

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

COLUMBUS MCKINNON CORP  
Form 10-Q  
November 09, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT 1934

For the quarterly period ended September 30, 2007

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: 0-27618  
-----

COLUMBUS MCKINNON CORPORATION

-----  
(Exact name of registrant as specified in its charter)

NEW YORK

16-0547600

-----  
(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

140 JOHN JAMES AUDUBON PARKWAY, AMHERST, NY

14228-1197

-----  
(Address of principal executive offices)

(Zip code)

(716) 689-5400

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

-----  
(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  No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

The number of shares of common stock outstanding as of October 31, 2007 was: 18,948,413 shares.

FORM 10-Q INDEX  
COLUMBUS MCKINNON CORPORATION  
SEPTEMBER 30, 2007

	PAGE #
	-----
PART I. FINANCIAL INFORMATION	
Item 1. Condensed Consolidated Financial Statements (Unaudited)	
Condensed consolidated balance sheets - September 30, 2007 and March 31, 2007	2
Condensed consolidated statements of operations and retained earnings - Three months and six months ended September 30, 2007 and October 1, 2006	3
Condensed consolidated statements of cash flows - Six months ended September 30, 2007 and October 1, 2006	4
Condensed consolidated statements of comprehensive income - Three months and six months ended September 30, 2007 and October 1, 2006	5
Notes to condensed consolidated financial statements - September 30, 2007	6
Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	20
Item 4. Controls and Procedures	20
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings - none.	21
Item 1A. Risk Factors	21
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds - none.	21
Item 3. Defaults upon Senior Securities - none.	21
Item 4. Submission of Matters to a Vote of Security Holders	21
Item 5. Other Information - none.	21
Item 6. Exhibits	21

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

COLUMBUS MCKINNON CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2007	MARCH 31, 2007
	-----	-----
(IN THOUSANDS)		
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 53,628	\$ 48,655
Trade accounts receivable	96,740	97,269
Unbilled revenues	11,716	15,050
Inventories	90,813	77,179
Prepaid expenses	16,896	18,029
	-----	-----
Total current assets	269,793	256,182
Property, plant, and equipment, net	56,266	55,231
Goodwill and other intangibles, net	186,501	185,903
Marketable securities	29,738	28,920
Deferred taxes on income	24,855	34,460
Other assets	6,730	4,942
	-----	-----
Total assets	\$ 573,883	\$ 565,638
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Notes payable to banks	\$ 10,308	\$ 9,598
Trade accounts payable	34,326	35,896
Accrued liabilities	54,720	52,344
Restructuring reserve	19	599
Current portion of long-term debt	493	297
	-----	-----
Total current liabilities	99,866	98,734
Senior debt, less current portion	7,485	26,168
Subordinated debt	136,000	136,000
Other non-current liabilities	62,979	63,411
	-----	-----
Total liabilities	306,330	324,313
	-----	-----
Shareholders' equity		
Common stock	189	188
Additional paid-in capital	176,374	174,654
Retained earnings	104,024	85,237
ESOP debt guarantee	(3,134)	(3,417)
Accumulated other comprehensive loss	(9,900)	(15,337)
	-----	-----
Total shareholders' equity	267,553	241,325
	-----	-----
Total liabilities and shareholders' equity	\$ 573,883	\$ 565,638
	=====	=====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

COLUMBUS MCKINNON CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS  
 (UNAUDITED)

	THREE MONTHS ENDED		SIX MO
	-----	-----	-----
	SEPTEMBER 30,	OCTOBER 1,	SEPTEMBER 30,
	2007	2006	2007
	----	----	----
	(IN THOUSANDS, EXCEPT PER SHARE D		
Net sales	\$ 151,410	\$ 144,225	\$ 299,520
Cost of products sold	105,372	105,208	209,594
	-----	-----	-----
Gross profit	46,038	39,017	89,926
	-----	-----	-----
Selling expenses	17,269	14,739	33,390
General and administrative expenses	9,127	8,540	18,323
Restructuring charges	469	(410)	745
Amortization of intangibles	25	44	53
	-----	-----	-----
	26,890	22,913	52,511
	-----	-----	-----
Income from operations	19,148	16,104	37,415
Interest and debt expense	3,627	4,176	7,805
Cost of bond redemptions	1,443	-	1,443
Investment income	(257)	(312)	(551)
Other income	(523)	(754)	(1,477)
	-----	-----	-----
Income before income tax expense	14,858	12,994	30,195
Income tax expense	5,544	4,898	11,500
	-----	-----	-----
Income from continuing operations	9,314	8,096	18,695
Income from discontinued operations (net of tax)	139	218	278
	-----	-----	-----
Net income	9,453	8,314	18,973
Retained earnings - beginning of period	94,571	56,724	85,237
Change in accounting principle (note 6)	-	-	(186)
	-----	-----	-----
Retained earnings - end of period	\$ 104,024	\$ 65,038	\$ 104,024
	=====	=====	=====
Basic income per share:			
Income from continuing operations	\$ 0.50	\$ 0.44	\$ 1.01
Income from discontinued operations	0.01	0.01	0.01
	-----	-----	-----
Net income	\$ 0.51	\$ 0.45	\$ 1.02
	=====	=====	=====
Diluted income per share:			
Income from continuing operations	\$ 0.48	\$ 0.43	\$ 0.98
Income from discontinued operations	0.01	0.01	0.01

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

Net income	\$ 0.49	\$ 0.44	\$ 0.99
	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

- 3 -

COLUMBUS MCKINNON CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	SIX MONTHS ENDED	
	SEPTEMBER 30, 2007	OCTOBER 1, 2006
	----- (IN THOUSANDS) -----	
OPERATING ACTIVITIES:		
Income from continuing operations	\$ 18,695	\$ 13,529
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	4,304	4,208
Deferred income taxes	9,605	8,710
Gain on sale of real estate/investments	(333)	(1,170)
Loss on early retirement of bonds	1,106	3,780
Stock compensation expense	395	866
Amortization/write-off of deferred financing costs	643	1,148
Changes in operating assets and liabilities:		
Trade accounts receivable and unbilled revenues	4,234	(1,934)
Inventories	(12,769)	(10,532)
Prepaid expenses	1,189	(2,521)
Other assets	(981)	(258)
Trade accounts payable	(1,998)	1,102
Accrued and non-current liabilities	(206)	(1,967)
Net cash provided by operating activities	----- 23,884 -----	----- 14,961 -----
INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	12,776	3,796
Purchases of marketable securities	(13,487)	(3,019)
Capital expenditures	(4,979)	(4,336)
Proceeds from sale of facilities and surplus real estate	5,454	2,051
Proceeds from discontinued operations note receivable	278	357
Net cash provided (used) by investing activities	----- 42 -----	----- (1,151) -----
FINANCING ACTIVITIES:		
Proceeds from stock options exercised	1,061	2,051
Net borrowings under revolving line-of-credit agreements	74	1,571
Repayment of debt and payment of debt premiums	(23,397)	(39,325)

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

Deferred financing costs incurred	(2)	(395)
Other	283	291
	-----	-----
Net cash used by financing activities	(21,981)	(35,807)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3,028	576
	-----	-----
Net change in cash and cash equivalents	4,973	(21,421)
Cash and cash equivalents at beginning of period	48,655	45,598
	-----	-----
Cash and cash equivalents at end of period	\$ 53,628	\$ 24,177
	=====	=====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

- 4 -

COLUMBUS MCKINNON CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(UNAUDITED)

	THREE MONTHS ENDED		SIX
	SEPTEMBER 30,	OCTOBER 1,	SEPTEMBER
	2007	2006	2007
	----	----	----
	(IN THOUSANDS)		
Net income	\$ 9,453	\$ 8,314	\$ 18,973
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	3,738	306	5,375
Unrealized gain (loss) on investments:			
Unrealized holding gains arising			
during the period	106	536	107
Reclassification adjustment for			
gains included in net income	(1)	(153)	(45)
	-----	-----	-----
	105	383	62
	-----	-----	-----
Total other comprehensive income	3,843	689	5,437
	-----	-----	-----
Comprehensive income	\$ 13,296	\$ 9,003	\$ 24,410
	=====	=====	=====

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

- 5 -

# Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

COLUMBUS MCKINNON CORPORATION  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)  
 (DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)  
 SEPTEMBER 30, 2007

1. DESCRIPTION OF BUSINESS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of Columbus McKinnon Corporation (the Company) at September 30, 2007 and the results of its operations and its cash flows for the three and six-month periods ended September 30, 2007 and October 1, 2006, have been included. Results for the period ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended March 31, 2008. The balance sheet at March 31, 2007 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Columbus McKinnon Corporation annual report on Form 10-K for the year ended March 31, 2007.

The Company is a leading manufacturer and marketer of material handling products, systems and services which lift, secure, position and move material ergonomically, safely, precisely and efficiently. Key products include hoists, cranes, chain and forged attachments. The Company's material handling products are sold, domestically and internationally, principally to third party distributors through diverse distribution channels, and to a lesser extent directly to manufacturers and other end-users. The Company's integrated material handling solutions businesses deal primarily with end users and sales are concentrated, domestically and internationally (primarily Europe), in the consumer products, manufacturing, warehousing and, to a lesser extent, the steel, construction, automotive and other industrial markets.

2. INVENTORIES

Inventories consisted of the following:

	SEPTEMBER 30, 2007	MARCH 31, 2007
	-----	-----
At cost - FIFO basis:		
Raw materials.....	\$ 50,445	\$ 45,006
Work-in-process.....	12,162	9,050
Finished goods.....	43,517	36,606
	-----	-----
	106,124	90,662
LIFO cost less than FIFO cost.....	(15,311)	(13,483)
	-----	-----
Net inventories.....	\$ 90,813	\$ 77,179
	=====	=====

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many forces beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

3. RESTRUCTURING CHARGES

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

During the first six-months of fiscal 2008, the Company recorded restructuring costs of \$469 for facility demolition costs and severance. These costs are related to two separate businesses within the Solutions segment. The liability as of September 30, 2007 was \$19, consisting primarily of environmental remediation costs which were accrued in accordance with SFAS No. 143.

- 6 -

### 4. NET PERIODIC BENEFIT COST

The following table sets forth the components of net periodic pension cost for the Company's defined benefit pension plans:

	THREE MONTHS ENDED		SIX MONTHS
	SEPTEMBER 30, 2007	OCTOBER 1, 2006	SEPTEMBER 30, 2007
Service costs.....	\$1,094	\$1,049	\$2,188
Interest cost.....	2,019	1,878	4,038
Expected return on plan assets.....	(2,043)	(1,830)	(4,086)
Net amortization.....	450	623	900
	-----	-----	-----
Net periodic pension cost.....	\$1,520	\$1,720	\$3,040
	=====	=====	=====

The following table sets forth the components of net periodic postretirement benefit cost for the Company's defined benefit postretirement plans:

	THREE MONTHS ENDED		SIX MONTHS
	SEPTEMBER 30, 2007	OCTOBER 1, 2006	SEPTEMBER 30, 2007
Service costs.....	\$ 1	\$ 1	\$ 2
Interest cost .....	146	161	292
Amortization of plan net losses....	96	100	192
	-----	-----	-----
Net periodic postretirement cost...	\$ 243	\$ 262	\$ 486
	=====	=====	=====

For additional information on the Company's defined benefit pension and postretirement benefit plans, refer to Note 11 in the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended March 31, 2007.

### 5. FOREIGN DEBT GUARANTEE

Effective August 1, 2007, the Company issued a guarantee to a third party lender



## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

which secures any borrowing by one of the Company's wholly-owned foreign subsidiaries under the subsidiary's credit facility. The credit facility provides availability up to a maximum of approximately \$11,500. The outstanding borrowings on this credit facility were approximately \$9,800 at September 30, 2007.

### 6. INCOME TAXES

Income tax expense as a percentage of income from continuing operations before income tax expense was 37.3%, 37.7%, 38.1%, and 40.4% in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively. The six month fiscal 2007 percentage varies from the U.S. statutory rate due to \$866 of non-deductible stock option expense in the period. As of September 30, 2007, the Company had U.S. federal net operating loss carry-forwards of approximately \$16,800 representing approximately \$5,900 of cash tax savings in future periods.

On April 1, 2007, the Company adopted the provisions of Financial Standards Accounting Board ("FASB") Interpretation ("FIN") No. 48 "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement of Financial Accounting Standards ("SFAS") No. 109. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized under SFAS 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest and penalties, and disclosure.

- 7 -

Upon adoption of FIN No. 48, the Company recorded a reduction in retained earnings for the cumulative effect adjustment of \$186 to its \$2,600 of unrecognized tax benefits, all of which would favorably impact the effective tax rate if recognized. At the end of the first quarter, there was no change in the balance of unrecognized tax benefits.

During the second quarter of fiscal 2008, the balance of unrecognized tax benefits increased \$223 as a result of certain intercompany transactions that have not been audited by the various tax jurisdictions and a matter that arose during a state income tax audit.

The Company does not anticipate that total unrecognized tax benefits will change significantly due to the settlement of audits or the expiration of statutes of limitations prior to September 30, 2008.

The Company had \$177 accrued for the payment of interest and penalties at September 30, 2007. The Company recognizes interest expense or penalties related to uncertain tax positions as a part of income tax expense in its Consolidated Statement of Operations. The Company is currently open to audit by the Internal Revenue Service for the years ending March 31, 2004 through 2007.

### 7. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

THREE MONTHS ENDED		SIX
-----		-----
SEPTEMBER 30,	OCTOBER 1,	SEPTEMBER
2007	2006	2007

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

	-----	-----	-----
Numerator for basic and diluted earnings per share:			
Net income	\$ 9,453 =====	\$ 8,314 =====	\$ 18,973 =====
Denominators:			
Weighted-average common stock outstanding - denominator for basic EPS	18,717	18,500	18,677
Effect of dilutive employee stock options	426 -----	373 -----	438 -----
Adjusted weighted-average common stock outstanding and assumed conversions - denominator for diluted EPS	19,143 =====	18,873 =====	19,115 =====

During the first six months of fiscal 2008, a total of 99,675 shares of stock were issued upon the exercising of stock options related to the Company's stock option plans, and 11,554 shares of stock were issued under the Company's Long Term Incentive Plan to the Company's non-executive directors as part of their annual compensation.

8. BUSINESS SEGMENT INFORMATION

As a result of the way the Company manages the business, its reportable segments are strategic business units that offer products with different characteristics. The most defining characteristic is the extent of customized engineering required on a per-order basis. In addition, the segments serve different customer bases through differing methods of distribution. The Company has two reportable segments: Products and Solutions. The Company's Products segment sells hoists, industrial cranes, chain, attachments, and other material handling products principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users. The Solutions segment sells engineered material handling systems such as conveyors and lift tables primarily to end-users in the consumer products, manufacturing, warehousing, and, to a lesser extent, the steel, construction, automotive, and other industrial markets. Intersegment sales are not significant. The Company evaluates performance based on operating income of the respective business units.

- 8 -

Segment information as of and for the six months ended September 30, 2007 and October 1, 2006, is as follows:

	SIX MONTHS ENDED SEPTEMBER 30, 2007		
	PRODUCTS -----	SOLUTIONS -----	TOTAL -----
Sales to external customers.....	\$ 277,078	\$ 22,442	\$ 299,520
Income from operations.....	38,479	(1,064)	37,415
Depreciation and amortization.....	3,877	427	4,304
Total assets.....	534,842	39,041	573,883

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

SIX MONTHS ENDED OCTOBER 1, 2006

	PRODUCTS	SOLUTIONS	TOTAL
Sales to external customers.....	\$ 257,176	\$ 33,743	\$ 290,919
Income from operations.....	33,848	36	33,884
Depreciation and amortization.....	3,775	433	4,208
Total assets.....	513,364	38,392	551,756

- 9 -

9. SUMMARY FINANCIAL INFORMATION

The following information sets forth the condensed consolidating summary financial information of the parent and guarantors, which guarantee the 8 7/8% Senior Subordinated Notes, and the nonguarantors. The guarantors are wholly owned and the guarantees are full, unconditional, joint and several.

	Parent	Guarantors	Nonguarantors	Elimi
AS OF SEPTEMBER 30, 2007				
Current assets:				
Cash and cash equivalents	\$ 19,968	\$ (1,630)	\$ 35,290	\$
Trade accounts receivable and unbilled revenues	61,398	174	46,884	
Inventories	39,752	20,696	32,525	
Other current assets	6,079	1,536	9,281	
Total current assets	127,197	20,776	123,980	
Property, plant, and equipment, net	25,162	11,351	19,753	
Goodwill and other intangibles, net	88,757	57,035	40,709	
Intercompany	54,799	(65,784)	(61,982)	
Other assets	87,131	193,453	30,595	(
Total assets	\$ 383,046	\$ 216,831	\$ 153,055	\$ (
Current liabilities				
Current liabilities	\$ 37,955	\$ 16,921	\$ 47,189	\$
Long-term debt, less current portion	136,000	3,236	4,249	
Other non-current liabilities	25,541	11,346	26,092	
Total liabilities	199,496	31,503	77,530	
Shareholders' equity	183,550	185,328	75,525	(
Total liabilities and shareholders' equity	\$ 383,046	\$ 216,831	\$ 153,055	\$ (
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007				
Net sales	\$ 145,976	\$ 85,899	\$ 87,562	\$
Cost of products sold	106,731	63,341	59,439	

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

Gross profit	39,245	22,558	28,123
Selling, general and administrative expenses	23,074	8,657	19,982
Restructuring charges	402	-	343
Amortization of intangibles	51	2	-
	23,527	8,659	20,325
Income from operations	15,718	13,899	7,798
Interest and debt expense	5,228	2,037	540
Other (income) and expense, net	806	(227)	(1,164)
Income before income tax expense	9,684	12,089	8,422
Income tax expense	4,083	4,901	2,516
Income from continuing operations	5,601	7,188	5,906
Income from discontinued operations	278	-	-
Net income	\$ 5,879	\$ 7,188	\$ 5,906

- 10 -

	Parent	Guarantors	Nonguarantors	Elimi
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007				
OPERATING ACTIVITIES:				
Net cash provided (used) by operating activities	\$ 26,428	\$ (4,675)	\$ 2,131	\$
INVESTING ACTIVITIES:				
Purchase of marketable securities, net	-	-	(711)	
Capital expenditures	(2,965)	(1,071)	(943)	
Proceeds from sale of facilities and surplus real estate	-	5,454	-	
Proceeds from discontinued operations note receivable	278	-	-	
Net cash (used) provided by investing activities	(2,687)	4,383	(1,654)	
FINANCING ACTIVITIES:				
Proceeds from stock options exercised	1,061	-	-	
Net borrowings under revolving line-of-credit agreements	-	-	74	
(Repayment) borrowings of debt	(23,481)	(55)	139	
Other	281	-	-	
Net cash (used) provided by financing activities	(22,139)	(55)	213	
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(121)	3,149	
Net change in cash and cash equivalents	1,602	(468)	3,839	
Cash and cash equivalents at beginning of period	18,366	(1,162)	31,451	
Cash and cash equivalents at end of period	\$ 19,968	\$ (1,630)	\$ 35,290	\$

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

AS OF MARCH 31, 2007

Current assets:

Cash and cash equivalents	\$ 18,366	\$ (1,162)	\$ 31,451	\$
Trade accounts receivable and unbilled revenues	64,849	45	47,425	
Inventories	34,548	17,175	27,616	
Other current assets	6,237	2,707	9,085	

Total current assets	124,000	18,765	115,577	
Property, plant, and equipment, net	24,662	11,508	19,061	
Goodwill and other intangibles, net	88,703	57,037	40,163	
Intercompany	66,971	(77,385)	(63,602)	
Other assets	93,609	194,922	29,647	(

Total assets	\$ 397,945	\$ 204,847	\$ 140,846	\$ (
--------------	------------	------------	------------	------

Current liabilities	\$ 36,388	\$ 15,376	\$ 48,120	\$
Long-term debt, less current portion	158,125	-	4,043	
Other non-current liabilities	27,646	11,143	24,622	

Total liabilities	222,159	26,519	76,785	
-------------------	---------	--------	--------	--

Shareholders' equity	175,786	178,328	64,061	(
----------------------	---------	---------	--------	---

Total liabilities and shareholders' equity	\$ 397,945	\$ 204,847	\$ 140,846	\$ (
--	------------	------------	------------	------

- 11 -

	Parent	Guarantors	Nonguarantors	Elimi
FOR THE SIX MONTHS ENDED OCTOBER 1, 2006				
Net sales	\$ 141,257	\$ 85,164	\$ 89,388	\$
Cost of products sold	104,169	63,432	66,758	
Gross profit	37,088	21,732	22,630	
Selling, general and administrative expenses	21,477	8,470	17,788	
Restructuring charges	(406)	-	-	
Amortization of intangibles	52	1	34	
	21,123	8,471	17,822	
Income (loss) from operations	15,965	13,261	4,808	
Interest and debt expense	6,572	1,968	148	
Other (income) and expense, net	4,221	(406)	(1,311)	
Income (loss) before income tax expense	5,172	11,699	5,971	
Income tax expense	2,246	4,653	2,264	
Income (loss) from continuing operations	2,926	7,046	3,707	
Income from discontinued operations	357	-	-	
Net income (loss)	\$ 3,283	\$ 7,046	\$ 3,707	\$

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

FOR THE SIX MONTHS ENDED OCTOBER 1, 2006

### OPERATING ACTIVITIES:

Net cash provided by operating activities	\$	14,203	\$	171	\$	587	\$
---	----	--------	----	-----	----	-----	----

### INVESTING ACTIVITIES:

Sale of marketable securities, net	-	-	-	777			
Capital expenditures	(2,394)	(588)	(1,354)				
Proceeds from sale of facilities and surplus real estate	1,655	396	-				
Proceeds from discontinued operations note receivable	357	-	-				
<b>Net cash used by investing activities</b>	<b>(382)</b>	<b>(192)</b>	<b>(577)</b>				

### FINANCING ACTIVITIES:

Proceeds from stock options exercised	2,051	-	-				
Net borrowings under revolving line-of-credit agreements	-	-	1,571				
(Repayment) borrowings of debt	(42,328)	-	3,003				
Deferred financing costs incurred	(395)	-	-				
Other	291	-	-				
<b>Net cash (used) provided by financing activities</b>	<b>(40,381)</b>	<b>-</b>	<b>4,574</b>				
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(69)	645				
<b>Net change in cash and cash equivalents</b>	<b>(26,560)</b>	<b>(90)</b>	<b>5,229</b>				
Cash and cash equivalents at beginning of period	27,531	(1,461)	19,528				
<b>Cash and cash equivalents at end of period</b>	<b>\$ 971</b>	<b>\$ (1,551)</b>	<b>\$ 24,757</b>	<b>\$</b>			

- 12 -

## 10. LOSS CONTINGENCIES

Like many industrial manufacturers, the Company is involved in asbestos-related litigation. In continually evaluating costs associated with its estimated asbestos-related liability, the Company reviews, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, its recent and historical resolution of the cases, the number of cases pending against it, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Based on this review, the Company has estimated its share of liability to defend and resolve probable asbestos-related personal injury claims. This estimate is highly uncertain due to the limitations of the available data and the difficulty of forecasting with any certainty the numerous variables that can affect the range of the liability. The Company will continue to study the variables in light of additional information in order to identify trends that may become evident and to assess their impact on the range of liability that is probable and estimable.

Based on actuarial information, the Company has estimated its asbestos-related aggregate liability through March 31, 2025 and March 31, 2037 to range between \$5,000 and \$14,000 using actuarial parameters of continued claims for a period of 18 to 30 years. The Company's estimation of its asbestos-related aggregate liability that is probable and estimable, in accordance with U.S. generally

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

accepted accounting principles approximates \$8,400 which has been reflected as a liability in the consolidated financial statements as of September 30, 2007. The recorded liability does not consider the impact of any potential favorable federal legislation. This liability may fluctuate based on the uncertainty in the number of future claims that will be filed and the cost to resolve those claims, which may be influenced by a number of factors, including the outcome of the ongoing broad-based settlement negotiations, defensive strategies, and the cost to resolve claims outside the broad-based settlement program. Of this amount, management expects to incur asbestos liability payments of approximately \$325 over the next 12 months. Because payment of the liability is likely to extend over many years, management believes that the potential additional costs for claims will not have a material after-tax effect on the financial condition of the Company or its liquidity, although the net after-tax effect of any future liabilities recorded could be material to earnings in a future period.

### 11. NEW ACCOUNTING STANDARDS

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. The Company is assessing the impact the adoption of SFAS No. 157 will have on the Company's consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). Among other items, SFAS 158 requires recognition of the overfunded or underfunded status of an entity's defined benefit postretirement plan as an asset or liability in the financial statements and requires recognition of the funded status of defined benefit postretirement plans in other comprehensive income. We adopted all of the currently required provisions of Statement 158 in fiscal 2007. This statement also requires an entity to measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employers' fiscal year. This requirement is effective for fiscal years ending after December 15, 2008. The Company does not expect the adoption of this requirement to have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities -- Including an Amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 allows the irrevocable election of fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities and other items on an instrument-by-instrument basis. Changes in fair value would be reflected in earnings as they occur. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. The Company is currently evaluating if it will elect the fair value option for any of its eligible financial instruments and other items.

- 13 -

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION  
(DOLLAR AMOUNTS IN THOUSANDS)

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

### EXECUTIVE OVERVIEW

We are a leading manufacturer and marketer of hoists, cranes, chain, conveyors, material handling systems, lift tables and component parts serving a wide variety of commercial and industrial end-user markets. Our products are used to efficiently and ergonomically move, lift, position or secure objects and loads. Our Products segment sells a wide variety of powered and manually operated wire rope and chain hoists, industrial crane systems, chain, hooks and attachments, actuators and rotary unions. Our Solutions segment designs, manufactures, and installs application-specific or standard material handling systems and solutions for end-users to improve work station and facility-wide work flow.

Founded in 1875, we have grown to our current size and leadership position through organic growth and the acquisition of 14 businesses between February 1994 and April 1999. We have developed our leading market position over our 132-year history by emphasizing technological innovation, manufacturing excellence and superior after-sale service. In addition, the acquisitions significantly broadened our product lines and services and expanded our geographic reach, end-user markets and customer base. Ongoing operation of these businesses includes improving our productivity and extending our sales activities to the European and Asian marketplaces. We are executing those initiatives through our Lean Manufacturing efforts, new product development and expanded sales activities. Shareholder value will be enhanced through continued emphasis on improvement of the fundamentals including manufacturing efficiency, cost containment, efficient capital investment, market expansion and renewed customer focus.

We maintain a strong domestic market share with significant leading North American market positions in hoists, lifting and sling chain, and forged attachments. To broaden our product offering in markets where we have a strong competitive position as well as to facilitate penetration into new geographic markets, we have heightened our new product development activities. Over the past two years, this includes the introduction of powered hoist lines in accordance with international standards, to complement our current offering of hoist products designed in accordance with U.S. standards. To further expand our global sales, we are introducing certain of our products that historically have been distributed only in North America and also introducing new products through our existing European distribution network. Furthermore, we are working to build a distribution network in China to capture an anticipated growing demand for material handling products as that economy continues to industrialize. We have recently reorganized and expanded our management team to align with these strategic initiatives. These investments in international markets and new products are part of our focus on our greatest opportunities for growth. As a result of these efforts and the continued strong industrial economy in our important markets of interest, we believe we can sustain our expected Products segment growth rate in the mid single-digit range for fiscal 2008. Management monitors U.S. Industrial Capacity Utilization, which has exceeded 80% for the past 1 1/2 years, as an indicator of anticipated demand for our product. In addition, we continue to monitor the potential impact of other global and domestic trends, including energy costs, steel price fluctuations, interest rates and activity in a variety of end-user markets around the globe.

Our Lean Manufacturing efforts continue to fundamentally change our manufacturing processes to be more responsive to customer demand and improve on-time delivery and productivity. We are evaluating strategic alternatives of certain other businesses performing at levels below the corporate average, including Univeyor, our material handling systems business. During fiscal 2007, in furtherance of our facility rationalization projects, we completed the sale of one of our less strategic businesses, a specialty crane manufacturer, and sold two pieces of excess real estate, generating \$4.5 million of proceeds. During the six months of fiscal 2008, we completed the sale and partial



## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

leaseback of a manufacturing facility in Charlotte, North Carolina, generating \$5.2 million of proceeds. The proceeds have been, and will continue to be used to repay our outstanding debt.

- 14 -

We keep a close watch on the costs for fringe benefits such as health insurance, workers compensation insurance and pension. Combined, those benefits cost us over \$35,000 in fiscal 2007 and we work diligently to balance cost control with the need to provide competitive employee benefits packages for our associates. Another cost area of focus is steel. We utilize approximately \$35,000 to \$40,000 of steel annually in a variety of forms including rod, wire, bar, structural and others. With increases in worldwide demand for steel and fluctuating scrap steel prices, as we experience fluctuations in our costs, we reflect them as price increases to our customers. We implemented a price increase on our steel-intensive products in September to capture recent steel cost increases. We will continue to monitor our costs and reevaluate our pricing policies. We continue to operate in a highly competitive business environment in the markets and geographies served. Our performance will be impacted by our ability to address a variety of challenges and opportunities in those markets and geographies, including trends towards increased utilization of the global labor force and the expansion of market opportunities in Asia and other emerging markets.

### RESULTS OF OPERATIONS

#### THREE MONTHS AND SIX MONTHS ENDED SEPTEMBER 30, 2007 AND OCTOBER 1, 2006

Net sales in the fiscal 2008 quarter ended September 30, 2007 were \$151,410, up \$7,185 or 5.0% from the fiscal 2007 quarter ended October 1, 2006. Net sales for the six months ended September 30, 2007 were \$299,520, an increase of \$8,601 or 3.0% from the six months ended October 1, 2006. Sales in the Products segment increased by \$11,275 or 8.7% from the previous year's quarter and \$19,902 or 7.7% from the previous year's six-month period then ended. These increases are due to the continued strength of the U.S. and European industrial markets, as well as the impact of price increases of \$4,500 in the six months ended September 30, 2007. Translation of foreign currencies, particularly the Euro and Canadian dollar, into U.S. dollars contributed \$2,300 and \$3,800 toward the Products segment increase in sales for the quarter and six-month period ended September 30, 2007, respectively. Sales in the Solutions segment decreased 26.9% or \$4,090 for the quarter and 33.5% or \$11,301 for the six months ended September 30, 2007 when compared with the same periods in the prior year. The decreases in this segment are primarily due to lower volume in our European conveyor business as revenue has been intentionally held back as a result of historically unacceptable returns on certain types of projects. We have restructured that business and are converting it into a more products and services orientated model. Translation of foreign currencies into U.S. dollars contributed an additional \$500 and \$900 toward the Solutions segment sales for the quarter and six-months ended September 30, 2007. Sales in the segments are summarized as follows:

	THREE MONTHS ENDED				SIX MONTHS ENDED		
	SEPT. 30, 2007	OCT. 1, 2006	CHANGE AMOUNT	%	SEPT. 30, 2007	OCT. 1, 2006	AMO
	----	----	-----	---	----	----	----
Products	\$ 140,312	\$ 129,037	\$ 11,275	8.7	\$ 277,078	\$ 257,176	\$ 19
Solutions	11,098	15,188	(4,090)	-26.9	22,442	33,743	(11

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

Net sales	\$ 151,410	\$ 144,225	\$ 7,185	5.0	\$ 299,520	\$ 290,919	\$ 8
-----------	------------	------------	----------	-----	------------	------------	------

Gross profit and gross profit margins by operating segment are summarized as follows:

	THREE MONTHS ENDED				SIX MONTHS	
	SEPT. 30, 2007		OCT. 1, 2006		SEPT. 30, 2007	
	\$	%	\$	%	\$	%
Products	\$ 44,232	31.5	\$ 37,896	29.4	\$ 86,331	31.2
Solutions	1,806	16.3	1,121	7.4	3,595	16.0
Total Gross Profit	\$ 46,038	30.4	\$ 39,017	27.1	\$ 89,926	30.0

The increase in the gross profit margin for the Products segment is the result of product mix, the realization of operational leverage at increased sales volumes, ongoing cost containment activities and the translation of foreign currencies into U.S. dollars, which contributed \$900 and \$1,600 toward the Products segment increase in gross margin for the quarter and six-months ended September 30, 2007, respectively. The Solutions segment reflected gross margin improvement due to restructuring activities undertaken at our Univeyor business.

- 15 -

Selling expenses were \$17,269, \$14,739, \$33,390 and \$30,106 in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively. The changes in selling expense dollars were impacted by our increased investment to support our strategic growth initiatives including investments in new markets (\$1,100 and \$1,600 for the quarter and six-month period ended September 30, 2007, respectively), translation of foreign currencies into U.S. dollars (\$600 and \$900 for the quarter and six-month period ended September 30, 2007, respectively) and increased variable selling costs as a result of higher sales volume. As a percentage of consolidated net sales, selling expenses were 11.4%, 10.2%, 11.1%, and 10.3% in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively.

General and administrative expenses were \$9,127, \$8,540, \$18,323 and \$17,629 in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively. The increase in administrative expenses was primarily the result of increased research and development costs (\$275 and \$430 for the quarter and six-month period ended September 30, 2007, respectively) and the translation of foreign currencies into U.S. dollars (\$350 and \$500 for the quarter and six-month period ended September 30, 2007, respectively) As a percentage of consolidated net sales, general and administrative expenses were 6.0%, 5.9%, 6.1%, and 6.1% in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively.

Restructuring charges were \$469, (\$410), \$745, and (\$406) in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively. The 2008 restructuring include \$402 of costs related to the partial demolition of an older and underutilized domestic facility and \$343 of costs incurred to reduce

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

ongoing operating costs and change our Univeyor business model to increase its focus on offering products as packaged solutions rather than engineered-to-order systems. The reversal of restructuring charges in fiscal 2007 resulted from the sale of a previously closed facility and included \$216 of gain on the sale of the property that had been written down in previous periods.

Interest and debt expense was \$3,627, \$4,176, \$7,805, and \$8,688 in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively. This decrease is the result of lower debt levels. As a percentage of consolidated net sales, interest and debt expense was 2.4%, 2.9%, 2.6%, and 3.0% in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively.

Cost of bond redemptions was \$1,443, \$0, \$1,443, and \$4,583 in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively. The charges in fiscal 2008 and 2007 were related to the redemption of our 10% notes.

Income tax expense as a percentage of income from continuing operations before income tax expense was 37.3%, 37.7%, 38.1%, and 40.4% in the fiscal 2008 and 2007 quarters and the six-month periods then ended, respectively. The six month fiscal 2007 percentage varies from the U.S. statutory rate due to \$866 of non-deductible stock option expense in the period. As of September 30, 2007, the Company had U.S. federal net operating loss carry-forwards of approximately \$16,800 representing approximately \$5,900 of cash tax savings in future periods.

On April 1, 2007, the Company adopted the provisions of Financial Standards Accounting Board ("FASB") Interpretation ("FIN") No. 48 "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement of Financial Accounting Standards ("SFAS") No. 109. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized under SFAS 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest and penalties, and disclosure.

Upon adoption of FIN No. 48, the Company recorded a reduction in retained earnings for the cumulative effect adjustment of \$186 to its \$2,600 of unrecognized tax benefits, all of which would favorably impact the effective tax rate if recognized. At the end of the first quarter, there was no change in the balance of unrecognized tax benefits.

During the second quarter of fiscal 2008, the balance of unrecognized tax benefits increased \$223 as a result of certain intercompany transactions that have not been audited by the various tax jurisdictions and a matter that arose during a state income tax audit.

- 16 -

The Company does not anticipate that total unrecognized tax benefits will change significantly due to the settlement of audits or the expiration of statutes of limitations prior to September 30, 2008.

The Company had \$177 accrued for the payment of interest and penalties at September 30, 2007. The Company recognizes interest expense or penalties related to uncertain tax positions as a part of income tax expense in its Consolidated Statement of Operations. The Company is currently open to audit by the Internal Revenue Service for the years ending March 31, 2004 through 2007.

### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled \$53,628 at September 30, 2007, an increase of

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

\$4,973 from the March 31, 2007 balance of \$48,655.

Net cash provided by operating activities was \$23,884 for the six months ended September 30, 2007 compared to \$14,961 for the six months ended October 1, 2006. The \$8,923 increase is the result of stronger operating performance in fiscal 2008 (\$3,344) and changes in working capital components. During the six months ended September 30, 2007, changes in working capital components used \$10,531, compared to \$16,110 used in the six months ended October 1, 2006. Changes in net working capital include a favorable change of \$6,168 on accounts receivables and unbilled revenues as a result of improved collection results and a favorable change in prepaid expenses and other assets of \$2,987 due to timing of payments. These were offset by an unfavorable change of \$2,237 on inventory (resulting from support for upcoming new product launches, an increase for longer term capital projects equipment and timing of offshore purchases) and an unfavorable change of \$1,339 in accounts payable and accrued and non-current liabilities (resulting from timing of disbursements and changing product liability reserves).

Net cash provided (used) by investing activities was \$42 for the six months ended September 30, 2007 compared to (\$1,151) for the six months ended October 1, 2006. The \$1,193 change in net cash provided (used) by investing activities was the result of a \$3,403 increase in proceeds received from the sale of facilities and surplus real estate in fiscal 2008 compared to fiscal 2007. This increase in cash was partially offset by a \$1,488 increase in cash used to purchase marketable securities, net and a \$643 increase in capital expenditures.

Net cash used by financing activities was \$21,981 for the six months ended September 30, 2007 compared to \$35,807 for the six months ended October 1, 2006. The net cash used in financing activities for the six months ended September 30, 2007 consisted primarily of \$23,397 of net debt repayments, partially offset by \$1,061 of proceeds from stock options exercised. The net cash used in financing activities for the six months ended October 1, 2006 consisted primarily of \$39,325 of debt repayments, partially offset by \$2,051 of proceeds from the issuance of common stock and stock options exercised, and \$1,571 of borrowings under revolving line of credit agreements.

We believe that our cash on hand, cash flows, and borrowing capacity under our Revolving Credit Facility will be sufficient to fund our ongoing operations and budgeted capital expenditures for at least the next twelve months. This belief is dependent upon a steady economy and successful execution of our current business plan which includes focus on cash generation for debt repayment. The business plan includes continued implementation of new market penetration, new product development, lean manufacturing and improving working capital utilization.

Our Revolving Credit Facility provides availability up to \$75,000. Provided there is no default, the Company may request an increase in the availability of the Revolving Credit Facility by an amount not exceeding \$50,000. The Revolving Credit Facility matures February 2011.

The unused portion of the Revolving Credit Facility totaled \$63,441, net of outstanding borrowings of zero and outstanding letters of credit of \$11,559 of September 30, 2007. Interest is payable at a Eurodollar Rate or a prime rate plus an applicable margin determined by our leverage ratio. At our current leverage ratio, we qualify for the lowest applicable margin level, which amounts to 87.5 basis points for Eurodollar borrowings and zero basis points for prime rate based borrowings. The Revolving Credit Facility is secured by all domestic inventory, receivables, equipment, real property, subsidiary stock (limited to 65% for foreign subsidiaries) and intellectual property. The corresponding

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

credit agreement associated with the Revolving Credit Facility places certain debt covenant restrictions on us, including certain financial requirements and a limitation on dividend payments.

The Senior Subordinated 8 7/8% Notes (8 7/8% Notes) issued on September 2, 2005 amounted to \$136,000 and are due November 1, 2013. Provisions of the 8 7/8% Notes include limitations on indebtedness, asset sales, and dividends and other restricted payments. Until November 1, 2008, we may redeem up to 35% of the outstanding notes at a redemption price of 108.875% with the proceeds of equity offerings, subject to certain restrictions. On or after November 1, 2009, the 8 7/8% Notes are redeemable at the option of the Company, in whole or in part, at prices declining annually from 104.438% to 100% on and after November 1, 2011. In the event of a Change of Control (as defined in the indenture for such notes), each holder of the 8 7/8% Notes may require us to repurchase all or a portion of such holder's 8 7/8% Notes at a purchase price equal to 101% of the principal amount thereof. The 8 7/8% Notes are guaranteed by certain existing and future domestic subsidiaries and are not subject to any sinking fund requirements.

On August 1, 2007 the Company used cash on hand to redeem all of the outstanding Senior Secured 10% Notes at a price of 105% of the principal amount. The redemption required a \$1,106 premium payment to Noteholders and \$337 of unamortized financing costs were written-off in the fiscal 2008 second quarter ending September 30, 2007.

International lines of credit are available to meet short-term working capital needs for our subsidiaries operating outside of the United States. The lines of credit are available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of default, as mutually agreed between our subsidiaries and the local bank at the time of each specific transaction. As of September 30, 2007, amounts available under significant foreign credit lines totaled approximately \$11,500 of which \$9,800 was drawn.

In addition to the above facilities, our foreign subsidiaries have certain fixed term bank loans. As of September 30, 2007, significant loans totaled \$4,140 of which \$2,992 were secured loans.

### CAPITAL EXPENDITURES

In addition to keeping our current equipment and plants properly maintained, we are committed to replacing, enhancing, and upgrading our property, plant, and equipment to support new product development, reduce production costs, increase flexibility to respond effectively to market fluctuations and changes, meet environmental requirements, enhance safety, and promote ergonomically correct work stations. Consolidated capital expenditures for the three months ended September 30, 2007 and October 1, 2006 were \$4,979 and \$4,336, respectively. We expect capital spending for fiscal 2008 to be approximately \$10 to \$12 million compared with \$10.7 million in fiscal 2007. Incremental capital expenditures for fiscal 2008 will be primarily directed toward new product development and productivity improvement.

### INFLATION AND OTHER MARKET CONDITIONS

Our costs are affected by inflation in the U.S. economy and, to a lesser extent, in foreign economies including those of Europe, Canada, Mexico, South America, and the Pacific Rim. We do not believe that general inflation has had a material effect on results of operations over the periods presented primarily due to overall low inflation levels of most costs over such periods and our ability to generally pass on rising costs through price increases. However, we have been

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

impacted by fluctuations in steel costs, which vary by type of steel and we continue to monitor them. In addition, U.S. employee benefits costs such as health insurance and workers compensation insurance as well as energy costs have exceeded general inflation levels. We generally incorporate those cost increases into our sales price increases and consider surcharges on certain products, as determined necessary. In the future, we may be further affected by inflation that we may not be able to pass on as price increases or surcharges.

- 18 -

### SEASONALITY AND QUARTERLY RESULTS

Quarterly results may be materially affected by the timing of large customer orders, periods of high vacation and holiday concentrations, gains or losses on early retirement of bonds, restructuring charges, divestitures and acquisitions. Therefore, the operating results for any particular fiscal quarter are not necessarily indicative of results for any subsequent fiscal quarter or for the full fiscal year.

### EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," to define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. We are assessing the impact the adoption of SFAS No. 157 will have on our consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS 158). Among other items, SFAS 158 requires recognition of the overfunded or underfunded status of an entity's defined benefit postretirement plan as an asset or liability in the financial statements and requires recognition of the funded status of defined benefit postretirement plans in other comprehensive income. We adopted all of the currently required provisions of Statement 158 in fiscal 2007. This statement also requires an entity to measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employers' fiscal year. This requirement is effective for fiscal years ending after December 15, 2008. We do not expect the adoption of this requirement to have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities -- Including an Amendment of FASB Statements No. 115" ("SFAS 159"). SFAS 159 allows the irrevocable election of fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities and other items on an instrument-by-instrument basis. Changes in fair value would be reflected in earnings as they occur. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. We are currently evaluating whether we will elect the fair value option for any of our eligible financial instruments and other items.

### SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report may include "forward-looking statements" within the meaning of the

## Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by us and our subsidiaries, conditions affecting our customers and suppliers, competitor responses to our products and services, the overall market acceptance of such products and services, the integration of acquisitions and other factors disclosed in our periodic reports filed with the Commission. Consequently such forward-looking statements should be regarded as our current plans, estimates and beliefs. We do not undertake and specifically decline any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

- 19 -

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the market risks since the end of Fiscal 2007.

### Item 4. Controls and Procedures

As of September 30, 2007, an evaluation was performed under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the chief executive officer and chief financial officer, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2007. There were no changes in the Company's internal controls or other factors during our second quarter ended September 30, 2007.

- 20 -

## PART II. OTHER INFORMATION

Item 1. Legal Proceedings - none.

### Item 1A. Risk Factors

No material changes from risk factors as previously disclosed in the Company's Form 10-K for the year ended March 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds - none.

Item 3. Defaults upon Senior Securities - none.

Item 4. Submission of Matters to a Vote of Security Holders

Edgar Filing: COLUMBUS MCKINNON CORP - Form 10-Q

At the Company's Annual Meeting of Stockholders held on July 30, 2007, the stockholders approved the following:

(a) A proposal to elect directors of the Company as follows:

16,014,798 votes cast for:	Timothy T. Tevens;
15,570,498 votes cast for:	Richard H. Fleming;
16,017,345 votes cast for:	Ernest R. Verebelyi;
15,802,284 votes cast for:	Wallace W. Creek;
15,802,427 votes cast for:	Linda A. Goodspeed;
15,801,889 votes cast for:	Stephen Rabinowitz;
15,659,480 votes cast for:	Nicholas T. Pinchuk.

Item 5. Other Information - none.

Item 6. Exhibits

(a) Exhibits:

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934; as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934; as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- 21 -

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.

COLUMBUS MCKINNON CORPORATION

-----  
(Registrant)

Date: NOVEMBER 9, 2007  
-----

/S/ KAREN L. HOWARD  
-----

Karen L. Howard  
Vice President and Chief Financial Officer  
(Principal Financial Officer)



