What is CM’s strategy for increasing earnings and value?
We are very focused on enhancing every aspect of our business from a strategic, operational and financial perspective.
We are aggressively implementing **lean manufacturing** concepts.

We are **rationalizing** our product lines and manufacturing facilities.

We are protecting our **dominant market share**.

We are developing **new and enhanced products**.

We are expanding our penetration of **global markets**.

We are committing **free cash flow** to debt reduction.

The Columbus McKinnon 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 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, the integration of acquisitions and other factors disclosed in the Company's periodic reports filed with the Securities and Exchange Commission. Consequently, such forward looking statements should be regarded as the Company's current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to those forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.
Dear Fellow Shareholder:

The economic environment for industrial manufacturers has been quite challenging during the last 12 months. The slowing economy broadly reduced demand for most industrial products, including those manufactured by Columbus McKinnon Corporation (CM).

Despite having to manage to these broader economic challenges, we maintained our annual revenues within 1% of last year’s record high, and made significant progress in further integrating operations and increasing sales volume for the Solutions-Automotive segment. Looking ahead, we remain focused on extending CM’s market reach and lowering our cost structure to improve financial results and enhance our strong competitive position.

CM continues to be an industry leader in material handling, participating in five of seven sub-sectors with leading market shares in most major product lines. Our industry leadership position, product diversification and significant percentage of Products segment sales – approximately 75 percent – originating from MROP (maintenance, repair, operating and production) activities provides a solid ongoing business with continued potential for growth and improved profitability.

CM’s net sales for fiscal 2001 were $728.0 million compared to $736.3 million in fiscal 2000. Net income was $15.2 million, or $1.06 per diluted share, compared to $17.1 million or $1.20 per diluted share in fiscal 2000. Higher interest rates and higher energy costs negatively impacted the bottom line in 2001 compared to 2000.

CM’s Strategic Direction

In fiscal 2001, we conducted a comprehensive review of strategic alternatives to maximize shareholder value with the assistance of a financial advisor. After exploring a wide range of alternatives, we concluded that in the current economic and industry environment, long-term shareholder interests would be best served by the Company remaining independent and by initiating a comprehensive program of strategic, operational and financial initiatives to enhance CM’s profitability, financial strength and value. This program, which is a continuation of our business integration activities, is underway with the major near-term focus on cost reductions. Complete implementation of the program will significantly reduce our cost structure and enhance our financial strength and performance.

We recently announced a major component of this program: our intention to close our manufacturing facility in Forrest City, Arkansas, following the rationalization and transfer of Yale hoist products to other CM facilities. The estimated annualized recurring pretax cost savings expected to result from this action are $7.25 million following a one-time restructuring charge of $8.8 million recorded in the first quarter of fiscal 2002. In addition, we have begun the process of consolidating several smaller facilities into larger CM locations, with estimated annual savings approaching $1 million, minimal implementation costs and no restructuring charges.

Our facility and product rationalization initiative represents a continuation of our integration process resulting from our acquisition of several major North American hoist producers over the last six years. Our integration process typically begins with economies that are readily available, such as business system implementation, consolidated purchasing, and other more easily attainable revenue enhancements and cost reductions. Being more complex, facility and product rationalizations are best done later in the integration process.

We will continue to review our facility configuration and product line to ensure that we have the most efficient and effective mix to meet the changing requirements of our markets. We are also moving aggressively ahead with our lean manufacturing initiative to adopt manufacturing improvements in a number of facilities aimed at increasing productivity, reducing inventory, and freeing up manufacturing space, while improving or maintaining the high levels of service that our customers expect.
The actions outlined above, along with others already in process, will make CM more competitive and will increase cash flow in coming months which we intend to apply to debt reduction. Our objective during fiscal year 2002 is to reduce the amount of our long-term debt by approximately $50 million. We expect that the strategic, operational and financial initiatives being implemented in the upcoming fiscal year will enhance our financial performance for years to come.

CM’s Foundation for Increased Value

Over the last two years, CM has weathered a variety of challenges, some specific to our Company, and some that affected a broad cross-section of the economy. While it has been a difficult period for your company, CM remains a leading player within the over $150 billion worldwide market for material handling products. With over 20,000 distributors and OEMs worldwide, CM products find applications in nearly all basic industry groups. We are well positioned to compete for business anywhere on the globe.

No other company in our industry can lay claim to a comparable level of brand recognition, product and market diversity. We have the significant advantage of holding a leading market position for a number of material handling products that include: chain hoists, wire rope hoists, hoist parts, high-strength and overhead lifting chain and attachments, manipulators, bridge and jib cranes, trolleys and mechanical actuators. An estimated 73 percent of our domestic Products segment sales are into markets where we are the number one supplier. As a result of the strength of this installed product base, we continue to build a larger and stronger recurring parts and services business.

Our market leadership, brand strength and reputation for quality and service provide a strong foundation and basis for increased shareholder value. We continue to believe that the value of our franchise and growth potential is not reflected in our share price.

Looking forward, we expect a near-term continuation of the current soft economic conditions, but are optimistic that declining interest rates will eventually have a favorable effect on general industrial spending.

At the same time, we are taking aggressive actions to improve CM’s profitability by strengthening an already strong business. We are confident that these actions will have a positive impact in the upcoming year and position our Company to resume revenue and income growth when the current economic cycle changes.

Tim Tevens  President and Chief Executive Officer

Bob Montgomery  Executive Vice President and Chief Financial Officer
Market Overview

Market Leadership
Columbus McKinnon is North America’s largest manufacturer of hoists, alloy chain and high strength carbon steel chain, and operator-controlled manipulators. We estimate that 73% of our domestic Products segment sales—which make up approximately 1/2 of consolidated sales—are into markets where CM is the number one supplier. This large installed product base is also a strong foundation to continue building our parts and service business.

Increase penetration of international markets
CM currently generates just over approximately 23% of sales through international markets including Europe, Latin America and Asia. We look to further penetrate these markets and enhance margins through our increased global sales presence, the streamlining of our global supply chain and expanded production at our Mexico and China manufacturing facilities.
Q: With mature product lines and strong domestic market share, where do you see CM’s incremental top line growth coming from?

A: Our two biggest growth initiatives are new products and expansion into new international markets. We are introducing a number of new products this year into traditional markets where we have strong share and recognition as well as new markets outside North America. Expanding our physical presence outside the US is key to enhancing sales in foreign markets because it moves us from being an exporter to an international company with a local presence staffed by the local people with local inventory. We see significant opportunity in the European hoist market which we estimate is as large as the United States and our new globally focused hoist products will enhance CM’s ability to build share there.

We believe the Asian hoist market is as large but it’s harder to define because there are no official reporting organizations like those in North America and Europe. We’ve just reorganized our sales function in Asia, which is based in Bangkok, and that should help build revenues.

With an expanded product line that’s better targeted to foreign markets and the greater growth opportunity of those markets, we’re in a much better position to build our international business. And because CM is a relative newcomer in some of these markets, any volume we generate is incremental growth.

Q: How is CM expanding its physical presence in Europe and Asia?

A: We’ve just opened a new sales and service office in Holland and Ireland and two in Spain. This effort is modeled on the success our Yale Germany operation has had in England and Austria with a hub and spoke approach that starts with a small sales and service operation in a country and incrementally expands from there. We’re also currently building our third manufacturing facility in China.

Q: What industries hold the most promise for increasing sales of CM products?

A: CM products are really used across the board in general manufacturing; those industries that stand out today are energy, petrochemical and steel. For example, hoists and chain are used heavily in the construction of power plants and these plants also require a significant number of permanently installed cranes. In fact, we just signed a supplier agreement with a major builder of electrical power plants. We see the expected increase in the construction of power plants to be an excellent opportunity for CM domestically and internationally over the next decade.

Q: Can CM boost its sales if the current soft economy continues?

A: A rebound in the general economy would certainly help but we’re also not standing still waiting for that to happen. I think we have a good opportunity based on the number of growth initiatives we’re putting in place. We’re looking for new products and new markets to have a significant impact over time as these products gain market acceptance and we build on our presence. We’re better concentrating our field efforts by focusing additional resources and attention on key accounts, the major players contributing to sales. We are expanding our telesales efforts, which have proven to be a cost-effective way to increase sales from smaller accounts.
Our shift to lean manufacturing and the continued rationalizing of our product line will enable us to be more competitive while improving our responsiveness to customers. We’re also working closely with distributors to expand our training and educational programs for end-users to create increased demand for CM products. We’ll be expanding our product offerings and incentives targeting the major catalog houses. Increased promotional activity at the regional and national level, as well as in the customer service centers are also planned for the upcoming year.

Q: Discuss CM’s plans for further growth in international markets.

A: (Johnston): CM has a very long history of selling into global markets so we’re very comfortable with doing business outside the U.S. About 27% of our Products segment sales currently come from foreign markets and we see a lot of additional potential. A major focus will be developing the Central and South American markets where we have just established a sales and service office in Brazil and have also increased our physical presence in Mexico where our Endor hoist operation is based. Our new Mexican location is in the Monterey region, which is the hub in Mexico for U.S. companies with manufacturing operations. This makes it an ideal spot for us because as companies invest in their facilities, there’s a need to purchase the kinds of products CM manufactures.

With new products, a larger presence and being more aggressive, CM’s prospects for double-digit international sales growth look very good.

Q: Why establish a physical location in Mexico and Brazil; wouldn’t it be easier to export?

A: (Johnston): The opportunity is significant enough to warrant our being there. Brazil and Mexico are the second and third largest economies in the Americas based on GDP and their growth tracks well above the US economy. There are also many advantages to being closer to the customer: shorter lead times, lower import duties, and having local people selling to the local distributors.

Q: Are you making adjustments to your product line to enhance its appeal in foreign markets?

A: (Johnston): That has been a major initiative this year. Our global electric wire rope hoist is being introduced worldwide this summer and we expect it to be favorably received in all the international markets. A tighter, sleeker modular design and enhanced headroom will make it more attractive to customers and a lower production cost than our current offering will allow us to price it very competitively. We are also excited about our new Hurricane hand hoist with a brake that allows for fewer moving parts, increasing efficiency and lowered maintenance. We’re also starting to manufacture textile slings in Mexico, which have gained popularity there and in other South American markets as an alternative to traditional chain slings.
What new product introductions are you planning for the new year?

A: Librock: This year is shaping up to be one of our biggest for launching new and enhanced products. This summer we'll introduce our new global wire rope hoist, which will be targeted to domestic and international markets. We've developed an improved lever tool and hand chain hoist that are being built in our Chinese plant. We're expanding our alloy chain line and bringing 10 new forged products to the market. Our new "Plug and Play" crane system is a kit that comes with all the components for easy modular installation of a small, simple crane. Rounding out our new product introductions are gate-openers, pallet trucks, and a line of textile slings targeted to the Mexican and South American markets.

What major new products has CM introduced over the last year?

A: Davidson: In the last 18 months we developed the Hurricane, a new hand chain hoist and the 653, an upgraded lever tool. Catalog houses are already carrying these products with a broader introduction to the distributor and end user markets planned over the next year. We've developed these units with capabilities ranging from half a ton to five tons and are currently working on a 6-ton unit for the 653 and a 10-ton unit for the Hurricane.

What other new products is CM working on for the upcoming year?

A: Davidson: Our most significant new product being launched this year will be the new electric wire rope hoist targeted to domestic and international markets and scheduled to be introduced in the summer of 2001. In parallel, we are developing a new chain hoist product at our Virginia facility, also designed to appeal to global markets. Both products are being built using modular components that will enable us to customize our core product with components tailored to the demands of different foreign markets. Their modular design gives CM greater flexibility and versatility to compete in global markets, a major growth focus for us. The use of modular components, combined with building these new products in a lean environment, brings down their production costs which enables us to be more price competitive in foreign markets than we have been.
Overview
CM’s Products segment manufactures a broad line of material handling products primarily sold through an international network of over 20,000 distributors. The segment is the largest contributor to CM’s sales and includes North America’s largest manufacturer of overhead hoist and alloy and high strength carbon chain. Also housed in the Products segment is CM’s CraneMart which is North America’s largest integrated network of top industrial crane builders. CM products holding leading North American market shares include electric chain hoists, hand hoists, wire rope hoists, lever chain hoists, hoist trolleys, grades 43, 70 and 80 chain, hoist load chain, mechanical actuators and jib cranes.

Competitive Strengths
> CM’s long-standing relationships with and status as a preferred provider to many of North America’s largest and most successful distributors of industrial products
> 73% of domestic Products segment sales are into markets where CM is the number one supplier
> Largest North American manufacturer of hoists
> Largest installed base of hoists in North America, providing strong recurring sales and parts base
> Widely known and respected brand names in all product categories
> Number one market position in load chain for use in hoists
> Number one market position in other grades of high-strength carbon steel chain used for load securement
> Leading supplier of marine chain to U.S. and Canadian governments
> Second largest North American producer of forged products and rigging accessories
> CraneMart™ is North America’s largest integrated network of top industrial crane builders
> Most Company facilities are certified to ISO 9000 standards

Sales/Services
> Sold primarily to distributors in commercial and consumer distribution channels both domestically and internationally
> The Company’s products are sold to over 20,000 general, specialty and service-after-sale distributors and OEMs for various applications
> General distributors include industrial distributors, rigging shops and crane builders
> Specialty distributors include catalog houses, material handling specialists and entertainment equipment distributors
> Direct sales to U.S. and Canadian governments and to numerous OEM accounts worldwide
> Extensive service-after-sale network (over 450) includes repair parts distribution centers, chain service centers, and hoist repair centers
> More than 1,100 consumer distributors, including mass merchandisers, rental outlets, and hardware, trucking, transportation and farm hardware distributors

Markets (Worldwide)
General Manufacturing, Overhead Crane, Automotive, Construction, Logging, Mining, Entertainment, Transportation, Power Generation, Agriculture, Marine, Consumer, Significant Parts and Service Business

Growth Drivers
> According to the U.S. Department of Commerce and Bureau of Labor Statistics, material handling is one of America’s largest and fastest-growing industries
> The U.S. material handling products market is expected to grow to a $70 billion industry by 2003

Industry trends driving material handling growth:
> More outsourcing
> Demands for productivity enhancement
> Increased focus on worker safety
> Growing workforce diversity
> Fewer, larger, more diversified suppliers

> Hoists, chain and forged attachments have significantly lower price points than capital goods and are considered ‘must have’ items, irrespective of prevailing economic conditions
> Approximately 75% of CM’s Products sales are for maintenance, repair, operating and production supplies, as contrasted with more cyclical higher cost capital goods
> CM’s strong global presence; 26% of products sales were from outside the U.S.

Products
Q: What is CM’s process for developing new products?
A: (Davidson): It’s a cooperative effort using cross-functional teams from design and production engineering, manufacturing, quality, and sales and marketing. We also rely heavily on customer input in new product development and design. And the various functions are frequently shared among different locations based on what works best at each stage. For example, our new Hurricane hand chain hoist and 653 lever tool were designed by our Yale, Germany operation, are being manufactured at CM’s China facility, and are being distributed from this location in Virginia.

Q: The forgings group is introducing the most products of any of CM’s operating groups. Why so many and how were you able to accomplish it?
A: (Goggin): Over the last year, we performed a comprehensive review of the entire line. Part of that process involved seeking input from our primary markets—distributors and rigging shops—about how we could enhance our line. This was the catalyst for this year’s 10 new or enhanced offerings. We were able to develop and redesign this many new products because forgings, which are hooks and shackles used with chain or cable to lift equipment and secure loads don’t involve the complicated engineering some of CM’s other products do. Still, the types of changes we made like enhancing designs to be more ergonomically friendly to the operator and improving latching systems on lifting hooks are very important to end users. These enhancements reflect CM’s philosophy of listening and responding to customer needs.

Q: What is the most significant product CM is introducing in 2001 and how will it better position CM in the marketplace?
A: (Goggin): Clearly it’s the global wire rope hoist that was developed by a cross-functional, international design team. This product truly elevates CM to a higher level in the international hoist market based on design, features and cost. It offers users more freedom, increased beam capacity and more flexible lifting speeds. And because we’re building it in a lean environment, we’re able to price it very competitively. We think CM’s global wire rope hoist stacks up very well against any competing product and it will be instrumental to CM increasing foreign market share.
As one of the first CM facilities to implement lean manufacturing, can you describe what is happening under lean at your location, and how you think it is going?

Very well. One reason everyone is on board with this initiative is that it’s a proven approach used successfully by many large manufacturers. We are upbeat about it because it will enable us to do more work with the skilled work force we already have. Lean manufacturing also has strong support in the plant because the input of associates is an important element of changes we make to improve work processes and workspace layout. In just two months, we’ve already achieved a 25% to 40% reduction in production time just in single application areas. And once lean is implemented plant wide over the next year, we expect at least a 50% reduction in lead times.

Why does lean manufacturing significantly reduce production cycle times?

The production team analyzes work processes to identify and eliminate waste and non-value added activities. Once this is done, there’s a significant reduction in production time and everyone involved is in a mindset of continually looking for ways to improve productivity. We’re also able to move to a single piece order flow under lean where we only produce what customers request. We can do that because the production cycle time becomes so much faster under lean, and we can be more responsive to customer demand with less inventory. That’s a major benefit for us because 80% of our volume is “specials,” designed to fit a specific customer application.

Does lean manufacturing have any impact on product quality?

Lean manufacturing enhances quality because you’re manufacturing in small lot sizes so if there’s a problem, it’s detected quicker which means fewer components that need to be reworked or scrapped. Because your manufacturing operations are single batch and physically closer together under lean, it’s also easier to spot problems in production.

From a production perspective, can you summarize the major benefits of lean manufacturing?

Lean manufacturing reduces waste, enhances workflow, shortens lead times, lowers inventory and fixed costs, improves product quality, increases our responsiveness to customer demands, and frees up floor space and people so we can expand our business without additional investments and fixed costs.

How does lean manufacturing contribute to inventory reduction?

Under lean manufacturing, close-knit work cells are formed where the entire product will generally be produced within that cell from start to finish. You no longer need batches of inventory at each operation as the product moves through various stages of completion. The other way that lean manufacturing helps reduce inventories is that the analysis performed at implementation – value stream mapping – identifies and eliminates waste in your current manufacturing processes. When you do that, you’re able to reduce the higher level of inventory that has built up around the process.
Commodity Purchasing

Kurt Wozniak  |  Director of Materials Management

Q: Would you provide an overview of how commodity purchasing works at CM?

A: (Wozniak): Commodity purchasing occurs through CM’s Purchasing Council, which began informally in 1995 and in 1997 was fully implemented as a formalized process with comprehensive standards and procedures. It is a four-phase process, which begins with planning and organization, followed by the development and issuance of commodity requests for proposals, supplier evaluation and selection, and supplier implementation. CM’s Purchasing Council is made up of Division Purchasing Representatives, typically one from each division, a team of full-time dedicated resources at the corporate and divisional level and corporate support from our legal, quality and information services functions. The Purchasing Council identifies commodities to be sourced and once identified assigns a commodity manager to lead the process. Our methodology is that we plan and negotiate at the corporate level and execute at the divisional level, which has produced strong divisional support for the program, a major factor in its success.

Q: What are the major benefits of CM’s Commodity Purchasing Program?

A: (Wozniak): We have focused our purchasing dollars resulting in better value, quality and service from our suppliers. It has also enabled us to reduce inventory and better manage our supplier base which has become larger and more complex as we’ve grown through acquisitions. By executing multi-year supplier agreements, we are typically able to reduce companywide expenditures for a commodity by 10% to 20% while also limiting future price increases below historical levels. We estimate that the combined annual cost savings from our current strategic supplier agreements will be almost $15 million when fully implemented. To date approximately $10 million of these annual savings have already been realized.

Q: Are there additional commodities to be incorporated into CM’s commodity purchasing program?

A: (Wozniak): This is a fairly mature initiative so we’ve already identified and implemented many of the major commodities where we’ll see the most significant savings.

We’ve currently identified 36 commodities for the program and selected 27 suppliers. For our largest commodity purchases like steel and motors, we’re already involved in the second round of multi-year supplier agreements and the additional savings will be incrementally smaller than the initial round. Iron castings are another commodity where we’ve recently executed multi-year supplier agreements with designated suppliers which will produce savings in seven CM divisions. Going forward, we see commodity purchasing evolving into more of a maintenance-mode initiative as we are always on the lookout for new opportunities for savings while continuing to use the leverage of our companywide purchasing power.

Q: Is energy covered by CM’s commodity purchase program?

A: (Wozniak): Energy management is currently in the planning and organization phase and I think we’ll be able to achieve meaningful savings here. Despite deregulation, it can be difficult to aggregate energy suppliers across several states and the cost environment for energy is currently more inflationary than other commodities we use. The energy savings will likely come from having a more centralized planning and negotiation process led by a corporate commodity manager specializing in the purchase of energy.

Kurt Wozniak
Sales/Services

The products and services are highly engineered, are generally built to order and primarily sold directly to end-users for specific applications.

Univeyor designs, manufactures and supplies products and turnkey systems for integrated material handling systems, based on standardized products and high-tech operating systems that are tailored to the customers’ needs.

Scissor lift tables and manipulators are sold through CM’s internal sales force, specialized independent distributors and manufacturers’ representatives.

Markets (Worldwide)
Metals, Construction, Food and Beverage, Storage and Distribution, Electronics, Consumer Products, Manufacturing, Heavy Manufacturing, Pharmaceuticals, Warehousing, Aerospace, Waste Management

Overview

CM’s Solution-Industrial segment designs, manufactures and supplies custom-designed material handling systems that are highly engineered and are generally built to order and sold to end-users for specific applications. CM products used in systems designed by CM’s Solutions-Industrial segment include computer-controlled and automated powered roller conveyors, operator-controlled manipulators, standard scissor lift tables and custom lift systems.

Products

Custom-Designed Material Handling Systems
Unit Handling Powered Roller Conveyor Systems
Mini-Load Systems
Pneumatic, Hydraulic and Electric Manipulators
Vertical Lift Cylinders
Articulated Jibs
Reaction and Transfer Arms
Custom Engineered Tooling
Single and Double Arm Scissor Lifts
Tilters, Tilt Lifts, Tilt Stations
Stackers, Palletizers, Inverted Lifters
Stacker Cranes
Light Rail Systems
Tire Shredders

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Products

Custom-Designed Material Handling Systems
Unit Handling Powered Roller Conveyor Systems
Mini-Load Systems
Pneumatic, Hydraulic and Electric Manipulators
Vertical Lift Cylinders
Articulated Jibs
Reaction and Transfer Arms
Custom Engineered Tooling
Single and Double Arm Scissor Lifts
Tilters, Tilt Lifts, Tilt Stations
Stackers, Palletizers, Inverted Lifters
Stacker Cranes
Light Rail Systems
Tire Shredders

Financial Facts
(in thousands, except percent, order size and employee data)

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Solutions Industrial
What are the major benefits of the recent consolidation of company-owned cranebuilders?

As a unified group, we’ll be able to market ourselves as a larger company, taking on projects that are larger and more technically demanding. We are stepping up from being a group of regional cranebuilders and distributors to a major global crane company putting us in a much stronger position to secure national accounts and to reach into markets outside the U.S. As a single operating unit, we’re also doing a better job of information sharing about scheduling and inventories and evaluating which facility is the best fit for certain projects.

What differentiates the large national cranebuilder from the smaller regional players?

Capacity and capability. We are now able to handle a 40-crane project without a problem. We have the facilities, skilled workforce, engineering, and expertise in the field. A smaller distributor could be maxed-out at three of four cranes because their facility is too small or because they lack the working capital to handle larger projects. C M’s larger, more integrated group is able to produce more cranes in a shorter time frame and serve customers that are more geographically dispersed, which gives us an edge in bidding for the larger projects. Our size also enables us to have registered engineers on staff, which enhances our technical capabilities and ensures we can certify our installations to comply with local requirements.

What is the current size of C M’s company-owned cranebuilding business?

The entire group generates between $70 to $80 million in annual revenues and employs just under 500. In the United States, we now operate four main plants: Cleveland, Texas (near Houston); Claremore, Oklahoma (near Tulsa); Forest Park, Illinois (outside Chicago), and in central Illinois at Eureka, a major manufacturing hub for heavy equipment. We are just completing the consolidation of the 20,000 square foot Atlanta manufacturing operation into Claremore while keeping our sales and service office open there.

As the most capital goods-like of all the products in C M’s Products segment; how has the slowdown in the economy and capital spending over the last year affected the crane business?

There has definitely been an impact. We’ve seen customers opting for replacement parts over new units and major projects that were quoted put on hold. We are starting to see positive signs with the level of inquiries rising and our quote backlog at its highest level in the last two years. There’s a lot of pent-up demand so when the manufacturing economy does turn, cranebuilders are poised for a rebound.

Where are the company’s best near-term growth opportunities in the cranebuilding business?

Energy stands out with renewed oil exploration in the United States and the need to significantly increase the construction of power plants to meet the growing demand for electricity. Power plants are heavy crane users because permanently installed cranes are needed to take equipment apart for preventive maintenance at regular intervals. A crane sale to a medium-sized power plant will generate about a half million dollars in revenue, on the high end of our typical project.
How would you summarize CM’s approach to product and facility rationalization?

(Owen): The major tenet of the program CM is implementing is to keep the revenue while reducing costs and enhancing profitability. This initiative is the next step of the overall integration plan that started several years back with our active acquisition program. With the initial integration of these companies complete and our having a solid understanding of how the products and brands fit together, this is the appropriate time to consolidate facilities and rationalize and optimize our capacity and product lines.

This is a very well thought out and planned program. In rationalizing facilities, we take a comprehensive project management approach using a 6-phase project implementation, cross-functional, cross-divisional project teams, detailed project team checklists, weekly conference call updates with the entire team, detailed financial modeling to estimate costs and savings and a detailed risk assessment. Based on the success of our initial implementation, we think that we’ve done an effective job of managing the risks of knowledge transfer and business interruptions, which are the two greatest risks we face in implementing this program.

What issues do you consider in making decisions about product rationalizations?

(Owen): There are many related factors we review and analyze. How will the distribution channels and end users react? What products have the strongest market acceptance and share? How does the cost structure and margin compare among similar products? Which products offer the best quality? We take all these factors into consideration and then make decisions about where to manufacture based on capacity, efficiency and operating costs. In implementing product rationalizations, we are also rationalizing pricing, terms and conditions to ensure price parity for our customers, which will help ensure the success of this program in the marketplace.

Describe the major benefits of CM’s product and facility rationalization program.

(Owen): First, we are making significant permanent reductions in CM’s fixed costs by closing facilities. The largest savings come from the Yale/Forrest City rationalization that will save $7.25 million annually. In implementing this program, we are also reducing capital requirements that will free up cash to pay down debt. We also significantly increase productivity by better utilizing our capacity, for example, instead of two plants running on one shift, we have one plant running two shifts, increasing product volume at that facility and driving cost reductions there. This efficiency, combined with the added space and cost savings from lean manufacturing will actually increase our production capacity while lowering fixed costs. This initiative also better positions CM to weather economic downturns and to make the most of future improvements in the business cycle.

(Robbins): One additional point I’d make is that the rationalization process will enhance CM’s ability to maintain its strong competitive position and leadership in the marketplace.

What’s the timetable for implementation and what actions have already taken place?

(Owen): Done right, this is an ongoing process because you’re always striving for continuous improvement in your manufacturing operations while factoring in changes in your business and markets that can’t always be anticipated. The initial implementation is a 2-year process and we’ve already begun with the rationalization of our Forrest City, Arkansas location and the movement of the Yale hoist product line to our Muskegon, Michigan and Virginia Hoist facilities. There have also been five smaller facility rationalizations already implemented that will result in annual cost savings of about $1.1 million and a $1 million inventory reduction.
Q: Your location, Muskegon, Michigan, is positively affected by the rationalization program. What’s the internal reaction there and how are you preparing for the increased volume?

A: (Robbins): We’re very positive about this move because it’s a clear growth strategy for our location and the company and we’re ready for it. We are already well into the process of implementing lean manufacturing and that is freeing up space and people to handle increased production volume. We are also offering transfers to Forrest City associates and are confident that key people in engineering, manufacturing and customer service will join us here. We’ll be increasing our second shift to accommodate the volume and if new hires are needed this is a strong industrial area so adding skilled labor to our work force is doable. Some products we produce here are being rationalized into another line freeing up resources to handle the increased volume coming from the Yale/Forrest City rationalization. The transition will also occur in two phases - first the chain hoist products and then the Yale Cable King line - which will make it very manageable.

Q: What has been the initial customer reaction to CM’s rationalization program? Do you expect this to change?

A: (Robbins): From a distributor perspective, I think it will be positive. Because of all the acquisitions, there were a lot of overlaps in CM’s product line and rationalizing it makes it simpler for our distributor network. For us and them, it’s far easier to support one or two products for one need instead of four products for one need. And because the rationalized products are so similar, what we are doing is transparent to the end user. While we are rationalizing facilities and products, we are also retaining our strong brand names to ensure continued customer loyalty and market recognition for every CM line.

(Owen): I would agree with that and add that the feedback we’ve received so far from distributors is that they’re not surprised and it makes sense.
Q: How would you describe the progress in broadening CM’s Solutions–Automotive customer base?

A: (Clark): It’s a challenge to find industrial work on the scale of the OEM auto business and there has been a lot of opportunity this year from OEM auto makers. That’s reflected in our strong current backlog of about $100 million. We have made solid inroads in agri-business, have done some solid work for John Deere, and are bidding on work from other manufacturers. I think that there will also be some opportunity with the Tier 2 suppliers to the automobile OEMs as the economy recovers and capital spending picks up.

GM continues to be our largest customer because as the world’s largest auto manufacturer they have the most plants and the most projects and we continue to have an excellent relationship with them. What they like about ASI is our ability to design and install large, complex systems under tight timeframes that can also stand up to the rigors of automobile manufacturing. GM’s larger products provide a better opportunity for success because fewer competitors have the capability to complete these jobs.

Q: How are emerging trends in the OEM automobile business affecting ASI’s business?

A: (Clark): The auto business is at somewhat of a turning point right now. We’re seeing a pause as the industry tries to digest what the next big thing is going to be. With the downturn in the economy, rising gas prices and concerns about fuel economy, we may see a domestic shift back toward smaller, cheaper, more fuel-efficient cars and away from larger, more expensive SUVs. This trend will likely foster more hybrid SUVs/cars. I think there will be changes when capital spending picks up and manufacturers make decisions about their future mix of vehicles and begin to retool their facilities. For our business, model change is good since it drives plant modifications which require new material handling systems.

From a production line standpoint, the move toward more modular, more ergonomically friendly systems and away from the longer assembly lines will likely continue. We’ve already adapted to that demand by developing solutions that use modular assembly conveyor systems in place of the traditional, longer line conveyors. So the retooling of existing plants into the modular assembly process is another area with growth potential.

Q: What is ASI doing to reduce fixed and variable costs?

A: (Clark): Over the last year, we’ve consolidated staff and management positions reducing count in these functions by one-third. We’ve put tighter controls in our project monitoring and have also enhanced our forecasting system. We plan to upgrade our engineering and design software to a more user-friendly package which will take time and cost out of the design process. We’ve looked at how we build our automation and basic conveyor components and made improvements in materials and processes to take some additional cost out there. We increase and decrease employment based on our backlog and will continue to do that. We’ve increased controls for managing subcontractors. Like the rest of the company, we’re looking to consolidate facilities, and will reduce some of our leased space.
Overview
CM’s Solutions—Automotive segment provides integrated material handling conveyor systems to large automotive OEMs. The segment’s principal business unit, Automatic Systems, Inc. (ASI), is a leader in the design, management and implementation of complex overhead materials handling systems using overhead power and free conveyors, electrified monorails and other systems. ASI is a preferred supplier to its major customers, including General Motors, its largest customer.

Products
Overhead Power and Free Conveyor Systems
Inverted Power and Free Conveyor Systems
Autoflex Power and Free Conveyor Systems
Electrified Monorails
Robotic Indexing Systems
Special and Custom Designed Product Transfer Systems
Belt Skid and Skillet Conveyors
Specialized Mold, Flask and Casting Handling Equipment
Aggregate and Bulk Material Handling Equipment

Sales/Services
The Company’s integrated material handling solutions business deals primarily with end-users.

ASI provides custom-engineered systems by functioning either as a turnkey contractor or as a supplier working in conjunction with the customer’s general contractor.

Markets (Worldwide)
Automotive Assembly (General Motors and Ford over 75%), Automotive Parts, Steel Mill and Foundry, Paint Processing, General Industrial, tier I and tier II auto suppliers

Competitive Strengths
> ASI enjoys preferred provider status with many key customers, bidding on virtually every GM and Ford material handling system project
> The average material handling system project is growing larger and more complex thereby eliminating smaller, less integrated competitors
> ASI is one of the few “one-stop shops” for integrated material handling solutions
> ASI’s engineering, estimating, bidding capabilities and project implementation skills are among the best in the industry
> ASI was one of only 184 companies worldwide—from over 30,000 supplier companies—recognized by General Motors as a supplier of the year, a distinction awarded to ASI for two consecutive years

Growth Drivers
Several key dynamics are driving the material handling systems industry:
> Project size growing larger and more complex
> OEMs are outsourcing systems projects to turnkey suppliers with broad-based capabilities
> Conveyor systems evolving from inventory storage to integrated production systems
> Automobile model life cycles decreasing
> U.S. auto manufacturers are reworking existing plants focusing on productivity
> Manufacturers are focusing on providing safety and improved ergonomics
> Automotive and industrial manufacturers are purchasing from fewer suppliers
> ASI’s blue-chip client list: General Motors, Ford, Harley-Davidson, American Steel and Wire, John Deere

Financial Facts (in thousands, except percent, order size and employee data)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$181,019</td>
<td>$156,408</td>
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<tr>
<td>% of total</td>
<td>24.9%</td>
<td>21.2%</td>
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<td>Income from operations before amortization as a % of net sales</td>
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<td>Identifiable assets</td>
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<td>Capital expenditures</td>
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<td>Average order size</td>
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<td>$10-15M</td>
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<tr>
<td>Employees</td>
<td>385</td>
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<tr>
<td>Revenue per employee</td>
<td>$470,200</td>
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What are CM’s targets for debt reduction?

(Howard): We’ve set a goal for fiscal year 2002 of paying down approximately $50 million in debt. It’s an aggressive target which we think is realistic. We expect $40 million of that amount to come from normal operations with the remaining $10 million coming from working capital as we reduce inventories from higher than normal volumes at year-end and from the lean manufacturing initiative now underway. Ideally, we would like to get to a leverage ratio of under 55% over the next two years and we think that will be achievable based on the cost savings and revenue enhancement from all the strategic initiatives we are implementing: lean manufacturing, product and facility rationalization, new products and markets, and others.

What are the costs and savings for the product and facility rationalizations currently in progress?

(Howard): The costs for the Yale Forest City, Arkansas rationalization announced earlier this year are approximately $8.8 million, which was taken as a restructuring charge in the first quarter of fiscal year 2002. The bulk of these costs are associated with the facility rationalizations and cover lease termination, severance, out-placement assistance, and employee and equipment relocation, with some offset coming from the sale of owned facilities. Product rationalizations involve some marketing costs and retooling of facilities to accommodate rationalized products. We estimate the recurring annual savings from these product and facility rationalizations will be $8 million.

What financial benefits do you expect from strategic initiatives CM is implementing in the upcoming year?

(Howard): From a big picture perspective, the major financial benefit of these initiatives is that CM will become more competitive. To the extent we are more competitive, we will be able to generate incremental volume – without incremental fixed cost – which should drive margin improvement, profitability and enhance our ability to accelerate debt repayment. These initiatives are all closely linked from both an operational and financial benefit perspective. We’re going after top line growth by entering new markets where there is greater opportunity, and by introducing new products that appeal to both the domestic and international markets based on features and functionality. We are setting up manufacturing of new products in a lean environment under a cost structure that enables us to be more competitive on price. Lean manufacturing frees up people and space resources which enables us to rationalize products and facilities, reducing our fixed costs and capital requirements. And because both lean manufacturing and product facility rationalization help reduce inventory, we’ll significantly improve our management of working capital. We expect over $5 million in permanent inventory reduction from the manufacturing facilities where we are implementing “lean” in the upcoming year, with more to come as we eventually implement it company wide. As these initiatives are fully implemented, we’ll see significant added value for CM, both financially and competitively.
Q: Are there significant capital expenditures required to implement lean manufacturing?

A: (Howard): The premise of the lean approach that CM is adopting is that we work more effectively with the resources we already have. That means no new people, no major capital outlays and no new space. There will be some relatively minor expenses associated with moving equipment and rerouting power lines to accommodate the reconfiguration of work spaces that comes with lean manufacturing.

Q: How have CM’s DSO (Days Sales Outstanding) numbers fared in the current economic environment?

A: (Riggi): While they are up over last fiscal year, our DSOs compare favorably to our peers. DSOs for the material handling industry are currently at about 59 days. DSOs for CM’s Products segment, which makes up about two thirds of our business, were 61.2 days at fiscal year-end; including the Solutions segments CM’s consolidated DSOs were 86 days. Since the beginning of this year, we’ve seen this number start to improve because we’re proactive in managing and collecting accounts receivables.

Q: Why are CM’s DSOs higher in the Solutions segments than Products segment?

A: (Riggi): The work in our Solutions business is project driven which means larger order sizes and sales that don’t involve customers routinely replenishing inventories which probably affects how payments flow through their systems. So it’s more of a timing issue than a credit one as the Solutions businesses typically sell to very large well-capitalized customers with outstanding creditworthiness.

Q: What is CM doing operationally to improve accounts receivable management?

A: (Riggi): Most of our large customers in the Products segment are now on EDI (electronic data interchange) which cuts down on payment processing time. We’ve also enhanced our lockbox procedures to credit payments faster. We’ve just implemented a credit card program, which appeals to smaller distributors as well as governments; many government agencies use credit cards to purchase products for marine applications. Our credit function is also centralized so we’re able to bill product sales on the same invoice, set credit limits on a corporate basis rather than divisionally and better monitor and manage customer credit issues. We’re also doing a lot of training internally to reduce pricing, discount and freight errors which can slow the payment process later on.

Q: How does CM manage problem accounts?

A: (Riggi): We believe our approach is firm but fair. We try to work with our customers without losing sight of their loyalty as a CM customer. We’re able to do this because we really do make the effort to know customers and their business which enables us to assess special circumstances and come up with solutions. For example, in situations where customers are not as well capitalized as we’d like we’ll file liens on CM product inventory to secure our interest. We’ve found this approach works very well and our credit losses are less than 1/2 of one percent of sales per year, an excellent number for our industry.
## Financial Highlights

CAGR = Compound Annual Growth Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Income Before Debt Extinguishment</th>
<th>Cash Flow From Operations</th>
</tr>
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<tbody>
<tr>
<td>1999</td>
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<td>$27,436</td>
<td>$57,493</td>
</tr>
<tr>
<td>2000</td>
<td>$736,254</td>
<td>$27,436</td>
<td>$57,493</td>
</tr>
<tr>
<td>2001</td>
<td>$727,972</td>
<td>$23,978</td>
<td>$27,690</td>
</tr>
</tbody>
</table>

5 YEAR CAGR = 28.2%

5 YEAR CAGR = 3.2%

5 YEAR CAGR = 8.6%
Shareholder and Corporate Information

As of March 31, 2001, there were 328 shareholders of record of the Company's common stock. In addition, 2,000 Columbus McKinnon employees owned shares through the Company ESOP. Approximately 2,000 additional shareholders held shares in “street name.”

According to the March 31, 2001 SEC filings, approximately 54 institutional investors own nearly 54.4% of CM’s outstanding shares.

Dividend Policy

The Company has continuously paid a cash dividend on its common stock since 1988. The Board of Directors, when justified by the financial condition of the Company, intends to continue its present policy of declaring quarterly dividends. The Company has paid a quarterly dividend of $.07 per share since July 1996. However, the amount of future dividends, if any, will always depend on the Company's earnings and capital requirements, and on such other factors as the Board of Directors may deem relevant.

Annual Shareholders Meeting
August 20, 2001; 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
40 Wall Street, New York, NY 10005
(212) 936-5100
www.amstock.com

Investor Relations Contact
Lois H. Demler
Corporate Secretary
Columbus McKinnon Corporation
140 Audubon Parkway, Amherst, NY 14228-1197
(716) 689-5409
lois.demler@cmworks.com

Investor information and e-mail links to CM’s management are available on the Company’s Web site, www.cmworks.com

Conference Call Recordings
A recording of the Company's most recent quarterly earnings release conference call is available year-round, toll-free, at 1-800-925-0870, or via the Internet at www.vcall.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

Analyst Coverage
John Walthausen of C. L. King & Associates has recently produced research about Columbus McKinnon. Information may be requested by contacting him at (212) 421-3242.

The following are trademarks of Columbus McKinnon Corporation registered in the U.S. Patent and Trademark Office: CM, ASI, Big Orange, Bossman, Budgit, Cady, Coffing, Conco, Cyclone, Duff-Norton, Hammerlok, Herc-Alloy, Lift-Tech LTI, Little Mule, Lodestar, Shaw-Box, Tigrip, Yale.

The following are trademarks of Columbus McKinnon Corporation: Abell-Howe, Camlock, CM Max, CraneMart, Deeweld, Gaffey, HSC, LARCO, LIC O, Positech, Raccords Gautier, Rotary Union, Univeyor, WEC O.
Board of Directors

David Black, age 64, has been a Director of the Company since 1995. Mr. Black was the Chairman of the Board of JLG Industries, Inc. from 1993 until his retirement in February, 2001. In addition, he served as its President and Chief Executive Officer from 1991 to 2000. He is also a member of Columbus McKinnon’s Audit Committee.

Richard H. Fleming, was named a Director in 1999. Fleming, age 53, is currently Executive Vice President and Chief Financial Officer of USG Corporation. Prior to his appointment as Chief Financial Officer of USG in 1994, Mr. Fleming held several executive positions in finance at USG, including Treasurer, and Assistant Treasurer and Director, Corporate Finance. Mr. Fleming joined USG in 1984 following its acquisition of Masonite Corporation, where he was Vice President and Chief Financial Officer. He also serves as a member of the Board of Directors of the Child Welfare League of America in Washington D.C. Mr. Fleming serves as a member of Columbus McKinnon’s Compensation and Nomination/Succession Committee and Audit Committee.

Herbert P. Ladds, Jr. was elected Chairman of the Board of Columbus McKinnon Corporation in January 1998, and has been a Director of the Company since 1973. He served as Chief Executive Officer of the Company from 1987 until his retirement in July 1998. He also served as President from 1982 until January 1998. Prior to this, he served as Executive Vice President from 1981 to 1982, and Vice President - Sales and Marketing from 1971 to 1980. At age 68, he is also a Director of Utica Mutual Insurance Company, R.P. Adams Co., Inc., Fibron Products, Inc., and Eastman Worldwide. Among his not-for-profit activities, he serves on the boards of Albright-Knox Art Gallery and the Martin House Restoration Corporation.

Randolph A. Marks, age 65, has been a Director of the Company since 1986. A private investor, he is a retired Chairman of the Board of American Brass Company, a Director and co-founder of Computer Task Group, Inc., and a Director of Delaware North Companies, Inc. He is also a member of Columbus McKinnon’s Compensation and Nomination/Succession Committee.

Robert L. Montgomery, Jr. has served as Executive Vice President, Chief Financial Officer since 1987, and Director since 1982. Montgomery, age 63, has been with Columbus McKinnon since 1974. Prior thereto, he was a certified public accountant with Price Waterhouse LLP. He also serves on the Kaleida Health System Trustee Council and the Beechwood Continuing Care Board of Directors.

Carlos Pascual, age 55, has been a Director of the Company since August 1998. A 30-year veteran of Xerox Corporation, he currently serves as Executive Vice President, Xerox Corporation, and President of Developing Markets Operations for Xerox. Mr. Pascual is Chairman of the Board of Xerox Spain and is a member of the U.S. Chamber of Commerce. He is a member of Columbus McKinnon’s Compensation and Nomination/Succession Committee and Audit Committee.

Timothy T. Tevens, age 45, was named a Director in January 1998, in conjunction with his promotion to President. Having served as Chief Operating Officer since October 1996, Mr. Tevens succeeded Mr. Ladds as Chief Executive Officer in July 1998. He joined the Company in 1991 as Vice President of Information Services. He is a director of the Industrial Supply Manufacturers Association.

Corporate Secretary
Lois H. Demler, has served Columbus McKinnon for 42 years in various capacities, 15 of those in her current position. She also serves as the Company’s investor relations contact.

Corporate Officers
Timothy T. Tevens, President and Chief Executive Officer
Robert L. Montgomery, Jr., Executive Vice President and Chief Financial Officer
Karen L. Howard, Vice President, Controller
Ned T. Librock, Vice President, Sales and Marketing
Ernst K. H. Marburg, Vice President, Total Quality and Standards
Joseph J. Owen, Vice President, Strategic Integration
Lois H. Demler, Corporate Secretary

Board of Directors and Corporate Officers