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HANOVER

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Deutsche Bank –
2006 High Yield Conference

MORE than a compressor company

Lee Beckelman – S.V.P., Chief Financial Officer October 4, 2006

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Forward Looking Statements

Certain matters discussed in this presentation are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified as such because the context of the statement will include words such as "believes," "anticipates," "expects," "estimates," or words of similar import. Similarly, statements that describe Hanover's future plans, objectives or goals or future revenues or other financial measures are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those anticipated as of the date the statements were made. These risks and uncertainties include, but are not limited to: our inability to renew our short-term leases of equipment with our customers so as to fully recoup our cost of the equipment; a prolonged substantial reduction in oil and natural gas prices, which could cause a decline in the demand for our compression and oil and natural gas production and processing equipment; reduced profit margins or the loss of market share resulting from competition or the introduction of competing technologies by other companies; changes in economic or political conditions in the countries in which we do business, including civil uprisings, riots, terrorism, kidnappings, the taking of property without fair compensation and legislative changes; changes in currency exchange rates; the inherent risks associated with our operations, such as equipment defects, malfunctions and natural disasters; governmental safety, health, environmental and other regulations, which could require us to make significant expenditures; our inability to implement certain business objectives such as international expansion, including our ability to timely and cost-effectively execute projects in new international operating environments, integrating acquired businesses, generating sufficient cash, accessing capital markets, and refinancing existing or incurring additional indebtedness to fund our business; risks associated with any significant failure or malfunction of our enterprise resource planning system; and our inability to comply with covenants in our debt agreements and the decreased financial flexibility associated with our substantial debt. A discussion of these and other factors is included in the Company's periodic reports filed with the Securities and Exchange Commission.

Company Snapshot

Twelve months ending or as of June 30, 2006

• Revenue (incl. other income)	$1.5 Billion
• Total Net Debt	$1.4 Billion
• Market Cap	$1.9 Billion
▪ Outstanding Shares	102.3MM
▪ Price	$18.78
• Horsepower Utilization Percentage	
▪ U.S.	84%
▪ International	98%
▪ Total	88%
• Countries with Operations	20

COMPANY OVERVIEW

Our Strategy

Western Hemisphere

- Capitalize on market growth opportunities
- Continue pricing and efficiency improvements
- Drive growth via 200+ Program & new fleet additions

Eastern Hemisphere

- Promote and deliver Total Solutions projects
- Fabrication of oil and gas equipment in Middle East
- Capitalize on Belleli product offerings

Overall

- Improve returns on capital employed
- Drive sustainable growth in all markets
- Execute project backlog as planned

Unmatched Product Capabilities

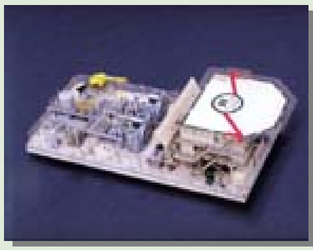
Oil and Gas

Compression

Production Equipment

Gas Plants

Sales
Rental
Operation
Parts & Service



Integrated Product Solutions

Plant Installation

Total Solution Offering

Belleli

Critical Process Vessels

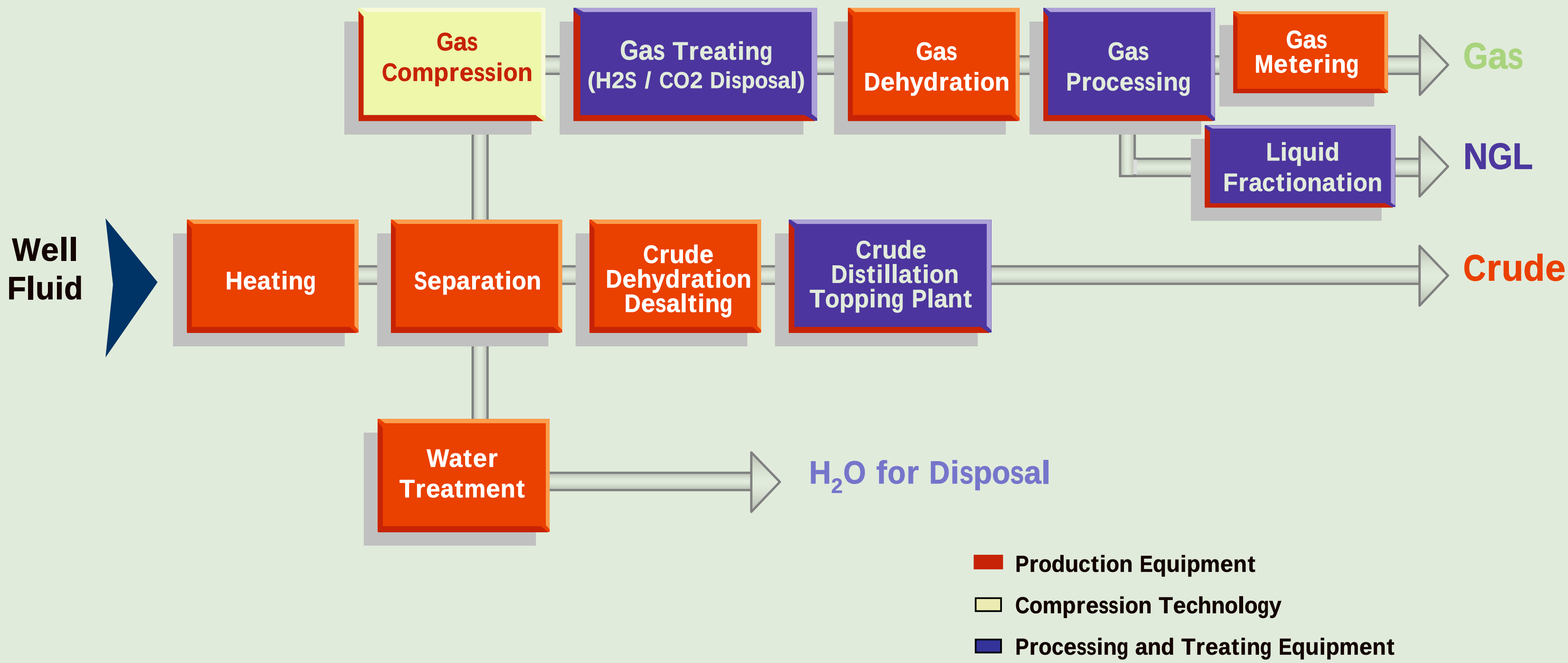
Desalinization Plants

Tank Farm and Plant Construction

Sales

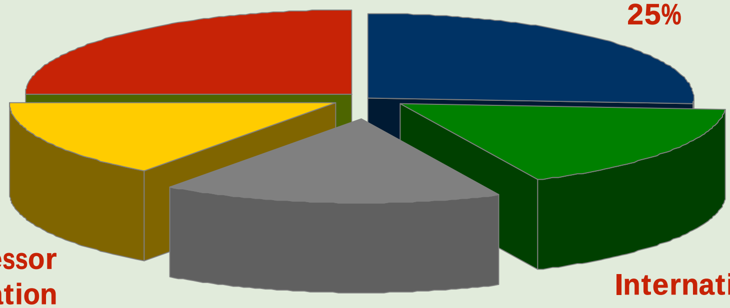
Breadth of Product

Hanover's extensive product line offers solutions for most oil and gas production and gas processing facility applications.

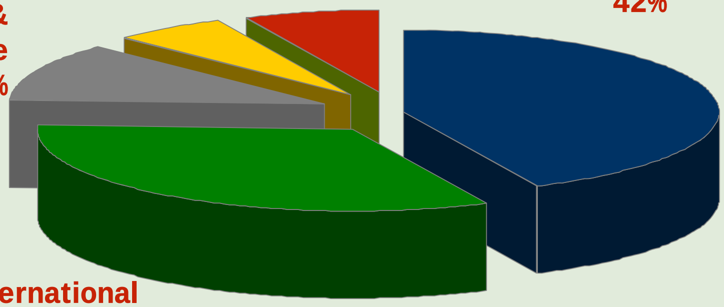


Product Mix

Revenue Mix*



Gross Profit Mix*

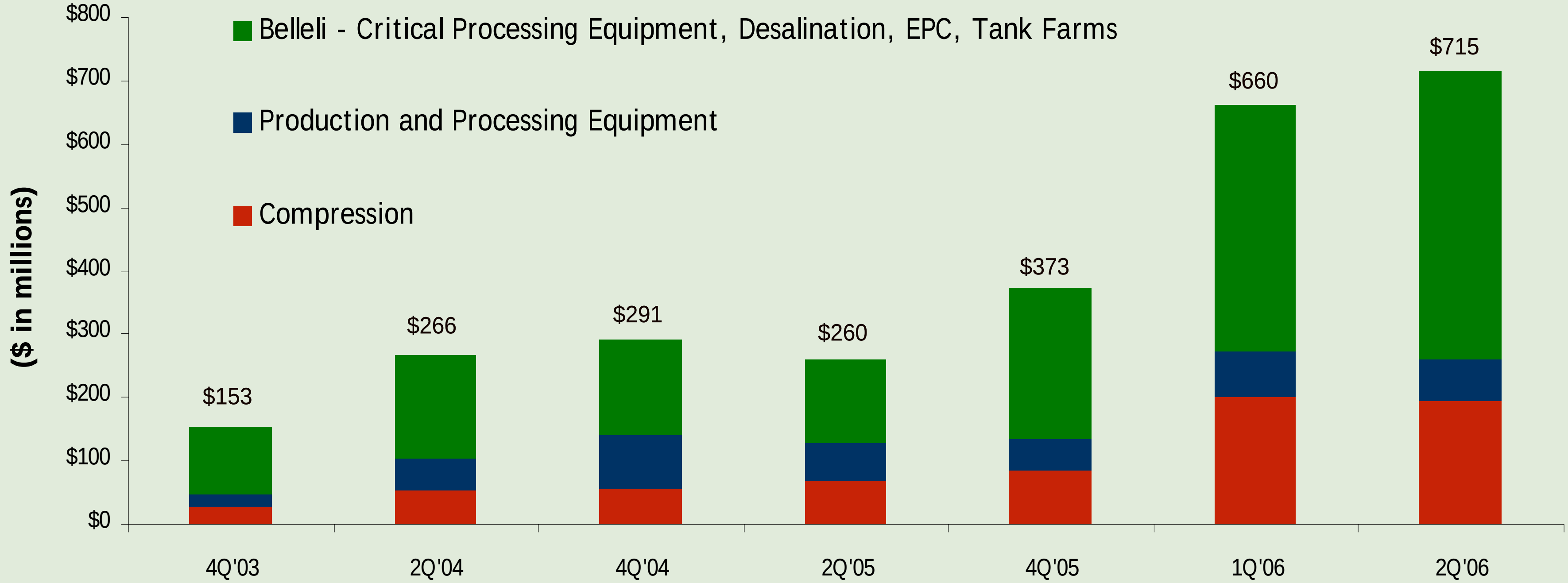


***Twelve Months ended June 30, 2006**

PRODUCT LINE ($ in millions)	Operating Revenue	Gross Profit	Gross Margin
U.S. Rentals	$361	$214	59%
International Rentals	253	166	66%
Parts, Service and Used Equipment	247	53	21%
Compressor and Accessory Fabrication	231	36	16%
Production & Processing Equipment Fabrication	349	36	10%
Total	$1,441	$505	35%

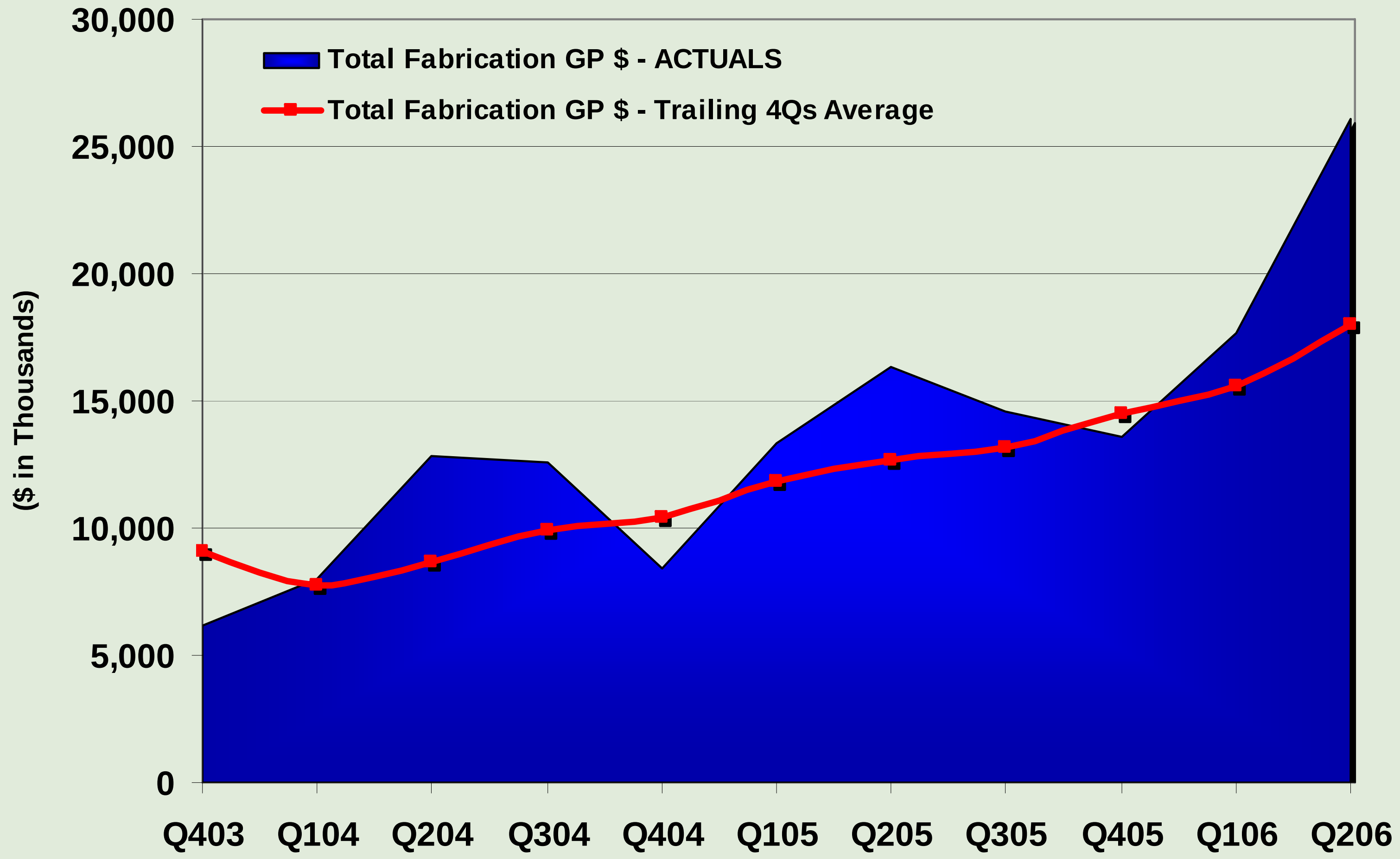
Rental business provides a stable and recurring source of revenue and gross profit.

Strong Fabrication Backlog



Booking new business for 2007 and beyond.

Total Fabrication Gross Profit



HANOVER

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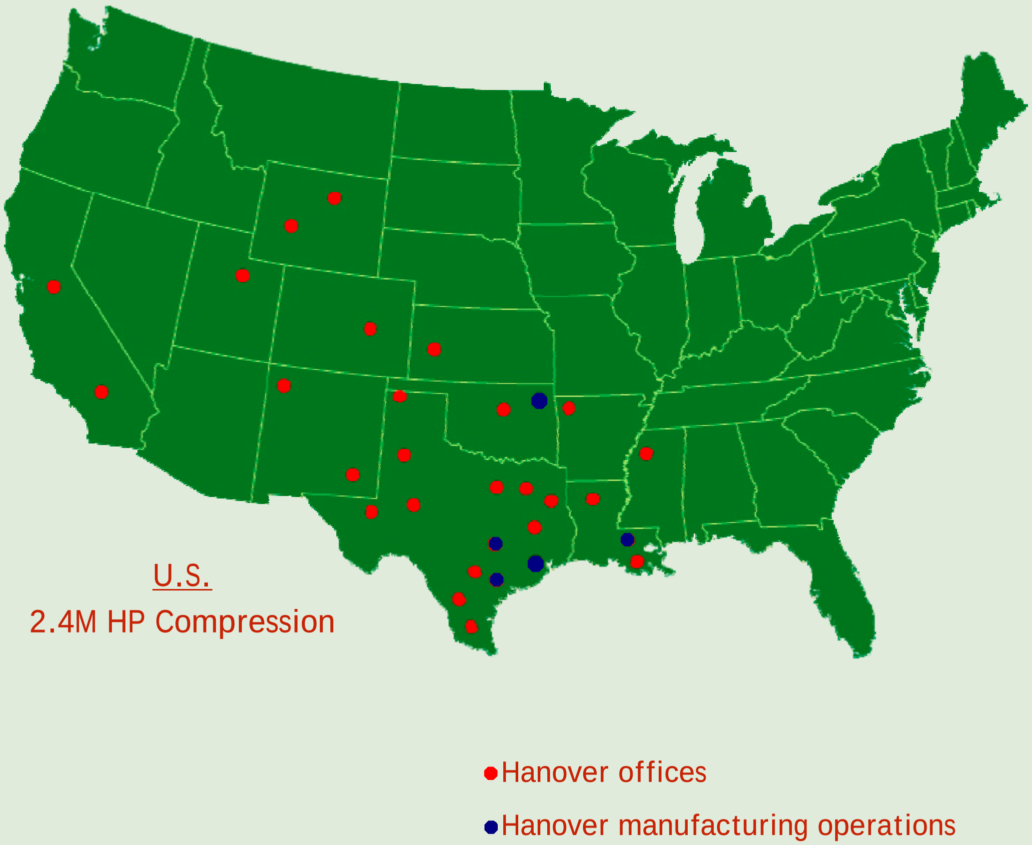
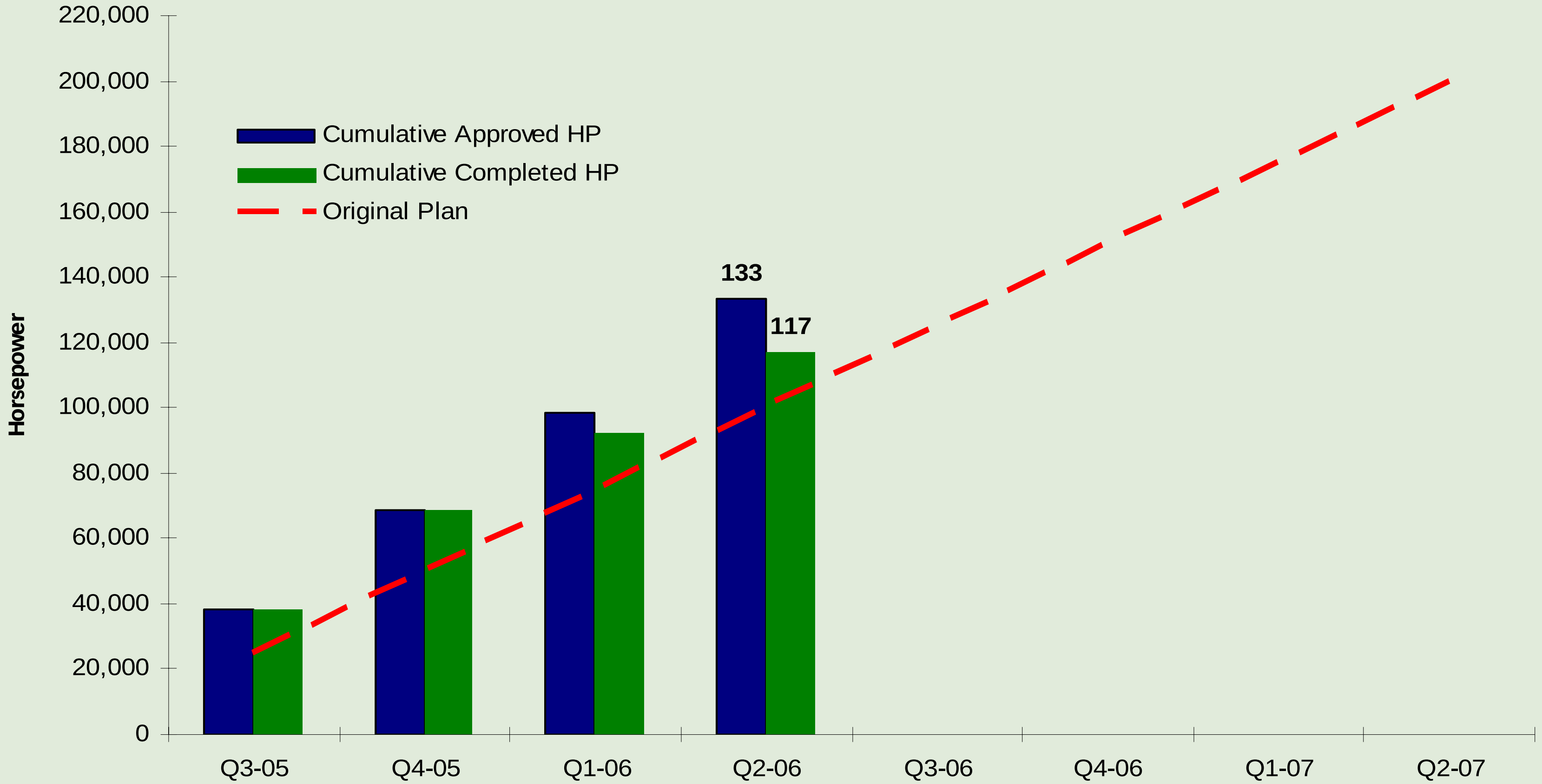
Western Hemisphere: North America

Market Characteristics at June 30, 2006



- Leading rental market share
- Rental assets in short supply
- Long lead times for major compression components
- Continuing pricing strength
- Mid-continent and Western basins are currently areas of strongest activity

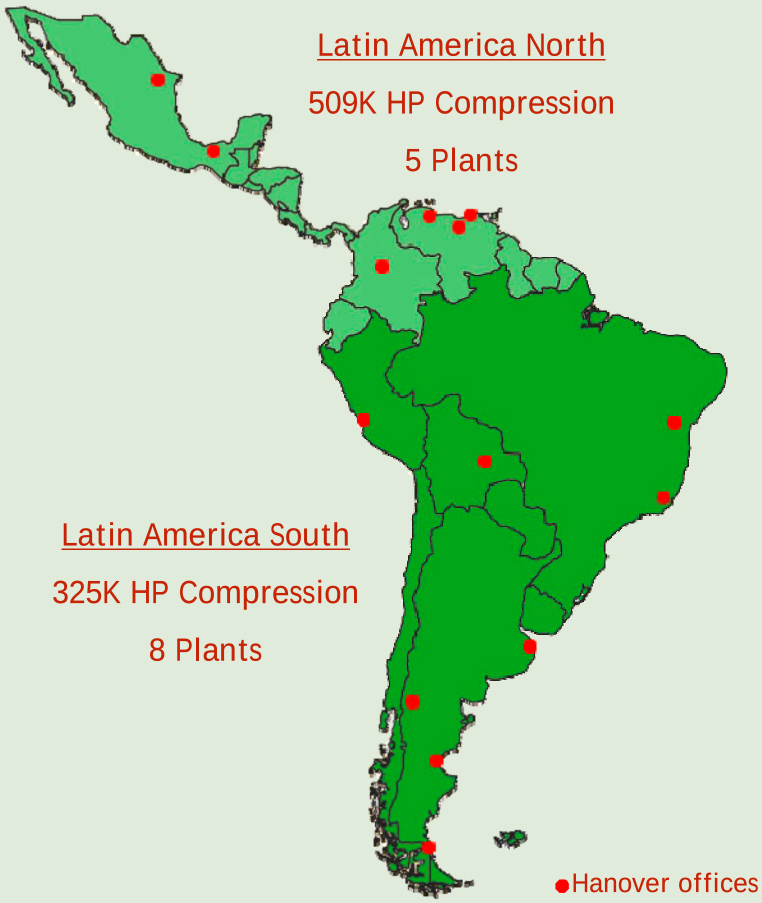
200+ Program Update



200+ Program is still ahead of schedule as of Q2-06.

Western Hemisphere: Latin America

Market Characteristics at June 30, 2006



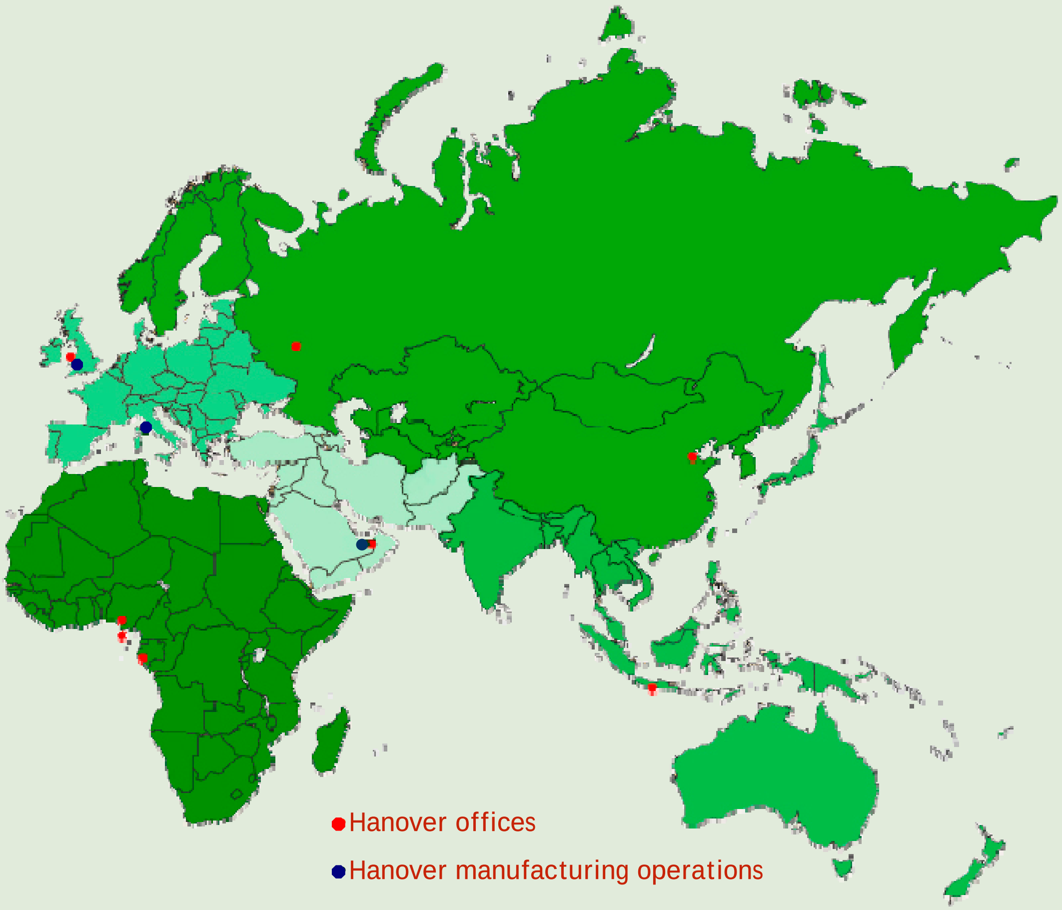
- Established gas compression and natural gas processing market
- Opportunities to expand around existing base of operations
- Multiple traditional Hanover market opportunities
- Primarily a compression rental market

Latin America New Business (Recent Awards)

- Mexico
  - Renewed and expanded three major projects, adding approximately 35,000 of new horsepower
- Venezuela
  - Significant PDVSA contracts renewed at higher prices
- Brazil
  - Added 15,000 in new rental compression in 2006
  - Significant expansion opportunities in the next several years

Eastern Hemisphere

Market Characteristics at June 30, 2006

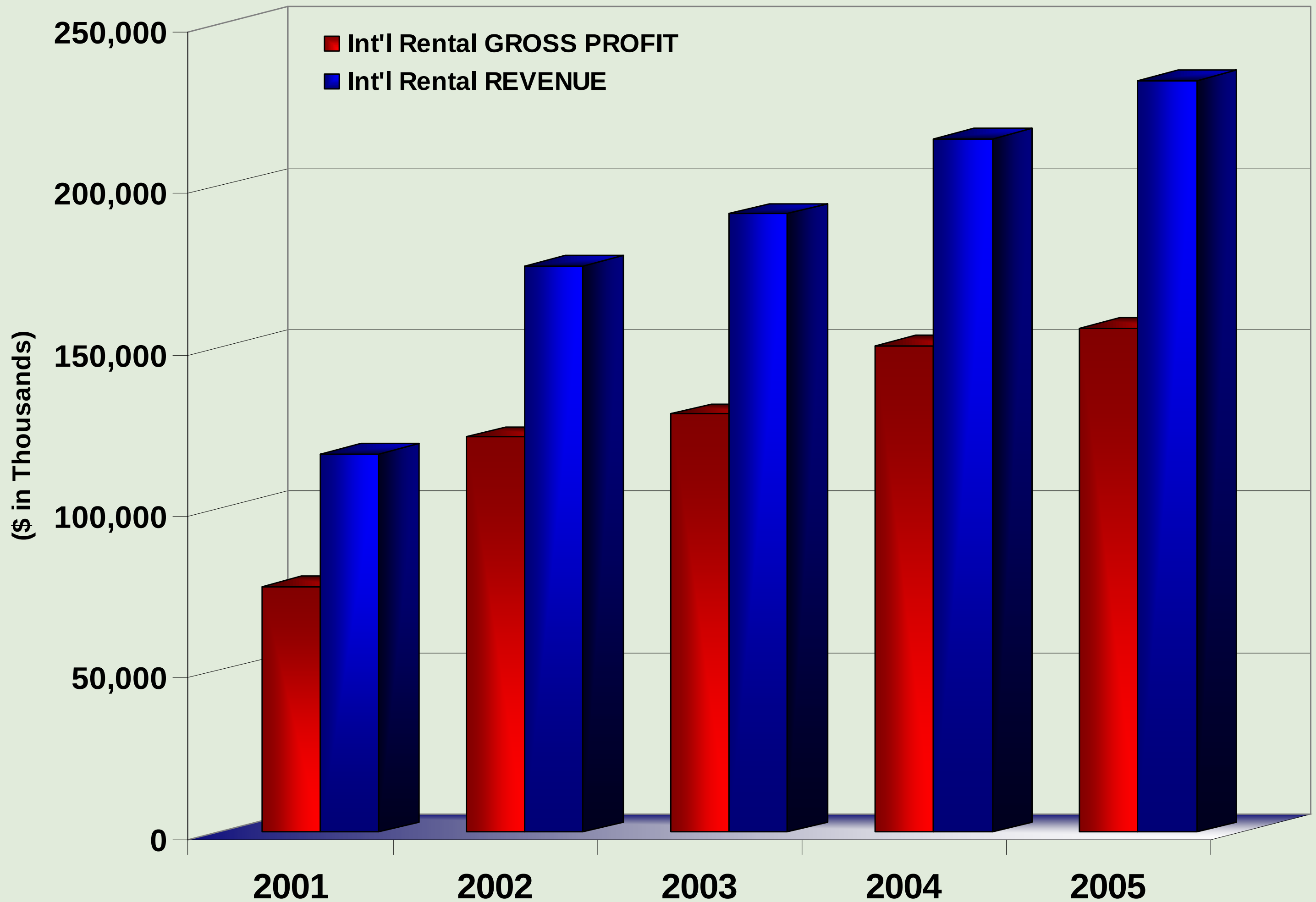


- High growth potential
- Multiple market opportunities
- Gas processing is entry point to market
- Processing equipment and infrastructure underdeveloped
- New projects to come online in Indonesia and Middle East in 2006

Eastern Hemisphere New Business (Recent Awards)

- Indonesia
  - Early production facility rental online 2Q 2006
- China
  - Compression sales of approximately $30MM
- Belleli
  - Heavy-wall reactors for Gas-to-Liquids (GTL) project in Qatar for $60MM
  - Saudi Arabia tank farm project for $45MM

International Gross Profit & Revenue



Total Solutions Project

Jamshoro Gas Processing Plant, Pakistan

- Total Contract Value: Approximately $35MM in fabrication and installation revenues
- Project Scope: Engineering, fabrication, construction, commissioning, operations and maintenance of a 200 mmscfd gas processing facility to extract LPG
- Project Timing: 10-month delivery schedule (standard time: 18-24 months)
- Start Up: Commissioned in February 2005

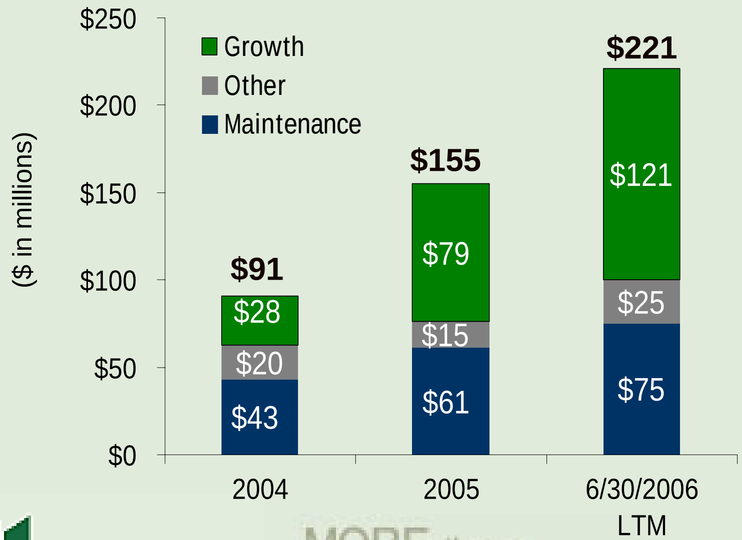
FINANCIAL OVERVIEW

Summary Financial Results

Revenue and Other Income[1]

EBITDA[1]

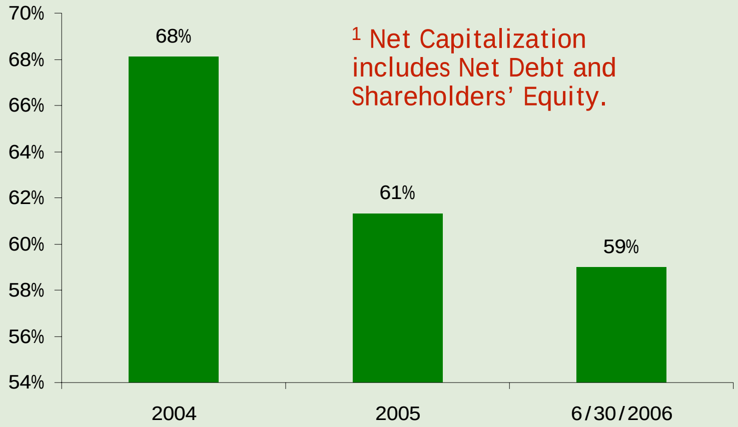
Capital Expenditures



[1] 2006 Revenue and Other Income and EBITDA include a $28.4 million pre-tax gain on sale of our U.S. amine rental assets and an $8.0 million pre-tax gain on Canada fabrication assets sold. 2006 EBITDA included a $5.9 million debt retirement charge related to the early redemption of our 11% Zero Coupon Subordinated Notes due 2007. 2005 EBITDA includes a $7.3 million debt retirement charge related to the early retirement of approximately $172 million in debt and compressor lease obligations. Included in 2004 EBITDA is a $4 million gain for the early cancellation of the note that was issued as part of the securities-related litigation settlement.

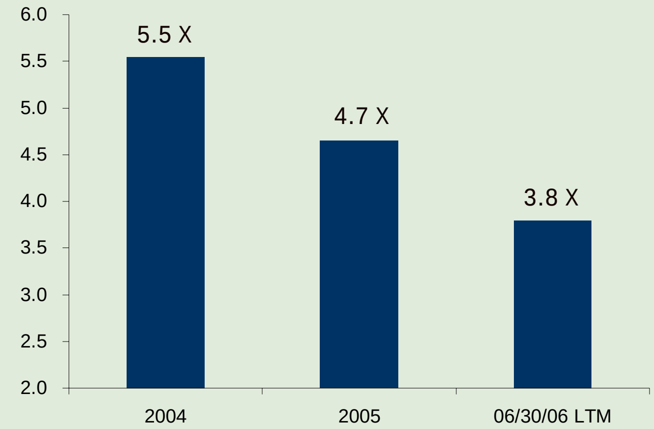
Improving Leverage Statistics

Net Debt to Net Capitalization [1]

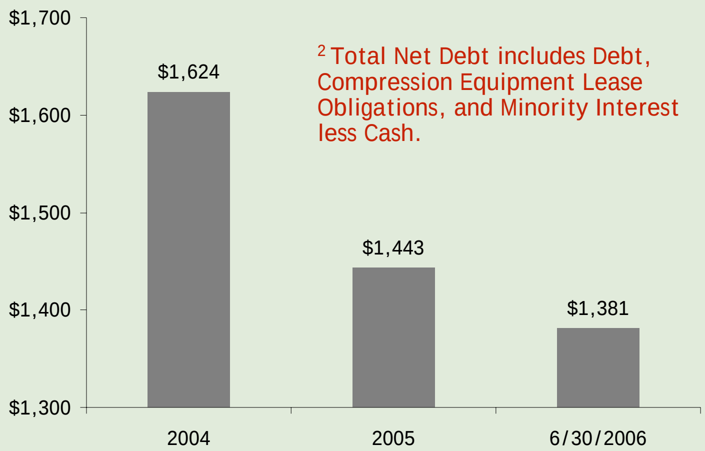


[1] Net Capitalization includes Net Debt and Shareholders' Equity.

Net Debt to EBITDA

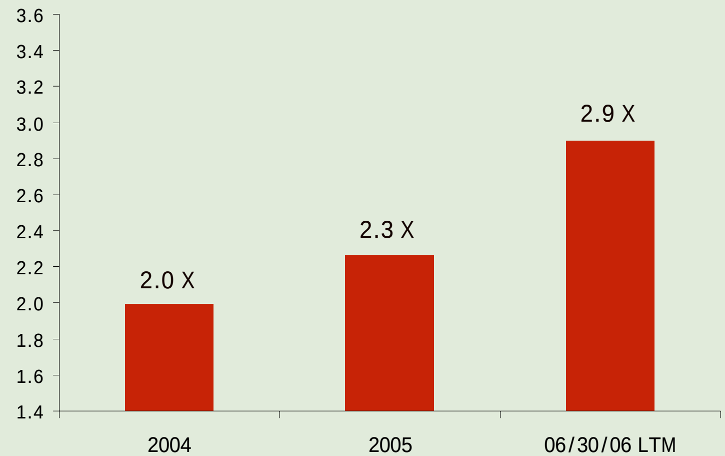


Total Net Debt [2]



[2] Total Net Debt includes Debt, Compression Equipment Lease Obligations, and Minority Interest less Cash.

Interest Coverage



Note: The covenants in our credit agreements require the credit statistics/ratios to be calculated based on definitions contained in the agreements. Hanover complied with all covenants for the periods reflected.

Financing Accomplishments

2004

- Refinanced $200MM of Compression Equipment Lease
- Paid down debt by approximately $149MM

2005

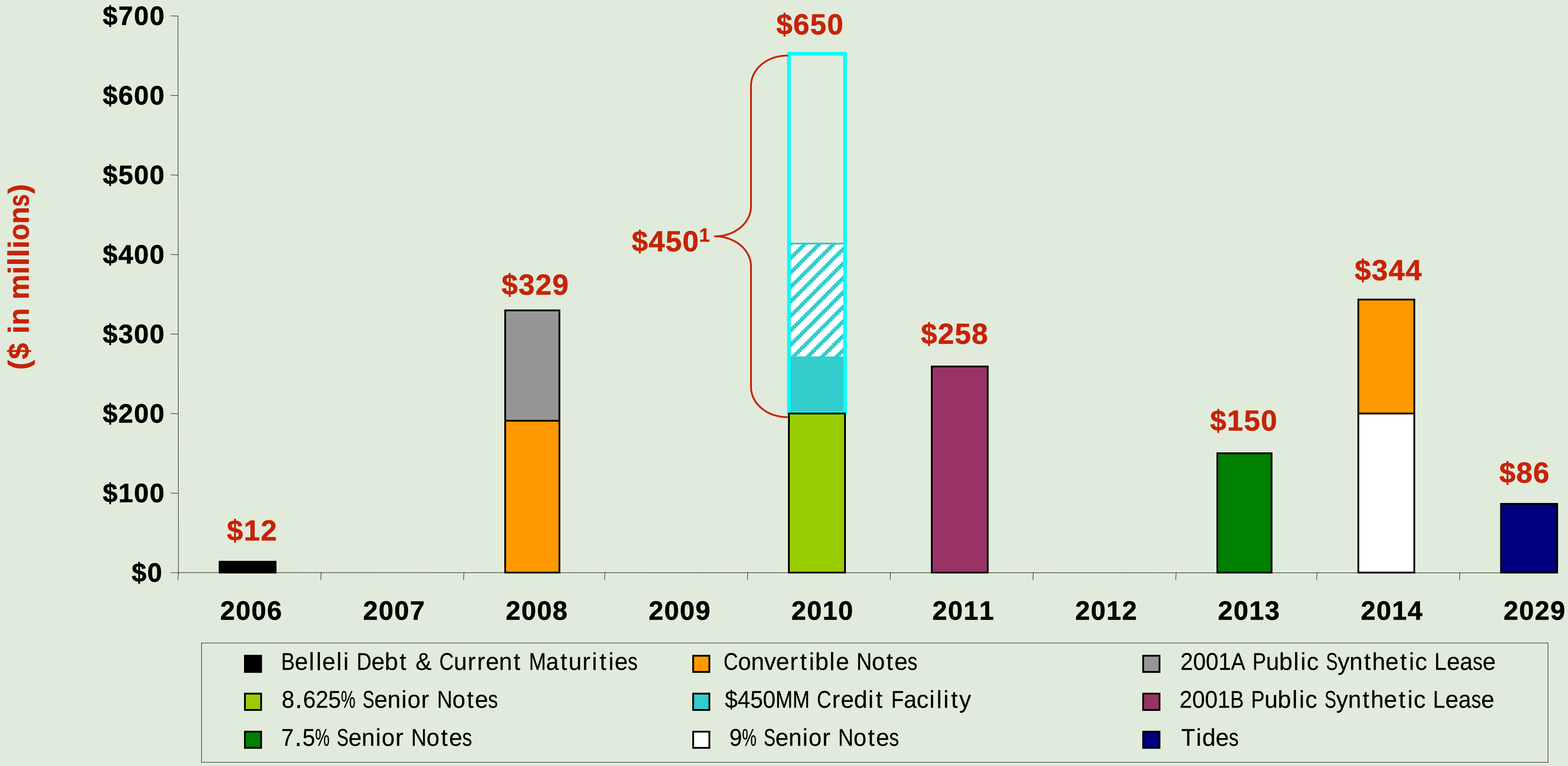
- Paid off approximately $172MM of debt with proceeds of $187.5MM Common Stock Offering
- Closed five-year $450MM Senior Revolving Credit Facility

2006

- Refinancing of Zero Coupon Notes provides annualized interest expense savings of approximately $7MM

Combined interest expense savings of approximately $30MM per year achieved from these activities since 2004.

Debt Maturity Profile (as of June 30, 2006)



[1] At June 30, 2006, $70 million was outstanding under our $450-million bank credit facility and approximately $143.5 million in letters of credit were outstanding.

Note: Excludes interest rate swaps of $(14.2) million and other debt of $1.2 million.

Why Invest in Hanover?

- Macro energy market is strong
- Hanover products are late cycle beneficiaries
- Growth opportunities in multiple geographic markets
- Pricing leverage visible
- Fabrication and rental backlog strong

APPENDIX

Reconciliation of EBITDA to Net Income

($ in millions)	Q2	Q2	Six Months Ended June 30,		LTM
Description	2006	2005	2006	2005	6/30/2006
Revenue and Other Income	$ 405.7	$ 344.8	$ 778.5	$ 646.4	$ 1,507.7
Operating Expenses	253.2	215.4	469.3	400.7	936.1
SG&A	49.7	43.9	97.8	86.1	193.9
Debt Extinguishment Costs	-	-	5.9	-	13.2
Other Expense/(Income)	(1.0)	5.2	(2.5)	5.6	0.3
EBITDA (1),(2)	**103.8**	**80.3**	**208.0**	**154.0**	**364.2**
Depreciation & Amortization	43.1	45.4	85.1	90.9	176.9
Interest & Leasing Expense	29.3	34.7	60.9	70.6	127.2
Income (Loss) - Continuing Operations Before Income Taxes and Minority Interest	**31.4**	**0.2**	**62.0**	**(7.5)**	**60.1**
Provision for Income Taxes	9.5	6.1	18.0	10.7	35.0
Income (Loss) - Continuing Operations Before Minority Interest	**21.9**	**(5.9)**	**44.0**	**(18.2)**	**25.1**
Minority Interest - Net of Tax	(0.1)	-	(0.1)	-	(0.1)
Income (Loss) - Continuing Operations	**21.8**	**(5.9)**	**43.9**	**(18.2)**	**25.0**
Discontinued Operations - Net of Tax	(0.1)	(0.5)	(0.2)	(0.7)	(0.4)
Cumulative Effect of Accounting Change - Net of Tax	-	-	0.4	-	0.4
Net Income (Loss)	**$ 21.7**	**$ (6.4)**	**$ 44.1**	**$ (18.9)**	**$ 25.0**

Condensed Reconciliation of Net Income (Loss) to Cash Flows from Operations

($ in millions)	Q2	Q2	Six Months Ended June 30,		LTM
Description	**2006**	**2005**	**2006**	**2005**	**6/30/06**
Cash flows from operating activities:					
Net income (loss)	$ 21.7	$ (6.4)	$ 44.1	$ (18.9)	25.0
Adjustments:					
Depreciation & amortization	43.1	45.4	85.1	90.9	176.9
Loss from discontinued operations, net of tax	0.1	0.5	0.2	0.7	0.4
Cumulative effect of accounting change, net of tax	-	-	(0.4)	-	(0.4)
Minority interests, net of tax	0.1	-	0.1	-	0.1
Bad debt expense	1.7	0.5	2.2	1.0	3.2
Gain on sale of property, plant and equipment	(9.9)	(1.1)	(10.6)	(1.5)	(22.3)
Equity in income on non-consolidated affiliates, net of dividends received	2.1	(3.8)	0.3	3.9	(6.4)
Gain on sale of business	(0.1)	-	(28.5)	-	(28.9)
Loss on derivative instruments	-	-	-	0.4	-
Net realized gain on trading securities	(1.0)	-	(1.5)	-	(1.5)
Zero coupon subordinated notes accreted interest paid by financing	-	-	(86.1)	-	(86.1)
(Gain) loss on remeasurement of intercompany balances	(2.0)	12.4	(1.5)	8.9	1.8
Stock compensation expense	2.1	1.1	4.1	2.2	7.6
Pay-in-kind interest accreted on zero coupon subordinated notes	-	5.9	6.3	11.4	18.2
Sales of (purchase of) trading securities, net	1.0	-	1.5	-	1.5
Deferred income taxes	5.1	3.0	7.2	3.3	23.2
Changes in assets and liabilities, excluding business combinations:					
Accounts receivable and notes	22.5	(9.5)	(8.6)	(13.2)	(40.5)
Inventory	(17.0)	(5.1)	(37.2)	(18.6)	(92.5)
Costs and estimated earnings versus billings on uncompleted contracts	18.1	(19.5)	14.7	(26.9)	20.5
Prepaid and other current assets	(5.8)	(4.9)	(15.2)	(7.4)	(23.6)
Accounts payable and other liabilities	13.3	16.7	9.7	(1.6)	52.3
Advance billings	7.9	(8.0)	42.5	(4.0)	94.0
Other	(0.8)	(3.2)	(3.6)	(1.6)	(3.8)
Net cash provided by (used in) continuing operations	**102.2**	**24.0**	**24.8**	**29.0**	**118.7**
Net cash provided by (used in) discontinued operations	(0.1)	(0.1)	(0.2)	(0.2)	(0.4)
Net cash provided by (used in) operating activities	**$ 102.1**	**$ 23.9**	**$ 24.6**	**$ 28.8**	**118.3**

Footnotes to Reconciliation

(1) 2006 EBITDA from continuing operations included an $8.0 million pre-tax gain from the sale of our fabrication assets in Canada, a $28.4 million pre-tax gain on the sale of our U.S. amine rental assets and a $5.9 million charge related to the early redemption of our 11% Zero Coupon Subordinated Notes due 2007.

(2) EBITDA from continuing operations consists of consolidated income (loss) from continuing operations before interest expense, provision for (benefit from) income taxes, and depreciation and amortization. The Company believes that EBITDA is a commonly used measure of financial performance for valuing companies in its industry. The Company uses EBITDA as a performance measure and has therefore reconciled EBITDA to net income (loss). The Company also believes EBITDA provides additional information regarding the Company's ability to meet its future debt service, capital expenditures and working capital requirements. EBITDA should not be considered as an alternative to measures prescribed by generally accepted accounting principles and may not be comparably calculated from one company to another.

Net Debt and Net Capitalization Calculation

($ in millions)	12/31/04	12/31/05	03/31/06	06/30/06
Credit Facility, Short-term Debt, Senior Notes, Interest Rate Swap and Other Debt	$409.1	$444.0	$673.3	$619.3
Compression Equipment Lease Obligations	605.9	383.0	383.0	383.0
Convertible Senior Notes	335.8	335.8	335.8	335.8
Zero Coupon Subordinated Notes	206.5	229.8	-	-
TIDES	86.3	86.3	86.3	86.3
Total Debt	1,643.6	1,478.9	1,478.4	1,424.4
Minority Interest	18.8	11.9	12.0	12.1
Total Debt & Minority Interest	1,662.4	1,490.8	1,490.4	1,436.5
Minus: Cash and Cash Equivalents	38.1	48.2	49.2	55.4
Net Debt	1,624.3	1,442.6	1,441.2	1,381.1
Common Stockholders Equity	760.1	909.8	936.0	957.6
Net Capitalization	$2,384.4	$2,352.4	$2,377.2	$2,338.7

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