



**Market Leadership | Global Reach**

**Market Leadership** Columbus McKinnon is North America's largest producer of hoists and higher grade chain and the second largest producer of forged attachments.

**Global Reach** Columbus McKinnon's market presence and reach cover the major industrial markets of North America, Central America, South America, Europe and Asia.

## Financial Summary

(In thousands, except per share, percent change, margin and ratio data)

Data as of or for the year ended March 31,

|   | 2004       | 2003       | % change |
|---|------------|------------|----------|
| <b>Income Statement Data</b>                                |            |            |          |
| Net sales   | \$ 444,591 | \$ 453,320 | -1.9     |
| Restructuring charges                                       | 1,239      | 3,697      | -66.5    |
| Amortization of intangibles                                 | 383        | 4,246      | -91.0    |
| Income from operations                                      | 29,867     | 25,380     | 17.7     |
| Income (loss) before cumulative effect of accounting change | 1,193      | (6,011)    | N/M      |
| Net income (loss)   | 1,193      | (14,011)   | N/M      |
| Per diluted share   | 0.08       | (0.97)     | N/M      |
| <b>Margin Data</b>  |            |            |          |
| Gross margin  | 23.6 %     | 23.7 %     |          |
| Operating income margin                                     | 6.7 %      | 5.6 %      |          |
| <b>Other Data</b>   |            |            |          |
| Cash flow from operating activities per share               | \$ 1.81    | \$ 0.98    | 84.7     |
| Revenues per employee                                       | 162.0      | 150.9      | 7.4      |
| Capital expenditures  | 3,619      | 5,040      | -28.2    |
| <b>Balance Sheet Data</b>                                   |            |            |          |
| Total assets  | \$ 473,363 | \$ 482,606 | -1.9     |
| Total liabilities   | 410,385    | 429,899    | -4.5     |
| Total funded debt   | 287,939    | 314,070    | -8.3     |
| Total shareholders' equity                                  | 62,978     | 52,707     | 19.5     |

N/M - not meaningful

## Company Profile

Columbus McKinnon Corporation (Nasdaq: CMCO) is a leading designer and manufacturer of material handling products, systems and services which lift, secure, position and move material ergonomically, safely, precisely and efficiently. Headquartered in Amherst, New York, Columbus McKinnon's major products include hoists, cranes, chain and forged attachments. The Company's products serve a wide variety of commercial and industrial applications that require the safety and quality provided by Columbus McKinnon's superior product design and engineering know-how.

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## Strategy and Focus

Our strategy is to leverage our superior material handling design and engineering know-how to provide differentiated products, systems and services to lift, secure, position and move material ergonomically, safely, precisely and efficiently. Our focus is on industrial and commercial applications with the highest potential for growing market share in countries that offer the greatest volume and profit potential.

## Dear Shareholders:

Fiscal 2004 was a year of continued progress and improvement for Columbus McKinnon. We stabilized sales, returned to profitability and reduced net debt by over \$32 million. Fiscal 2004 net sales were \$444.6 million, compared with \$453.3 million last year, with the difference primarily attributable to divestitures. Net income for fiscal 2004 was \$1.2 million, or \$0.08 per diluted share, compared with a net loss of \$14.0 million or \$0.97 per diluted share for fiscal 2003. The focus on our more profitable core Products segment – which currently contributes almost 90% to sales – and on our major strategic objectives discussed below is producing positive results while positioning Columbus McKinnon for further improvement as the industrial economy recovers.

**Reducing costs and increasing productivity** Over the last three years, facility rationalizations and Lean Manufacturing have led our drive to lower CM's cost structure and improve our productivity. Because these initiatives were undertaken during a prolonged industrial recession, their full favorable long-term impact on our profitability has been muted by lower market demand. In a recovering economy, our reduced cost structure positions us well for higher marginal profitability as volumes increase.

**Increasing financial flexibility** In July 2003, we successfully completed a refinancing of debt, selling \$115 million of senior secured notes which allowed us to repay the \$66.8 million second secured senior term loan and repurchase \$35.7 million in senior subordinated notes. This refinancing provided a significant boost to our financial flexibility by reducing interest costs by over \$2 million per year, ensuring the liquidity to fund our working capital needs and extending the maturity of a significant portion of our long-term debt to 2010.

Over the last three years, we reduced net debt by \$113.7 million, with \$90.4 million of this reduction funded by operating activities. The fact that we achieved this during the worst industrial recession in 20 years attests to the strength of Columbus McKinnon's cash flow and the benefit of our cost reduction initiatives.

During the year, we completed the divestiture of our Positech and Lister divisions which were businesses with lower synergistic value and low or negative earnings. We continue to market surplus property and to move toward divesting several less synergistic businesses, primarily based in our less profitable Solutions segment. Any additional cash generated by asset sales will be applied to debt.

**Protecting domestic market share** The strength of Columbus McKinnon's brands and the breadth of our product line, combined with our large installed base, strong distributor relationships and excellent reputation for service, provide a formidable defense of our leading domestic market positions in hoists, chain and forgings. In a more competitive market environment, we are also acting offensively to grow share by reducing costs to be more competitive and by developing new and enhanced products. In the last three years, we developed over 100 new products, which contribute approximately \$35 million in annual revenues. The launch of new and improved products will continue to be a focus of our efforts to grow domestic sales and market share.

**Increasing penetration into international markets** For many years, we have viewed international markets as our best opportunity for top line growth because we already hold leading market positions in the United States and because of the trend of manufacturers, a primary end user of our products, to build facilities in lower cost global markets.

In fiscal 2004, Columbus McKinnon's international sales were \$158.6 million or 36% of net sales. Over the last eight years, international sales have grown at a 24.7% compound annual growth rate. Our global operations are very well-established with manufacturing facilities in Mexico and China, large world markets where manufacturing operations are rapidly expanding, as well as factories strategically located in Europe. With sales and warehouse locations covering major markets of Central and South America, Western and Eastern Europe, and Asia, we have built a very strong foundation to grow international sales.

I want to thank all of the CM Associates around the world for their support in implementing new initiatives while continuing to deliver the quality products and service for which we are known worldwide. On behalf of everyone at Columbus McKinnon, I also want to thank Bob Montgomery, our long-time Chief Financial Officer, who retired as Executive Vice President and a Director on March 31, 2004, for his many contributions to the Company's success over 30 years of outstanding service.

As fiscal 2005 begins, we are feeling better about the future than we have in some time. Demand in most of the markets our Products segment serves began to improve during the second half of last year. With the new cost structure at CM, we have significant operating leverage. We are also on firmer ground financially and are effectively executing our strategy for continued recovery and renewed growth. I look forward to reporting to shareholders on our continued progress.



Timothy T. Tevens | President and Chief Executive Officer



# Major Products

Hoists, chain and forgings, and industrial cranes are Columbus McKinnon's leading product groups representing 81% of fiscal 2004 sales.

## Hoists

Columbus McKinnon manufactures a variety of hoist products including electric chain hoists, electric wire rope hoists, hand-operated hoists, lever tools, hoist trolleys, air balancers and air-powered hoists that are sold under several industry-recognized brand names. Load capacities for the Company's hoist product lines generally range from one-eighth of a ton to 100 tons. As North America's largest manufacturer of overhead lifting devices, we believe Columbus McKinnon has more overhead hoists in use in North America than all of its competitors combined. We also offer a line of standard and custom-designed below-the-hook tooling, clamps and textile strappings that work in concert with hoists and cranes.

Independent crane builders represent a significant specialized distribution channel for Columbus McKinnon's flagship hoist and chain products and other crane components, including end trucks, electronic controls and manual and electronic motor driven hoist trolleys. As the owner of CraneMart, North America's largest integrated network of overhead crane builders, Columbus McKinnon operates a nationally recognized marketing program currently supporting over 50 independent crane builders covering 89 metropolitan areas. Participants utilize Columbus McKinnon products in their own offerings and receive a full range of services from CraneMart including best pricing, parts distribution rights, dedicated technical support, shared resources and TechLink, our newest service that allows for automated crane and hoist inspection.

### Brands:

Yale, CM, Coffing, Shaw-Box, Budgit, Chester, Little Mule, Camlok, Tugit, Tigrip, Cady

### Distribution and Service:

Primarily sold through a network of over 20,000 distributors in commercial and consumer channels for both domestic and international markets. Columbus McKinnon is also a leading supplier to industrial catalog houses. Service for hoist products is provided through over 350 hoist parts, product, service and repair centers.

### End-user Markets:

General manufacturing, production industries, marine, power generation and distribution, automotive parts manufacturing, entertainment, construction, mining, crane building, logging, oil and gas production, pulp and paper, metals production, steel processing, warehousing and distribution.

### Hoist Product Line Performance Metrics

| Metric                                      | FYE 2004        | FYE 2003        |
|---|-----------------|-----------------|
| Sales                                       | \$197.4 million | \$202.3 million |
| Percentage of total sales                   | 44%             | 45%             |
| U.S. market share*                          | 61%             | 62%             |
| Lean Manufacturing Rapid Improvement Events | 77              | 79              |
| Manufacturing facilities                    | 8               | 8               |
| Manufacturing square footage                | 1,011,900       | 1,011,900       |
| Inventories                                 | \$34.3 million  | \$37.6 million  |

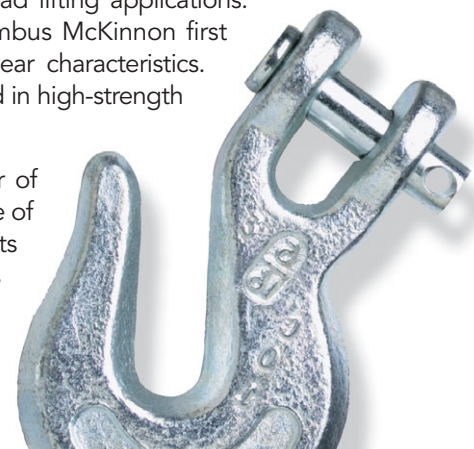
\* Powered hoists, manual hoists, and trolleys representing 52% and 53% of fiscal 2004 and fiscal 2003 hoist sales, respectively.



## Chain & Forgings

Columbus McKinnon manufactures alloy chain for use in hoists, overhead lifting, pulling and restraining applications and carbon steel welded-link chain for various load securement and other non-overhead lifting applications. Federal regulations in the United States require the use of alloy chain – which Columbus McKinnon first developed in 1933 – for overhead lifting applications because of its strength and wear characteristics. Columbus McKinnon holds the number one market share for load chain used in hoists and in high-strength carbon steel chain used in the transportation industry.

Columbus McKinnon is the second largest North American producer of forged products and rigging accessories, manufacturing a complete line of alloy and carbon steel closed-die forged attachments. These attachments are used in virtually all types of chain and wire rope rigging applications in a variety of industries. Columbus McKinnon also produces specific application forgings for a number of OEM customers.



## Chain and Forged Attachments Product Line Performance Metrics

| Metric                                      | FYE 2004        | FYE 2003        |
|---|-----------------|-----------------|
| Sales                                       | \$110.7 million | \$105.5 million |
| Percentage of total sales                   | 25%             | 23%             |
| U.S. market share* – Chain Product          | 37%             | 39%             |
| U.S. market share** – Forged Attachments    | 41%             | 39%             |
| Lean Manufacturing Rapid Improvement Events | 61              | 80              |
| Manufacturing facilities                    | 5               | 6               |
| Manufacturing square footage                | 448,200         | 464,000         |
| Inventories                                 | \$16.5 million  | \$18.3 million  |

\* Alloy chain, which comprised 51% and 55% of fiscal 2004 and fiscal 2003 sales, respectively.

\*\* Selected categories comprising 74% and 72% of our fiscal 2004 and 2003 forged attachments revenues, respectively.

### Brands:

CM, Big Orange, Hammerlok, Herc-Alloy, Dixie Industries, Midland Forge, Durbin Durco, AgWorks, ColorLinks

### Distribution and Service:

Chain and forged attachments are distributed to the industrial and consumer markets through industrial distributors, hardware distributors and mass merchandiser outlets. Aftermarket service is provided to product end-users through a network of independent distributors, including 13 chain service centers.

### End-user Markets:

General manufacturing, marine, agricultural, automotive parts manufacturing, entertainment, construction, mining, crane building, transportation, logging, oil and gas, primary metals production and steel processing.



## Industrial Cranes

Columbus McKinnon's Company-owned group of crane builders design, engineer, manufacture, install, and service industrial crane systems and light rail systems such as overhead bridge, jib, patented track and gantry cranes. This group manufactures cranes with capacities up to 100 tons and includes crane builders: Abell-Howe, Larco, Washington Equipment, Gaffey and All Cranes, a division of Gaffey. Columbus McKinnon's U.S. crane service operations are centralized in its Crane Equipment & Service, Inc. (CES) subsidiary. In addition to OSHA-mandated inspections, repair and preventive maintenance, CES installs and services cranes and sells replacement parts.

### Brands:

Abell-Howe, Gaffey, Larco, WECO (Washington Equipment)

### Distribution and Service:

Cranes are sold to large contractors and direct to end users. Columbus McKinnon's Crane Equipment & Service, Inc. (CES) subsidiary is one of the largest crane service providers in the United States with approximately 70 service technicians in 19 locations.

### End-user Markets:

General manufacturing, marine, agricultural, construction, crane building, transportation, pulp and paper, primary metals production, steel processing, warehouse.

## Crane Product Line Performance Metrics

| Metric                       | FYE 2004       | FYE 2003       |
|------------------------------|----------------|----------------|
| Sales                        | \$53.3 million | \$48.7 million |
| Percentage of total sales    | 12%            | 11%            |
| Manufacturing facilities     | 3              | 4              |
| Manufacturing square footage | 168,700        | 284,700        |
| Backlog                      | \$16.3 million | \$17.5 million |



# Market Leadership

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## North America

Over 2/3 of Columbus McKinnon's domestic sales are into markets where it has a number one market position. Product categories in the United States where Columbus McKinnon is the largest domestic supplier include: powered hoists, manual hoists and trolleys, hoist parts, alloy chain, mechanical actuators, tire shredders, and jib cranes. With over 20,000 active customers including distributors, industrial catalog houses and original equipment manufacturers (OEMs), Columbus McKinnon has a large and diverse customer base and sells to virtually every major industry group. Competitive strengths include a broad product line of well-known and respected brands, a large installed base and a reputation for product quality and service after the sale. These attributes favorably position Columbus McKinnon in a market environment where distributors, catalog houses and OEMs are consolidating their supplier base. As a leading manufacturer of industrial products that enhance productivity and efficiency while supporting worker safety requirements and needs, Columbus McKinnon is favorably positioned to benefit from general industry trends that focus on increasing productivity and safety.



# Global Reach

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## South America / Europe / Asia

Since Columbus McKinnon's IPO in 1996, its international sales have grown from 13% of sales to 36% of sales. The current global presence of Columbus McKinnon includes 26 manufacturing facilities in eight countries and 35 stand-alone sales/service offices, distribution centers and warehouses in 12 countries. Through direct sales and its international distribution network, Columbus McKinnon has the capability to sell into most of the world's major industrial markets. To support and expand its global customer base, Columbus McKinnon launched an international web site at [www.cminternational.com](http://www.cminternational.com) in March 2003 which provides sales contact information for over 75 countries where its products can be sold. The focus of Columbus McKinnon's international expansion initiative is on the largest industrial markets of South America, Asia and Europe. With manufacturing plants in Mexico and China, Columbus McKinnon is located in close proximity to the fastest growing world markets for expansion of manufacturing capacity. Columbus McKinnon is currently developing hoist products designed to standards established by the Federation of European Manufacturers (FEM). The development of hoist products manufactured to FEM standards will enhance Columbus McKinnon's competitive position and facilitate global sales growth.



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

FORM 10-K

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, 2004

Commission file number 0-27618

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

**New York**  
(State of Incorporation)

**16-0547600**  
(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 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  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 .

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 30, 2003 was \$55,947,637, 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 May 31, 2004 was 14,896,172 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's proxy statement for its 2004 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, 2004 are incorporated by reference into Part III of this report.



# **COLUMBUS MCKINNON CORPORATION**

## **2004 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 “Management’s Discussion and Analysis of Results of Operations and Financial Condition – Factors Affecting Our Operating Results.” We use words like “will,” “may,” “should,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “future” and other similar 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 markets. Our products are used to efficiently and ergonomically move, lift, position or secure objects and loads. We are the domestic 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 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 leadership position through organic growth and also as the result of the 14 businesses we acquired since February 1994. We have developed our leading market position over our 125-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, 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 Products and Solutions acquisitions since 1994 is outlined below (purchase price in millions):



| <u>Date of Acquisition</u> | <u>Acquired Company</u>         | <u>Purchase Price</u> | <u>Products/Services</u>  |
|----------------------------|---------------------------------|-----------------------|---|
| April 1999                 | Washington Equipment Company    | \$ 6.4                | Overhead cranes   |
| March 1999                 | GL International <sup>(1)</sup> | 20.6                  | Overhead cranes   |
| January 1999               | Camlok/Tigrip                   | 10.6                  | Plate clamps, crane scales                                      |
| December 1998              | Gautier                         | 2.9                   | Rotary unions, swivel joints                                    |
| August 1998                | Abell-Howe Crane                | 7.0                   | Overhead cranes   |
| March 1998                 | ASI <sup>(2)</sup>              | 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 <sup>(4)</sup>           | 7.0                   | Cement kiln chain   |
| October 1996               | Yale <sup>(3)</sup>             | 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                         |

(1) In January 2002, we sold Handling Systems & Conveyors, Inc., a subsidiary of GL International.

(2) 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.

(3) In August 1998, we sold the Mechanical Products division of Yale.

(4) In February 2004, we sold the assets of the Lister Chain & Forge division.

## Our Position in the Industry

The U.S. material handling industry is generally divided into 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 will increase in the future as a result of several favorable trends. These trends include:

- **Productivity Enhancement.** In recent years, employers have responded to competitive pressures by seeking to maximize productivity and efficiency. 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 federal and state workplace safety regulations such as the Occupational Safety and Health Act and the Americans with Disabilities Act, 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**

- ***Comprehensive Product Line and Strong Brand Name Recognition.*** We believe we offer the most comprehensive product lines in the markets we serve. The breadth of product lines enables us to provide a “one-stop shop” to many of our distributors who are looking to consolidate their suppliers. 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. We believe that our strong brand name recognition has created customer loyalty and helps us maintain existing business, as well as capture additional business.

- ***Leading Market Position and Reputation.*** We are the largest manufacturer of hoists and alloy and high strength carbon steel chain in North America. We have developed our leading market position over our 125-year history by emphasizing technological innovation, manufacturing excellence and superior after-sale service. Over 65% of our domestic net sales in fiscal 2004 were from product categories in which we believe we hold the leading market share. We believe that the strength of our established products and brands and our leading market position 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.

- ***Low-Cost Manufacturing Capability.*** We believe we are a low-cost manufacturer and we will continue to consolidate our manufacturing operations and reduce our manufacturing costs through the following initiatives:

- *Rationalization and Consolidation.* In fiscal 2002 through fiscal 2004, we conducted projects to close manufacturing plants and warehouses, as more fully described in Our Strategy on the next page of this document.

- *Lean Manufacturing.* In fiscal 2002, we initiated Lean Manufacturing techniques, facilitating substantial inventory reductions, a significant decline in required manufacturing floor area, decreased product lead time and improved productivity.

- *Purchasing Council.* We continue to leverage our company-wide purchasing power through our Purchasing Council to reduce our costs.

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

- *International Expansion.* Our continued expansion of our manufacturing facilities in China and Mexico, along with opening additional sales offices in Europe, South America and the Far East, provides us with another cost efficient platform to manufacture and distribute certain of our products.

- ***Distribution Channel Diversity and Strength.*** Our products are sold to over 20,000 general and specialty distributors and OEMs, as well as to over 100 consumer outlets. We enjoy long-standing relationships with, and are a preferred provider to, the majority of our largest distributors and industrial buying groups. Over the past decade, there has been significant consolidation among distributors of material handling equipment. We have benefited from this consolidation and have maintained and enhanced our relationships with our leading distributors, as well as formed new relationships. We believe our extensive North American distribution channels provide a significant competitive advantage and allow us to effectively market new product line extensions and promote cross-selling.

- ***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 13 chain repair stations and over 350 hoist service and repair stations.

- ***Experienced Management Team.*** Our senior management team provides a depth and continuity of experience in the material handling industry, with our top six executives possessing an average of approximately 15 years of experience with us. 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 Strategy

- **Reduce Our Operating Costs.** Our objective is to remain a low-cost producer. We continuously seek ways to reduce our operating costs and increase our manufacturing productivity. In furtherance of this objective, we have undertaken the following:

- *Rationalization of Facilities.* Consolidating acquired operations is an integral part of our acquisition strategy. In fiscal 2002 through fiscal 2004, we conducted projects to close ten manufacturing plants and three warehouses, consolidate a number of similar product lines and standardize certain component parts. All of those projects are complete and properties relating to those closures have been sold or are currently in the process of being marketed.
- *Implementation of Lean Manufacturing.* Through fiscal 2004, we have instituted Lean Manufacturing at 15 of our major facilities, an initiative which we began in fiscal 2002. Through fiscal 2004, largely as a result of our Lean Manufacturing initiatives, we recaptured approximately 164,000 square feet of manufacturing floor area and consolidated an additional 920,000 square feet from closed facilities. Additionally, we reduced inventories by approximately \$40 million, or 36.5%, improved productivity and achieved significant reductions in product lead times. Specifically in fiscal 2004, we improved inventory turns by 20% to 5.3 times at March 31, 2004 from 4.4 times at March 31, 2003. Our Lean Manufacturing initiative complements our strategy of integrating and consolidating our manufacturing facilities.
- *Leverage Purchasing Power.* The Columbus McKinnon Purchasing Council was formed in fiscal 1998 to centralize and leverage our overall purchasing power, which has grown through acquisitions and has resulted in significant savings for our Company.

- **Increase Our Domestic Organic Growth.** We intend to use our competitive advantages to increase our domestic and international market share across all of our product lines through the following initiatives:

- *Leverage Strong Competitive Position.* Our large diversified 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. Additionally, we continue to implement our CraneMart™ initiative launched in 1999 to build an integrated North American network of independent and company-owned crane builders. CraneMart™ participants purchase our products and parts for incorporation in their products as well as for distribution and are provided a full range of services, including best pricing, parts distribution rights, technical support and shared resources.
- *Introduce New Products.* We continue to expand our business by developing new material handling products and services and expand the breadth of our product lines to address customer needs. Over the past three years, we developed over 100 new or cross-branded products, representing approximately \$35 million in fiscal 2004 revenues. During fiscal 2004, we established a dedicated hoist new product development team. The majority of the hoist products currently under development by this team are guided by the standards established by the Federation of European Manufacturers, or FEM. We believe these FEM hoist products will facilitate our global sales expansion strategy as well as improve our cost competitiveness against U.S. imports. Recent new product introductions include:
  - light-weight high speed industrial air hoists;
  - a variety of new forged lifting attachments;
  - global wire rope hoists used in overhead cranes;
  - hand hoists and lever tools manufactured at our Chinese plants; and
  - top-running and underhung end-trucks used in the crane builder industry.

- **Increase Our Penetration of International Markets.** Our international sales of \$158.6 million comprised 36% of our net sales in fiscal 2004, as compared to \$154.2 million, or 26% of our net sales in fiscal 1999. We sell to distributors in approximately 50 countries and have our primary international facilities in Canada, Mexico, Germany, the United Kingdom, Denmark, France and China. In addition to new product introductions, we intend to increase international sales and enhance margins by:

- *Expanding Our Sales and Service Presence.* We continue to expand our sales and service presence in the major market areas of Europe, Asia and South America through our sales offices and warehouse facilities in Europe, Thailand, Brazil and Mexico.
- *Increasing Sales and Improving Margins.* We intend to increase our sales and improve our margins by manufacturing and exporting a broader array of high quality, low-cost products and components from our facilities in Mexico and China. We are developing new hoist products in compliance with FEM standards to enhance our global distribution and we have sales offices in Europe, South America and the Far East.
- **Reduce Our Debt.** We intend to continue our significant focus on cash generation for debt reduction through the following initiatives:
  - *Increase Operating Cash Flow.* As a result of execution of our strategies to reduce our operating costs, increase our domestic organic growth and increase our penetration of international markets, we believe that with an improved economic climate, we will realize favorable operational leverage. We further believe that such operational leverage will result in operating cash flow available for debt reduction.
  - *Reduce Working Capital.* We believe that our Lean Manufacturing activities are facilitating inventory reduction, improving product lead times and increasing our productivity. Since initiating our Lean activities, we've reduced inventory by \$39.8 million and improved turns from 3.8 times to 5.3 times, or 39.5%. Specifically in fiscal 2004, we realized approximately 20% improvement from 4.4 times at March 31, 2003.
  - *Pursue Selected Divestitures.* Our strategy is to exit non-strategic businesses that (i) are not integrated, either operationally or through sales and marketing, with the rest of our Company; (ii) have market channels and customers different from the business of our core Products segment; or (iii) have had, and are expected to continue to have, low returns on our investment of financial and management resources. For example, in fiscal 2004 and 2003, we sold our Positech, Lister Chain & Forge, ASI and LICO Steel businesses after determining that they did not meet our criteria for continuing investment. We periodically review our businesses and are currently evaluating strategic alternatives for certain of our businesses. In the aggregate, these businesses generated fiscal 2004 sales and EBITDA of \$82.4 million and \$2.5 million, respectively. The proceeds from divestitures will provide additional liquidity and improve the flexibility of our capital structure.

## 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 industrial applications and for consumer use. 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 through a variety of commercial distributors and to end-users. The end-users of our products are in manufacturing plants, power utility facilities and warehouses. Some of our products have farming, mining and logging applications, and we serve a niche market for the entertainment industry. We also sell some of our products to the consumer market through a variety of retailers and wholesalers. In February 2004, we divested our Lister business which manufactured anchor and buoy chain primarily for the U.S. government.

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. This segment also included our Positech manipulator business and our LICO steel erection operation, which were divested in February 2004 and March 2003, respectively. The products and services of this segment are highly engineered, are typically built to order and are primarily sold directly to end-users for specific applications in a variety of industries.

Note 20 to our consolidated financial statements included elsewhere in this annual report provides information related to our business segments in accordance with generally accepted accounting principles in the United States. Summary information concerning our business segments for fiscal 2002, 2003 and 2004 is set forth below.



**Fiscal Years Ended March 31,**

|   | <u>2002</u>    | <u>2003</u>           | <u>2004</u> |  | <u>2002</u>    | <u>2003</u>       | <u>2004</u> |
|---|----------------|-----------------------|-------------|--|----------------|-------------------|-------------|
|   |                | (Dollars in millions) |             |  |                |                   |             |
|   | <u>Amount</u>  | <u>% of Total</u>     |             |  | <u>Amount</u>  | <u>% of Total</u> |             |
|   |                | <u>Sales</u>          |             |  | <u>Amount</u>  | <u>Sales</u>      |             |
| <b>Net Sales</b>  |                |                       |             |  |                |                   |             |
| Products .....  | \$404.7        | 84.3                  |             |  | \$388.1        | 85.6              |             |
| Solutions .....   | <u>75.3</u>    | <u>15.7</u>           |             |  | <u>65.2</u>    | <u>14.4</u>       |             |
| Total .....   | <u>\$480.0</u> | <u>100.0</u>          |             |  | <u>\$453.3</u> | <u>100.0</u>      |             |
|   |                |                       |             |  |                |                   |             |
|   | <u>Amount</u>  | <u>% of</u>           |             |  | <u>Amount</u>  | <u>% of</u>       |             |
|   |                | <u>Segment</u>        |             |  | <u>Amount</u>  | <u>Segment</u>    |             |
|   |                | <u>Sales</u>          |             |  | <u>Sales</u>   | <u>Sales</u>      |             |
| <b>Income from Operations before Restructuring Charges and Amortization</b> |                |                       |             |  |                |                   |             |
| Products .....  | \$47.0         | 11.6                  |             |  | \$33.6         | 8.7               |             |
| Solutions .....   | <u>1.7</u>     | <u>2.2</u>            |             |  | <u>(0.3)</u>   | <u>(0.4)</u>      |             |
| Total .....   | <u>\$48.7</u>  | 10.1                  |             |  | <u>\$33.3</u>  | 7.4               |             |

**Products Segment**

**Products**

Our Products segment primarily designs, manufactures and distributes a broad range of material handling, lifting and positioning products for various applications in industry and for consumer use and has total assets of approximately \$446.1 million as of March 31, 2004, of which \$185.0 million is goodwill. These products are typically manufactured for stock or assembled to order from standard components and are sold through a variety of distributors. Approximately 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 2004, net sales of the Products segment were approximately \$394.2 million or approximately 88.7% of our net sales, of which approximately \$267.5 million, or 67.9%, were domestic and \$126.7 million, or 32.1%, 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 2003 and 2004:

|                       | <b>Fiscal Years Ended March 31,</b> |             |
|-----------------------|-------------------------------------|-------------|
|                       | <u>2003</u>                         | <u>2004</u> |
| Hoists                | 52%                                 | 50%         |
| Chain                 | 16                                  | 16          |
| Forged attachments    | 11                                  | 12          |
| Industrial cranes     | 13                                  | 14          |
| Industrial components | <u>8</u>                            | <u>8</u>    |
|                       | <u>100%</u>                         | <u>100%</u> |

- *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 generally 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 a variety of general industrial applications, as well as for use in the construction, entertainment, power generation and other markets. We also supply hoist trolleys, driven manually or by electric motors, for the industrial, consumer and OEM markets.

We offer a line of custom-designed below-the-hook tooling, clamps, textile strappings and pallet trucks. 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. Pallet trucks are manual devices used for across-the-floor material handling, frequently in warehouse settings.

- *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. We previously manufactured and sold anchor and buoy chain through our Lister Chain & Forge division which was sold in February 2004.

- *Forged Attachments.* We produce a complete 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 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 crane building and servicing markets. Crane builders represent a specialized distribution channel for electric wire rope hoists and other crane components.
- *Industrial Components.* Through our Duff-Norton division, we design and manufacture industrial components such as mechanical and electromechanical actuators, mechanical jacks and rotary unions for sale domestically and abroad. Actuators are linear motion devices used in a variety of industries, including the paper, steel and aerospace industries. Mechanical jacks are heavy duty lifting devices used in the repair and maintenance of railroad equipment, locomotives and industrial machinery. Rotary unions are devices that transfer a liquid or gas from a fixed pipe or hose to a rotating drum, cylinder or other device. These unions are unique in that they connect a moving or rotating component of a machine to fixed plumbing without major spillage or leakage. 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 direct sales forces of more than 125 salespersons and through independent sales agents worldwide. Our sales are further supported by our more than 230 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 regular advertising in leading trade journals as well as producing and distributing high quality information catalogs. We support our product distribution by running cooperative “pull-through” advertising in over 15 vertical trade magazines and directories aimed toward theatrical, international, consumer and crane builder markets. We run targeted advertisements for chain, hoists, forged attachments, scissor lift tables, actuators, hydraulic jacks, hardware programs, cranes and light-rail systems.
- *Trade Show Participation.* Trade shows are central to the promotion of our products, and we participate in more than 30 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, as well as general purpose industrial and consumer hardware shows. In fiscal 2004, we participated in trade shows in the U.S., Canada, France, Mexico, Germany, England and Brazil.
- *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: ISMA (Industrial Supply Manufacturers Association), AWRP (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), AHMA (American Hardware Manufacturers Association), ARA (American Rental Association) and IDA (Industrial Distributors 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](http://www.cmworks.com), we currently sponsor an additional 25 brand specific web sites and sell hand pallet trucks on one of these sites. Our web site at [www.cmindustrial.com](http://www.cmindustrial.com) currently includes electronic catalogs of CM brand hoist and chain 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.

### ***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 summarizes our distribution channels:

- *General Distribution Channels.* Our 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 sell 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 builders within the CraneMart™ network. Our wholly owned crane builders (Abell-Howe, Gaffey, Larco and Washington Equipment) design, manufacture, install and service a variety of cranes with capacities up to 100 tons.
- *Specialty Distribution Channels.* Our specialty distribution channels consist of:
  - Catalog houses that market a variety of MROP supplies, including material handling products, either exclusively through large, nationally distributed catalogs, or through a combination of catalog and internet sales and a field sales force. More recently, catalog houses, particularly W.W. Grainger, Inc., are pursuing e-commerce through their web sites. The customer base served by catalog houses, 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 discos.
- *Service-After-Sale Distribution Channel.* Service-after-sale distributors include our authorized network of 13 chain repair service stations and over 350 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 United States and Canadian Navies and Coast Guards, that purchase primarily load securing chain and forged attachments.
- *Consumer Distribution.* Consumer sales, consisting primarily of carbon steel chain and assemblies, forged attachments and hand powered hoists, are made through five distribution channels: two-step wholesale hardware distribution; one-step distribution direct to retail outlets; trucking and transportation distributors; farm hardware distributors; and rental outlets.
- *International Distribution.* We distribute virtually all of our products in over 50 countries on six continents through a variety of distribution channels.

### ***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 more than 350 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 General Motors, DuPont, 3M, GTE, Cummins Engine, General Electric 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, 2004 was approximately \$45.3 million compared to approximately \$41.7 million at March 31, 2003. The March 31, 2003 backlog included \$6.2 million relating to our Lister business, which was divested in February 2004. 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***

Despite recent consolidation, the material handling industry remains highly fragmented. We face competition from a wide range of regional, national and international manufacturers in both domestic 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 product performance, functionality, price, brand, reputation, reliability and availability, as well as customer service and support. Other important factors include distributor relationships, territory coverage and the ability to service the distributor with on-time delivery and repair services.

Major competitors with our Products segment for hoists are Demag, Kito-Harrington, Ingersoll-Rand, KCI Konecranes and Morris Material Handling; 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 crane building are Demag, KCI Konecranes, Morris Material Handling, R. Stahl 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 work station and facility-wide material handling systems and in the manufacture and distribution of operator-controlled manipulators, lift tables and tire shredders and has total assets of approximately \$27.3 million as of March 31, 2004, of which none is goodwill. Net sales of the Solutions segment in fiscal 2004 were approximately \$50.4 million, or approximately 11.3% of our total net sales, of which approximately \$18.5 million, or 36.7%, were domestic and approximately \$31.9 million, or 63.3% were international. We are currently evaluating strategic alternatives for certain businesses within this segment. 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 2003 and 2004:

|   | <b>Fiscal Years Ended March 31,</b> |                    |
|---|-------------------------------------|--------------------|
|   | <b><u>2003</u></b>                  | <b><u>2004</u></b> |
| Integrated material handling conveyor systems | 50%                                 | 57%                |
| Lift tables                                   | 13                                  | 15                 |
| Light-rail systems and manipulators           | 15                                  | 13                 |
| Steel erection                                | 12                                  | --                 |
| Other   | <u>10</u>                           | <u>15</u>          |
|   | <u>100%</u>                         | <u>100%</u>        |

### ***Products and Services***

- *Integrated Material Handling Conveyor Systems.* Conveyors are an important component of many material handling systems, reflecting their high functionality for transporting material throughout manufacturing and warehouse facilities. We specialize in designing computer-controlled and automated powered roller conveyors for use in warehouse operations and distribution systems. In fiscal 2002 and 2003 we executed a revenue growth strategy by developing our capabilities to function as a turnkey integrator of material handling systems, while continuing to provide the conveyors required for the systems.
- *Lift Tables.* Our American Lifts division manufactures powered lift tables. These products enhance workplace ergonomics and are sold primarily to customers in the manufacturing, construction, general industrial and air cargo industries.
- *Light-Rail Systems and Manipulators.* Introduced in fiscal 2001, light-rail systems are portable steel overhead beam configurations used at workstations, from which hoists are frequently suspended. We previously manufactured two lines of sophisticated operator-controlled manipulators under the names Positech and Conco. These products are articulated mechanical arms with specialized end tooling designed to perform lifting, rotating, turning, tilting, reaching and positioning tasks in a manufacturing process. That manipulator business, known as our Positech division, was sold in February 2004.

### ***Sales and Marketing***

The products and services of the Solutions segment are sold primarily to large sophisticated corporate end-users, including Federal Express, UPS, United Biscuits, Lego, John Deere, Lowe's and other industrial companies, systems integrators and distributors. In the sale of our integrated material handling conveyor systems, we act as a prime contractor with turnkey responsibility or as a supplier working closely with the customer's general contractor. Sales are generated by internal sales personnel and rely heavily on engineer-to-engineer interactions with the customer. 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 light-rail systems and scissor lift tables 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, 2004 was approximately \$9.2 million compared to approximately \$10.5 million at March 31, 2003. The March 31, 2003 backlog included \$0.9 million relating to our Positech business, which was divested in February 2004.

### ***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, Diafuku, Swisslog, Gorbelt and Southworth.

### **Employees**

At March 31, 2004, we had 2,716 employees; 1,983 in the U.S., 126 in Canada, 129 in Mexico and 478 in Europe and Asia. Approximately 670 of our employees are represented under seven separate U.S. or Canadian collective bargaining agreements which terminate at various times between July 2004 and March 2008. The contract which expires July 2004 currently covers 11 associates. 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. As the steel industry is cyclical and steel prices can fluctuate significantly, beginning in approximately January 2004 we have seen significant cost increases in certain types of steel in certain markets. We generally seek to pass on materials price increases to our distribution channel partners and end user customers, although a lag period often exists. We instituted price increases for our chain and forged attachment products effective April 1, 2004 and for the majority of our hoist products effective May 1, 2004. In addition, we initiated price surcharges beginning March 18, 2004 on certain products, and increased some of those and added price surcharges to other products effective May 3, 2004. We will continue to monitor our costs and reevaluate our price surcharges on a monthly basis. Our ability to pass on these increases is determined by market conditions.

### **Manufacturing**

We manufacture approximately 90% of the products we sell. Additionally, we outsource components and finished goods from an established global network of suppliers. We regularly upgrade our manufacturing facilities and invest in tooling, equipment and technology. We have implemented 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 and by our end-users. 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. 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 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 2005.

Certain federal and state laws, sometimes referred to as Superfund laws, require certain companies to remediate sites that are contaminated by hazardous substances. These laws apply to sites owned or operated by a company, as well as certain off-site areas for which a company may be jointly and severally liable with other companies or persons. The required remedial activities are usually performed in the context of administrative or judicial enforcement proceedings brought by regulatory authorities. We have been identified by the New York State Department of Environmental Conservation, or NYSDEC, along with other companies, as a potentially responsible party, or PRP, at the Frontier Chemical Site in Pendleton, New York, a site listed on NYSDEC's Registry. From 1958 to 1977, the Pendleton Site had been operated as a commercial waste treatment and disposal facility. We sent waste-pickling liquor generated at our facility in Tonawanda, New York, to the Pendleton Site during the period from approximately 1969 to 1977, and we participated with other PRPs in conducting the remediation of the Pendleton Site under a consent order with NYSDEC. Construction in connection with the remediation has been completed and this project is currently in its operations and maintenance phase. As a result of a negotiated cost allocation among the participating PRPs, we have paid our pro rata share of the remediation construction costs and accrued our share of the ongoing operations and maintenance costs. As of March 31, 2004, we have paid approximately \$1.0 million in remediation and ongoing operations and maintenance costs associated with the Pendleton Site. The participating PRPs have identified and commenced a cost recovery action against a number of other parties who sent hazardous substances to the Pendleton Site. Full settlements have been reached with all defendants in the cost recovery action. All settlement payments in connection with the Pendleton Site litigation have been made, and we have received \$0.2 million as our share of the settlement proceeds. We have also entered into a settlement agreement with one of our insurance carriers in the amount of \$0.7 million in connection with the Pendleton Site and have received payment in full of the settlement amount.

We are investigating past waste disposal activities at a facility in Cleveland, Texas, operated by our subsidiary, Crane Equipment and Service, Inc., and we plan to apply to the Texas Commission on Environmental Quality for entry into its Voluntary Cleanup Program in connection with the site. At this time, it is not possible to determine the costs of future site investigation or, if necessary, remediation, but we believe any such costs will not have a material adverse effect on our operating results or financial condition.

For all of the currently known environmental matters, we have accrued a total of approximately \$0.3 million as of March 31, 2004, 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 and regulations thereunder. To our knowledge, 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](http://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 2. Properties.**

We maintain our corporate headquarters in Amherst, New York and conduct our principal manufacturing at the following facilities:

| <u>Location</u>                 | <u>Products/Operations</u>                         | <u>Square Footage</u> | <u>Owned or Leased</u> | <u>Business Segment</u> |
|---------------------------------|--|-----------------------|------------------------|-------------------------|
| <b><u>United States:</u></b>    |  |                       |                        |                         |
| Muskegon, MI                    | Hoists   | 500,000               | Owned                  | Products                |
| Charlotte, NC                   | Industrial components                              | 250,000               | Owned                  | Products                |
| Tonawanda, NY                   | Light-rail crane systems                           | 187,600               | Owned                  | Solutions               |
| Wadesboro, NC                   | Hoists   | 180,000               | Owned                  | Products                |
| Lexington, TN                   | Chain  | 153,200               | Owned                  | Products                |
| Cedar Rapids, IA                | Forged attachments                                 | 100,000               | Owned                  | Products                |
| Eureka, IL                      | Cranes   | 91,300                | Owned                  | Products                |
| Damascus, VA                    | Hoists   | 87,400                | Owned                  | Products                |
| Chattanooga, TN                 | Forged attachments                                 | 77,000                | Owned                  | Products                |
| Greensburg, IN                  | Scissor lifts                                      | 60,000                | Owned                  | Solutions               |
| Lisbon, OH                      | Hoists   | 37,000                | Owned                  | Products                |
| Cleveland, TX                   | Cranes   | 35,000                | Owned                  | Products                |
| Chattanooga, TN                 | Forged attachments                                 | 33,000                | Owned                  | Products                |
| Sarasota, FL                    | Tire shredders                                     | 25,000                | Owned                  | Solutions               |
| <b><u>International:</u></b>    |  |                       |                        |                         |
| Santiago, Tianguistenco, Mexico | Hoists and chain                                   | 85,000                | Owned                  | Products                |
| Arden, Denmark                  | Project design and conveyors                       | 70,500                | Owned                  | Solutions               |
| Velbert, Germany                | Hoists   | 56,000                | Leased                 | Products                |
| Chester, United Kingdom         | Plate clamps                                       | 47,900                | Leased                 | Products                |
| Stoney Creek, Ontario, Canada   | Cranes   | 42,400                | Owned                  | Products                |
| Hangzhou, China                 | Metal fabrication, textiles and textile strappings | 37,000                | Leased                 | Products                |
| Chester, United Kingdom         | Plate clamps                                       | 25,400                | Owned                  | Products                |
| Romeny-sur-Marne, France        | Rotary unions                                      | 21,600                | Owned                  | Products                |
| Hangzhou, China                 | Textile strappings                                 | 20,000                | Leased                 | Products                |
| Arden, Denmark                  | Project construction                               | 19,500                | Leased                 | Solutions               |
| Vierzon, France                 | Hoists   | 14,000                | Leased                 | Products                |
| Hangzhou, China                 | Hoists and hand pallet trucks                      | 7,200                 | Leased                 | Products                |

In addition, we have a total of 35 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 \$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.**

Not applicable.

## 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 May 31, 2004, there were 557 holders of record of our common stock.

We paid quarterly cash dividends on our common stock from 1988 through the second quarter of fiscal 2002. In January 2002, we announced that we were indefinitely suspending the payment of cash dividends on our common stock in order to dedicate our cash resources to the repayment of outstanding indebtedness. Our current credit agreement does not permit us 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.

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 and our dividend history.

|                                  | <b><u>Price Range of<br/>Common Stock</u></b> |                   | <b><u>Dividend<br/>Per Share</u></b> |
|----------------------------------|---|-------------------|--------------------------------------|
|                                  | <b><u>High</u></b>                            | <b><u>Low</u></b> |                                      |
| <b>Year Ended March 31, 2002</b> |   |                   |                                      |
| First Quarter .....              | \$ 11.25                                      | \$ 6.96           | \$ 0.07                              |
| Second Quarter .....             | 10.40   | 9.36              | 0.07                                 |
| Third Quarter .....              | 10.15   | 7.45              | 0.00                                 |
| Fourth Quarter.....              | 12.80   | 9.31              | 0.00                                 |
| <b>Year Ended March 31, 2003</b> |   |                   |                                      |
| First Quarter .....              | \$ 13.67                                      | \$ 6.95           | \$ 0.00                              |
| Second Quarter .....             | 9.08  | 4.90              | 0.00                                 |
| Third Quarter .....              | 5.38  | 3.30              | 0.00                                 |
| Fourth Quarter .....             | 3.90  | 1.40              | 0.00                                 |
| <b>Year Ended March 31, 2004</b> |   |                   |                                      |
| First Quarter .....              | \$ 2.72                                       | \$ 1.30           | \$ 0.00                              |
| Second Quarter .....             | 4.84  | 2.31              | 0.00                                 |
| Third Quarter.....               | 7.80  | 4.58              | 0.00                                 |
| Fourth Quarter.....              | 11.72   | 6.35              | 0.00                                 |

On June 10, 2004, the last reported sale price of our common stock on the Nasdaq Stock Market was \$5.28 per share.

**Item 6. Selected Financial Data.**

The consolidated balance sheets as of March 31, 2004 and 2003 and the related statements of operations, cash flows and shareholders' equity for the three years ended March 31, 2004 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.

|  | <b>Fiscal Years Ended March 31,</b>                 |                    |                    |                    |                    |
|--|---|--------------------|--------------------|--------------------|--------------------|
|  | <b><u>2004</u></b>                                  | <b><u>2003</u></b> | <b><u>2002</u></b> | <b><u>2001</u></b> | <b><u>2000</u></b> |
|  | <i>(Amounts in millions, except per share data)</i> |                    |                    |                    |                    |
| <b>Statement of Operations Data (1):</b>                     |   |                    |                    |                    |                    |
| Net sales  | \$ 444.6  | \$ 453.3           | \$ 480.0           | \$ 586.2           | \$ 609.2           |
| Cost of products sold  | 339.7   | 346.0              | 359.5              | 426.7              | 436.8              |
| Gross profit   | 104.8   | 107.3              | 120.5              | 159.5              | 172.4              |
| Selling expenses   | 48.3  | 47.4               | 43.5               | 48.4               | 48.7               |
| General and administrative expenses                          | 25.0  | 26.6               | 28.3               | 34.3               | 40.5               |
| Restructuring charges  | 1.2   | 3.7                | 9.6                | —                  | —                  |
| Write-off/amortization of intangibles (2)                    | 0.4   | 4.2                | 11.0               | 11.0               | 11.4               |
| Income from operations                                       | 29.9  | 25.4               | 28.1               | 65.8               | 71.8               |
| Interest and debt expense                                    | 28.9  | 32.0               | 29.4               | 36.3               | 33.4               |
| Other (income) and expense, net                              | (4.2)   | (2.1)              | 2.4                | (2.2)              | (1.3)              |
| Income (loss) before income taxes                            | 5.2   | (4.5)              | (3.7)              | 31.7               | 39.7               |
| Income tax expense   | 4.0   | 1.5                | 2.3                | 16.8               | 17.6               |
| Income (loss) from continuing operations                     | 1.2   | (6.0)              | (6.0)              | 14.9               | 22.1               |
| Income (loss) from discontinued operations                   | —   | —                  | (7.9)              | 0.3                | (5.0)              |
| Loss on disposition of discontinued operations               | —   | —                  | (121.4)            | —                  | —                  |
| Total income (loss) from discontinued operations             | —   | —                  | (129.3)            | 0.3                | (5.0)              |
| Cumulative effect of change in accounting principle (2)      | —   | (8.0)              | —                  | —                  | —                  |
| Net income (loss)  | <u>\$ 1.2</u>                                       | <u>\$ (14.0)</u>   | <u>\$ (135.3)</u>  | <u>\$ 15.2</u>     | <u>\$ 17.1</u>     |
| Diluted earnings (loss) per share from continuing operations | \$ 0.08   | \$ (0.42)          | \$ (0.41)          | \$ 1.04            | \$ 1.55            |
| Basic earnings (loss) per share from continuing operations   | \$ 0.08   | \$ (0.42)          | \$ (0.41)          | \$ 1.04            | \$ 1.57            |
| Weighted average shares outstanding – assuming dilution      | 14.6  | 14.5               | 14.4               | 14.3               | 14.2               |
| Weighted average shares outstanding – basic                  | 14.6  | 14.5               | 14.4               | 14.3               | 14.1               |
| <b>Balance Sheet Data (at end of period):</b>                |   |                    |                    |                    |                    |
| Total assets (3)   | \$ 473.4  | \$ 482.6           | \$ 524.3           | \$ 722.4           | \$ 731.8           |
| Total debt   | 287.9   | 314.1              | 347.9              | 407.0              | 413.8              |
| Total shareholders' equity                                   | 63.0  | 52.7               | 71.6               | 207.9              | 203.5              |
| <b>Other Financial Data:</b>                                 |   |                    |                    |                    |                    |
| Net cash provided by operating activities                    | 26.4  | 14.2               | 49.8               | 38.3               | 44.3               |
| Net cash provided by (used in) investing activities          | 4.3   | 16.0               | (1.6)              | (7.2)              | (18.7)             |
| Net cash used in financing activities                        | (21.5)  | (41.9)             | (48.5)             | (19.5)             | (24.2)             |
| Capital expenditures   | 3.6   | 5.0                | 4.7                | 10.2               | 7.9                |
| Cash dividends per common share                              | 0.00  | 0.00               | 0.14               | 0.28               | 0.28               |

- (1) Statement of Operations data represent our continuing operations and reflect the May 2002 sale of substantially all of the assets of ASI. The financial statements of all periods presented have been restated to remove ASI results from the continuing operations data. Refer to Note 3 to our consolidated financial statements for more information on the Discontinued Operations.
- (2) As a result of our adoption of SFAS 142 effective April 1, 2002, goodwill is no longer amortized. The charge in fiscal 2003 represents a \$4.0 million impairment write-off. In addition, the cumulative effect of change in accounting principle represents the impact of adopting SFAS 142.
- (3) Total assets includes net assets of discontinued operations of \$21.5 million, \$163.5 million and \$152.6 million as of March 31, 2002, 2001 and 2000, respectively.

## **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 component parts serving a wide variety of commercial and industrial end 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 material handling systems and solutions for end-users to improve work station and facility-wide work flow.

Founded in 1875, we have grown to our current leadership position through organic growth and also as the result of the 14 businesses we acquired between February 1994 and April 1999. We have developed our leading market position over our 125-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. We continue to further integrate the operations of the acquired businesses with our previously existing businesses. The current phase of the ongoing integration of these businesses includes improving our productivity, further reducing our excess manufacturing capacity and extending our cross-selling activities to the European marketplace. This phase is in process through our Lean Manufacturing efforts, facility rationalization program and European sales initiatives. Our Lean Manufacturing efforts are fundamentally changing our manufacturing processes to be more responsive to customer demand, resulting in significant inventory reductions and improving on-time delivery and productivity. For example, we realized nearly 40% inventory turn improvement to 5.3 times at March 31, 2004 from 3.8 times at March 31, 2001. Specifically in fiscal 2004, we realized approximately 20% improvement from 4.4 times at March 31, 2003. Over the past three years, under our facility rationalization program, we have closed 13 facilities and consolidated several product lines, with potential opportunity for further rationalization. Also, as previously reported, we have been undergoing assessments for possible divestiture of several less-strategic businesses, including most of our Solutions segment and certain businesses within our Products segment. Two businesses were sold in fiscal 2004 and four others remain as possible divestiture candidates. Furthermore, we are selling real properties that resulted from our facility rationalization projects. These divestitures may result in gains or losses. To further expand our global sales, we have begun introducing certain of our products through our existing European distribution network that historically have been distributed only in North America.

Many of the U.S. industrial sectors that we serve have been impacted by soft economic conditions since mid-1998. These conditions deteriorated significantly in our fiscal 2001 fourth quarter and continued to decline throughout fiscal 2002 and 2003, negatively impacting our net sales and financial performance. We began to see some stabilization and then very modest improvement in the latter half of fiscal 2004. While reaching a historical high of \$609.2 million in fiscal 2000, our net sales dropped by 18.1% to \$480.0 million in fiscal 2002, by an additional 5.6% to \$453.3 million in fiscal 2003 and by an additional 1.9% to \$444.6 million in fiscal 2004, primarily due to this downturn in the business cycle. Despite these economic conditions and their impact on our operating results, we maintained our leading market share, generated positive cash flow from operations and business divestitures and repaid \$59.7 million, \$34.5 million and \$17.7 million of debt in fiscal 2002, 2003 and 2004, respectively.

We continue to be cautiously optimistic that the economic environment as it impacts our Company is modestly improving.

We monitor such indicators as U.S. Industrial Capacity Utilization and Industrial Production which have been steadily increasing since July 2003. We sell our products domestically to a cross-section of business sectors, spanning the breadth of primarily the industrial contributors to the U.S. gross domestic product. These sectors are impacted by these indicators in varying degrees and at various points in a business cycle. We will continue to monitor these indicators to assess the impact on our future business. In addition, to enhance future revenue opportunities, we are increasing our sales and marketing efforts in international markets and investing in new products and services as further described in Item 1 of this Annual Report within the section described as “Our Strategy”.

On the cost side we, like many companies, have been challenged over the past several years with significantly increased costs for fringe benefits such as health insurance, workers compensation insurance and pension. Combined, those benefits cost us almost \$30 million in fiscal 2004 and we work diligently with our advisors to balance cost control with the need to provide competitive benefits packages for our associates. Another cost area of focus is steel pricing. We utilize approximately \$20-\$25 million of steel annually in a variety of forms including rod, wire, bar, structural and others. With increases in worldwide demand for steel and significant increases in scrap steel prices, we have experienced increases in our costs that we have reflected as price increases and surcharges to our customers. Our surcharges went into effect beginning March 18, 2004 and currently affect most of our chain and forged attachment products. We continue to monitor steel costs and potential surcharge requirements on a monthly basis.

## 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:

|                         | <u>Fiscal Years Ended March 31,</u> |                |                | <u>Change</u>        |                      | <u>Change</u>        |                      |
|-------------------------|-------------------------------------|----------------|----------------|----------------------|----------------------|----------------------|----------------------|
|                         | <u>2004</u>                         | <u>2003</u>    | <u>2002</u>    | <u>2004 vs. 2003</u> | <u>2003 vs. 2002</u> | <u>2003 vs. 2002</u> | <u>2003 vs. 2002</u> |
|                         | <u>Amount</u>                       | <u>Amount</u>  | <u>Amount</u>  | <u>Amount</u>        | <u>%</u>             | <u>Amount</u>        | <u>%</u>             |
| Products segment .....  | \$394.2                             | \$388.1        | \$404.7        | \$6.1                | 1.6                  | \$(16.6)             | (4.1)                |
| Solutions segment ..... | <u>50.4</u>                         | <u>65.2</u>    | <u>75.3</u>    | <u>(14.8)</u>        | <u>(22.7)</u>        | <u>(10.1)</u>        | <u>(13.4)</u>        |
| Total net sales .....   | <u>\$444.6</u>                      | <u>\$453.3</u> | <u>\$480.0</u> | <u>\$(8.7)</u>       | (1.9)                | <u>\$(26.7)</u>      | (5.6)                |

Sales in recent years were affected by the downturn in the general North American and European economies and the industrial sectors in particular. Net sales in fiscal 2004 of \$444.6 million decreased by \$8.7 million, or 1.9%, from fiscal 2003, and net sales in fiscal 2003 of \$453.3 million decreased \$26.7 million, or 5.6%, from fiscal 2002. Our Products segment net sales improved 1.6% in fiscal 2004 as we saw stabilization by mid-2004 and improvement of 7.4% in the latter half of the fiscal year. Fiscal 2003 Products segment was marked with a 4.1% decline, primarily due to decreased unit sales resulting from the soft U.S. industrial markets. Both fiscal 2004 and 2003 were impacted by the weakening U.S. dollar relative to other currencies, particularly the euro, and reported Products segment sales were favorably affected by \$11.3 million and \$4.6 million in fiscal 2004 and 2003, respectively. Our Solutions segment net sales decreased 22.7% and 13.4% in fiscal 2004 and 2003, respectively. The declines in fiscal 2004 and 2003 were primarily due to soft U.S. and European industrial markets, particularly affecting purchasing decisions for capital goods. The fiscal 2004 decline was further impacted by the March 2003 divestiture of our steel erection business, which generated \$7.9 million and \$17.7 million of revenues in fiscal 2003 and 2002, respectively.

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

|                          | <u>Fiscal Years Ended March 31,</u> |             |                |             |                |             |
|--------------------------|-------------------------------------|-------------|----------------|-------------|----------------|-------------|
|                          | <u>2004</u>                         |             | <u>2003</u>    |             | <u>2002</u>    |             |
|                          | <u>Amount</u>                       | <u>%</u>    | <u>Amount</u>  | <u>%</u>    | <u>Amount</u>  | <u>%</u>    |
| Products segment .....   | \$99.2                              | 25.2        | \$98.7         | 25.4        | \$109.3        | 27.0        |
| Solutions segment .....  | <u>5.6</u>                          | <u>11.1</u> | <u>8.6</u>     | <u>13.2</u> | <u>11.2</u>    | <u>14.9</u> |
| Total gross profit ..... | <u>\$104.8</u>                      | 23.6        | <u>\$107.3</u> | 23.7        | <u>\$120.5</u> | 25.1        |

Our gross profit margins were approximately 23.6%, 23.7% and 25.1% in fiscal 2004, 2003 and 2002, respectively. The Products segment reflected a stabilized gross profit margin in fiscal 2004 as the revenues stabilized during the year and costs were closely monitored. The decrease in Products segment gross profit margin for fiscal 2003 was primarily the result of

economic and inventory reduction factors. The Product segment's gross profit margin decreased in fiscal 2003 due to the following factors: i) our price increase implementation was delayed eight months until August 2002 due to economic market conditions (approximately \$2.0 million impact); ii) cost increases, particularly for employee benefits such as health insurance, workers compensation insurance and pension and also general property insurance (approximately \$1.4 million impact); iii) pricing pressure, especially on our capital-type products such as cranes (approximately \$1.5 million impact); iv) the 4.1% decline in net sales and the resulting decrease in absorption of fixed production costs; v) production at levels lower than sales levels to reduce inventories and the resulting further decrease in absorption of fixed production costs; vi) production inefficiencies at our facilities impacted by facility rationalization activities; and vii) a \$2.5 million reclassification of certain crane builder expenses to cost of products sold from general and administrative expenses in fiscal 2003. The Solutions segment's gross profit margins decreased in fiscal 2004 and 2003 primarily due to the 22.7% and 13.4% declines in net sales, respectively, and resulting decrease in absorption of fixed production costs, increased employee benefits costs as described above and an increase in larger integrated solutions projects which carry a lower gross profit margin overall.

Selling expenses were \$48.3 million, \$47.4 million and \$43.5 million in fiscal 2004, 2003 and 2002, respectively. As a percentage of net sales, selling expenses were 10.9%, 10.5% and 9.1% in fiscal 2004, 2003 and 2002, respectively. The fiscal 2004 and 2003 increases include \$2.2 million and \$1.8 million, respectively, resulting from the weakening of the U.S. dollar relative to foreign currencies, particularly the euro, upon translation of foreign operating results into U.S. dollars for reporting purposes. The fiscal 2004 and 2003 increases also include \$0.4 million and \$0.9 million, respectively, resulting from reclassification of certain crane builder expenses from general and administrative expenses in fiscal 2003 to improve reporting consistency. The fiscal 2003 increase further includes \$0.5 million for investing in new geographic markets and other increases for employee benefits costs, catalogs, and commissions in certain markets, partially offset by cost control measures.

General and administrative expenses were \$25.0 million, \$26.6 million and \$28.2 million in fiscal 2004, 2003 and 2002, respectively. As a percentage of net sales, general and administrative expenses were 5.6%, 5.9% and 5.9% in fiscal 2004, 2003 and 2002, respectively. Much of the expense reductions resulted from general discretionary cost control measures. Partially offsetting those savings, fiscal 2004 was unfavorably impacted by \$1.2 million resulting from the translation of foreign currencies into the weaker U.S. dollar for reporting purposes and also included \$0.8 million higher bad debt expenses. The fiscal 2003 expenses were favorably impacted by a \$0.8 million reduction in product liability expense due to reassessment of self-insurance exposure relative to certain claims and the reclassification of \$3.4 million of crane builder expenses into cost of products sold or selling expense. These fiscal 2003 favorable results were partially offset by \$1.2 million for professional fees for special projects to improve the Company's organization structure, \$1.1 million for a business divested in March 2003, \$0.8 million for intercompany exchange losses and \$0.5 million for increased bad debt expenses.

Restructuring charges of \$1.2 million, \$3.7 million and \$9.6 million, or 0.3%, 0.8% and 2.0% of net sales in fiscal 2004, 2003 and 2002, respectively, were primarily attributable to the closure or significant reorganization of thirteen manufacturing or warehouse facilities. During fiscal 2004, we recorded restructuring charges of \$1.2 million 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. The following facilities were closed, merged or significantly reorganized beginning in fiscal 2003: Abingdon, VA; Tonawanda, NY; Cobourg, Ontario, Canada; Forest Park, IL; and Reform, AL. Excluding the Tonawanda facility, these operations were included within our Products segment, and were relocated into other existing Products segment facilities. Fiscal 2003 charges included exit costs of \$1.8 million for severance relating to approximately 215 employees, \$1.0 million of lease termination, facility wind-down, preparation for sale and maintenance of non-operating facilities prior to disposal and \$0.9 million for facility closure costs on projects begun in 2002. Three of the five 2003 projects were completed as planned in the fourth quarter of fiscal 2003 while two were completed by the second quarter of fiscal 2004. The remaining liability of \$0.4 million for fiscal 2003-2004 projects relates to the ongoing maintenance costs of the non-operating facilities.

The following facilities were closed, merged or significantly reorganized beginning in fiscal 2002: Houma, LA; Woodland, CA; Romeoville, IL; Forrest City, AR; Monterrey, Mexico; Hobro, Denmark; Atlanta, GA; and Richmond, British Columbia, Canada. All operations except for the Hobro facility were included within our Products segment, and all activities were relocated into other existing company facilities within their respective segments. Charges included exit costs of \$2.4 million for severance relating to approximately 250 employees and \$7.2 million of lease termination, facility wind-down, preparation for sale and maintenance of non-operating facilities prior to disposal. Included in the restructuring charges was approximately \$8.3 million to terminate a facility lease, resulting in the purchase of the property with an estimated fair value of approximately \$2.3 million which was recorded as an offset to the restructuring charges. Due to changes in the real estate market and a reassessment of the fair value of the property, the net asset held for sale was adjusted downward by \$0.5 million as a further restructuring charge during fiscal 2003. All of the projects were completed as planned during fiscal 2002. The remaining liability of \$0.2 million relates to the ongoing maintenance costs of the non-operating facility.

Each rationalization project was analyzed based on our capacity and the cost structure of the specific facilities relative to



others. As a result of these rationalization projects we expect to achieve approximately \$13 million to \$15 million of annualized savings primarily in cost of products sold including facility fixed costs and employee costs, of which approximately \$8 million and \$11 million was realized during fiscal 2003 and 2004, respectively. We anticipate that our restructuring charges for fiscal 2005 in connection with our ongoing facility rationalization and reorganization initiatives will be between \$0.4 million and \$0.7 million.

Write-off/amortization of intangibles was \$0.4 million, \$4.2 million and \$11.0 million in fiscal 2004, 2003 and 2002, respectively. Fiscal 2003 reflected a \$4.0 million goodwill write-off in the fourth quarter relating to impairment under Statement of Financial Accounting Standard (SFAS) No. 142 "Goodwill and Other Intangible Assets," which pronouncement eliminated the requirement to amortize goodwill and indefinite-lived intangible assets beginning in fiscal 2003 but added new impairment testing rules. The fiscal 2002 amount relates primarily to non tax-deductible goodwill amortization.

Interest and debt expense was \$28.9 million, \$32.0 million and \$29.4 million in fiscal 2004, 2003 and 2002, respectively. As a percentage of net sales, interest and debt expense was 6.5%, 7.1% and 6.1% in fiscal 2004, 2003 and 2002, respectively. The fiscal 2004 decrease primarily resulted from lower debt levels. The fiscal 2003 increase included a \$1.2 million write-off of deferred financing costs associated with the Company's former credit facility, which was replaced with a new credit arrangement in November 2002, a portion of which carried higher effective interest rates than the Company's former credit facility.

Other (income) and expense, net was (\$4.2) million, (\$2.1) million and \$2.5 million in fiscal 2004, 2003 and 2002, respectively. The income in fiscal 2004 included \$5.7 million from asset sales and \$1.9 million from an interest rate swap partially offset by \$3.9 million of losses upon business divestitures. The income in fiscal 2003 included \$5.3 million from asset sales offset by a \$2.2 million unrealized, non-cash, mark-to-market loss recognized within our captive insurance company's securities portfolio and a \$1.3 million loss on a business divestiture. The unrealized loss within the securities portfolio was recognized since it was deemed to be other than temporary in nature, resulting from unrealized losses that existed longer than a six month period. The expense in fiscal 2002 similarly included a \$2.8 million unrealized, non-cash, mark-to-market loss recognized on marketable securities held by our captive insurance subsidiary, a \$1.5 million loss on a business divestiture and a \$1.8 million gain on asset sales.

Income taxes as a percentage of income before income taxes were not reflective of U.S statutory rates in fiscal 2004, 2003 or 2002 primarily due to the impact of non-deductible goodwill amortization/write-off in fiscal 2003 and 2002 and also due to varying tax jurisdiction rates on low or negative pretax income, and the existence of losses for which no tax benefit has been recorded.

Upon adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," we reduced goodwill by \$8.0 million as of the beginning of fiscal 2003, reflected as the cumulative effect of a change in accounting principle on our statement of operations. A discounted cash flows approach was used to test goodwill for potential impairment.

## LIQUIDITY AND CAPITAL RESOURCES

In November 2002, we refinanced our credit facilities. The new arrangement replaced our previous revolving credit facility that was scheduled to mature on March 31, 2003. The new arrangement consisted of a Revolving Credit Facility, a Term Loan and a Senior Second Secured Term Loan. The Revolving Credit Facility currently provides availability up to a maximum of \$50 million through March 31, 2007. Availability based on the underlying collateral at March 31, 2004 amounted to \$48.9 million. The unused Revolving Credit Facility totaled \$39.7 million at March 31, 2004 with no borrowings outstanding but with \$9.2 million of outstanding letters of credit. Interest is payable at varying Eurodollar rates based on LIBOR or prime plus spreads determined by our leverage ratio, amounting to 275 or 150 basis points applied to each, respectively, at March 31, 2004.

The Term Loan requires quarterly \$0.5 million payments with the balance due on March 31, 2007. At March 31, 2004, \$7.8 million was outstanding under the Term Loan. Interest is payable at varying Eurodollar rates based on LIBOR plus a spread determined by our leverage ratio, amounting to 325 basis points at March 31, 2004 (4.37%).

The Revolving Credit Facility and Term Loan are secured by all of our domestic tangible and intangible assets (limited to 65% for stock ownership of foreign subsidiaries).

In July 2003, we issued \$115.0 million of 10% Senior Secured Notes due August 1, 2010 which remain outstanding at March 31, 2004. Proceeds from this offering were used for the repayment in full of a then outstanding senior second secured term loan (\$66.8 million), the repurchase of \$35.7 million of Senior Subordinated 8½% Notes at a discount (\$30.1 million), the repayment of a portion of the outstanding Revolving Credit Facility (\$10.0 million), the repayment of a portion of the Term Loan (\$3.9 million), the payment of financing costs (\$2.8 million) and the payment of accrued interest (\$1.4 million). Provisions of the

10% Notes include, without limitation, restrictions on liens, indebtedness, asset sales, and dividends and other restricted payments. The 10% Notes are redeemable at our option, in whole or in part, at prices declining annually from the Make-Whole Price (as defined in the Indenture for the Notes). In the event of a Change of Control (as defined), each holder of the 10% Notes may require us to repurchase all or a portion of such holder's 10% Notes at a purchase price equal to 101% of the principal amount thereof. The 10% Notes are guaranteed by certain existing and future domestic subsidiaries and are not subject to any sinking fund requirements. The 10% Notes are also secured, in a second lien position, by all domestic inventory, receivables, equipment, real property, subsidiary stock (limited to 65% for foreign subsidiaries) and intellectual property.

The redemption of a portion of the outstanding Senior Subordinated 8½% Notes occurred at a discount resulting in a \$5.6 million pre-tax gain on early extinguishment of debt. As a result of the repayment of the senior second secured term loan and a portion of the Term Loan and Senior Subordinated 8½% Notes, \$4.9 million of pre-tax deferred financing costs were written-off in fiscal 2004. The net effect of these two items, a \$0.7 million pre-tax gain, is shown as part of other (income) and expense, net.

The corresponding credit agreements associated with the Revolving Credit Facility and the Term Loan place certain debt covenant restrictions on us, including financial requirements and a restriction on dividend payments, with which we are currently in compliance.

From time to time, we manage our debt portfolio by using interest rate swaps to achieve an overall desired position of fixed and floating rates. In June 2001, we entered into an interest rate swap agreement to effectively convert \$40 million of variable-rate debt to fixed-rate debt, which matured in June 2003. That cash flow hedge was considered effective and the gain or loss on the change in fair value was reported in other comprehensive income, net of tax. In August 2003, we entered into an interest rate swap agreement to convert \$93.5 million of fixed-rate debt (10%) to variable-rate debt (LIBOR plus 578.2 basis points) through August 2008 and \$57.5 million from August 2008 through August 2010 at the same rate. That interest rate swap was considered an ineffective hedge and therefore the change in fair value was recognized in income as a gain. The swap was terminated in January 2004 and a pre-tax gain of \$1.9 million was recognized as other income as a result of changes in the fair value of the swap.

At March 31, 2004, our Senior Subordinated 8½% Notes issued on March 31, 1998 and due March 31, 2008 amounted to \$164.1 million, net of original issue discount. Interest is payable semi-annually based on an effective rate of 8.45%, considering \$1.9 million of proceeds from rate hedging in advance of the placement. Provisions of the 8½% Notes include, without limitation, restrictions on liens, indebtedness, asset sales and dividends and other restricted payments. Prior to April 1, 2003, the 8½% Notes were redeemable at our option, in whole or in part, at the Make-Whole Price (as defined in the Indenture for the Notes). On or after April 1, 2003, they are redeemable at prices declining annually from 104.25% to 100% on and after April 1, 2006. In the event of a Change of Control (as defined), each holder of the 8½% Notes may require us to repurchase all or a portion of such holder's 8½% Notes at a purchase price equal to 101% of the principal amount thereof. The 8½% Notes are guaranteed by certain existing and future domestic subsidiaries and are not subject to any sinking fund requirements.

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 is focused on cash generation for debt repayment. The business plan includes continued implementation of lean manufacturing, facility rationalization projects, divestiture of excess facilities and certain non-strategic operations, improving working capital components, including inventory reductions, and new market and new product development.

Net cash provided by operating activities was \$26.4 million, \$14.2 million and \$49.8 million in fiscal 2004, 2003 and 2002, respectively. Overall, operating assets net of liabilities provided cash of \$8.8 million, \$4.0 million and \$28.3 million in fiscal 2004, 2003 and 2002, respectively. The \$12.2 million increase in fiscal 2004 relative to fiscal 2003 was primarily due to stronger operating performance in fiscal 2004 and income tax refunds of \$12.5 million. The \$35.6 million decrease in fiscal 2003 relative to fiscal 2002 was due to weaker operating performance in fiscal 2003 and to working capital changes. In particular, trade accounts receivable and inventories provided cash of \$10.2 million in fiscal 2003 compared to \$33.5 million in fiscal 2002 and trade accounts payable used \$4.8 million of cash in fiscal 2003 but provided \$3.7 million of cash in fiscal 2002.

Net cash provided by investing activities was \$4.3 million and \$16.0 million in fiscal 2004 and 2003, respectively, and used in investing activities was \$1.6 million in fiscal 2002. The fiscal 2004, 2003 and 2002 amounts included \$7.8 million, \$21.7 million and \$4.9 million, respectively, from business and property divestitures.

Net cash used in financing activities was \$21.5 million, \$41.9 million and \$48.5 million in fiscal 2004, 2003 and 2002, respectively. Those amounts included \$17.7 million, \$34.5 million and \$46.7 million of debt repayment in fiscal 2004, 2003 and 2002, respectively, as well as \$2.0 million of dividends paid in fiscal 2002. We also paid \$4.4 million and \$8.2 million of

financing costs in fiscal 2004 and 2003, respectively, to effect the capital transactions previously described.

## CONTRACTUAL OBLIGATIONS

The following table reflects a summary of our contractual obligations in millions of dollars as of March 31, 2004, by period of estimated payments due:

|   | <b><u>Total</u></b> | <b><u>Fiscal 2005</u></b> | <b><u>Fiscal 2006-<br/>Fiscal 2007</u></b> | <b><u>Fiscal 2008-<br/>Fiscal 2009</u></b> | <b><u>More Than<br/>Five Years</u></b> |
|---|---------------------|---------------------------|--|--|--|
| Long-term debt obligations (a)  | \$287.9             | \$2.2                     | \$6.1                                      | \$164.3                                    | \$115.3                                |
| Operating lease obligations (b)   | 12.6                | 3.8                       | 4.9  | 2.9  | 1.0                                    |
| Purchase obligations (c) .....  | --                  | --                        | --   | --   | --                                     |
| Interest obligations (d) .....  | 129.3               | 25.8                      | 51.2                                       | 37.0                                       | 15.3                                   |
| Letter of credit obligations.....   | 9.2                 | 7.5                       | 1.7  | --   | --                                     |
| Other long-term liabilities<br>reflected on the Company's<br>balance sheet under GAAP (e) | <u>37.9</u>         | <u>2.9</u>                | <u>22.8</u>                                | <u>9.2</u>                                 | <u>3.0</u>                             |
| Total.....  | <u>\$476.9</u>      | <u>\$42.1</u>             | <u>\$86.7</u>                              | <u>\$213.3</u>                             | <u>\$134.6</u>                         |

- (a) As described in note 10 to our consolidated financial statements.
- (b) As described in note 18 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 Term Loan due 3/31/07, Senior Secured Notes due 8/1/10 and Senior Subordinated Notes due 3/31/08.
- (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, reduce production costs, increase flexibility to respond effectively to market fluctuations and changes, meet environmental requirements, enhance safety and promote ergonomically correct work stations. Further, our facility rationalization program underway over the past three years reduced our annual capital expenditure requirements and also provided for transfers of equipment from the rationalized facilities to other operating facilities. Our capital expenditures for fiscal 2004, 2003 and 2002 were \$3.6 million, \$5.0 million and \$4.8 million, respectively. The decreased spending throughout the period reflects a deferral of certain projects due to soft market conditions, as well as reduced needs resulting from our facility rationalization program. We expect capital expenditure spending to increase modestly in fiscal 2005, to \$4.0-\$6.0 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 and the Pacific Rim. 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. 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. In the fourth quarter of fiscal 2004, we were impacted by high inflation in steel costs which varied by type of steel. We generally incorporated those cost increases into our sales price increases effective in early fiscal 2005 as well as surcharges on certain products that began in March 2004. We continue to monitor steel costs and potential surcharge requirements on a monthly basis.

## 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 cash of \$15.9 million and an 8% subordinated note in the principal amount of \$6.8 million payable over 10 years.

Accordingly, the ASI operation was reflected as discontinued operations in our financial statements and all prior financial statements have been restated. The loss from discontinued operations was \$7.9 million in fiscal 2002 and the loss on the disposition of the discontinued operations was \$121.5 million, both reflected in our fiscal 2002 consolidated statement of operations.

Cash provided by (used in) discontinued operations was \$0.5 million and (\$0.3) million in fiscal 2003 and 2002, respectively, as shown on our consolidated statements of cash flows.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with 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 Notes 11 and 13, respectively, to our 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 6¼%, 6¾% and 7¼% as of March 31, 2004, 2003 and 2002, respectively, are based on long-term bond rates. The decrease in discount rates for fiscal 2004 and 2003 resulted in \$7.0 million and \$5.6 million increases in the projected benefit obligations as of March 31, 2004 and 2003, respectively. The rate of return on plan assets assumptions of 8.4%, 8½% and 8 7/8% for the years ended March 31, 2004, 2003 and 2002, respectively, are based on the composition of the asset portfolios (approximately 55% equities and 45% fixed income at March 31, 2004) and their long-term historical returns. The actual assets realized gains of \$9.8 million in fiscal 2004 but sustained losses of \$(8.4) million in fiscal 2003. Accordingly, our funded status as of March 31, 2004 and 2003 was negative by \$30.3 million and \$31.1 million, or 27.3% and 32.2%, respectively. To improve our funded status, we increased our pension contributions during fiscal 2004 by \$4.0 million over fiscal 2003. Accordingly, our accrued pension cost decreased by \$3.6 million as of March 31, 2004 as compared to March 31, 2003. The negative funded status may result in future pension expense increases. However, pension expense for the March 31, 2005 fiscal year is expected to approximate fiscal 2004 expense. These factors will also result in increases in funding requirements over time, unless there is continued significant market appreciation in the asset values. However, pension funding contributions for the March 31, 2005 fiscal year are expected to decrease by approximately \$1.5 million compared to fiscal 2004. The compensation increase assumption of 4% as of March 31, 2004, 2003 and 2002 is based on historical trends.

The healthcare inflation assumptions of 12%, 12% and 9% for fiscal 2004, 2003 and 2002, 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 15 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 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 historical bad debt write-offs and credit memos issued, assessing potentially uncollectible customer

accounts and analyzing the accounts receivable agings.

*Long-Lived Assets.* Property, plants 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, 2004, the Company had \$56.3 million of total net deferred tax assets before valuation allowances. As described in Note 17 to the consolidated financial statements, \$39.7 million of the assets pertain to net operating loss carryforwards and the remainder 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 net operating loss carryforwards expire in 2023. A valuation allowance of \$48.2 million was recorded at March 31, 2004 due to the uncertainty of whether the Company's net operating loss carryforwards, capital loss carryforwards and other deferred tax assets may ultimately be realized. Our ability to realize our deferred tax assets is primarily dependent on generating sufficient future taxable income. If we do not generate sufficient taxable income, we would record an additional valuation allowance.

*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 contracts. For long-term construction 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

The Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-01) in November 2003. EITF 03-01 provides guidance on other-than-temporary impairments and its application to debt and equity investments and applies to investments in debt and marketable securities that are accounted for under Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities." EITF 03-01 requires additional disclosure of investments with unrealized losses. The requirements are effective for fiscal years ending after December 15, 2003 and accordingly we have reflected those expanded disclosures in note 6 to our consolidated financial statements.

The Financial Accounting Standards Board (FASB) issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" (FAS 132R) in December 2003. SFAS No. 132R requires additional disclosure regarding certain aspects of pension plans including, but not limited to, asset and investment strategy, expected employer contributions and expected benefit payments. The disclosure requirements of SFAS No. 132R are effective for financial statements of periods ending after December 15, 2003 and accordingly we have reflected those expanded disclosures in note 11 to our consolidated financial statements.

## FACTORS AFFECTING OUR OPERATING RESULTS

*Our business is cyclical and is affected by industrial economic conditions, and over the past several years we experienced substantially reduced demand for our products.*

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. Since the fourth quarter of fiscal 2001, 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 resulted in a

24% decline in net sales from fiscal 2001 to fiscal 2004, from approximately \$586.2 million to approximately \$444.6 million. This decline in net sales resulted in a 55% decline in our income from operations during the same period. In addition, our fiscal 2002 annual price increase implementation, scheduled for December 2001, was delayed for eight months due to weak economic conditions. During fiscal 2004, we began to see stabilization and modest improvement in sales and operating profitability in the latter half of the year.

If there is further deterioration in the general economy or in the industries we serve, our business, results of operations and financial condition could be further 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.

*If demand for our products deteriorates further, the cost saving efforts we have implemented may not be sufficient to achieve the benefits we expect.*

In fiscal 2004, we continued our facility rationalization and Lean manufacturing programs in an ongoing effort to reduce our cost structure. If the economy does not continue to improve or deteriorates further, our sales could continue to decline. If sales are lower than our expectations, our cost saving programs may not achieve the benefits we expect. We may be forced to take additional cost savings steps that could result in additional charges and materially affect our ability to compete or implement our business strategies.

*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 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 customers. 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 \$124.8 million in fiscal year 2004) is generated in foreign currencies, including principally the euro and the Canadian dollar, while a portion of the costs incurred to generate those revenues are 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 Canada, Mexico, Germany, the United Kingdom, Denmark, France and China. In addition, we import a portion of our hoist product line from China and Japan, and sell our products to distributors located in approximately 50 countries. In fiscal year 2004, approximately 36% 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 domestic 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, domestic 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 and China. 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 performance, functionality, price, brand recognition, customer service and support, and product availability. 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. 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.

*Improper use of our products involves 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 operating results may be affected by fluctuations in steel prices. We may not be able to pass on increases in raw material costs to our customers.*

The principal raw material used in our specialty chain, forging and crane building operations is steel. We utilize approximately \$20-\$25 million of steel annually in a variety of forms including rod, wire, bar, structural and others. The steel industry as a whole is highly cyclical, and at times pricing 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. Recently, the market price of steel has increased significantly. 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. To the extent we are unable to pass on sufficient 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.

*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 could pursue selected divestitures which would impact future sales, operating results, financial position and cash flows.*

Our strategy is to exit businesses that (i) are not integrated, either operationally or through sales and marketing, with the rest of our Company; (ii) have market channels and customers different from the business of our core Products segment; (iii) are not designated as recipients of significant investment of corporate resources in the foreseeable future; or (iv) have had, and are expected to continue to have, low returns on our investment of financial and management resources. For example, in fiscal 2004, we sold our Positech and Lister Chain & Forge businesses and in fiscal 2003, we sold our ASI and LICO Steel businesses after determining that they did not meet our criteria for continuing investment. We periodically review our businesses and are currently evaluating strategic alternatives for certain of our businesses. In the aggregate, these businesses generated fiscal 2004 sales and EBITDA of \$82.4 million and \$2.5 million, respectively. Divestiture of some or all of such businesses would affect future sales, operating results, financial position and cash flows.

#### **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 our products. We also evaluate our steel cost increases and assess the need for price increases and surcharges to our customers. We have not entered into financial instrument transactions related to raw material costs.

In fiscal 2004, approximately 28.1% 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 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 and the Mexican peso. For example, when the U.S. dollar strengthens against the Canadian dollar, the value of our net sales and net income denominated in Canadian dollars decreases 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 \$0.3 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, 2004, we do not have any swap agreements or similar financial instruments in place. At March 31, 2004 and 2003, approximately 95% and 98%, respectively, of our outstanding debt had fixed interest rates, including the effect of an interest rate swap that was in place at March 31, 2003. At those dates, we had approximately \$14.3 million and \$6.6 million, respectively, of outstanding variable rate debt. A 1% fluctuation in interest rates in fiscal 2003 and 2002 would have changed interest expense on that outstanding variable rate debt by approximately \$0.1 million and \$0.6 million, respectively.

Like most industrial manufacturers, we are involved with asbestos-related litigation. In continually evaluating 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 the 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.

Our actuaries have estimated our asbestos-related liability to range from \$2.8 million to \$12.3 million through approximately March 31, 2034. The estimate of our asbestos-related liability that is probable and estimable through 2012 ranges from \$2.8-\$4.0 million as of March 31, 2004. The range of probable and estimable liability reflects 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. We have concluded that no amount within that range is more likely than any other, and therefore we have reflected \$3.0 million as a liability in our consolidated financial statements in accordance with generally accepted accounting principles. The recorded liability does not consider the impact of any potential favorable federal legislation such as the "FAIR Act." Of this amount, we expect to incur asbestos liability payments of approximately \$0.2 million over the next 12 months. Because payment of the liability is likely to extend over many years, we believe that the potential additional costs for claims will not have a material after-tax effect on the financial condition of the Company or its liquidity, although the net after-tax effect of any future liabilities recorded could be material to earnings in a future period.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.**

None.

**Item 9A. Controls and Procedures.**

As of March 31, 2004, an evaluation was performed under the supervision and with the participation of our management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective as of March 31, 2004. Furthermore, there were no significant changes in our internal controls or in other factors during our fourth quarter ended March 31, 2004.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant.**

The information regarding Directors and Executive Officers of the Registrant will be included in a Proxy Statement to be filed with the Commission prior to July 29, 2004 and upon the filing of such Proxy Statement, is incorporated by reference herein.

The charters of our Audit Committee, Compensation Committee, Nomination/Succession Committee and Governance Committee are available on our website at [www.cmworks.com](http://www.cmworks.com) and are available to any shareholder upon request to the Corporate Secretary. The information on the Company's website is not incorporated by reference into this Annual Report on Form 10-K.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer, as well as our directors. Our code of ethics, the Columbus McKinnon Corporation Legal Compliance & Business Ethics Manual, is available on our website at [www.cmworks.com](http://www.cmworks.com). We intend to disclose any amendment to, or waiver from, the code of ethics that applies to our principal executive officer, principal financial officer or principal accounting officer otherwise required to be disclosed under Item 10 of Form 8-K by posting such amendment or waiver, as applicable, on our website.

**Item 11. Executive Compensation.**

The information regarding Executive Compensation will be included in a Proxy Statement to be filed with the Commission prior to July 29, 2004 and upon the filing of such Proxy Statement, is incorporated by reference herein.

**Item 12. Security Ownership of Certain Beneficial Owners and Management.**

The information regarding Security Ownership of Certain Beneficial Owners and Management will be included in a Proxy Statement to be filed with the Commission prior to July 29, 2004 and upon the filing of such Proxy Statement, is incorporated by reference herein.

**Item 13. Certain Relationships and Related Transactions.**

The information regarding Certain Relationships and Related Transactions will be included in a Proxy Statement to be filed with the Commission prior to July 29, 2004 and upon the filing of such Proxy Statement, is incorporated by reference herein.

**PART IV**

**Item 14. Principal Accountant Fees and Services.**

The information regarding Principal Accountant Fees and Services will be included in a Proxy Statement to be filed with the Commission prior to July 29, 2004 and upon the filing of such Proxy Statement, is incorporated by reference herein.

**Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.**

(a)(1) Financial Statements:

The following consolidated financial statements of Columbus McKinnon Corporation are included in Item 8:

| <u>Reference</u>  | <u>Page No.</u> |
|---|-----------------|
| Report of Independent Registered Public Accounting Firm                                     | F-2             |
| Consolidated balance sheets - March 31, 2004 and 2003                                       | F-3             |
| Consolidated statements of operations - Years ended March 31, 2004, 2003 and 2002           | F-4             |
| Consolidated statements of shareholders' equity - Years ended March 31, 2004, 2003 and 2002 | F-5             |
| Consolidated statements of cash flows - Years ended March 31, 2004, 2003 and 2002           | F-6             |
| Notes to consolidated financial statements  | F-7 to F-38     |

| (a)(2) <u>Financial Statement Schedule:</u>     | <u>Page No.</u> |
|---|-----------------|
| Schedule II - Valuation and qualifying accounts | F-39            |

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) Exhibits:

**Exhibit  
Number**

**Exhibit**

- 3.1 Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- 3.2 Amended By-Laws of the Registrant (incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated May 17, 1999).
- 4.1 Specimen common share certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995.)
- 4.2 First Amendment and Restatement of Rights Agreement, dated as of October 1, 1998, between Columbus McKinnon Corporation and American Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2003).
- 4.3 Indenture, dated as of March 31, 1998, among Columbus McKinnon Corporation, the guarantors named on the signature pages thereto and State Street Bank and Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 9, 1998).
- 4.4 Supplemental Indenture among LICO, Inc., Automatic Systems, Inc., LICO Steel, Inc., Columbus McKinnon Corporation, Yale Industrial Products, Inc., Mechanical Products, Inc., Minitec Corporation and State Street Bank and Trust Company, N.A., as trustee, dated March 31, 1998 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on form 8-K dated April 9, 1998).
- 4.5 Second Supplemental Indenture among Abell-Howe Crane, Inc., LICO, Inc., Automatic Systems, Inc. LICO Steel, Inc., Columbus McKinnon Corporation, Yale Industrial Products Inc. and State Street Bank and Trust Company, N.A., as trustee, dated as of February 12, 1999 (incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999).

- 4.6 Third Supplemental Indenture among G.L. International, Inc., Gaffey, Inc., Handling Systems and Conveyors, Inc., Larco Material Handling Inc., Abell-Howe Crane, Inc., LICO, Inc., Automatic Systems, Inc., LICO Steel, Inc., Columbus McKinnon Corporation, Yale Industrial Products, Inc. and State Street Bank and Trust Company, N.A., as trustee, dated as of March 1, 1999 (incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999).
- 4.7 Fourth Supplemental Indenture among Washington Equipment Company, G.L. International, Inc., Gaffey, Inc., Handling Systems and Conveyors, Inc., Larco Material Handling Inc., Abell-Howe Crane, Inc., Automatic Systems, Inc., LICO Steel, Inc., Columbus McKinnon Corporation, Yale Industrial Products, Inc. and State Street Bank and Trust Company, N.A., as trustee, dated as of November 1, 1999 (incorporated by reference to Exhibit 10.2 to the Company's quarterly report on form 10-Q for the quarterly period ended October 3, 1999).
- 4.8 Fifth Supplemental Indenture among Columbus McKinnon Corporation, Crane Equipment & Service, Inc., Automatic Systems, Inc., LICO Steel, Inc., Yale Industrial Products, Inc. and State Street Bank and Trust Company, N.A., as trustee, dated as of April 4, 2002 (incorporated by reference to Exhibit 4.8 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002).
- 4.9 Sixth Supplemental Indenture among Columbus McKinnon Corporation, Audubon West, Inc., Crane Equipment & Service, Inc., LICO Steel, Inc., Yale Industrial Products, Inc., Audubon Europe S.a.r.l. and State Street Bank and Trust Company, N.A., as trustee, dated as of August 5, 2002 (incorporated by reference to Exhibit 4.9 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002).
- 4.10 Indenture, dated as of July 22, 2003, among Columbus McKinnon Corporation, the guarantors named on the signature pages thereto and U.S. Bank Trust National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2003).
- 4.11 First Supplemental Indenture, dated as of September 19, 2003, among Columbus McKinnon Corporation, the guarantors named on the signature pages thereto and U.S. Bank Trust National Association, as trustee (incorporated by reference to Exhibit 4.13 to Amendment No. 1 to the Company's Registration Statement No. 333-109730 on Form S-4/A dated November 7, 2003).
- 4.12 Registration Rights Agreement dated as of July 15, 2003 among Columbus McKinnon Corporation, the guarantors named on the signature pages thereto, Credit Suisse First Boston LLC and Fleet Securities, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2003).
- 10.1 Agreement by and among Columbus McKinnon Corporation Employee Stock Ownership Trust, Columbus McKinnon Corporation and Marine Midland Bank, dated November 2, 1995 (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- #10.2 Columbus McKinnon Corporation Employee Stock Ownership Plan Restatement Effective April 1, 1989 (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- #10.3 Amendment No. 1 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated March 2, 1995 (incorporated by reference to Exhibit 10.24 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- #10.4 Amendment No. 2 to the Columbus McKinnon Corporation Employee Stock Ownership Plan, dated October 17, 1995 (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1997).
- #10.5 Amendment No. 3 to the Columbus McKinnon Corporation Employee Stock Ownership Plan, dated March 27, 1996 (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1997).
- #10.6 Amendment No. 4 of the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended



and Restated as of April 1, 1989, dated September 30, 1996 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1996).

- #10.7 Amendment No. 5 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated August 28, 1997 (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1998).
- #10.8 Amendment No. 6 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated June 24, 1998 (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1998).
- #10.9 Amendment No. 7 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated April 30, 2000 (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2000).
- #10.10 Amendment No. 8 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated March 26, 2002 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002).
- #10.11 Amendment No. 9 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated March 27, 2003 (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2003).
- \*#10.12 Amendment No. 10 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated February 28, 2004.
- #10.13 Amendment No. 11 to the Columbus McKinnon Corporation Employee Stock Ownership Plan as Amended and Restated as of April 1, 1989, dated December 19, 2003 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2003).
- #10.14 Columbus McKinnon Corporation Personal Retirement Account Plan Trust Agreement, dated April 1, 1987 (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- #10.15 Amendment No. 1 to the Columbus McKinnon Corporation Employee Stock Ownership Trust Agreement (formerly known as the Columbus McKinnon Corporation Personal Retirement Account Plan Trust Agreement) effective November 1, 1988 (incorporated by reference to Exhibit 10.26 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- #10.16 Amendment and Restatement of Columbus McKinnon Corporation 1995 Incentive Stock Option Plan (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999).
- #10.17 Second Amendment to the Columbus McKinnon Corporation 1995 Incentive Stock Option Plan, as amended and restated (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2002).
- #10.18 Columbus McKinnon Corporation Restricted Stock Plan, as amended and restated (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- #10.19 Second Amendment to the Columbus McKinnon Corporation Restricted Stock Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2002).
- #10.20 Amendment and Restatement of Columbus McKinnon Corporation Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999).

- #10.21 Columbus McKinnon Corporation Thrift [401(k)] Plan 1989 Restatement Effective January 1, 1998 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 27, 1998).
- #10.22 Amendment No. 1 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 10, 1998 (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999).
- #10.23 Amendment No. 2 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401 (k)] Plan, dated June 1, 2000 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2000).
- #10.24 Amendment No. 3 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401 (k)] Plan, dated March 26, 2002 (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002).
- #10.25 Amendment No. 4 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated May 10, 2002 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2002).
- #10.26 Amendment No. 5 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 20, 2002 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002).
- #10.27 Amendment No. 6 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated May 22, 2003 (incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2003).
- \*#10.28 Amendment No. 7 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated April 14, 2004.
- #10.29 Amendment No. 8 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated December 19, 2003 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2003).
- \*#10.30 Amendment No. 9 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Thrift [401(k)] Plan, dated March 16, 2004.
- #10.31 Columbus McKinnon Corporation Thrift 401(k) Plan Trust Agreement Restatement Effective August 9, 1994 (incorporated by reference to Exhibit 10.32 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- #10.32 Columbus McKinnon Corporation Monthly Retirement Benefit Plan Restatement Effective April 1, 1998 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 27, 1998).
- #10.33 Amendment No. 1 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated December 10, 1998 (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999).
- #10.34 Amendment No. 2 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated May 26, 1999 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1999).
- #10.35 Amendment No. 3 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated March 26, 2002 (incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002).
- #10.36 Amendment No. 4 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly

Retirement Benefit Plan, dated December 20, 2002 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002).

- \*#10.37 Amendment No. 5 to the 1998 Plan Restatement of the Columbus McKinnon Corporation Monthly Retirement Benefit Plan, dated February 28, 2004.
- #10.38 Columbus McKinnon Corporation Monthly Retirement Benefit Plan Trust Agreement Effective as of April 1, 1987 (incorporated by reference to Exhibit 10.34 to the Company's Registration Statement No. 33-80687 on Form S-1 dated December 21, 1995).
- #10.39 Form of Change in Control Agreement as entered into between Columbus McKinnon Corporation and each of Timothy T. Tevens, Robert L. Montgomery, Jr., Ned T. Librock, Karen L. Howard, Lois H. Demler, Timothy R. Harvey, John Hansen and Neal Wixson (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended March, 31, 1998).
- #10.40 Columbus McKinnon Corporation Corporate Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2001).
- 10.41 Asset Purchase Agreement dated as of May 10, 2002 by and among Automatic Systems, Inc., Columbus McKinnon Corporation and ASI Acquisition Corp (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 29, 2002).
- 10.42 Intercreditor Agreement dated as of July 22, 2003 among Columbus McKinnon Corporation, the subsidiary guarantors as listed thereon, Fleet Capital Corporation, as Credit Agent, and U.S. Bank Trust National Association, as Trustee (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2003).
- 10.43 Second Amended and Restated Credit and Security Agreement, dated as of November 21, 2002 and amended and restated as of January 2, 2004, among Columbus McKinnon Corporation, as Borrower, Larco Industrial Services Ltd., Columbus McKinnon Limited, the Guarantors Named Herein, the Lenders Party Hereto From Time to Time, Fleet Capital Corporation, as Administrative Agent, Fleet National Bank, as Issuing Lender, Congress Financial Corporation (Central), Syndication Agent, Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc., as Documentation Agent, and Fleet Securities, Inc., as Arranger (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2003).
- \*21.1 Subsidiaries of the Registrant.
- \*23.2 Consent of Ernst & Young LLP.
- \*31.1 Certification of the principal executive officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
- \*31.2 Certification of the principal financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
- \*32.1 Certification of the principal executive officer and the principal financial officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended and 18 U.S.C. Section 1350, as adopted by pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. The information contained in this exhibit shall not be deemed filed with the Securities and Exchange Commission nor incorporated by reference in any registration statement foiled by the Registrant under the Securities Act of 1933, as amended.

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\* Filed herewith

\*\* To be filed by amendment

# Indicates a Management contract or compensation plan or arrangement

(b) *Reports on Form 8-K for the quarter ended March 31, 2004:*

1. On March 4, 2004, the Registrant filed a Current Report on Form 8-K under Items 2 and 7 with respect to the sale of its Lister Division.
2. On February 3, 2004, the Registrant filed a Current Report on Form 8-K under Items 2 and 7 with respect to the sale of its Positech Division.
3. On January 21, 2004, the Registrant furnished a Current Report on Form 8-K under Items 7 and 12 relating to its financial results for the quarter ended December 28, 2003.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 22, 2004

### COLUMBUS McKINNON CORPORATION

By: /s/ TIMOTHY T. TEVENS  
Timothy T. Tevens  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u>   | <u>Title</u>  | <u>Date</u>   |
|--|---|---------------|
| <u>/s/ TIMOTHY T. TEVENS</u><br><b>Timothy T. Tevens</b>         | President, Chief Executive Officer and Director<br><i>(Principal Executive Officer)</i>                                       | June 22, 2004 |
| <u>/s/ ROBERT R. FRIEDL</u><br><b>Robert R. Friedl</b>           | Vice President – Finance and Chief Financial Officer<br><i>(Principal Financial Officer and Principal Accounting Officer)</i> | June 22, 2004 |
| <u>/s/ HERBERT P. LADDS, JR.</u><br><b>Herbert P. Ladds, Jr.</b> | Chairman of the Board of Directors  | June 22, 2004 |
| <u>/s/ CARLOS PASCUAL</u><br><b>Carlos Pascual</b>               | Director  | June 22, 2004 |
| <u>/s/ RICHARD H. FLEMING</u><br><b>Richard H. Fleming</b>       | Director  | June 22, 2004 |
| <u>/s/ ERNEST R. VEREBELYI</u><br><b>Ernest R. Verebelyi</b>     | Director  | June 22, 2004 |
| <u>/s/ WALLACE W. CREEK</u><br><b>Wallace W. Creek</b>           | Director  | June 22, 2004 |

## CERTIFICATION

I, Timothy T. Tevens, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Columbus McKinnon Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - c. disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 22, 2004

/s/ TIMOTHY T. TEVENS  
Timothy T. Tevens  
Chief Executive Officer

## CERTIFICATION

I, Robert R. Friedl, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Columbus McKinnon Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - c. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - d. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - e. disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - f. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - g. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 22, 2004

/s/ ROBERT R. FRIEDL  
Robert R. Friedl  
Chief Financial Officer

**CERTIFICATION**

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Columbus McKinnon Corporation (the "Company") on Form 10-K for the year ended March 31, 2004, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: June 22, 2004

/s/ TIMOTHY T. TEVENS  
Timothy T. Tevens  
Chief Executive Officer

/s/ ROBERT R. FRIEDL  
Robert R. Friedl  
Chief Financial Officer



# Corporate Information

## Common Stock

Columbus McKinnon's common stock is traded on the Nasdaq under the symbol, CMCO. As of March 31, 2004, there were 549 shareholders of record of the Company's common stock. In addition, 1,443 Columbus McKinnon employees owned shares through the Company ESOP. Approximately X,XXX additional shareholders held shares in "street name."

According to the March 31, 2004 SEC filings, approximately 36 institutional investors own 44.6% of Columbus McKinnon's outstanding shares.

## Annual Shareholders Meeting

August 16, 2004; 10:00 a.m.

Columbus McKinnon Corporation  
Corporate Headquarters  
140 Audubon Parkway  
Amherst, NY 14228-1197

## Transfer Agent

Please direct questions about lost certificates, change of address and consolidation of accounts to the Company's transfer agent and registrar:

American Stock Transfer & Trust Company  
59 Maiden Lane, Plaza Level  
New York, NY 10038  
(718) 921-8200  
[www.amstock.com](http://www.amstock.com)

## Investor Relations

Timothy R. Harvey  
Corporate Secretary and General Counsel  
Phone: (716) 689-5648  
E-mail: [timothy.harvey@cmworks.com](mailto:timothy.harvey@cmworks.com)

Investor information is available on the Company's Web site: [www.cmworks.com](http://www.cmworks.com)

## Corporate Headquarters

Columbus McKinnon Corporation  
140 Audubon Parkway  
Amherst, NY 14228-1197  
Telephone: (716) 689-5400

## Independent Auditors

Ernst & Young LLP  
50 Fountain Plaza, 14th floor  
Buffalo, NY 14202-2297

The following are trademarks of Columbus McKinnon Corporation registered in the U.S. Patent and Trademark Office: CM, Big Orange, Budgit, Cady, Coffing, ColorLinks, Hammerlok, Herc-Alloy, Little Mule, Shaw-Box, Tigrip, Tugit, Yale.

The following are trademarks of Columbus McKinnon Corporation: Abell-Howe, AgWorks, Camlok, CraneMart, Gaffey, LARCO, TechLink, WECO.

## Forward-Looking Information

The Columbus McKinnon annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future revenue and earnings, involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company's customers and suppliers, competitor responses to the Company's products and services, the overall market acceptance of such products and services and other factors disclosed in the Company's periodic reports filed with the Securities and Exchange Commission. The Company assumes no obligation to update the forward-looking information contained in this report.

# Board of Directors and Corporate Officers

## Board of Directors

**Herbert P. Ladds, Jr.** has been a Director of the Company since 1973 and was elected Chairman of the Board of Directors in January 1998. Mr. Ladds served as the Company's Chief Executive Officer from 1986 until his retirement in July 1998. Mr. Ladds was President of the Company from 1982 until January 1998, Executive Vice President from 1981 to 1982 and Vice President – Sales & Marketing from 1971 to 1980. Mr. Ladds is also a director of Utica Mutual Insurance Company and Utica Life Insurance Company.

**Timothy T. Tevens** was elected President and a Director of the Company in January 1998 and assumed the duties of Chief Executive Officer in July 1998. From May 1991 to January 1998 he served as Vice President – Information Services and was also elected Chief Operating Officer in October 1996. From 1980 to 1991, Mr. Tevens was employed by Ernst & Young LLP in various management consulting capacities. He is a Vice President in the newly formed Industrial Supply Association.

**Carlos Pascual** has been a Director of the Company since 1998. Mr. Pascual currently serves as Chairman of the Board of Directors of Xerox de Espana S.A. (Spain). From January 2000 through December 2003, Mr. Pascual served as Executive Vice President and President of Developing Markets Operations for Xerox. From January 1999 to January 2000, Mr. Pascual served as Deputy Executive Officer of Xerox's Industry Solutions Operations. From August 1995 to January 1999, Mr. Pascual served as President of Xerox Corporation's United States Customer Operations. Prior thereto, he served in various capacities with Xerox Corporation. He is the Chairman of the Company's Compensation and Succession Committee and is also a member of the Company's Audit Committee and Corporate Governance and Nomination Committee.

**Richard H. Fleming** was appointed a Director of the Company in March 1999. In February 1999, Mr. Fleming was appointed Executive Vice President and Chief Financial Officer of USG Corporation. Prior thereto, Mr. Fleming served USG Corporation in various executive financial capacities, including Senior Vice President and Chief Financial Officer from January 1995 to February 1999 and Vice President and Chief Financial Officer from January 1994 to January 1995. Mr. Fleming also serves as a member of the Board of Directors for several non-for-profit entities including FamilyCare Services of Illinois, the Child Welfare League of America, and Chicago United. He is the Chairman of the Company's Audit Committee and is also a member of the Compensation and Succession Committee and the Corporate Governance and Nomination Committee.

**Ernest R. Verebelyi** was appointed a Director of the Company in January 2003. Mr. Verebelyi retired from Terex Corporation, a global diversified equipment manufacturer, in October 2002 where he held the position of Group President, Terex Americas. Prior to joining Terex in 1998, he held executive general management and operating positions at General Signal Corporation, Emerson, Hussmann Corporation, and General Electric. Mr. Verebelyi also serves as a director of both The Nash Engineering Company of Fairfield, Connecticut and Fairfield Manufacturing Company, headquartered in Lafayette, Indiana. Mr. Verebelyi serves on the Company's Audit Committee, Corporate Governance and Nomination Committee and the Compensation and Succession Committee.

**Wallace W. Creek** was appointed a Director of the Company in January 2003. He served as Senior Vice President of Finance of Collins & Aikman, a leading manufacturer of automotive interior components, from December 2002 to June 2004. Prior to that, Mr. Creek was the Controller of General Motors Corporation for nearly ten years and held several executive positions in finance at GM over a forty-three year career. He is Chairman of the Company's Corporate Governance and Nomination Committee and also serves on the Audit Committee and the Compensation and Succession Committee.

## Corporate Officers

**Timothy T. Tevens**, *President and Chief Executive Officer*

**Robert R. Friedl**, *Vice President, Finance and Chief Financial Officer*

**Karen L. Howard**, *Vice President, Controller*

**Ned T. Librock**, *Vice President, Sales*

**Robert H. Myers, Jr.**, *Vice President, Human Resources*

**Joseph J. Owen**, *Vice President, Strategic Integration*

**Timothy R. Harvey**, *Corporate Secretary and General Counsel*



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