AUDUBON EUROPE S A R L
Form 10-K
May 30, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

T ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended March 31, 2008

Commission file number 0-27618

COLUMBUS McKINNON CORPORATION
(Exact name of Registrant as specified in its charter)

New York	16-0547600
(State of Incorporation)	(I.R.S. Employer Identification Number)

140 John James Audubon Parkway
Amherst, New York 14228-1197
(Address of principal executive offices, including zip code)

(716) 689-5400
(Registrant's telephone number, including area code)

Securities pursuant to section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.01 Par Value (and rights attached thereto)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes £ No T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes £ No T

Indicate by checkmark 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 T No £

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this

chapter) is not contained herein, and will not be contained, to the best of Registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K T.

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

Large accelerated filer £	Accelerated filer T
Non-accelerated filer £	Smaller reporting company £

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 30, 2007 was approximately $452 million, based upon the closing price of the Company's common shares as quoted on the Nasdaq Stock Market on such date. The number of shares of the Registrant's common stock outstanding as of April 30, 2008 was 18,989,413 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for its 2008 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Registrant's fiscal year ended March 31, 2008 are incorporated by reference into Part III of this report.

COLUMBUS McKINNON CORPORATION
2008 Annual Report on Form 10-K

This annual report contains “forward-looking statements” within the meaning of the 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 set forth herein under “Risk Factors.” We use words like “will,” “may,” “should,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “future” and expressions to identify forward looking statements. These forward looking statements speak only as of their respective dates and 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 changes. Our actual operating results could differ materially from those predicted in these forward-looking statements, and any other events anticipated in the forward-looking statements may not actually occur.

PART I

Item 1. Business

General

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. We are the U.S. market leader in hoists, our principal line of products, which we believe provides us with a strategic advantage in selling our other products. We have achieved this leadership position through strategic acquisitions, our extensive, diverse and well-established distribution channels and our commitment to product innovation and quality. We have one of the most comprehensive product offerings in the industry and we believe we have more overhead hoists in use in North America than all of our competitors combined. Our brand names, including CM, Coffing, Duff-Norton, Shaw-Box and Yale, are among the most recognized and well-respected in our marketplace.

The Building of Our Business

Founded in 1875, we have grown to our current size and leadership position through organic growth and acquiring 14 businesses between 1994 and 1999. Those acquisitions significantly broadened our product lines and services and expanded our geographic reach, end-user markets and our customer base. Our senior management has substantial experience in the acquisition and integration of businesses, aggressive cost management, efficient manufacturing techniques and global operations, all of which are critical to our long-term growth strategy. We have a proven track record of acquiring complementary businesses and product lines, integrating their activities into our organization, and aggressively managing their cost structures to improve operating efficiencies. The history of our acquisitions between 1994 and 1999 is outlined below (purchase price in millions):

Date of Acquisition	Acquired Company	Purchase Price	Products/Services
April 1999	Washington Equipment Company	$ 6.4	Overhead cranes
March 1999	GL International (2),(6)	20.6	Overhead cranes
January 1999	Camlok/Tigrip	10.6	Plate clamps, crane weighers
December 1998	Gautier	2.9	Rotary unions, swivel joints
August 1998	Abell-Howe Crane (5)	7.0	Overhead cranes
March 1998	ASI (3)	155.0	Design and manufacture of custom conveyor systems
January 1998	Univeyor	15.0	Design and manufacture of powered roller conveyor systems
December 1996	Lister (4)	7.0	Cement kiln, anchor and buoy chain
October 1996	Yale (1)	270.0	Hoists, scissor lift tables, actuators, jacks and rotary unions
November 1995	Lift-Tech	63.0	Hoists
October 1995	Endor	2.0	Hoists
January 1995	Cady Lifters	0.8	Below-the-hook lifters
December 1994	Conco	0.8	Operator controlled manipulators
February 1994	Durbin-Durco	2.4	Load securing equipment and attachments

The following is a summary of our divestitures and property sales relating to the above acquisitions which occurred between 1998 and 2007 as we focus on our core businesses and major business segments as well as reduce our operating costs.

(1) In August 1998, we sold the Mechanical Products division of Yale.
(2) In January 2002, we sold Handling Systems & Conveyors, Inc., a subsidiary of GL International.
(3) In May 2002, we sold substantially all of the assets of Automatic Systems, Inc. ("ASI") and in March 2003, we sold LICO Steel, Inc., a subsidiary of Audubon West, formerly ASI.
(4) In February 2004, we sold the assets of the Lister Chain & Forge division.
(5) In January 2005, we sold a Chicago area property.
(6) In March 2007, we sold LARCO Inc., a subsidiary of Crane, Equipment, & Service, Inc.

Our Position in the Industry

The broad, global material handling industry includes the following sectors:

- overhead material handling and lifting devices;
- continuous materials movement;
- wheeled handling devices;
- pallets, containers and packaging;
- storage equipment and shop furniture;
- automation systems and robots; and
- services and unbundled software.

The breadth of our products and services enables us to participate in each of these sectors, except for pallets, containers and packaging and storage equipment and shop furniture. This diversification, together with our extensive

and varied distribution channels, minimizes our dependence on any particular product, market or customer. We believe that none of our competitors offers the variety of products or services in the markets we serve.

We believe that the demand for our products and services has increased during the last twelve months and we believe the demand will continue to increase in the future as a result of several macro-economic growth drivers. These drivers include:

Favorable Industry Trends. The U.S. industrial economy improved since 2003 and the Eurozone industrial economy has improved since 2005. Industrial capacity utilization is currently around 80% in both regions, generally indicative of capital expansion and favorable industrial activity. Additionally, we monitor other leading indicators so that we can be responsive to economic conditions that could impact our markets. Our business performance is influenced by the state of the U.S. and Eurozone industrial economies, as well as those in emerging areas.

Productivity Enhancement. We believe employers respond to competitive pressures by seeking to maximize productivity and efficiency, among other actions. Our hoists and other lifting and positioning products allow loads to be lifted and placed quickly, precisely, with little effort and fewer people, thereby increasing productivity and reducing cycle time.

Safety Regulations and Concerns. Driven by workplace safety regulations such as the Occupational Safety and Health Act and the Americans with Disabilities Act in the U.S., and by the general competitive need to reduce costs such as health insurance premiums and workers' compensation expenses, employers seek safer ways to lift and position loads. Our lifting and positioning products enable these tasks to be performed with reduced risk of personal injury.

Consolidation of Suppliers. In an effort to reduce costs and increase productivity, our customers and end-users are increasingly consolidating their suppliers. We believe that our competitive strengths will enable us to benefit from this consolidation and enhance our market share.

Our Competitive Strengths

Leading Market Positions. We are a leading manufacturer of hoists and alloy and high strength carbon steel chain and attachments in North America. We have developed our leading market positions over our 133-year history by emphasizing technological innovation, manufacturing excellence and superior after-sale service. Approximately 69% of our U.S. net sales for the year ended March 31, 2008 were from product categories in which we believe we hold the number one market share. We believe that the strength of our established products and brands and our leading market positions provide us with significant competitive advantages, including preferred supplier status with a majority of our largest customers. Our large installed base of products also provides us with a significant competitive advantage in selling our products to existing customers as well as providing repair and replacement parts.

The following table summarizes the product categories where we believe we are the U.S. market leader:

Product Category	U.S. Market Share	U.S. Market Position	Percentage of U.S. Net Sales
Powered Hoists (1)	48%	#1	27%
Manual Hoists & Trolleys (1)	59%	#1	13%
Forged Attachments (1)	40%	#1	7%
Lifting and Sling Chains (1)	64%	#1	4%
Hoist Parts (2)	60%	#1	9%
Mechanical Actuators (3)	40%	#1	4%
Tire Shredders (4)	80%	#1	3%
Jib Cranes (5)	25%	#1	2%
			69%

(1) Market share and market position data are internal estimates derived from survey information collected and provided by our trade associations in 2007.

(2) Market share and market position data are internal estimates based on our market shares of Powered Hoists and Manual Hoists & Trolleys, which we believe are good proxies for our Hoist Parts market share because we believe most end-users purchase Hoist Parts from the original equipment supplier.

(3) Market share and market position data are internal estimates derived by comparison of our net sales to net sales of one of our competitors and to estimates of total market sales from a trade association in 2007.

(4) Market share and market position data are internal estimates derived by comparing the number of our tire shredders in use and their capacity to estimates of the total number of tires shredded published by a trade association in 2007.

(5) Market share and market position are internal estimates derived from both the number of bids we win as a percentage of the total projects for which we submit bids and from estimates of our competitors' net sales based on their relative position in distributor catalogues in 2007.

Comprehensive Product Lines and Strong Brand Name Recognition. We believe we offer the most comprehensive product lines in the markets we serve. We are the only major supplier of material handling equipment offering full lines of hoists, chain and attachments. Our capability as a full-line supplier has allowed us to (i) provide our customers with "one-stop shopping" for material handling equipment, which meets some customers' desires to reduce the number of their supply relationships in order to lower their costs, (ii) leverage our engineering, product development and marketing costs over a larger sales base and (iii) achieve purchasing efficiencies on common materials used across our product lines.

In addition, our brand names, including Budgit, Chester, CM, Coffing, Duff-Norton, Little Mule, Shaw-Box and Yale, are among the most recognized and respected in the industry. The CM name has been synonymous with overhead hoists since manual hoists were first developed and marketed under the name in the early 1900s. We believe that our strong brand name recognition has created customer loyalty and helps us maintain existing business, as well as capture additional business. No single SKU comprises more than 1% of our sales, a testament to our broad and diversified product offering.

Distribution Channel Diversity and Strength. Our products are sold to over 20,000 general and specialty distributors and OEMs globally. We enjoy long-standing relationships with, and are a preferred provider to, the majority of our largest distributors and industrial buying groups. There has been consolidation among distributors of material handling equipment and we have benefited from this consolidation by maintaining and enhancing our relationships with our leading distributors, as well as forming new relationships. We believe our extensive distribution channels provide a significant competitive advantage and allow us to effectively market new product line extensions and promote cross-selling.

Expanding International Markets. We have significantly grown our international sales since becoming a public company in 1996. Our international sales have grown from $34.3 million (representing 16% of total sales) in fiscal 1996 to $217.9 million (representing 35% of our total sales) during the year ended March 31, 2008. This growth has occurred primarily in Europe, Latin America and Asia-Pacific where we have recently expanded our sales presence. Our international business has provided us, and we believe will continue to provide us, with significant growth opportunities and new markets for our products.

Low-Cost Manufacturing with Significant Operating Leverage. We believe we are a low-cost manufacturer and we have and will continue to generate significant operating leverage due to the initiatives summarized below. Our operating leverage goal is for each incremental sales dollar to generate 20%-30% of operating income.

- Rationalization and Consolidation. We have a successful history of consolidating manufacturing facilities and optimizing warehouse utilization and location resulting in lower annual operating costs and improving our fixed-variable cost relationship. We continue to evaluate existing operations for further opportunities.

- Lean Manufacturing. We have initiated Lean Manufacturing techniques, facilitating inventory reductions, a significant decline in required manufacturing floor space, a decrease in product lead time and improved productivity and on-time deliveries. We believe continued application of lean manufacturing tools will generate benefits for many years to come.

- International Expansion. Our continued expansion of our manufacturing facilities in China, Mexico and Hungary provides us with another cost efficient platform to manufacture and distribute certain of our products and components. We now operate 25 manufacturing facilities in eight countries, with 32 stand alone sales and service offices in 16 countries, and 10 stand alone warehouse facilities in five countries.

- Purchasing Council. We continue to leverage our company-wide purchasing power through our Purchasing Council to reduce our costs and manage fluctuations in commodity pricing, including steel.

- Selective Vertical Integration. We manufacture many of the critical parts and components used in the manufacture of our hoists and cranes, resulting in reduced costs.

Strong After-Market Sales and Support. We believe that we retain customers and attract new customers due to our ongoing commitment to customer service and satisfaction. We have a large installed base of hoists and chain that drives our after-market sales for components and repair parts and is a stable source of higher margin business. We

maintain strong relationships with our customers and provide prompt aftermarket service to end-users of our products through our authorized network of 16 chain repair stations and approximately 400 hoist service and repair stations.

Long History of Free Cash Flow Generation and Significant Debt Reduction. We have consistently generated positive free cash flow (which we define as net cash provided by operating activities less capital expenditures) by continually controlling our costs, improving our working capital management, and reducing the capital intensity of our manufacturing operations. In the past five years, we have reduced total debt by $168.4 million, from $316.3 million to $147.9 million and continued to grow our cash balance.

Experienced Management Team with Equity Ownership. Our senior management team provides a depth and continuity of experience in the material handling industry. Our management has experience in aggressive cost management, balance sheet management, efficient manufacturing techniques, acquiring and integrating businesses and global operations, all of which are critical to our long-term growth. Our directors and executive officers, as a group, own an aggregate of approximately 3% of our outstanding common stock.

Our Strategy

Grow our Core Business. We intend to leverage our strong competitive advantages to increase our market shares across all of our product lines and geographies by:

- Leveraging Our Strong Competitive Position. Our large, diversified, global customer base, our extensive distribution channels and our close relationships with our distributors provide us with insights into customer preferences and product requirements that allow us to anticipate and address the future needs of end-users.

- Introducing New and Cross-Branded Products. We continue to expand our business by developing new material handling products and services and expanding the breadth of our product lines to address material handling needs. We have a dedicated hoist product development team and recently formed a similar group for our rigging products (chain and forged attachments). The majority of the powered hoist products under development are guided by the Federation of European Manufacturing, or FEM, standard. We believe these FEM hoist products, as well as other international design products will facilitate our global sales expansion strategy as well as improve our cost competitiveness against internationally made products imported into the U.S. New product sales (as defined by new items introduced within the last three years) amounted to $89.0 million, $79.5 million, and $81.5 million in fiscal 2008, 2007, and 2006, respectively.

- Leveraging Our Brand Portfolio to Maximize Market Coverage. Most industrial distributors carry one or two lines of material handling products on a semi-exclusive basis. Unlike many of our competitors, we have developed and acquired multiple well-recognized brands that are viewed by both distributors and end-users as discrete product lines. As a result, we are able to sell our products to multiple distributors in the same geographic area. This strategy maximizes our market coverage and provides the largest number of end-users with access to our products.

Continue to Grow in International Markets. Our international sales of $217.9 million comprised 35% of our net sales for the year ended March 31, 2008, as compared to $34.3 million, or 16% of our net sales, in fiscal 1996, the year we became a public company. We sell to distributors in over 50 countries and have our primary international manufacturing facilities in China, Mexico, Germany, Denmark, the United Kingdom, France, and Hungary. In addition to new product introductions, we continue to expand our sales and service presence in the major and developing market areas of Europe, Asia-Pacific and Latin America including through our sales offices and warehouse facilities in Canada, various countries in Western and Eastern Europe, China, Thailand, Brazil, Uruguay, Panama and Mexico. We intend to increase our sales by manufacturing and exporting a broader array of high quality, low-cost products and components from our facilities in Mexico, China and Hungary for distribution in Europe, Latin America and Asia-Pacific. We have developed and are continuing to expand upon new hoist and other products in compliance with FEM standards and international designs to enhance our global distribution.

Further Reduce Our Operating Costs and Increase Manufacturing Productivity. Our objective is to remain a low-cost producer. We continually seek ways to reduce our operating costs and increase our manufacturing productivity including through our on-going expansion of our manufacturing capacity in low-cost regions, including Mexico, China and Hungary. In furtherance of this objective, we have undertaken the following:

- Implementation of Lean Manufacturing. We continuously identify potential efficiencies in our operations through Lean Manufacturing, initiated in fiscal 2002. Additionally, we reinvigorated our Lean initiative during fiscal 2008 to take these activities to the next level globally.

- Rationalization of Facilities. We have a successful history of consolidating manufacturing facilities and optimizing warehouse utilization and location resulting in lower annual operating costs and improving our fixed-variable cost relationship. We have sufficient capacity to meet current and future demand and we periodically investigate

opportunities for further facility rationalization.

Leveraging of Our Purchasing Power. Our Purchasing Council was formed in fiscal 1998 to centralize and leverage our overall purchasing power and has resulted in significant savings for our company as well as management of fluctuations in commodity pricing, including steel.

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Drive EPS Growth through De-leveraging. We intend to continue our focus on cash generation for debt reduction through the following initiatives:

- Increase Operating Cash Flow. As a result of the execution of our strategies to control our operating costs, increase our U.S. organic growth and increase our penetration of international markets, we believe that we will continue to realize favorable operating leverage. Our operating leverage goal is for each incremental sales dollar to generate 20%-30% of operating income. We believe that such operating leverage will result in increased operating cash flow available for debt reduction, as well as investment in new products and new markets, organically and via acquisitions.

- Reduce Working Capital. As described above, we believe that our Lean Manufacturing activities are facilitating inventory reduction, improving product lead times and increasing our productivity. We have other initiatives underway to further improve other routine working capital components, including accounts payable, all initiatives driving toward our long-term goal of total working capital (excluding cash and debt) of 15% of latest 12 months' revenues. We believe our improved working capital management and increased productivity will further result in increased free cash flow.

Pursue Strategic Acquisitions and Alliances. We intend to pursue synergistic acquisitions to complement our organic growth. Priorities for such acquisitions include: 1) increasing international geographic penetration, particularly in the Asia-Pacific region, and 2) further broadening our offering with complementary products frequently used in conjunction with hoists. Additionally, we continually challenge the long-term fit of underperforming businesses for potential divestiture and redeployment of capital.

Our Segments

We currently report our operations in two business segments, Products and Solutions.

Our Products segment designs, manufactures and distributes a broad range of material handling products for various applications. Products in this segment include a wide variety of electric, lever, hand and air-powered hoists; hoist trolleys; industrial crane systems such as bridge, gantry and jib cranes; alloy, carbon steel and kiln chain; closed-die forged attachments, such as hooks, shackles, logging tools and loadbinders; industrial components, such as mechanical and electromechanical actuators, mechanical jacks and rotary unions; and below-the-hook special purpose lifters. These products are typically manufactured for stock or assembled to order from standard components and are sold primarily through a variety of commercial distributors. The diverse end-users of our products are in manufacturing plants, power utility facilities and warehouses, on construction sites, oil rigs, ships and tractor trailers. Some of our products have farming, mining and logging applications, and we serve a niche market for the entertainment industry.

Our Solutions segment is engaged primarily in the design, fabrication and installation of integrated workstation and facility-wide material handling systems and in the design and manufacture of tire shredders, lift tables and light-rail systems. These products and services have historically been highly engineered, built to order and primarily sold directly to end-users for specific applications in a variety of industries. The material handling systems business within this segment is currently undergoing the process for divestiture.

Note 19 to our consolidated financial statements included elsewhere herein provides information related to our business segments in accordance with U.S. generally accepted accounting principles. Summary information concerning our business segments for fiscal 2008, 2007 and 2006 is set forth below.

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	Fiscal Years Ended March 31,								
	2008			2007			2006		
		Amount	% of Total Sales		Amount	% of Total Sales		Amount	% of Total Sales
	(Dollars in millions)								
Net Sales									
Products	$	570.0	91.4	$	527.1	89.4	$	493.9	88.8
Solutions		53.3	8.6		62.7	10.6		62.1	11.2
Total	$	623.3	100.0	$	589.8	100.0	$	556.0	100.0
		Amount	% of Segment /Total Sales		Amount	% of Segment /Total Sales		Amount	% of Segment /Total Sales
Income (loss) from Operations									
Products	$	78.4	13.8	$	71.5	13.6	$	55.9	11.3
Solutions		(7.3)	(13.6)		(3.0)	(4.8)		2.0	3.2
Total	$	71.1	11.4	$	68.5	11.6	$	57.9	10.4

Products Segment

Products

Our Products segment primarily designs, manufactures and distributes a broad range of material handling, lifting and positioning products for various applications and has total assets of approximately $560.1 million as of March 31, 2008. These products are typically manufactured for stock or assembled to order from standard components and are sold through a variety of distributors. In excess of 75% of our Products segment net sales is derived from the sale of products that we sell at a unit price of less than $5,000. In fiscal 2008, net sales of the Products segment were $570.0 million or approximately 91.4% of our net sales. Of these sales, $391.7 million, or 68.7% were U.S. and $178.3 million, or 31.3% were international. The following table sets forth certain sales data for the products of our Products segment, expressed as a percentage of net sales of this segment for fiscal 2008 and 2007:

	Fiscal Years Ended March 31,	
	2008	2007
Hoists	57%	54%
Chain	14	14
Forged attachments	11	11
Industrial cranes	11	13
Industrial components	7	8
	100%	100%

Hoists. We manufacture a variety of electric chain hoists, electric wire rope hoists, hand-operated hoists, lever tools and air-powered balancers and hoists. Load capacities for our hoist product lines range from one-eighth of a ton to 100 tons. These products are sold under our Budgit, Chester, CM, Coffing, Little Mule, Shaw-Box, Yale and other recognized trademarks. Our hoists are sold for use in numerous general industrial applications, as well as for use in the construction, energy, mining, food services, entertainment and other markets. We also supply hoist trolleys, driven

manually or by electric motors, for the industrial, consumer and OEM markets.

We also currently offer several lines of custom-designed, below-the-hook tooling, clamps, pallet trucks and textile strappings. Below-the-hook tooling and clamps are specialized lifting apparatus used in a variety of lifting activities performed in conjunction with hoist and chain applications. Textile strappings are below-the-hook attachments, frequently used in conjunction with hoists.

Chain. We manufacture alloy and carbon steel chain for various industrial and consumer applications. Federal regulations require the use of alloy chain, which we first developed, for overhead lifting applications because of its strength and wear characteristics. A line of our alloy chain is sold under the Herc-Alloy brand name for use in overhead lifting, pulling and restraining applications. In addition, we also sell specialized load chain for use in hoists, as well as three grades and multiple sizes of carbon steel welded-link chain for various load securing and other non-overhead lifting applications. We also manufacture kiln chain sold primarily to the cement manufacturing market.

Forged Attachments. We produce a broad line of alloy and carbon steel closed-die forged attachments, including hooks, shackles, hitch pins and master links. These forged attachments are used in chain, wire rope and textile rigging applications in a variety of industries, including transportation, mining, construction, marine, logging, petrochemical and agriculture.

In addition, we manufacture carbon steel forged and stamped products, such as loadbinders, logging tools and other securing devices, for sale to the industrial, consumer and logging markets through industrial distributors, hardware distributors, mass merchandiser outlets and OEMs.

Industrial Cranes. We entered the U.S. crane manufacturing market through our August 1998 acquisition of Abell-Howe, a Chicago-based regional manufacturer of jib and overhead bridge cranes. Our March 1999 acquisition of GL International, which included the Gaffey and Larco brands, and our April 1999 acquisition of Washington Equipment Company established us as a significant participant in the U.S. crane building and servicing markets. Crane builders represent a specific distribution channel for electric wire rope hoists, chain hoists and other crane components. We divested of our Larco business in March 2007, which business provided cranes and service primarily to the steel industry in southern Ontario, Canada.

Industrial Components. Through our Duff-Norton division, we design and manufacture industrial components such as mechanical and electromechanical actuators and rotary unions. Actuators are linear motion devices used in a variety of industries, including the paper, steel and aerospace industries. Rotary unions are devices that transfer a liquid or gas from a fixed pipe or hose to a rotating drum, cylinder or other device. Rotary unions are used in a variety of industries including pulp and paper, printing, textile and fabric manufacturing, rubber and plastic.

Sales and Marketing

Our sales and marketing efforts in support of our Products segment consist of the following programs:

Factory-Direct Field Sales and Customer Service. We sell our products through our sales force of more than 125 salespersons and through independent sales agents worldwide. Our sales are further supported by approximately 400 company-trained customer service correspondents and sales application engineers. We compensate our sales force through a combination of base salary and a commission plan based on top line sales and a pre-established sales quota.

Product Advertising. We promote our products by advertising in leading trade journals as well as producing and distributing high quality information catalogs. We run targeted advertisements for hoists, chain, forged attachments, actuators, and cranes.

Target Marketing. We provide marketing literature to target specific end-user market sectors including construction, energy, mining, food service, and others. This literature displays our broad product offering applicable to those sectors to enhance awareness at the end-user level within those sectors.

Trade Show Participation. Trade shows are central to the promotion of our products, and we participate in more than 40 regional, national and international trade shows each year. Shows in which we participate range from global events

held in Germany to local “markets” and “open houses” organized by individual hardware and industrial distributors. We also attend specialty shows for the entertainment, rental and safety markets, construction, as well as general purpose industrial and hardware shows. In fiscal 2008, we participated in trade shows in the U.S., Canada, Mexico, Germany, the United Kingdom, France, China, Brazil, Australia, Korea, Chile, Argentina, and the United Arab Emirates.

Industry Association Membership and Participation. As a recognized industry leader, we have a long history of work and participation in a variety of industry associations. Our management is directly involved at the officer and director levels of numerous industry associations including the following: ISA (Industrial Supply Association), AWRF (Associated Wire Rope Fabricators), PTDA (Power Transmission and Distributors Association), SCRA (Specialty Carriers and Riggers Association), WSTDA (Web Sling and Tie Down Association), MHI (Material Handling Institute), HMI (Hoist Manufacturers Institute), CMAA (Crane Manufacturers Association of America), ESTA (Entertainment Services and Technology Association), NACM (National Association of Chain Manufacturers) and ARA (American Rental Association).

Product Standards and Safety Training Classes. We conduct on-site training programs worldwide for distributors and end-users to promote and reinforce the attributes of our products and their safe use and operation in various material handling applications.

Web Sites. In addition to our main corporate web site at www.cmworks.com, we currently sponsor an additional 29 brand specific web sites and sell hand pallet trucks on one of these sites. Several of our brand web sites include electronic catalogs of our various products and list prices. Current and potential customers can browse through our diverse product offering or search for specific products by name or classification code and obtain technical product specifications. We continue to add additional product catalogs, maintenance manuals, advertisements and customer service information on our various web sites. Many of the web sites allow distributors to search for personalized pricing information, order status and product serial number data and to enter sales orders.

Distribution and Markets

The distribution channels for the Products segment include a variety of commercial distributors. In addition, the Products segment sells overhead bridge, jib and gantry cranes directly to end-users. We also sell to the consumer market through wholesalers. The following describes our global distribution channels:

General Distribution Channels. Our global general distribution channels consist of:

— Industrial distributors that serve local or regional industrial markets and sell a variety of products for maintenance, repair, operating and production, or MROP, applications through their own direct sales force.

—Rigging shops that are distributors with expertise in rigging, lifting, positioning and load securing. Most rigging shops assemble and distribute chain, wire rope and synthetic slings and distribute off-the-shelf hoists and attachments, chain slings and other off-the-shelf products.

—Independent crane builders that design, build, install and service overhead crane and light-rail systems for general industry and also distribute a wide variety of hoists and lifting attachments. We sell electric wire rope hoists and chain hoists as well as crane components, such as end trucks, trolleys, drives and electrification systems to crane builders.

Crane End-Users. We sell overhead bridge, jib and gantry cranes, parts and service to end-users through our wholly owned crane builder, Crane Equipment & Service, Inc. (“CES”) within the CraneMart™ network. CES which includes Abell-Howe, Gaffey and Washington Equipment brands designs, manufactures, installs and services a variety of cranes with capacities up to 100 tons.

Specialty Distribution Channels. Our global specialty distribution channels consist of:

—National distributors that market a variety of MROP supplies, including material handling products, either exclusively through large, nationally distributed catalogs, or through a combination of catalog, internet and branch sales and a field sales force. The customer base served by national distributors such as W. W. Grainger, which traditionally included smaller industrial companies and consumers, has grown to include large industrial accounts and integrated suppliers.

—Material handling specialists and integrators that design and assemble systems incorporating hoists, overhead rail systems, trolleys, scissor lift tables, manipulators, air balancers, jib arms and other material handling products to provide end-users with solutions to their material handling problems.

Entertainment equipment distributors that design, supply and install a variety of material handling and rigging equipment for concerts, theaters, ice shows, sports arenas, convention centers and night clubs.

Service-After-Sale Distribution Channel. Service-after-sale distributors include our authorized network of 16 chain repair service stations and approximately 400 hoist service and repair stations. This service network is designed for easy parts and service access for our large installed base of hoists and related equipment in North America.

OEM/Government Distribution Channels. This channel consists of:

- OEMs that supply various component parts directly to other industrial manufacturers as well as private branding and packaging of our traditional products for material handling, lifting, positioning and special purpose applications.

- Government agencies, including the U.S. and Canadian Navies and Coast Guards, that purchase primarily load securing chain and forged attachments.

Customer Service and Training

We maintain customer service departments staffed by trained personnel for all of our Products segment sales divisions, and regularly schedule product and service training schools for all customer service representatives and field sales personnel. Training programs for distribution and service station personnel, as well as for end-users, are scheduled on a regular basis at most of our facilities and in the field. We have approximately 400 service and repair stations worldwide that provide local and regional repair, warranty and general service work for distributors and end-users. End-user trainees attending our various programs include representatives of 3M, Cummins Engine, DuPont, GTE, General Electric, General Motors and many other industrial and entertainment organizations.

We also provide, in multiple languages, a variety of collateral material in video, cassette, CD-ROM, slide and print format addressing relevant material handling topics such as the care, use and inspection of chains and hoists, and overhead lifting and positioning safety. In addition, we sponsor advisory boards made up of representatives of our primary distributors and service-after-sale network members who are invited to participate in discussions focused on improving products and service. These boards enable us and our primary distributors to exchange product and market information relevant to industry trends.

Backlog

Our Products segment backlog of orders at March 31, 2008 was approximately $55.8 million compared to approximately $53.2 million at March 31, 2007. Our orders for standard products are generally shipped within one week. Orders for products that are manufactured to customers' specifications are generally shipped within four to twelve weeks. Given the short product lead times, we do not believe that the amount of our Products segment backlog of orders is a reliable indication of our future sales.

Competition

The material handling industry remains highly fragmented. We face competition from a wide range of regional, national and international manufacturers in both U.S. and international markets. In addition, we often compete with individual operating units of larger, highly diversified companies.

The principal competitive factors affecting our Products segment include customer service and support as well as product availability, performance, functionality, brand reputation, reliability and price. Other important factors include distributor relationships and territory coverage.

Major competitors with our Products segment for hoists are Konecranes, Demag Cranes & Components and Kito-Harrington; for chain are Campbell Chain, Peerless Chain Company and American Chain and Cable Company; for forged attachments are The Crosby Group and Brewer Tichner Company; for cranes are Konecranes, Demag Cranes & Components and a variety of independent crane builders; and for industrial components are Deublin, Joyce-Dayton and Nook Industries.

Solutions Segment

The Solutions segment is engaged primarily in the design, fabrication and installation of integrated workstation and facility-wide material handling systems and in the design and manufacture of tire shredders, lift tables and light-rail systems and has total assets of approximately $30 million as of March 31, 2008. Net sales of the Solutions segment in fiscal 2008 were $53.3 million, or 8.6% of our total net sales, of which $13.8 million, or 25.9% were U.S. and $39.5 million, or 74.1% were international. The following table sets forth certain sales data for the products and services of our Solutions segment, expressed as a percentage of this segment's net sales for fiscal 2008 and 2007:

	Fiscal Years Ended March 31,	
	2008	2007
Integrated material handling conveyor systems and service	55%	63%
Tire shredders	26	20
Lift tables	14	13
Light-rail systems	5	4
	100%	100%

Products and Services

Integrated Material Handling Conveyor Systems and Service. Through our Univeyor business, we have historically specialized in designing highly customized, computer-controlled and automated powered roller conveyors for use in warehouse operations and distribution systems. In recent years, we have focused on more standardized products and service to reduce its volatility and improve its profitability and return on invested capital. This business is currently in the process of divestiture.

Tire Shredders. We have developed and patented a line of heavy equipment that shreds worn tires, with the byproducts useful for fuel and recycled products including aggregate filler, playgrounds, sports surfaces, landscaping and other such applications, as well as scrap steel.

Lift Tables. Our American Lifts division manufactures powered lift tables. These products enhance workplace ergonomics and are sold primarily to customers in the general manufacturing, construction, and air cargo industries.

Light-Rail Systems. Introduced in fiscal 2001, light-rail systems are portable steel overhead beam configurations used at workstations, from which hoists are frequently suspended.

Sales and Marketing

The products and services of the Solutions segment are sold primarily to large sophisticated corporate end-users, including Federal Express, John Deere, Boeing, Lockheed Martin, Proctor & Gamble, Toyota, Honda and other industrial companies, systems integrators and distributors. Sales are generated by internal sales personnel and rely heavily on engineer-to-engineer interactions with the customer or a large systems integrator. The process of generating client contract awards for integrated conveyor systems generally entails receiving a request-for-quotation from customers and undergoing a competitive bidding process. The Solutions segment also sells tire shredders, scissor lift tables and light-rail systems through its internal sales force and through specialized independent distributors and manufacturers representatives.

Customer Service and Training

The Solutions segment offers a wide range of value-added services to customers including: an engineering review of the customer's processes; an engineering solution for identified material handling problems; project management; and custom design, manufacturing and installation services. We also offer after-sales services including operator training, maintenance and hot-line support. The typical length of after-sales service varies depending on customer requirements and supplemental training courses are offered as needed.

Backlog

Revenues from our Solutions segment are generally recognized within one to six months. Our backlog of orders at March 31, 2008 was approximately $11.8 million compared to approximately $9.6 million at March 31, 2007.

Competition

The principal competitive factors affecting the market for the products and services of our Solutions segment include application solutions, performance and price. The process of generating client contract awards for these businesses generally entails receiving a request-for-quotation from end-users and undergoing a competitive bidding process. Our Solutions segment competes primarily with Crisplant, Gorbel, Moving, Schaffer, Southworth and Swisslog.

Employees

At March 31, 2008, we had 3,233 employees; 2,111 in the U.S./Canada, 213 in Latin America, 572 in Europe and 337 in Asia. Approximately 724 of our employees are represented under seven separate U.S. or Canadian collective bargaining agreements which terminate at various times between September 2008 and March 2012. The contract which expires in September 2008 currently covers 67 employees. We believe that our relationship with our employees is good.

Raw Materials and Components

Our principal raw materials and components are steel, consisting of structural steel, processed steel bar, forging bar steel, steel rod and wire, steel pipe and tubing and tool steel; electric motors; bearings; gear reducers; castings; and electro-mechanical components. These commodities are all available from multiple sources. We purchase most of these raw materials and components from a limited number of strategic and preferred suppliers under long-term agreements which are negotiated on a company-wide basis through our Purchasing Council to take advantage of volume discounts. We generally seek to pass on materials price increases to our distribution channel partners and end-user customers. We will continue to monitor our costs and reevaluate our pricing policies. Our ability to pass on these increases is determined by market conditions.

Manufacturing

We manufacture a significant percentage of the products we sell. We complement our own manufacturing by outsourcing components and finished goods from an established global network of suppliers. We regularly upgrade our global manufacturing facilities and invest in tooling, equipment and technology. In 2001, we began implementing Lean Manufacturing in our plants which has resulted in inventory reductions, reductions in required manufacturing floor area, shorter product lead time and increased productivity.

Our manufacturing operations are highly integrated. Although raw materials and some components such as motors, bearings, gear reducers, castings and electro-mechanical components are purchased, our vertical integration enables us to produce many of the components used in the manufacturing of our products. We manufacture hoist lifting chain, steel forged gear blanks, lift wheels, trolley wheels, and hooks and other attachments for incorporation into our hoist products. These products are also sold as spare parts for hoist repair. Additionally, our hoists are used as components in the manufacture of crane systems by us as well as our crane-builder customers. We believe this vertical integration results in lower production costs, greater manufacturing flexibility and higher product quality, and reduces our reliance on outside suppliers.

Environmental and Other Governmental Regulation

Like most manufacturing companies, we are subject to various federal, state and local laws relating to the protection of the environment. To address the requirements of such laws, we have adopted a corporate environmental protection policy which provides that all of our owned or leased facilities shall, and all of our employees have the duty to, comply with all applicable environmental regulatory standards, and we have initiated an environmental auditing program for our facilities to ensure compliance with such regulatory standards. We have also established managerial responsibilities and internal communication channels for dealing with environmental compliance issues that may arise in the course of our business. We have made and could be required to continue to make significant expenditures to comply with environmental requirements. Because of the complexity and changing nature of environmental regulatory standards, it is possible that situations will arise from time to time requiring us to incur additional expenditures in order to ensure environmental regulatory compliance. However, we are not aware of any environmental condition or any operation at any of our facilities, either individually or in the aggregate, which would

cause expenditures having a material adverse effect on our results of operations, financial condition or cash flows and, accordingly, have not budgeted any material capital expenditures for environmental compliance for fiscal 2008.

We have completed our investigation of past waste disposal activities at a facility in Cleveland, Texas, operated by our subsidiary, Crane Equipment and Service, Inc. Remediation activities under the terms of the voluntary agreement with the Texas Commission on Environmental Quality ("TCEQ") have been completed and we are awaiting final regulatory approval from the TCEQ.

In addition, we have notified the North Carolina Department of Environment and Natural Resources (the "DENR") of the presence of certain contaminants in excess of regulatory standards at our Coffing Hoist facility in Wadesboro, North Carolina. We filed an application with the DENR to enter its voluntary cleanup program and were accepted. We are currently investigating under the terms of the DENR Registered Environmental Consultant ("”the REC") and, if appropriate, will remediate site conditions at the facility. At this time, investigative and remediation costs are expected to not exceed $250,000.

We also discovered the presence of certain contaminants in excess of regulatory standards at our Damascus, Virginia hoist plant and have notified the Virginia Department of Environmental Quality (the "DEQ"). We filed an application with the DEQ to participate in its voluntary remediation program and have been accepted. We are currently investigating under the terms of the DEQ Voluntary Remediation Program and, if appropriate, will remediate site conditions at the facility. At this time, investigative and remediation costs are expected to not exceed $65,000.

In June of 2007, we were identified by the New York State Department of Environmental Conservation ("the DEC"), along with other companies, as a potential responsible party ("PRP") at the Frontier Chemical Royal Avenue Site in Niagara Falls, New York. From 1974 to 1992, the Frontier Royal Avenue Site had been operated as a commercial waste treatment and disposal facility. We sent waste pickle liquor generated at our facility in Tonawanda, New York to the Frontier Royal Avenue Site during the period from approximately 1982 to 1984. We have joined with other PRP members known as the Frontier Chemical Site Joint Defense Alliance Group to conduct investigation and, if appropriate, remediation activities at the site. At this early stage, we do not have an estimate of likely remediation costs, if any, but do not believe that such costs would have a material adverse effect on our financial condition or operating results.

For all of the currently known environmental matters, we have accrued a total of $0.9 million as of March 31, 2008, which, in our opinion, is sufficient to deal with such matters. Further, our management believes that the environmental matters known to, or anticipated by, us should not, individually or in the aggregate, have a material adverse effect on our operating results or financial condition. However, there can be no assurance that potential liabilities and expenditures associated with unknown environmental matters, unanticipated events, or future compliance with environmental laws and regulations will not have a material adverse effect on us.

Our operations are also governed by many other laws and regulations, including those relating to workplace safety and worker health, principally OSHA in the U.S. and regulations thereunder. We believe that we are in material compliance with these laws and regulations and do not believe that future compliance with such laws and regulations will have a material adverse effect on our operating results or financial condition.

Available Information

Our internet address is www.cmworks.com. We make available free of charge through our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission.

Item 1A. Risk Factors

Columbus McKinnon is subject to a number of risk factors that could negatively affect our results from business operations or cause actual results to differ materially from those projected or indicated in any forward looking statement. Such factors include, but are not limited to, the following:

Our business is cyclical and is affected by industrial economic conditions.

Many of the end-users of our products are in highly cyclical industries, such as general manufacturing and construction that are sensitive to changes in general economic conditions. Their demand for our products, and thus our results of operations, is directly related to the level of production in their facilities, which changes as a result of changes in general economic conditions and other factors beyond our control. Between fiscal 2000 and fiscal 2004 for

example, we experienced significantly reduced demand for our products, generally as a result of the global economic slowdown, and more specifically as a result of the dramatic decline in capital goods spending in the industries in which our end-users operate. These lower levels of demand and the impact of divested businesses resulted in a significant decline in net sales as well as income from operations during that period. If the current economic stability does not continue or if there is deterioration in the general economy or in the industries we serve, our business, results of operations and financial condition could be materially adversely affected. In addition, the cyclical nature of our business could at times also adversely affect our liquidity and ability to borrow under our revolving credit facility.

We rely in large part on independent distributors for sales of our products.

We depend on independent distributors to sell our products and provide service and aftermarket support to our end-user customers. Distributors play a significant role in determining which of our products are stocked at the branch locations, and hence are most readily accessible to aftermarket buyers, and the price at which these products are sold. Almost all of the distributors with whom we transact business offer competitive products and services to our end-user customers. For the most part, we do not have written agreements with our distributors located in the United States. The loss of a substantial number of these distributors or an increase in the distributors' sales of our competitors' products to our ultimate customers could materially reduce our sales and profits.

We are subject to currency fluctuations from our international sales.

Our products are sold in many countries around the world. Thus, a portion of our revenues (approximately $175 million in fiscal year 2008) is generated in foreign currencies, including principally the euro, the Canadian dollar, and the Danish Krone, and while much of the costs incurred to generate those revenues are incurred in the same currency, a portion is incurred in other currencies. Since our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings. We currently do not have exchange rate hedges in place to reduce the risk of an adverse currency exchange movement. Currency fluctuations may impact our financial performance in the future.

Our international operations pose certain risks that may adversely impact sales and earnings.

We have operations and assets located outside of the United States, primarily in China, Mexico, Germany, Denmark, the United Kingdom, France, and Hungary. In addition, we import a portion of our hoist product line from Asia, and sell our products to distributors located in approximately 50 countries. In fiscal year 2008, approximately 35% of our net sales were derived from non-U.S. markets. These international operations are subject to a number of special risks, in addition to the risks of our U.S. business, including currency exchange rate fluctuations, differing protections of intellectual property, trade barriers, labor unrest, exchange controls, regional economic uncertainty, differing (and possibly more stringent) labor regulation, risk of governmental expropriation, U.S. and foreign customs and tariffs, current and changing regulatory environments, difficulty in obtaining distribution support, difficulty in staffing and managing widespread operations, differences in the availability and terms of financing, political instability and risks of increases in taxes. Also, in some foreign jurisdictions we may be subject to laws limiting the right and ability of entities organized or operating therein to pay dividends or remit earnings to affiliated companies unless specified conditions are met. These factors may adversely affect our future profits.

Part of our strategy is to expand our worldwide market share and reduce costs by strengthening our international distribution capabilities and sourcing basic components in foreign countries, in particular in Mexico, China and Hungary. Implementation of this strategy may increase the impact of the risks described above, and we cannot assure you that such risks will not have an adverse effect on our business, results of operations or financial condition.

Our business is highly competitive and increased competition could reduce our sales, earnings and profitability.

The principal markets that we serve within the material handling industry are fragmented and highly competitive. Competition is based primarily on customer service and support as well as product availability, performance, functionality, brand reputation, reliability and price. Our competition in the markets in which we participate comes from companies of various sizes, some of which have greater financial and other resources than we do. Increased competition could force us to lower our prices or to offer additional services at a higher cost to us, which could reduce our gross margins and net income.

The greater financial resources or the lower amount of debt of certain of our competitors may enable them to commit larger amounts of capital in response to changing market conditions. Certain competitors may also have the ability to develop product or service innovations that could put us at a disadvantage. In addition, some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate, including crane building. If we are unable to compete successfully against other manufacturers of material handling equipment, we could lose customers and our revenues may decline. There can also be no assurance that customers will continue to regard our products favorably, that we will be able to develop new products that appeal to customers, that we will be able to improve or maintain our profit margins on sales to our customers or that we will be able to continue to compete successfully in our core markets.

Our products involve risks of personal injury and property damage, which exposes us to potential liability.

Our business exposes us to possible claims for personal injury or death and property damage resulting from the products that we sell. We maintain insurance through a combination of self-insurance retentions and excess insurance coverage. We monitor claims and potential claims of which we become aware and establish accrued liability reserves for the self-insurance amounts based on our liability estimates for such claims. We cannot give any assurance that existing or future claims will not exceed our estimates for self-insurance or the amount of our excess insurance coverage. In addition, we cannot give any assurance that insurance will continue to be available to us on economically reasonable terms or that our insurers would not require us to increase our self-insurance amounts. Claims brought against us that are not covered by insurance or that result in recoveries in excess of insurance coverage could have a material adverse effect on our results and financial condition.

Our future operating results may be affected by fluctuations in steel or other material prices. We may not be able to pass on increases in raw material costs to our customers.

The principal raw material used in our chain, forging and crane building operations is steel. The steel industry as a whole is highly cyclical, and at times pricing and availability can be volatile due to a number of factors beyond our control, including general economic conditions, labor costs, competition, import duties, tariffs and currency exchange rates. This volatility can significantly affect our raw material costs. In an environment of increasing raw material prices, competitive conditions will determine how much of the steel price increases we can pass on to our customers. During historical rising cost periods, we were successful in adding and maintaining a surcharge to the prices of our high steel content products or incorporating them into price increases, with a goal of margin neutrality. In the future, to the extent we are unable to pass on any steel price increases to our customers, our profitability could be adversely affected.

We depend on our senior management team and the loss of any member could adversely affect our operations.

Our success is dependent on the management and leadership skills of our senior management team. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel could prevent us from implementing our business strategy. We cannot assure you that we will be able to retain our existing senior management personnel or to attract additional qualified personnel when needed. We have not entered into employment agreements with any of our senior management personnel with the exception of Wolfgang Wegener, our Vice President and Managing Director of Columbus McKinnon Europe.

We are subject to various environmental laws which may require us to expend significant capital and incur substantial cost.

Our operations and facilities are subject to various federal, state, local and foreign requirements relating to the protection of the environment, including those governing the discharges of pollutants in the air and water, the generation, management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We have made, and will continue to make, expenditures to comply with such requirements. Violations of, or liabilities under, environmental laws and regulations, or changes in such laws and regulations (such as the imposition of more stringent standards for discharges into the environment), could result in substantial costs to us, including operating costs and capital expenditures, fines and civil and criminal sanctions, third party claims for property damage or personal injury, clean-up costs or costs relating to the temporary or permanent discontinuance of operations. Certain of our facilities have been in operation for many years, and we have remediated contamination at some of our facilities. Over time, we and other predecessor operators of such facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Additional environmental liabilities could exist, including clean-up obligations at these locations or other sites at which materials from our operations were disposed, which could result

in substantial future expenditures that cannot be currently quantified and which could reduce our profits or have an adverse effect on our financial condition.

We make estimates in accounting for long-term contracts.

We have long-term contracts with some of our customers in our European material handling systems business. These contracts are accounted for using the percentage of completion, cost-to-cost method of accounting in accordance with the American Institute of Certified Public Accountants' Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contacts". We recognize revenue on contracts using the percentage of completion, cost-to-cost method of accounting as work progresses toward completion as determined by the ratio of cumulative costs incurred to date to estimated total contact costs at completion, multiplied by the total estimated contract revenue, less cumulative revenue recognized in prior periods.

Changes in estimates affecting sales, costs, and profits are recognized in the period in which the change becomes known using the cumulative catch-up method of accounting, resulting in cumulative effect changes reflected in the period. A significant change in an estimate on one or more contracts could have a material effect on our results of operations. For contracts with anticipated losses at completion, we establish a provision for the entire amount of the estimated remaining loss and charge it against income in the period in which the loss becomes known. Amounts representing penalties, contract claims, or change orders are considered in estimating revenues, costs, and profits when they can be reliably estimated and realization is considered probable.

We rely on subcontractors or suppliers to perform their contractual obligations.

Some of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by our subcontractor or customer concerns about the subcontractor. Failure by our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. A delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability.

We enter into fixed-price contracts.

We have fixed price contracts with some of our customers, particularly in our European material handling systems business. On fixed-price contracts, we agree to perform the scope of work specified in the contract for a predetermined price. Depending on the fixed price negotiated, these contracts may provide us with an opportunity to achieve higher profits based on the relationship between our total contract cost and the contract's fixed price. However, we bear the risk that increased or unexpected costs may reduce our profit or cause us to incur a loss on the contract which would reduce our net sales and net earnings.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We maintain our corporate headquarters in Amherst, New York and, as of March 31, 2008, conducted our principal manufacturing at the following facilities:

Location	Products/Operations	Square Footage	Owned or Leased	Business Segment
United States:				
Muskegon, MI	Hoists	441,000	Owned	Products
Wadesboro, NC	Hoists	186,000	Owned	Products
Lexington, TN	Chain	165,000	Owned	Products
Charlotte, NC	Industrial components	146,000	Leased	Products
Cedar Rapids, IA	Forged attachments	100,000	Owned	Products
Eureka, IL	Cranes	91,000	Owned	Products
Damascus, VA	Hoists	90,000	Owned	Products
Chattanooga, TN	Forged attachments	81,000	Owned	Products
Greensburg, IN	Scissor lifts	70,000	Owned	Solutions
Chattanooga, TN	Forged attachments	59,000	Owned	Products
Lisbon, OH	Hoists and below-the-hook tooling	37,000	Owned	Products
Cleveland, TX	Cranes	35,000	Owned	Products
Tonawanda, NY	Light-rail crane systems	35,000	Owned	Solutions
Sarasota, FL	Tire shredders	25,000	Owned	Solutions
International:				
Velbert, Germany	Hoists	108,000	Leased	Products
Santiago, Tianguistenco, Mexico	Hoists and chain	91,000	Owned	Products
Hangzhou, China	Hoists and hand pallet trucks	78,000	Leased	Products
Arden, Denmark	Project design, conveyors, Layer Picker, EmptiCon	72,000	Owned	Solutions
Hangzhou, China	Textile strappings	58,000	Leased	Products
Hangzhou, China	Metal fabrication, textiles and textile strappings	51,000	Leased	Products
Chester, United Kingdom	Plate clamps	48,000	Leased	Products
Chester, United Kingdom	Plate clamps	28,000	Owned	Products
Romeny-sur-Marne, France	Rotary unions	22,000	Owned	Products
Arden, Denmark	Project construction	20,000	Leased	Solutions
Szekesfeher, Hungary	Textiles and textile strappings	18,000	Leased	Products

In addition, we have a total of 42 sales offices, distribution centers and warehouses. We believe that our properties have been adequately maintained, are in generally good condition and are suitable for our business as presently conducted. We also believe our existing facilities provide sufficient production capacity for our present needs and for our anticipated needs in the foreseeable future. Upon the expiration of our current leases, we believe that either we will be able to secure renewal terms or enter into leases for alternative locations at market terms.

Item 3. Legal Proceedings

From time to time, we are named a defendant in legal actions arising out of the normal course of business. We are not a party to any pending legal proceeding other than ordinary, routine litigation incidental to our business. We do not believe that any of our pending litigation will have a material impact on our business. We maintain comprehensive general liability insurance against risks arising out of the normal course of business through our wholly-owned insurance subsidiary of which we are the sole policy holder. The limits of this coverage are currently $3.0 million per occurrence ($2.0 million through March 31, 2003) and $6.0 million aggregate ($5.0 million through March 31, 2003) per year. We obtain additional insurance coverage from independent insurers to cover potential losses in excess of these limits.

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

None.

PART II

Item 5. Market for the Company's Common Stock and Related Security Holder Matters

Our common stock is traded on the Nasdaq Stock Market under the symbol ''CMCO.'' As of April 30, 2008, there were 450 holders of record of our common stock.

We do not currently pay cash dividends. Our current credit agreement allows, but limits our ability to pay dividends. We may reconsider or revise this policy from time to time based upon conditions then existing, including, without limitation, our earnings, financial condition, capital requirements, restrictions under credit agreements or other conditions our Board of Directors may deem relevant.

We did not repurchase any shares of our company stock during the fourth quarter of fiscal 2008.

The following table sets forth, for the fiscal periods indicated, the high and low sale prices per share for our common stock as reported on the Nasdaq Stock Market.

	Price Range of Common Stock	
	High	Low
Year Ended March 31, 2007		
First Quarter	$ 30.56	$ 20.15
Second Quarter	22.70	16.50
Third Quarter	25.00	17.11
Fourth Quarter	25.71	20.65
Year Ended March 31, 2008		
First Quarter	$ 33.68	$ 21.84
Second Quarter	34.30	22.55
Third Quarter	33.85	24.46
Fourth Quarter	33.34	22.00

On April 30, 2008, the closing price of our common stock on the Nasdaq Stock Market was $28.31 per share.

PERFORMANCE GRAPH

The Performance Graph shown below compares the cumulative total shareholder return on our common stock based on its market price, with the total return of the S&P MidCap 400 Index and the Dow Jones US Diversified Industrials. The comparison of total return assumes that a fixed investment of $100 was invested on March 31, 2003 in our common stock and in each of the foregoing indices and further assumes the reinvestment of dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.

*$100 invested on 3/31/2003 in stock or index-including reinvestment of dividends. Fiscal year ending March 31.

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www.researchdatagroup/S&P.htm

Item 6. Selected Financial Data

The consolidated balance sheets as of March 31, 2008 and 2007 and the related statements of income, cash flows and shareholders' equity for the three years ended March 31, 2008 and notes thereto appear elsewhere in this annual report. The selected consolidated financial data presented below should be read in conjunction with, and are qualified in their entirety by "Management's Discussion and Analysis of Results of Operations and Financial Condition," our consolidated financial statements and the notes thereto and other financial information included elsewhere in this annual report.

	Fiscal Years Ended March 31,				
	2008	2007	2006	2005	2004
	(Amounts in millions, except per share data)				
Statements of Income Data:					
Net sales	$ 623.3	$ 589.8	$ 556.0	$ 514.8	$ 444.6
Cost of products sold	438.8	425.2	408.4	388.9	339.8
Gross profit	184.5	164.6	147.6	125.9	104.8
Selling expenses	72.0	61.7	54.3	52.3	48.3
General and administrative expenses	37.6	34.1	33.6	31.7	25.0
Restructuring charges (1)	1.2	0.1	1.6	0.9	1.2
Impairment loss (2)	2.5	—	—	—	—
Write-off/amortization of intangibles	0.1	0.2	0.2	0.3	0.4
Income from operations	71.1	68.5	57.9	40.7	29.9
Interest and debt expense	14.6	16.5	24.7	27.6	28.9
Other (income) and expense, net	(3.0)	(1.9)	5.0	(5.2)	(4.2)
Income before income taxes	59.5	53.9	28.2	18.3	5.2
Income tax expense (benefit)	22.7	20.5	(30.9)	2.2	4.0
Income from continuing operations	36.8	33.4	59.1	16.1	1.2
Income from discontinued operations (3)	0.5	0.7	0.7	0.6	—
Net income	$ 37.3	$ 34.1	$ 59.8	$ 16.7	$ 1.2
Diluted earnings per share from continuing operations	$ 1.92	$ 1.76	$ 3.56	$ 1.09	$ 0.08
Basic earnings per share from continuing operations	$ 1.96	$ 1.80	$ 3.69	$ 1.10	$ 0.08
Weighted average shares outstanding – assuming dilution	19.2	19.0	16.6	14.8	14.6
Weighted average shares outstanding – basic	18.7	18.5	16.1	14.6	14.6
Balance Sheet Data (at end of period):					
Total assets	$ 590.0	$ 565.6	$ 566.0	$ 480.9	$ 473.4

Total debt (4)	147.9	172.1	209.8	270.9	293.4
Total shareholders' equity	295.5	241.3	204.4	81.8	63.0
Other Financial Data:					
Net cash provided by operating activities	59.6	45.5	46.4	17.2	26.4
Net cash (used) provided by investing activities	(8.6)	(3.4)	(6.4)	3.1	4.3
Net cash used in financing activities	(28.6)	(39.9)	(4.2)	(21.9)	(21.5)
Capital expenditures	13.1	10.7	8.4	5.9	3.6
Cash dividends per common share	0.00	0.00	0.00	0.00	0.00

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(1) Refer to "Results of Operations" in "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" for a discussion of the restructuring charges related to fiscal 2008, 2007, and 2006. The fiscal 2005 restructuring charges consist of $0.5 million of costs related to facility rationalizations being expensed on an as incurred basis as a result of the project timing being subsequent to the adoption of SFAS No. 144. Fiscal 2005 also included $0.3 million of write-down on the net realizable value of a facility based on changes in market conditions and a reassessment of its net realizable value. During fiscal 2004, restructuring charges of $1.2 million were recorded related to various employee termination benefits and facility costs as a result of our continued closure, merging and reorganization and completion of two open projects from fiscal 2003.

(2) As a result of the recurring losses and decreasing cash flows associated with our Univeyor business, the Company recorded a $2.5 million impairment charge in accordance with SFAS 144 during fiscal 2008. Refer to Note 2 to our consolidated financial statements for additional information on Impairment of Long-Lived Assets.

(3) In May 2002, the Company sold substantially all of the assets of ASI. The Company received $20,600,000 in cash and an 8% subordinated note in the principal amount of $6,800,000 which is payable over 10 years beginning in August 2004. The full amount of this note has been reserved due to the uncertainty of collection. Principal payments received on the note are recorded as income from discontinued operations at the time of receipt. All interest and principal payments required under the note have been made to date. Refer to Note 3 to our consolidated financial statements for additional information on Discontinued Operations.

(4) Total debt includes long-term debt, including the current portion, notes payable and subordinated debt.

Item 7. Management's Discussion And Analysis Of Results Of Operations And Financial Condition

This section should be read in conjunction with our consolidated financial statements included elsewhere in this annual report. Comments on the results of operations and financial condition below refer to our continuing operations, except in the section entitled "Discontinued Operations."

EXECUTIVE OVERVIEW

We are a leading manufacturer and marketer of hoists, cranes, chain, conveyors, material handling systems, lift tables and industrial 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 workstation 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 operations include improving our productivity and increased penetration of the European, Latin American, and Asian marketplaces. We are executing those initiatives through our Lean Manufacturing efforts, new product development and expanded sales and marketing activities. Shareholder value will be enhanced through continued emphasis on the improvement of the fundamentals including

manufacturing efficiency, cost containment, efficient capital investment, market expansion and excellent customer satisfaction.

We maintain a strong North American market share with significant leading 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 continue expand our new product development activities. During fiscal 2008, this included the completion of our product line offering of wire rope hoist lines in accordance with international standards which began in fiscal 2006, to complement our current offering of hoist products designed in accordance with U.S. standards. Our efforts to expand our global sales will be accomplished through the introduction of certain of our products that historically have been distributed only in North America and also by introducing new products through our existing European distribution network. Furthermore, we continue to expand our on-the-ground sales forces as well as the distribution relationships in China to capture the anticipated growing demand for material handling products as that economy continues to industrialize. Our internal organization supports these strategic initiatives through division of responsibility for North America, Europe, Latin America and Asia Pacific. The investments in international markets and new products are part of our focus on our greatest opportunities for growth. We are also looking for opportunities for growth via acquisitions or joint ventures. The focus of our acquisition strategy centers on opportunities for international revenue growth and product line expansion in alignment with our existing core offering.

Management believes that the growth rate of total sales may moderate in future periods due to more difficult comparisons with our fiscal 2008 periods and a slower rate of U.S. economic growth. We monitor such indicators as U.S. Industrial Capacity Utilization, which increased since July 2003, as an indicator of anticipated demand for our product in the U.S. In addition, we continue to monitor leading indicators of the potential impact of global and U.S. trends, including energy costs, steel price fluctuations, rising interest rates, currency impact and activity in a variety of end-user markets around the globe.

We constantly explore ways in which to enhance our operating margins and leverage as well as further improve our productivity and competitiveness. We have specific initiatives related to improved customer satisfaction, reduction of defects, shortened lead times, improved inventory turns and on-time deliveries, reduction of warranty costs, and improved working capital utilization. The initiatives are being driven by the continued implementation of our Lean Manufacturing efforts which are fundamentally changing our manufacturing processes to be more responsive to customer demand and improving on-time delivery and productivity. In addition to Lean manufacturing, we are working to achieve these strategic initiatives through product simplification, the creation of centers of excellence, and improved supply chain management.

We continue to operate in a highly competitive and global business environment. Accordingly, we face 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

Net sales of our Products and Solutions segments, in millions of dollars and with percentage changes for each segment, were as follows:

	Fiscal Years Ended March 31,			Change 2008 vs. 2007		Change 2007 vs. 2006	
	2008	2007	2006	Amount	%	Amount	%
Products segment	$ 570.0	$ 527.1	$ 493.9	$ 42.9	8.1	$ 33.2	6.7
Solutions segment	53.3	62.7	62.1	(9.4)	(15.0)	0.6	1.0
Total net sales	$ 623.3	$ 589.8	$ 556.0	$ 33.5	5.7	$ 33.8	6.1

During fiscal 2008, the Company saw continued strength in the North American economy as well as increased demand in Europe, Latin America and Asia. This growth was a continuation of improvement in the industrial sector that began in fiscal 2005 through the current period. In addition, sales growth continues to be fostered by the expansion of international selling efforts. Net sales for fiscal 2008 of $623.3 increased by $33.5 million or 5.7% from fiscal 2007, and net sales for fiscal 2007 of $589.8 million increased by $33.8 million, or 6.1%, from fiscal 2006. The Products segment for fiscal 2008 experienced a net sales increase of 8.1% over the prior year. The increase was due to a combination of increased volume on the continued growth of the global industrial economy and international market share gains as well as price increases ($9.8 million). Fiscal 2008 was impacted by the continued weakness of the U.S. dollar relative to other currencies, particularly the euro, and reported Products segment sales were favorably affected by $11.3 million. The Products segment for fiscal 2007 experienced a net sales increase of 6.7% over the prior year. The increase was due to a combination of increased volume on the continued growth of the global industrial economy and increasing penetration in our European markets as well as price increases ($7.9 million).

Fiscal 2007 was impacted by the continued weakness of the U.S. dollar relative to other currencies, particularly the euro, and reported Products segment sales were favorably affected by $4.2 million. Our fiscal 2008 Solutions segment net sales were down $9.4 million, or 15%. The intentional downsizing of our European material handling systems business resulting from our decision to be more selective in the projects we choose to accept due to a challenging market and pricing environment resulted in a 25% reduction in the sales of this business while the remaining solutions businesses were up 1.6%. Fiscal 2008 foreign currency fluctuations of the U.S. dollar relative to the Danish Krone resulted in a favorable impact of $2.9 million. Our fiscal 2007 Solutions segment net sales were flat as increased volume in our U.S. operations was offset by a downsizing of our European material handling systems business resulting from our decision to be more selective in the projects we choose to accept due to a challenging market and pricing environment. Fiscal 2007 foreign currency fluctuations of the U.S. dollar relative to the Danish Krone resulted in a favorable impact of $2.0 million.

Gross profit of the Products and Solutions segments, in millions of dollars and as a percentage of total segment net sales, was as follows:

	Fiscal Years Ended March 31,					
	2008		2007		2006	
	Amount	%	Amount	%	Amount	%
Products segment	$ 178.4	31.3	$ 159.2	30.2	$ 138.1	28.0
Solutions segment	6.1	11.4	5.4	8.6	9.5	15.3
Total gross profit	$ 184.5	29.6	$ 164.6	27.9	$ 147.6	26.5

Our gross profit margins were approximately 29.6%, 27.9% and 26.5% in fiscal 2008, 2007 and 2006, respectively. The Products segment for fiscal 2008 and fiscal 2007 continues to see improved gross margins as a result of operational leverage at increased volumes from the prior years across all businesses, the proportion of that increase in our most profitable products sales (hoists), and the impact of previous facility rationalization projects and ongoing lean manufacturing activities. The Solutions segment's gross profit margins increased in Fiscal 2008 as a result of timing of one large order on an international tire shredder system sale, offsetting losses at our European material handling systems business. The European systems business losses were the result of performance issues and cost overruns on certain projects, declining sales volumes and an unfavorable mix of projects with regards to resale versus proprietary product componentry. The Solutions segment's gross profit margins decreased in fiscal 2007 as favorable leverage on volume increases at our U.S. operations was offset by losses at our European material handling systems business. The European systems business losses were the result of performance issues and cost overruns on certain projects, a challenging pricing environment and an unfavorable sales mix of projects.

Selling expenses were $72.0 million, $61.7 million and $54.3 million in fiscal 2008, 2007 and 2006, respectively. As a percentage of net sales, selling expenses were 11.5%, 10.5% and 9.8% in fiscal 2008, 2007 and 2006, respectively. In furtherance of our continuing strategic growth initiatives, the fiscal 2008 increase includes additional salaries ($1.9 million), increased advertising, marketing, and travel ($2.4 million), investments in new markets ($2.3 million), translation of foreign currencies ($2.3 million), and a one-time commission expense associated with a particularly large sale in our Solutions business ($1.5 million). The fiscal 2007 increase, driven by our strategic growth initiatives, includes additional salaries ($2.5 million), increased advertising, marketing, warehousing and travel ($1.4 million), investments in new markets ($1.6 million), translation of foreign currencies ($1.1 million), and commission expense on higher revenue ($0.5 million).

General and administrative expenses were $37.6 million, $34.1 million and $33.6 million in fiscal 2008, 2007 and 2006, respectively. As a percentage of net sales, general and administrative expenses were 6.0%, 5.8% and 6.1% in fiscal 2008, 2007 and 2006, respectively. Fiscal 2008 includes increases in personnel costs for new market investment and organizational capacity expansion ($1.6 million), increased research and development costs ($0.5 million), and translation of foreign currencies ($1.2 million). Fiscal 2007 includes increases in personnel costs for new market investment ($1.3 million), increased research and development costs ($1.0 million), and increased healthcare costs ($0.8 million), offset by lower variable compensation costs ($2.5 million).

Restructuring charges of $1.2 million, $0.1 million and $1.6 million, or 0.2%, 0.0% and 0.3% of net sales in fiscal 2008, 2007 and 2006, respectively, were primarily attributable to the ongoing organizational rationalizations occurring at the company. The fiscal 2008 charges consist of demolition costs of the unused portion of a facility ($0.8 million) being expensed on an as-incurred basis and severance costs related to the continued reorganization of our European systems business ($0.4 million). The fiscal 2007 charges represent severance costs related to the reorganization of our

European systems business ($0.3 million) and demolition costs of the unused portion of the facility referenced above ($0.2 million) being expensed on an as-incurred basis, offset by a recovery of a portion of previous write-downs ($0.4 million) on a vacant facility that was sold during fiscal 2007. The fiscal 2006 charges consist of the cost of removal of certain environmentally hazardous materials ($0.6 million), inventory disposal costs related to the rationalization of certain product families within our mechanical jack lines ($0.4 million), the ongoing maintenance costs of a non-operating facility accrued based on anticipated sale date ($0.3 million) and other facility rationalization projects ($0.3 million).

Fiscal 2008 includes an impairment charge of $2.5 million related to our European material handling systems business. Refer to Note 2 to our consolidated financial statements for additional information on Impairment of Long-Lived Assets.

Amortization of intangibles was $0.1 million, $0.2 million and $0.2 million in fiscal 2008, 2007 and 2006, respectively.

Interest and debt expense was $14.6 million, $16.4 million and $24.7 million in fiscal 2008, 2007 and 2006, respectively. As a percentage of net sales, interest and debt expense was 2.3%, 2.8% and 4.4% in fiscal 2008, 2007 and 2006, respectively. The fiscal 2008 and 2007 decreases primarily resulted from lower debt levels as we continue to execute our strategy of debt reduction and increased financial flexibility.

The Company incurred $1.8 million, $5.2 million, and $9.2 million in fiscal 2008, 2007, and 2006, respectively related to redemption costs associated with the repurchase of outstanding long-term debt.

The Company recorded $1.2 million, $5.3 million, and $2.0 million of investment income related to assets held in the Company's wholly owned captive insurance subsidiary in fiscal 2008, 2007, and 2006, respectively.

Other income and expense, net was $3.6 million, $1.8 million and $2.1 million in fiscal 2008, 2007 and 2006, respectively. Fiscal 2008 includes $2.2 million of investment and interest income, $0.6 million from product line/real estate sales, and $0.6 million of exchange gains offset. Fiscal 2007 includes $1.2 million of interest income and $0.5 million of gain from a business divestiture. Fiscal 2006 includes $1.1 million of interest income and $0.8 million of gains from sales of real estate.

Income taxes as a percentage of income from continuing operations before income taxes for fiscal 2008 and fiscal 2007 were 38.2% and 38.1%, respectively. Income taxes as a percentage of income before income taxes were not reflective of U.S statutory rates in fiscal 2006. A valuation allowance of $50.5 million existed at March 31, 2005 due to the uncertainty of whether our U.S. federal net operating loss carryforwards ("NOLs"), deferred tax assets and capital loss carryforwards might ultimately be realized. We utilized $14.9 million of the U.S. federal NOLs in fiscal 2006 reducing the valuation allowance by $5.2 million. As a result of our improved operating performance during fiscal 2006, we re-evaluated the certainty as to whether our remaining U.S. federal NOLs and other deferred tax assets may ultimately be realized. As a result of the determination that it is more likely than not that nearly all of the remaining deferred tax assets would be realized, $38.6 million of the remaining valuation allowance was reversed as of March 31, 2006. The U.S. NOLs were fully utilized in fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled $76.0 million at March 31, 2008, an increase of $27.3 million from the March 31, 2007 balance of $48.7 million.

Net cash provided by operating activities was $59.6 million, $45.5 million and $46.4 million in fiscal 2008, 2007 and 2006, respectively. The $14.1 million increase in fiscal 2008 relative to fiscal 2007 was primarily due to stronger operating performance in fiscal 2008 ($10.4 million) and improved working capital components ($3.7 million). Changes in net working capital include favorable changes of $11.2 in accounts receivable and unbilled revenues (downsizing of our European material handling systems business) and $8.6 in accounts payable (resulting from timing of disbursements and increased volume of business) offset by an unfavorable change of $7.4 million in inventory (resulting from support for increase in new product launches and new market penetration) and an unfavorable change of $9.3 million in accrued and non-current liabilities (funding of pension liabilities). The $0.9 million decrease in fiscal 2007 relative to fiscal 2006 was primarily due to stronger operating performance in fiscal 2007 ($16.2 million) offset by increased working capital components ($17.1 million). Changes in net working capital include an unfavorable change of $4.8 million on inventory (resulting from support for upcoming new product launches, a surge in demand for larger capacity equipment, and timing of offshore purchases) and an unfavorable change of $20.4 million in accounts payable and accrued and non-current liabilities (resulting from timing of disbursements, changing product liability reserves, and decreased variable compensation accruals). These were offset by a favorable change of $7.5 million on accounts receivables and unbilled revenues as a result of improved

collections.

Net cash used by investing activities was $8.6 million, $3.4 million and $6.4 million in fiscal 2008, 2007 and 2006, respectively. The fiscal 2008 change in cash used by investing activities is the result of increased capital expenditures and net purchases of marketable securities offset by proceeds from the sale of properties and assets. The fiscal 2007 change in cash used by investing activities is the result of increased capital expenditures, offset by increased net proceeds from the sale of marketable securities and greater proceeds from asset sales. The fiscal 2008, 2007 and 2006 amounts included $5.5 million, $5.4 million and $2.1 million, respectively, from business, property and asset divestitures.

Net cash used in financing activities was $28.6 million, $39.9 million and $4.2 million in fiscal 2008, 2007 and 2006, respectively. Fiscal 2008 and 2007 include $1.4 million and $2.6 million, respectively, of proceeds from the exercise of employee stock options. Fiscal 2006 includes $56.6 million of proceeds from the November 2005 stock offering, $7.1 million from the exercise of employee stock options, and $2.2 million of tax benefit from the exercise of stock options. The fiscal 2008, 2007 and 2006 amounts included $31.1 million, $42.9 million and $67.8 million of debt repayment, respectively. We also paid $2.8 million of financing costs in fiscal 2006 to effect the capital transaction previously described.

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 cash generation for debt repayment. The business plan focuses on continued implementation of lean manufacturing, improving working capital utilization, including inventory management, and new market and new product development.

In March 2006, we entered into a Revolving credit facility, which provides availability up to $75 million. 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 million, subject to lender approval. The Revolving Credit Facility matures February 2011.

At March 31, 2008, the Revolving Credit Facility was not drawn and the available amount, net of outstanding letters of credit of $11.2 million, totaled $63.8 million. 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 U.S. inventory, receivables, equipment, real property, subsidiary stock (limited to 65% for foreign subsidiaries) and intellectual property. The corresponding 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, with which we were in compliance as of March 31, 2008.

The Senior Subordinated 8 7/8% Notes (8 7/8% Notes) issued on September 2, 2005 amounted to $129.9 million at March 31, 2008 and are due November 1, 2013. Provisions of the 8 7/8% Notes include, without limitation, restrictions 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 U.S. subsidiaries and are not subject to any sinking fund requirements.

In November 2005, we registered an additional 3,350,000 shares of our common stock which were sold at $20.00 per share. The number of shares offered by us was 3,000,000 and 350,000 were offered by a selling shareholder. We did not receive any proceeds from the sale of shares by the selling shareholder. This secondary stock offering increased our weighted average common stock outstanding by 1.8 million shares for the year ended March 31, 2006.

Unsecured and uncommitted lines of credit are available to meet short-term working capital needs for certain of our subsidiaries operating outside of the U.S. 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 March 31, 2008, significant credit lines totaled approximately $12.7 million, of which $11.3 million was drawn.

In addition to the above facilities, our foreign subsidiaries have certain fixed term bank loans. As of March 31, 2008, significant secured term loans totaled $3.3 million. There were no significant unsecured loans outstanding at March 31, 2008.

CONTRACTUAL OBLIGATIONS

The following table reflects a summary of our contractual obligations in millions of dollars as of March 31, 2008, by period of estimated payments due:

	Total	Fiscal 2009	Fiscal 2010-Fiscal 2011	Fiscal 2012-Fiscal 2013	More Than Five Years
Long-term debt obligations (a)	$ 136.6	$ 0.5	$ 0.9	$ 0.9	$ 134.3
Operating lease obligations (b)	19.0	5.1	7.4	3.6	2.9
Purchase obligations (c)	--	--	--	--	--
Interest obligations (d)	67.7	12.1	24.3	23.5	7.8
Letter of credit obligations	11.2	11.2	--	--	--
Uncertain tax positions	2.4	0.2	0.2	2.0	0.0
Other long-term liabilities reflected on the Company's balance sheet under GAAP (e)	48.8	0.0	27.4	14.8	6.6
Total	$ 285.7	$ 29.1	$ 60.2	$ 44.8	$ 151.6

(a) As described in note 10 to our consolidated financial statements.

(b) As described in note 17 to our consolidated financial statements.

(c) We have no purchase obligations specifying fixed or minimum quantities to be purchased. We estimate that, at any given point in time, our open purchase orders to be executed in the normal course of business approximate $40 million.

(d) Estimated for our Senior Subordinated Notes due 11/1/13.

(e) As described in note 9 to our consolidated financial statements.

We have no additional off-balance sheet obligations that are not reflected above.

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, improve productivity and customer responsiveness, reduce production costs, increase flexibility to respond effectively to market fluctuations and changes, meet environmental requirements, enhance safety and promote ergonomically correct work stations. Our capital expenditures for fiscal 2008, 2007 and 2006 were $13.1 million, $10.7 million and $8.4 million, respectively. Higher capital expenditures in fiscal 2008 and 2007 were the result of new product development and productivity enhancing equipment along with normal maintenance items. We expect capital expenditure spending in fiscal 2009 to be in the range of $14-$15 million.

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 Asia-Pacific. We do not believe that general inflation has had a material effect on our results of operations over the periods presented primarily due to overall low inflation levels over such periods and our ability to generally pass on rising costs through annual price increases and surcharges. However,

employee benefits costs such as health insurance, workers compensation insurance, pensions as well as energy and business insurance have exceeded general inflation levels. In the future, we may be further affected by inflation that we may not be able to pass on as price increases. With changes in worldwide demand for steel and fluctuating scrap steel prices over the past several years, we experienced fluctuations in our costs that we have reflected as price increases and surcharges to our customers. We believe we have been successful in instituting surcharges and price increases to pass on these material cost increases. We will continue to monitor our costs and reevaluate our pricing policies.

SEASONALITY AND QUARTERLY RESULTS

Our quarterly results may be materially affected by the timing of large customer orders, periods of high vacation and holiday concentrations, restructuring charges and other costs attributable to our facility rationalization program, divestitures, acquisitions and the magnitude of rationalization integration costs. Therefore, our operating results for any particular fiscal quarter are not necessarily indicative of results for any subsequent fiscal quarter or for the full fiscal year.

DISCONTINUED OPERATIONS

In May 2002, we completed the divestiture of substantially all of the assets of ASI which comprised the principal business unit in our former Solutions - Automotive segment. Proceeds from this sale included an 8% subordinated note in the principal amount of $6.8 million payable over 10 years. Due to the uncertainty of its collection, the note has been recorded at its estimated net realizable value of $0. Principal payments received on the note are recorded as income from discontinued operations at the time of receipt. Accordingly, $0.6 million of income from discontinued operations was recorded in fiscal 2008, net of tax. All interest and principal payments required under the note have been made to date.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We continually evaluate the estimates and their underlying assumptions, which form the basis for making judgments about the carrying value of our assets and liabilities. Actual results inevitably will differ from those estimates. We have identified below the accounting policies involving estimates that are critical to our financial statements. Other accounting policies are more fully described in note 2 of notes to our consolidated financial statements.

Pension and Other Postretirement Benefits. The determination of the obligations and expense for pension and postretirement benefits is dependent on our selection of certain assumptions that are used by actuaries in calculating such amounts. Those assumptions are disclosed in Note 11 to our fiscal 2008 consolidated financial statements and include the discount rates, expected long-term rate of return on plan assets and rates of future increases in compensation and healthcare costs.

The pension discount rate assumptions of 6½%, 6%, and 5¾% as of March 31, 2008, 2007 and 2006, respectively, are based on long-term bond rates. The increase in the discount rates for fiscal 2008 and 2007 resulted in an $8.4 and $4.3 decrease in the projected benefit obligation as of March 31, 2008 and 2007, respectively. The decrease in discount rate for fiscal 2006 resulted in a $3.9 million increase in the projected benefit obligation as of March 31, 2006. The rate of return on plan assets assumptions of 7½% for each of the years ended March 31, 2008, 2007 and 2006 is based on the composition of the asset portfolios (approximately 60% equities and 40% fixed income at March 31, 2008) and their long-term historical returns. The actual assets realized gains of $6.9 and $11.0 million in fiscal 2008 and 2007. Our under-funded status as of March 31, 2008 and 2007 was $15.3 million and $28.8 million, or 10.9% and 20.6% of the projected benefit obligation, respectively. Our pension contributions during fiscal 2008 and 2007 were approximately $14.5 and $6.0 million, respectively. The under-funded status may result in future pension expense increases. Pension expense for the March 31, 2009 fiscal year is expected to approximate $5.3 million, which is down from the fiscal 2008 amount of $6.6 million due to an increase in the return on the higher asset value and lower amortization of unrecognized losses. The factors outlined above may result in increases in funding requirements over time, unless there is continued market appreciation in the asset values. Pension funding contributions for the March 31, 2009 fiscal year are expected to decrease by approximately $7.7 million compared to fiscal 2008 which included approximately $7.0 million in discretionary contributions above the minimum amounts required by ERISA. The discretionary funding decision reflects an acceleration to comply with the Pension Protection Act of 2006. The compensation increase assumption of 3% as of March 31, 2008 and 2007 and 4% as of March 31, 2006 is based on historical trends.

The healthcare inflation assumptions of 8¼%, 9% and 9¾% for fiscal 2008, 2007 and 2006, respectively are based on anticipated trends. Healthcare costs in the United States have increased substantially over the last several years. If this trend continues, the cost of postretirement healthcare will increase in future years.

Insurance Reserves. Our accrued general and product liability reserves as described in Note 14 to our consolidated financial statements involve actuarial techniques including the methods selected to estimate ultimate claims, and assumptions including emergence patterns, payment patterns, initial expected losses and increased limit factors. Other insurance reserves such as workers compensation and group health insurance are based on actual historical and current claim data provided by third party administrators or internally maintained.

Inventory and Accounts Receivable Reserves. Slow-moving and obsolete inventory reserves are judgmentally determined based on formulas applied to historical and expected future usage within a reasonable timeframe. We reassess trends and usage on a regular basis and if we identify changes, we revise our estimated

allowances. Allowances for doubtful accounts and credit memo reserves are also judgmentally determined based on formulas applied to historical bad debt write-offs and credit memos issued, assessing potentially uncollectible customer accounts and analyzing the accounts receivable agings.

Long-Lived Assets. Property, plant and equipment and certain intangibles are depreciated or amortized over their assigned lives. These assets as well as goodwill are also periodically measured for impairment. The assigned lives and the projected cash flows used to test impairment are subjective. If actual lives are shorter than anticipated or if future cash flows are less than anticipated, we could incur a future impairment charge or a loss on disposal relating to these assets.

Marketable Securities. On a quarterly basis, we review our marketable securities for declines in market value that may be considered other than temporary. We consider market value declines to be other than temporary if they are declines for a period longer than six months and in excess of 20% of original cost.

Deferred Tax Asset Valuation Allowance. As of March 31, 2008, we had $31.9 million of gross deferred tax assets before valuation allowances. As described in Note 16 to the consolidated financial statements, the deferred tax assets relate principally to liabilities including employee benefit plans, insurance reserves, accrued vacation and incentive costs and also to asset valuation reserves such as inventory obsolescence reserves and bad debt reserves. The deferred tax assets include $5.1 million related to various state and foreign net operating loss carryforwards for which a $4.1 million deferred tax asset valuation allowance is recorded.

We record a valuation allowance to reduce deferred tax assets to the amount of future tax benefit we believe is more likely than not to be realized. We consider recent earnings projections, allowable tax carryforward periods, tax planning strategies and historical earnings performance to determine the amount of the valuation allowance. Changes in these factors could cause us to adjust our valuation allowance, which would impact our income tax expense when we determine that these factors have changed.

Revenue Recognition. Sales are recorded when title passes to the customer, which is generally at the time of shipment to the customer, except for long-term construction-type contracts. For long-term construction-type contracts, we recognize contract revenues under the percentage of completion method, measured by comparing direct costs incurred to total estimated direct costs. Changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. In the event that a loss is anticipated on an uncompleted contract, a provision for the estimated loss is made at the time it is determined. Billings on contracts may precede or lag revenues earned, and such differences are reported in the balance sheet as current liabilities (accrued liabilities) and current assets (unbilled revenues), respectively. Customers do not routinely return product. However, sales returns are permitted in specific situations and typically include a restocking charge or the purchase of additional product. We have established an allowance for returns based upon historical trends.

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, “Fair Value Measurements,” (“SFAS 157”) 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 157 will be effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP FAS 157-2, “Effective Date of FASB Statement No. 157.” This FSP (1) partially defers the effective date of SFAS No. 157 for one year for certain nonfinancial assets and nonfinancial liabilities and (2) removes certain leasing transactions from the scope of SFAS 157. The Company believes that the adoption of SFAS No. 157 will not have a material effect on its consolidated financial statements.

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 SFAS 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 believes that the adoption of SFAS No. 159 will not have a material effect on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) “Business Combinations” (“SFAS 141(R)”). SFAS 141(R) requires the acquiring entity in a business combination to recognize all the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose all of the information required to evaluate and understand the nature and financial effect of the business combination. This statement is effective for acquisition dates on or after the beginning of the first annual reporting period beginning after December 15, 2008. The Company is currently evaluating the impact the adoption of SFAS 141(R) will have on the Company’s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements--an amendment of ARB No. 51" ("SFAS 160"). This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective as of the beginning of the first fiscal year beginning after December 15, 2008. The Company believes that the adoption of SFAS No. 160 will not have a material effect on its consolidated financial statements.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. We are exposed to various market risks, including commodity prices for raw materials, foreign currency exchange rates and changes in interest rates. We may enter into financial instrument transactions, which attempt to manage and reduce the impact of such changes. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Our primary commodity risk is related to changes in the price of steel. We control this risk through negotiating purchase contracts on a consolidated basis and by attempting to build changes in raw material costs into the selling prices of or surcharges on our products. We have not entered into financial instrument transactions related to raw material costs.

In fiscal 2008, 28% of our net sales were from manufacturing plants and sales offices in foreign jurisdictions. We manufacture our products in the United States, Mexico, China, Denmark, the United Kingdom, France, Hungary and Germany and sell our products and solutions in over 50 countries. Our results of operations could be affected by factors such as changes in foreign currency rates or weak economic conditions in foreign markets. Our operating results are exposed to fluctuations between the U.S. dollar and the Canadian dollar, European currencies, the Mexican peso and the Chinese yuan. For example, when the U.S. dollar weakens against the Euro, the value of our net sales and net income denominated in Euros increases when translated into U.S. dollars for inclusion in our consolidated results. We are also exposed to foreign currency fluctuations in relation to purchases denominated in foreign currencies. Our foreign currency risk is mitigated since the majority of our foreign operations' net sales and the related expense transactions are denominated in the same currency so therefore a significant change in foreign exchange rates would likely have a very minor impact on net income. For example, a 10% decline in the rate of exchange between the euro and the U.S. dollar impacts net income by approximately $1.1 million. In addition, the majority of our export sale transactions are denominated in U.S. dollars. Accordingly, we currently have not invested in derivative instruments, such as foreign exchange contracts, to hedge foreign currency transactions.

We control risk related to changes in interest rates by structuring our debt instruments with a combination of fixed and variable interest rates and by periodically entering into financial instrument transactions as appropriate. At March 31, 2008, we do not have any material swap agreements or similar financial instruments in place. At March 31, 2008 and 2007, approximately 88% and 92% of our outstanding debt had fixed interest rates, respectively. At those dates, we had approximately $18.0 million and $13.9 million, respectively, of outstanding variable rate debt. A 1% fluctuation in interest rates in fiscal 2008 and 2007 would have changed interest expense on that outstanding variable rate debt by approximately $0.2 and $0.1 million, respectively.

Like many industrial manufacturers, we are involved in asbestos-related litigation. In continually evaluating costs relating to our estimated asbestos-related liability, we review, 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, our recent and historical resolution of the cases, the number of cases pending against us, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Based on this review, we have estimated our 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. We 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, we have estimated our asbestos-related aggregate liability through March 31, 2026 and March 31, 2038 to range between $5.0 million and $15.0 million using actuarial parameters of continued claims for a period of 18 to 30 years. Our estimation of our asbestos-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates $8.4 million which has been reflected as a liability in the consolidated financial statements as of March 31, 2008. 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 $0.4 million 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 our financial condition or our liquidity, although the net after-tax effect of any future liabilities recorded could be material to earnings in a future period.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Columbus McKinnon Corporation

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Columbus McKinnon Corporation

We have audited the accompanying consolidated balance sheets of Columbus McKinnon Corporation as of March 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbus McKinnon Corporation at March 31, 2008 and 2007 and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, on April 1, 2006 the Company changed its method of accounting for stock-based compensation. As discussed in Note 11 to the consolidated financial statements, on March 31, 2007 the Company changed its method of accounting for employee retirement plans and other postretirement benefits. As discussed in Note 16 to the consolidated financial statements, on April 1, 2007 the Company changed its method of accounting for uncertainty in income taxes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Columbus McKinnon Corporation's internal control over financial reporting as of March 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 29, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Buffalo, New York
May 29, 2008

COLUMBUS McKINNON CORPORATION

CONSOLIDATED BALANCE SHEETS

	March 31, 2008	March 31, 2007
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 75,994	$ 48,655
Trade accounts receivable, less allowance for doubtful accounts ($4,259 and $3,628, respectively)	97,335	97,269
Unbilled revenues	9,574	15,050
Inventories	88,332	77,179
Prepaid expenses	17,532	18,029
Total current assets	288,767	256,182
Net property, plant, and equipment	58,414	55,231
Goodwill, net	187,055	185,634
Other intangibles, net	321	269
Marketable securities	29,807	28,920
Deferred taxes on income	17,570	34,460
Other assets	8,101	4,942
Total assets	$ 590,035	$ 565,638
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	$ 11,330	$ 9,598
Trade accounts payable	41,895	35,896
Accrued liabilities	55,855	52,344
Restructuring reserve	58	599
Current portion of long-term debt	521	297
Total current liabilities	109,659	98,734
Senior debt, less current portion	6,196	26,168
Subordinated debt	129,855	136,000
Other non-current liabilities	48,844	63,411
Total liabilities	294,554	324,313
Shareholders' equity:		
Voting common stock; 50,000,000 shares authorized; 18,982,538 and 18,825,312 shares issued	189	188
Additional paid-in capital	178,457	174,654
Retained earnings	122,400	85,237
ESOP debt guarantee; 176,646 and 213,667 shares	(2,824)	(3,417)
Accumulated other comprehensive loss	(2,741)	(15,337)
Total shareholders' equity	295,481	241,325
Total liabilities and shareholders' equity	$ 590,035	$ 565,638

See accompanying notes.

COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended March 31,		
	2008	2007	2006
	(In thousands, except per share data)		
Net sales	$ 623,334	$ 589,848	$ 556,007
Cost of products sold	438,781	425,248	408,385
Gross profit	184,553	164,600	147,622
Selling expenses	71,955	61,731	54,255
General and administrative expenses	37,647	34,097	33,640
Restructuring charges	1,179	133	1,609
Impairment loss	2,509	-	-
Amortization of intangibles	115	183	249
Income from operations	71,148	68,456	57,869
Interest and debt expense	14,629	16,430	24,667
Cost of bond redemptions	1,794	5,188	9,201
Investment income	(1,165)	(5,257)	(2,017)
Other (income) and expense, net	(3,641)	(1,825)	(2,136)
Income from continuing operations before income tax expense (benefit)	59,531	53,920	28,154
Income tax expense (benefit)	22,739	20,539	(30,946)
Income from continuing operations	36,792	33,381	59,100
Income from discontinued operations (net of tax)	557	704	696
Net income	$ 37,349	$ 34,085	$ 59,796
Average basic shares outstanding	18,723	18,517	16,052
Average diluted shares outstanding	19,158	18,951	16,628
Basic income per share:			
Income from continuing operations	$ 1.96	$ 1.80	$ 3.69
Income from discontinued operations	0.03	0.04	0.04
Basic income per share	$ 1.99	$ 1.84	$ 3.73
Diluted income per share:			
Income from continuing operations	$ 1.92	$ 1.76	$ 3.56
Income from discontinued operations	0.03	0.04	0.04
Diluted income per share	$ 1.95	$ 1.80	$ 3.60

See accompanying notes.

COLUMBUS McKINNON CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share and per share data)

	Common Stock ($.01 par value)	Addi- tional Paid-in Capital	Retained Earnings (Accumulated Deficit)	ESOP Debt Guarantee	Unearned Restricted Stock	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at March 31, 2005	$ 149	$ 104,078	$ (8,644)	$ (4,554)	$ (6)	$ (9,256)	$ 81,767
Comprehensive income:							
Net income 2006	—	—	59,796	—	—	—	59,796
Change in foreign currency translation adjustment	—	—	—	—	—	(1,846)	(1,846)
Change in net unrealized gain oninvestments, net of tax of $354	—	—	—	—	—	658	658
Change in minimum pension liability adjustment, net of tax benefit of $1,681	—						