,982	113
Mineral interest obligations	475	107	96	80	192
DrillCorp promissory note	2,160	1,440	720	--	--
Total contractual cash obligations	58,153	7,769	8,017	15,395	26,972
Standby letters of credit	9,028	9,028	--	--	--
Asset retirement obligations	122	--	--	--	122
Total contractual obligations and commercial commitments	$ 67,303	$ 16,797	$ 8,017	$ 15,395	$ 27,094

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The principal market risks to which the Company is exposed are interest rates on variable rate debt and foreign exchange rates giving rise to translation and transaction gains and losses.

The Company centrally manages its debt portfolio considering overall financing strategies and tax consequences. A description of the Company's variable rate debt is in Note 12 of the Notes to Consolidated Financial Statements appearing in the Company's January 31, 2004 Form 10-K. As of April 30, 2004, the $40,000,000 of the Company's debt outstanding is fixed-rate debt. Accordingly, an instantaneous change in interest rates of one percentage point would not significantly impact the Company's annual interest expense.

Operating in international markets involves exposure to possible volatile movements in currency exchange rates. Currently, the Company's primary international operations are in Australia, Africa, Mexico and Italy. The operations are described in Note 1 of the Notes to Consolidated Financial Statements appearing in the Company's January 31, 2004 Form 10-K and Note 9 of this Form 10-Q. The majority of the Company's contracts in Africa and Mexico are U.S. dollar based, providing a natural reduction in exposure to currency fluctuations. The Company also may utilize various hedge instruments, primarily foreign currency option contracts, to manage the exposures associated with fluctuating currency exchange rates (see Note 13 of the Notes to Consolidated Financial Statements). As of April 30, 2004, the Company held option contracts with an aggregate U.S. dollar notional value of $18,025,000.

As currency exchange rates change, translation of the income statements of the Company's international operations into U.S. dollars may affect year-to-year comparability of operating results. We estimate that a ten percent change in

foreign exchange rates would not significantly impact income from continuing operations for the three months ended April 30, 2004 and 2003. This quantitative measure has inherent limitations, as it does not take into account any governmental actions, changes in customer purchasing patterns or changes in the Company's financing and operating strategies.

ITEM 4. Controls and Procedures

Based on an evaluation of disclosure controls and procedures for the period ended April 30, 2004 conducted under the supervision and with the participation of the Company's management, including the Principal Executive Officer and the Principal Financial Officer, the Company concluded that its disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Based on an evaluation of internal controls conducted by management for the period ended April 30, 2004, no significant deficiencies or material weaknesses were identified and the Company has not made any significant changes in internal controls or in other factors that could significantly affect internal controls since such evaluation.

However, it should be noted that any system of controls, however well designed and operated, can provide only reasonable assurance regarding management's control objectives. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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

NONE

ITEM 5 - Other Information

NONE

ITEM 6 - Exhibits and Reports on Form 8-K

a) Exhibits

31(1) - Section 302 Certification of Chief Executive Officer of the Company

31(2) - Section 302 Certification of Chief Financial Officer of the Company

32(1) - Section 906 Certification of Chief Executive Officer of the Company

32(2) - Section 906 Certification of Chief Financial Officer of the Company

b) Reports on Form 8-K

Form 8-K filed on March 31, 2004 related to the Company's fiscal year ended January 31, 2004 press release.

* * * * * * * * * * *

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: June 7, 2004 /s/A.B. Schmitt

A.B. Schmitt, President
and Chief Executive Officer

DATE: June 7, 2004 /s/Jerry W. Fanska

Jerry W. Fanska, Vice President
Finance and Treasurer

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EXHIBIT 31(1)

CERTIFICATIONS

I, Andrew B. Schmitt, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended April 30, 2004, of Layne Christensen Company;

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(s) 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 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 conclusions about the effectiveness of the 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):

(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: June 7, 2004

/s/ A.B. Schmitt

Andrew B. Schmitt
President and Chief Executive Officer

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EXHIBIT 31(2)

CERTIFICATIONS

I, Jerry W. Fanska, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended April 30, 2004, of Layne Christensen Company;

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(s) 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 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 conclusions about the effectiveness of the 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):

(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: June 7, 2004

/s/ Jerry W. Fanska

Jerry W. Fanska
Vice President -- Finance and
Treasurer

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EXHIBIT 32(1)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Andrew B. Schmitt, President and Chief Executive Officer of Layne Christensen Company (the "Company"), do hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2004, which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2004, which this certification accompanies, fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Dated: June 7, 2004

/s/ A. B. Schmitt

Andrew B. Schmitt
President and Chief Executive Officer

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EXHIBIT 32(2)

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER

I, Jerry W. Fanska, Vice President -- Finance and Treasurer, of Layne Christensen Company, do hereby certify in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act OF 2002, that:

(a) the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2004, which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2004, which this certification accompanies, fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Dated: June 7, 2004

/s/ Jerry W. Fanska

Jerry W. Fanska
Vice President -- Finance and Treasurer

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