Company Profile

Columbus McKinnon Corporation (Nasdaq: CMCO) is a leading designer and manufacturer of material handling products, systems and services which efficiently and ergonomically move, lift, position or secure material. Headquartered in Amherst, New York, Columbus McKinnon’s key 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.

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 move, lift, position or secure material. 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.

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 revenues 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, the Company's ability to renegotiate its senior debt, 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 these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.
### Financial Summary – Continuing Operations

Data as of or for the year ended March 31, 2002 2001 % change

<table>
<thead>
<tr>
<th>Income Statement Data</th>
<th>2002</th>
<th>2001</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$ 480,028</td>
<td>$ 586,168</td>
<td>(18.1)</td>
</tr>
<tr>
<td>Income from operations before restructuring charges and amortization</td>
<td>48,710</td>
<td>76,865</td>
<td>(36.6)</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>9,569</td>
<td>–</td>
<td>N/M</td>
</tr>
<tr>
<td>Amortization of intangibles</td>
<td>11,013</td>
<td>10,975</td>
<td>0.3</td>
</tr>
<tr>
<td>Income from operations</td>
<td>28,128</td>
<td>47,890</td>
<td>(41.1)</td>
</tr>
<tr>
<td>Income (loss) from continuing operations</td>
<td>(6,018)</td>
<td>14,927</td>
<td>N/M</td>
</tr>
<tr>
<td>Per diluted share</td>
<td>(0.42)</td>
<td>1.04</td>
<td>N/M</td>
</tr>
</tbody>
</table>

| Margin Data | | |
|--------------|----------------|----------------|----------------|
| Gross margin | 25.1 % | 27.2 % | (7.7) |
| EBITDA margin | 12.9 | 15.5 | (16.8) |
| Operating income margin* | 10.1 | 13.1 | (22.9) |

| Other Data | | |
|-------------|----------------|----------------|----------------|
| Cash flow from operating activities per share | $ 3.45 | $ 2.67 | 29.2 |
| Revenue per employee | 156.2 | 163.6 | (4.5) |
| Capital expenditures | 4,753 | 10,179 | (53.3) |

<table>
<thead>
<tr>
<th>Balance Sheet Data</th>
<th>2002</th>
<th>2001</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$ 524,668</td>
<td>$ 722,388</td>
<td>(27.4)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>453,057</td>
<td>514,524</td>
<td>(11.9)</td>
</tr>
<tr>
<td>Total funded debt</td>
<td>347,853</td>
<td>407,044</td>
<td>(14.5)</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>71,611</td>
<td>207,864</td>
<td>(65.5)</td>
</tr>
</tbody>
</table>

*Before restructuring charges and amortization
N/M – not meaningful

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### Fiscal 2002 Strategic Objectives and Results

- **Aggressively implement Lean Manufacturing concepts.**
  - **Result:** We introduced Lean Manufacturing at 13 locations.

- **Rationalize certain product lines and facilities.**
  - **Result:** We rationalized a major product line, five manufacturing plants and one warehouse.

- **Protect our dominant market share.**
  - **Result:** We maintained Columbus McKinnon’s #1 North American market share in hoist and chain products.

- **Develop new and enhanced products.**
  - **Result:** We introduced ten new products and nine cross-branded products.

- **Expand our penetration of global markets.**
  - **Result:** We opened two new foreign plants and five international sales offices.

- **Reduce debt by $50 million.**
  - **Result:** We reduced debt by $60 million primarily using funds from operations and working capital reductions.

- **Evaluate strategic alternatives for Automatic Systems, Inc.**
  - **Result:** We sold Automatic Systems, Inc. in May 2002 and its sale is reflected in fiscal 2002 results.
Dear Fellow Shareholder:

The continuation of the difficult market environment for manufacturers of industrial products made last year another challenging one for Columbus McKinnon. Despite the decline in sales during fiscal 2002, we maintained market share in every major product category – an important indicator of the strength of our brands and distribution channels. We were also able to maintain gross margins from continuing operations above 25% for the year because of our focus in fiscal 2002 on improving our cost structure.

Over the last year, we have made significant progress in advancing several strategic initiatives to enhance the long-term prospects and profitability of Columbus McKinnon. We introduced Lean Manufacturing in almost half of our manufacturing facilities during fiscal 2002 and implemented the first phase of a facility rationalization program which will produce over $20 million in annual cost savings beginning in fiscal 2003. We paid down $60 million in funded debt in fiscal 2002, substantially exceeding our target of $50 million. We also expanded and enhanced our product line, introducing several new products, which have been favorably received in the marketplace and further enhance Columbus McKinnon’s strong competitive position.

Columbus McKinnon’s consolidated net sales from continuing operations were $480.0 million for fiscal 2002, compared with $586.2 million for fiscal 2001, a decline of 18.1%. Our loss from continuing operations for fiscal 2002 was $6.0 million, or $0.42 per diluted share, including restructuring charges of $9.6 million and other non-recurring charges of $6.0 million, compared with income from continuing operations of $14.9 million, or $1.04 per diluted share, for fiscal 2001. The $9.6 million of restructuring charges to implement the first steps in our product and facility rationalization program will produce a comparable level of annual savings in future years. The other non-recurring charges that contributed to the 2002 loss from continuing operations include: a $2.8 million loss in our marketable securities portfolio which will be offset by a $3.4 million gain from the sale of the entire portfolio in the fiscal 2003 first quarter; a $1.5 million loss on the sale of a small business unit; and $1.7 million in start-up costs at the plant taking on the operations of our consolidated Forrest City, Arkansas facility.

Our financial results for fiscal 2002 also reflect the sale of substantially all of the assets and business of Automatic Systems, Inc. (ASI), formerly our primary Solutions - Automotive business, which is classified as a discontinued operation. The fiscal 2002 loss from discontinued operations was $7.9 million, or $0.55 per diluted share, compared with income from discontinued operations of $0.3 million, or $0.02 per diluted share, in fiscal 2001. A loss on the disposition of discontinued operations of $121.5 million, which included $104.0 million of goodwill, was also recorded in the fiscal 2002 fourth quarter and is reflected in the Company’s net loss of $135.4 million for the full year. Although the immediate financial impact of selling ASI was significant, we believe it was the right long-term decision for Columbus McKinnon based on the volatility of ASI’s business, its high cash needs and because its sale allows us to focus our energies and resources on our remaining Products and Solutions segments.

Columbus McKinnon’s continuing operations include the two remaining business segments: Products and Solutions. The Products segment, which makes up about 85% of net sales, is comprised of hoists, chain, cranes and other products that lift, position and secure material safely and productively. The Solutions segment, currently about 15% of net sales, is our business of designing, developing and servicing material handling systems for a broad range of industries and applications and also addresses the productivity and safety needs of customers.

Strategy For The Future

Going forward, our strategy to resume top and bottom line growth is to continue to focus on Lean Manufacturing and cost reduction initiatives and to leverage our superior know-how in material handling design and manufacturing. We are concentrating on growth-oriented applications in industrial and commercial markets in locations and countries that offer the most volume and profit potential. There are four major components to advancing this strategy: further reduce our cost structure, increase financial flexibility, maintain U.S. market dominance, and increase global presence and market share.

- **Further reduce cost structure**

  We made significant progress in implementing the first phase of our facility rationalization and Lean Manufacturing initiatives in fiscal 2002. We continue to focus on reducing costs and increasing capacity utilization through these and other strategic initiatives like our commodity purchasing program. In fiscal 2003, we are expanding Lean Manufacturing to several additional facilities. We also plan additional facility rationalizations in the upcoming year which will further reduce future annual fixed costs. The combined effect of our rationalizations and Lean Manufacturing initiatives in fiscal 2002 and 2003 is estimated to remove approximately $30 million annually from our fiscal 2001 cost structure.
Increase financial flexibility

Although the sale of ASI increased our financial leverage for the near term, it significantly reduced our business risk and working capital needs and enables us to commit free cash flow to further debt reduction. For fiscal 2003, our goal is to pay down our senior bank debt by another $25 to $35 million with funds generated by operations and reduction of working capital. Also, we continually consider all methods of capitalization including a possible equity offering. Such an offering would enable us to accelerate debt reduction and move Columbus McKinnon from a debt/total capitalization ratio in excess of 80% following the sale of ASI to 60% by the end of fiscal 2003, much closer to our longer-term target of a 50% debt/total capitalization ratio. If an offering is completed, we are projecting interest expense of approximately $26 million in fiscal 2003, compared with interest expense of $29 million in fiscal 2002, a 10% decrease.

Maintain U.S. market dominance

As the leading producer of hoists and chain in the United States by a dominant margin, Columbus McKinnon has a strong and valuable business which generates significant cash flow. We hold significant market share in all of our hoist and chain lines in the United States, even with this year’s decline in sales. Our strategy to maintain our U.S. market leadership and grow with the U.S. market is based on maintaining a high level of product quality and the strong relationships we have with distributors, as well as on developing innovative material handling products and systems that address the current and emerging needs of our end-user customers.

Increase global presence and share

The most significant opportunity to grow our business is outside the U.S. market. Approximately 29% of Columbus McKinnon’s sales currently come from international markets so we do have a track record of doing business outside the U.S. We estimate the market for our products and services outside North America at approximately two to three times that of the United States market and the significant potential of this market is still relatively untapped for Columbus McKinnon. In fiscal 2002, we extended our global presence by establishing a sales presence in key markets in Europe and Latin America and by expanding our manufacturing presence in Mexico and China. This expansion provides a solid base to grow our international business.

Better Prepared For The Future

Our major strategic initiatives – Lean Manufacturing, facility rationalizations and commodity purchasing – have reduced costs, improved efficiency, and ensured that Columbus McKinnon stays competitive while also better preparing us to manage the risks of our business. While we cannot make Columbus McKinnon completely immune from the effect of the industrial cycle, we have repositioned our business to mitigate the effect of future cycles. By expanding globally, enhancing our product line and moving to significantly reduce our costs and financial leverage, Columbus McKinnon will be better positioned for the industrial recovery and future downturns in the business cycle. In preparing for the future, we are also realigning our product development efforts to keep pace with emerging customer needs and trends in our business.

Our long-term goal is to increase value for Columbus McKinnon shareholders by leveraging our strengths of market leadership, material handling expertise, high cash generation, and low capital requirements. The actions taken in fiscal 2002 to strengthen the company and fine-tune our strategy have significantly enhanced our ability to manage risk and renew growth.

For the near term, our business continues to be affected by lower demand in many of the industrial markets we serve. When a meaningful recovery in the U.S. industrial economy does occur and our sales return to more normal levels, our margins and earnings are poised for significant expansion which will produce the turnaround in our financial performance that the more than 3,000 Associates of Columbus McKinnon are all working hard to achieve.
Products Segment Summary

Overview
Columbus McKinnon’s Products segment designs and manufactures a broad line of material handling products which efficiently and ergonomically move, lift, position or secure material. The Products segment is the largest contributor to Columbus McKinnon’s sales and is North America’s largest manufacturer of overhead hoists and alloy and high strength carbon chain. These products are sold through a variety of distributors. Also housed in the Products segment is Columbus McKinnon’s CraneMart, which is North America’s largest integrated network of top industrial crane builders. Columbus McKinnon 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.

Markets
End User
General Manufacturing, Agriculture, Automotive, Construction, Consumer, Entertainment, Logging, Marine, Mining, Power Generation, Transportation

Products
- Hoists: lifting capacities range from 1/8 ton to 100 tons
  - Electric chain hoists
  - Electric wire rope hoists
  - Hand-operated hoists
  - Lever tools
  - Air-powered hoists and balancers
  - Hoist trolleys
  - Below-the-hook tooling, clamps, pallet trucks and textile strappings used in hoist and chain material handling applications
- Chain:
  - Alloy chain used for overhead lifting, pulling and restraining
  - Carbon steel welded link chain used for load securing and non-overhead lifting
  - Specialized load chain, kiln chain, anchor and buoy chain
- Forged Attachments: hooks, shackles, hitch pins, master links and loadbinders
- Industrial Cranes: jib, gantry, single and double girder overhead bridge
- Industrial Components: actuators, mechanical jacks, rotary unions

Sales and Services
- Sold primarily to distributor network of over 20,000 commercial and consumer distributors, OEMs and end users, both domestically and internationally
- General distribution channels include industrial distributors, rigging shops and crane builders
- Specialty distribution channels include catalog houses, material handling specialists and entertainment equipment distributors
- Extensive service-after-sale network (over 350) 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

Competitive Strengths
- Strong brand name recognition
- Leading market position and reputation
- Distribution channel diversity and strength
- Low-cost/high quality manufacturing capability
- Comprehensive product lines
- Large installed product base
- Strong after-market sales and support
- Management team experienced in material handling industry

Growth Drivers
- Continued industrial market focus on productivity enhancement, workplace safety and workforce diversity
- Distributor and marketing group consolidation of suppliers to fewer, larger, more diversified suppliers
- Multinational manufacturers expansion of global manufacturing operations
- International growth opportunities
- New and improved products

Financial Facts
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<tr>
<th>Fiscal Year</th>
<th>2002</th>
<th>2001</th>
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</thead>
<tbody>
<tr>
<td>Net sales (000s)</td>
<td>$ 404,731</td>
<td>$ 478,898</td>
</tr>
<tr>
<td>% of total</td>
<td>84.3 %</td>
<td>81.7 %</td>
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<td>Gross profit margin</td>
<td>27.0 %</td>
<td>30.3 %</td>
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<tr>
<td>Identifiable assets (000s)</td>
<td>$ 438,294</td>
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<td>Capital expenditures (000s)</td>
<td>$ 3,904</td>
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<tr>
<td>Average order size</td>
<td>$ 2,000</td>
<td>$ 2,000</td>
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<tr>
<td>Employees</td>
<td>2,615</td>
<td>3,035</td>
</tr>
<tr>
<td>Revenue per employee</td>
<td>$ 154,800</td>
<td>$ 157,800</td>
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</table>
Solutions Segment Summary

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

Markets | End User
General and Heavy Manufacturing, Aerospace, Construction, Consumer Products, Electronics, Food and Beverage, Metals, Pharmaceuticals, Storage and Distribution, Warehousing, Waste Management

Solutions
- Integrated material handling conveyor systems (Univeyor)
  - Computer-controlled and automated powered roller conveyors used in warehouse operations and distribution systems
- Manipulators (Positech and Conco) and light-rail systems
  - Operator controlled hydraulic, pneumatic and electric manipulators
  - Manipulators are articulated mechanical arms with specialized end tooling to perform a variety of positioning tasks in general manufacturing environments
  - Light-rail systems are portable steel overhead beam systems used at work stations, from which hoists are frequently suspended
- Scissor lift tables (American Lifts)
  - Powered scissor lift tables enhance workplace ergonomics in general manufacturing and industry and the air cargo industry
- Tire shredders (CM Tire Shredding Systems)
- Steel erection (LICO Steel)

Sales and Services
The products and services are highly engineered, are generally built to order, and primarily sold directly to end-users for specific applications. Columbus McKinnon’s Univeyor subsidiary designs, manufactures and supplies products and turnkey integrated material handling systems, based on standardized products and high-tech operating systems that are tailored to the customers’ unique needs. Scissor lift tables and manipulators are sold through Columbus McKinnon’s internal sales force, specialized independent distributors and manufacturers’ representatives.

Competitive Strengths
- Respected provider of integrated material handling systems with a strong European market presence
- Largest manufacturer of operator-controlled manipulators in North America
- Designs and manufactures the industry’s widest variety of standard scissor lift tables and custom lift systems
- Emphasis on innovation and technology with several proprietary material handling systems and components
- Diverse client list including: FedEx, UPS, John Deere, Boeing, TRW, Apple Computer, Siemens, Chivas Regal, Dansk, Electrolux, Kellogg’s, LEGO, Lowe’s, Mars, Nestlé, Polygram, Sony and United Biscuits

Growth Drivers
- Increased outsourcing of material handling product and system design and management
- Integrated material handling systems, manipulators and scissor lifts enhance productivity and workplace safety and ergonomics
- Opportunity for maintenance and long-term ongoing relationship

<table>
<thead>
<tr>
<th>Financial Facts</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td>Net sales (000s)</td>
<td>$ 75,297</td>
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<tr>
<td>% of total</td>
<td>15.7 %</td>
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<tr>
<td>Gross profit margin</td>
<td>14.9 %</td>
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<tr>
<td>Identifiable assets (000s)</td>
<td>$ 64,504</td>
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<td>Capital expenditures (000s)</td>
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<td>Average order size (000s)</td>
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<tr>
<td>Employees</td>
<td>460</td>
</tr>
<tr>
<td>Revenue per employee</td>
<td>$ 163,700</td>
</tr>
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</table>
Maintaining Market Leadership

How has Columbus McKinnon protected market share in a declining market?

We have held our own by bundling more products that leverage the breadth of our product line. We are also maintaining a high level of market support by not cutting back on sales people and by paying particular attention to the unique needs of each distribution channel. Protecting our share really comes down to our covering the market from all angles. Columbus McKinnon has a variety of brands and the largest breadth of products distributed through the widest variety of channels which means that every time an end user makes a purchase decision, there is an avenue for that end user to buy our product.

Does Columbus McKinnon have any plans to market to end users?

For our Products segment, our primary focus remains on the distributor. We have a very high respect for the partnership aspect of the relationship between Columbus McKinnon and our distributors and recognize the value-added services of our industrial distributors such as field sales, local technical expertise, application engineering, and service after the sale. We help distributors support end users with technical training programs, informative web sites and market research.

Have there been any major changes in your selling channels?

More end users are using national contracts, which is why the channels we sell into are looking to expand regionally and nationally with more capabilities. National procurement has affected every distribution channel and as a leading manufacturer and supplier, we are in a good position to stay on the major preferred vendor lists.

What have been the major challenges in trying to sustain and grow revenues?

Our major top line challenge is the general industrial economy, followed by the strong dollar. Although our Products segment sales declined over 15% in fiscal 2002, we maintained market share at historical levels, an achievement that also reflects the magnitude of the industry-wide downturn. We believe that Columbus McKinnon experienced an unusually high decline based on significantly reduced capacity utilization across general manufacturing in the current recession. We have not seen that type of decline in economic downturns since 1982 and 1983 because 75% of the sales of our Products business are for manufacturing, repair, operating and production supplies – selling price below $5,000 – rather than higher priced capital goods.

The impact of the strong dollar may diminish if the dollar continues its recent decline. With more foreign competition coming into the domestic market, we have seen greater price competition, but have been able to manage it by continuing to support the distribution channels and produce the highest quality products. Our lean initiatives and product redesigns have also enabled us to stay price and product competitive.

What is your plan for renewing top line growth?

As industrial capacity utilization increases, demand for our products will grow. We are really focusing on the needs of all our distribution channels and end-user customers and promoting the value-added services of distribution channels which helps secure these important relationships. We are also committed to the development of new and innovative products that leverage our material handling know-how. Continued global expansion offers us the best opportunity for future growth.

Is significant capital required for Columbus McKinnon’s near-term expansion plans?

From a manufacturing perspective, we have already built or expanded plants in China and Mexico. Many of the other things we are doing like opening international sales offices are incremental steps that do not require significant capital. Also, Lean Manufacturing gives us a lot of firepower to expand our business because it has freed up space and people to increase production without incurring new fixed costs. Facility rationalization also frees up machines and equipment, reducing the need for higher capital expenditures. We are riding out a difficult economy but are staying focused on the future by moving forward with expansion plans prudently and selectively.

1. The Hurricane Hand Chain Hoist is used here in conjunction with a Columbus McKinnon manual trolley to provide a smooth vertical lift.
2. Columbus McKinnon’s Duff-Norton division is the largest American producer of mechanical actuators which perform precise lifting and positioning functions such as guiding the movement of this parabolic solar dish used in power generation.
3. Columbus McKinnon’s American Lifts division designs and manufactures lift and tilt products to meet customized bottom-up lifting and positioning requirements in manufacturing and warehouse operations.
The Hurricane is one of many hoist products manufactured by Columbus McKinnon, which has more overhead hoists in use in North America than all competitors combined.

Introduced in 2002, the Hurricane hand chain hoist offers a unique 360-degree rotation which enables side pull, expanding its applications for a broad range of markets.

Columbus McKinnon’s products are sold into a wide range of markets including general manufacturing, agriculture, automotive, construction, consumer, entertainment, logging, marine, mining, power generation and transportation.

Columbus McKinnon sells its hoist and chain products through a network of over 20,000 distributors and customers with no one customer accounting for more than 5% of sales.

Serving Many Markets
Extending Market Reach

What is Columbus McKinnon doing to extend its market reach in North America?

North America is a mature marketplace and to gain share there at the expense of competitors, we need to find new applications and offer the highest quality product at competitive prices. To enhance sales in North America, we are manufacturing chain in Mexico to be more price competitive. We have also introduced several new, more competitively priced products—several with innovative features—over the last year. These products include our global wire rope hoist, a variety of forged products, and the 653 lever tool and the Hurricane hand hoist both built in China. We’re also working with more of the large marketing groups, which are independent distributor organizations, looking to consolidate vendors and we have become a preferred vendor with a number of these groups.

What is Columbus McKinnon doing to extend its market reach outside North America?

In fiscal 2002, we opened a sales office in Monterrey, Mexico and expanded our sales force and sales office in Sao Paulo, Brazil. In Europe, we opened a sales office in Northern Ireland, the Netherlands and two in Spain. We are also expanding our Solutions segment by introducing Univeyor to the United States and developing innovative solutions for world markets. Our next step will be to put more focus on expanding our Asian selling effort. Until now, we have focused Asian efforts on the manufacturing side in order to stay cost competitive in these markets and elsewhere. Additionally, any new and upgraded products are being designed to global standards, a gap in some of our older lines and designs, which enables us to expand our selling into many more international markets.

What is a realistic timeframe for realizing the full potential of Columbus McKinnon's global expansion effort?

It is a long-term plan. We should see incremental growth every year, and because our focus is on internal growth, it makes for an extended implementation. Once our leverage is addressed, we will be in a better position to consider selective acquisitions, which would accelerate growth. With one year into it, the broad-based global economic slowdown has had an impact on our global expansion but we have seen encouraging results thus far and are building an infrastructure to prepare us for a turnaround in demand and long-range growth.

Where are the greatest growth opportunities for Columbus McKinnon geographically and by industry?

In order, Europe, South America and then Asia. Europe is the most developed economy and has a large population of hoists. We currently have a minimum participation when you look at the whole continent as a market. For example, in Europe, we currently have a 4% market share in electric chain hoists and think that we can significantly grow that over time.

In terms of industry, general manufacturing continues to be the best for our products. The construction, power generation and oil/petroleum markets continue to look like good markets for us and with a broader offering, the marine industry offers great potential. We are more inclined to pursue new countries as opposed to new industry segments because our products are already broadly used and most of our sales are to distributors rather than end users.

How are you looking to develop more innovative products?

Columbus McKinnon has a history and tradition of innovation and at this time we are one of the few companies in our industry that is introducing new products. Over the last year, we launched an initiative to update older designs, like our new global wire rope hoist line. To enhance innovation, we are now using product development teams that are interdisciplinary, cross-divisional, and international in their composition.

We are finding this approach encourages people to think outside of the box. For example, our cross-functional Hurricane hand chain hoist team designed a hand hoist that’s revolutionary in the industry with a new brake system and a hoist that can be rotated 360 degrees. The 360-degree rotation enhances sideload which is very beneficial when lifting hazardous materials because it distances the operator from the material and the chain guide rotates so you can have sideload without the chain jamming. This new application takes a very traditional product which you wouldn’t think you could improve or work in any other way and revolutionizes its operation. We are very excited about its potential.

1. Columbus McKinnon offers a full line of lightweight and compact chain hoists in electric and air-operated models for use in light industrial applications.
2. Univeyor designs and builds to order integrated material handling systems that use floor-mounted roller conveyors for a broad range of markets and applications including general manufacturing and warehouse and distribution.
3. Large crane systems using bridges, runways, heavy-duty hoists and below-the-hook lifting devices highlight the broad range of Columbus McKinnon material handling products for industrial applications.
Growth Opportunity

Columbus McKinnon’s chain hoist line has expanded to include air-powered units, which are sold under various brands to capitalize on worldwide market growth.

The international hoist market is estimated at 2.5 times the size of the United States market, which is approximately a $1.0 billion annual market with a large base of installed hoists.

Multinational manufacturers continue to expand their manufacturing presence outside the U.S., notably in Mexico and China, the two countries where Columbus McKinnon expanded facilities in 2002.
Reducing Operating Costs

How much cost have the facility rationalizations permanently taken out of Columbus McKinnon’s system?

The annualized savings will total about $20 million from the rationalization program implemented in fiscal 2002 and the one planned for fiscal 2003. The payback is fairly quick, with the full cost recovered in savings in the first year following implementation and the savings realized annually thereafter. While most of the savings come from reductions in fixed costs, there are also some variable cost savings that result from economies of scale gained at facilities where operations are transferred. Some of the benefit of these programs has been masked by declining sales, so their full benefit is still to come when sales recover to more normal levels.

Does Columbus McKinnon plan further product rationalizations?

We do not see going too much further down this route, the breadth of our brands is important and beneficial to us, provided there is enough differentiation within the product mix. It is an issue we wrestle with, we would be more inclined to rationalize commodity products than more brand specific, built-to-order product types. We also plan to continue to re-engineer products so that there is more commonality among components.

Can you quantify the financial benefits from the sale of ASI?

ASI consumed more cash than it generated and its sale eliminates its negative impact on Columbus McKinnon’s operating results going forward. Both ASI’s operating performance and working capital needs were very volatile, fluctuating from month to month, quarter to quarter. Most recently, ASI’s fiscal 2002 EBITDA was a negative $2.7 million on $137 million in sales. Its net variable working capital averaged about $35 million over the last four years, which tied up a significant amount of cash without making a significant contribution to consolidated operating results.

What is the plan and timing for curing the leverage imbalance caused by the ASI sale?

Our longer-term target debt/equity mix is 50/50. With the sale of ASI, we were in excess of 80/20 at the end of fiscal 2002, and the offering we are considering, with operating cash flow, would put us in the 60/40 range by the end of fiscal 2003. We continue to focus on our capital structure and how best to achieve our targeted 50/50 debt/equity level, including the possibility of a follow-on stock offering recently announced. We will continue to monitor and assess alternatives that support attaining the 50/50 level in a prudent and expeditious way.

In fiscal 2003, we are targeting $25 to $35 million debt repayment from continuing operations, which includes $5 to $10 million from inventory reductions as a result of our Lean initiatives. These targets are based on the current economic and business environment which is likely at a low point in the industrial cycle. Under this scenario, we think it will take two to three years to reach our target debt-to-equity level, sooner if we see a significant pick-up in the industrial economy and demand for our products returns to more normal levels.

Has Columbus McKinnon identified any objectives for financial performance and position?

While we will need an economic recovery to reach our higher targeted margin goals, we can achieve improvements at lower volumes than in the past. With the cost savings from our various strategic initiatives—facility rationalizations, Lean Manufacturing, commodity purchasing—we have taken about $35 million in costs out of our system since fiscal 2000, which means that when sales return to fiscal 2000 levels our operating margins should increase dramatically from their current levels.

1. Pullers and lever tools provide the maximum force required to position objects in construction, utility and manufacturing markets.
2. Customized lifts with moving capability enhance space utilization, retrieval and access which facilitates order picking, inventory control and maintenance activities.
3. The recently developed CM Shop Star focuses on lighter load work station applications.
Manufacturing the new 653 lever hoist in China enables Columbus McKinnon to be more price competitive globally in a commodity-type, multi-purpose product.

Columbus McKinnon opened its third manufacturing facility in China in 2002.

Columbus McKinnon’s China facilities are slated for Lean Manufacturing in fiscal 2003 which will reduce operating costs and increase production capacity in its lowest cost manufacturing operations.

When completed, the fiscal 2002-2003 facility rationalization programs will reduce Columbus McKinnon’s annual operating costs by $20 million.
Embracing Lean Manufacturing

What are the major benefits of Lean Manufacturing?

Lean Manufacturing brings significant benefits in cost, process and quality. Lean Manufacturing is helping to streamline CM’s cost structure by reducing waste, lowering inventory and fixed costs, and freeing up floor space and people so we can expand our business without additional investments and fixed costs. It also improves our production processes by enhancing workflow and shortening lead times. Under Lean Manufacturing, we are able to make to customer order on a more regular basis, rather than to stock, which means that our production is more customer demand-driven than forecast-driven. Lean also enhances process quality, which reduces cost and increases responsiveness to customer demands. The bottom line is that Lean Manufacturing has made and will continue to make us more competitive because it enables us to produce at a lower cost in shorter cycle times which helps us to keep pricing competitive while being more responsive to customer needs.

Can you summarize the major accomplishments from the fiscal 2002 Lean Manufacturing initiatives?

In fiscal 2002, Lean Manufacturing was introduced at 13 North American facilities and over 180 lean rapid improvement events were successfully completed. As a result of Lean Manufacturing, we anticipate annualized cost savings of $20 million over the long-term and in 2002 we have reduced inventory by $19 million. Companywide, we freed up over 185,000 square feet of space, and consolidated an additional 345,000 square feet of closed facilities, enhanced by our Lean Manufacturing efforts. In some locations, we have reduced space needs by 40% to 50% and production lead times by several days.

Is Lean Manufacturing enhancing your new product development initiatives?

Lower production costs and shorter lead times are two of the major benefits of Lean Manufacturing and both of these benefits complement very well what we are trying to do with new product development. Because our new global wire rope hoist line was manufactured in a lean environment, we were able to price it very competitively and still add the features that make it a standout product. Lean’s shorter lead times also allow us to keep less new product stock in inventory and still be responsive to customer demand as new products gain market acceptance. Also, as demand picks up, we will have sufficient capacity to respond because of the space and people freed up by the Lean Manufacturing initiative, and our ability to expand manufacturing operations to multiple shifts.

What is expected in fiscal 2003 from further implementation of Lean Manufacturing?

In the next year, we will bring Lean Manufacturing to major foreign facilities in China and Mexico, where we see additional opportunity to further enhance efficiency in these lower cost environments. There are also opportunities on a smaller scale in several domestic facilities. We are looking for an additional $5 to $10 million in inventory reductions to come from this year’s Lean effort.

Is there a significant capital investment involved in implementing Lean Manufacturing?

No, the model of Lean Manufacturing that Columbus McKinnon has adopted is that we work with what we have so there’s no major outlay for new equipment or space. Our expenses associated with implementing Lean Manufacturing are for consulting, training, moving equipment and minor reconfiguration of work space. In the year of implementation, costs and benefits are often equal; after that costs stop while benefits continue on.

What has been the internal reaction to Lean Manufacturing?

The Associate feedback we have received is that Lean Manufacturing truly lives up to its promise of working smarter, not harder. The Lean concept has great respect for the front line people who actually produce the product. Our Associates are actively involved in this effort, from concept to design to implementation. As a result, Associates value that Lean is a process that asks for their participation and uses their input in making changes to their workflow and workspace layout.

1. Mini-pullers have a wide range of applications in the light construction, maintenance, farming, utilities and the consumer do-it-yourself markets.

2. Hand chain hoists, offered by Columbus McKinnon in a range of capacities, are used for manual lifting and positioning activities by a single operator in a manufacturing or construction setting.

3. Columbus McKinnon’s new line of electric wire rope hoists are ideally suited to support a variety of heavy duty applications using bridge cranes.
Introduced in 2002, the Yale Global King, a world class, competitively priced electric wire rope hoist, was produced in a Lean Manufacturing environment.

Lean Manufacturing lowers costs because it significantly reduces inventory, labor and floor space requirements and production time.

Lean Manufacturing enhances production and inventory planning because its single piece order flow only produces what customers want.

Lean Manufacturing creates an environment of continuous improvement.

Staying Competitive
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 approximately 72% of our domestic Products segment sales—which make up about 85% 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 29% 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.
Glossary

**Actuators**
Both electromechanical and mechanical actuators are lifting and positioning devices. Capacities range from 100 pounds to 250 tons.

**Attachments**
Forged, stamped and cast components most frequently used in conjunction with chain and other lifting mediums.

**Bridge Cranes**
Overhead beams mounted across the full span of a facility, providing wall-to-wall lifting and transportation options via a suspended hoist for both front/back and left/right movement.

**Catalog Distributors**
Market their products through printed catalogs and the Internet to industrial companies and consumers.

**Carbon Chain**
General purpose and transportation chain for towing, pulling and securing applications.

**Crane End Trucks**
Manual or power wheeled devices affixed to the end of over-head cranes. Used to move the cranes along a steel runway.

**Entertainment Equipment Distributors**
Specialize in lifting applications required by theaters, stadiums, sports arenas, concert halls, and convention centers.

**Ergonomics**
The design of working conditions to better accommodate the human body’s capabilities and limitations. Virtually all Columbus McKinnon products enhance the ergonomics of working conditions.

**Forgings**
Manufacturing technique of hammering steel into wire rope and chain attachments. Examples: hooks, shackles, load binders, masterlinks.

**Gantry Cranes**
Mobile overhead lifting devices that, when used in conjunction with hoists, allow for the lifting and transportation of objects throughout a work environment.

**Herc-Alloy® Chain**
Made with an alloy-steel blend, this light-weight chain offers its users extreme strength and durability. An original Columbus McKinnon innovation, it is now required by federal safety regulations for use in all overhead lifting applications.

**Hoists**
Overhead lifting equipment which utilizes either manual, electric or air power, and either chain or wire rope as a lifting medium for capacities from hundreds of pounds to over 100 tons.

**Hoist Trolleys**
Used to affix a hoist to an overhead steel beam, safely providing balanced lateral movement after an object has been vertically lifted.

**Industrial Wholesale Distributors**
Sell a variety of products for maintenance, repair, operating and production applications through their own direct sales force and also provide service-after-sales support to their customers.

**Integrated Material Handling Solutions**
Full-scale design of material handling products and systems that, when used together, provide a customized, productive and safe work flow throughout an entire facility.

**Jib Cranes**
Pedestal supported overhead beam-like devices for mounting hoists to extend over a work station.

**Lifters**
Generally working in conjunction with a hoist, below-the-hook lifters are specialized grabs which attach, hold, protect, control and orient a load in the material handling process.

**Material Handling Products**
Tools which assist in lifting loads from point A to point B, horizontally or vertically.

**Material Handling Specialists**
Distributors who design and often assemble systems such as overhead rail systems incorporating trolleys, hoists, chain and other products.

**Operator-Controlled Manipulators**
Articulated mechanical arms with specialized end tooling designed to perform lifting, rotating, turning, tilting and positioning tasks in a variety of environments both safely and precisely.

**Plate Clamps**
Below-the-hook devices used in conjunction with hoists to lift large steel plates weighing up to 30 tons.

**Rigging Shops**
Specialized distributors who manufacture and repair wire rope slings and chain slings, and sell various rigging supplies.

**Roller Conveyors**
Floor-mounted systems designed to transport, sort and distribute products.

**Rotary Union**
A rotating mechanical seal used to facilitate the transfer of liquids or gases from a stationary pipe to a rotating mechanism.

**Scissor Lift Tables**
Provide a surface upon which objects may be placed and subsequently raised, lowered or tilted so as to make handling of the objects ergonomically correct.

**Service-After-the-Sale Distributors**
Provide end users with repairs and replacement parts.

**Workstations**
Application-specific workstations designed to ergonomically lift, position and tilt objects using multiple material handling products.
## Summary Consolidated Financial Data – Continuing Operations

### Statement of Operations Data:

<table>
<thead>
<tr>
<th>Fiscal years ended March 31,</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$ 561.8</td>
<td>$ 594.0</td>
<td>$ 609.2</td>
<td>$ 586.2</td>
<td>$ 480.0</td>
</tr>
<tr>
<td>Gross profit</td>
<td>160.2</td>
<td>169.5</td>
<td>172.4</td>
<td>159.5</td>
<td>120.5</td>
</tr>
<tr>
<td>Income from operations before restructuring charges and amortization</td>
<td>80.2</td>
<td>85.3</td>
<td>83.2</td>
<td>76.9</td>
<td>48.7</td>
</tr>
<tr>
<td>Restructuring charges</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9.6</td>
</tr>
<tr>
<td>Amortization of intangibles</td>
<td>10.3</td>
<td>10.6</td>
<td>11.4</td>
<td>11.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Interest expense, net (1)</td>
<td>23.2</td>
<td>33.2</td>
<td>32.1</td>
<td>34.2</td>
<td>31.8</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>46.8</td>
<td>41.6</td>
<td>39.7</td>
<td>31.7</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Income (loss) from continuing operations (2)</td>
<td>24.0</td>
<td>23.1</td>
<td>22.1</td>
<td>14.9</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Diluted earnings (loss) per share from continuing operations</td>
<td>1.66</td>
<td>1.61</td>
<td>1.55</td>
<td>1.04</td>
<td>(0.42)</td>
</tr>
</tbody>
</table>

### Weighted average shares outstanding – assuming dilution:

- 14.4
- 14.3
- 14.2
- 14.3
- 14.3

### Balance Sheet Data (at end of period):

<table>
<thead>
<tr>
<th>Fiscal years ended March 31,</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (3)</td>
<td>$ 762.7</td>
<td>$ 741.3</td>
<td>$ 731.8</td>
<td>$ 722.4</td>
<td>$ 524.3</td>
</tr>
<tr>
<td>Total debt</td>
<td>458.6</td>
<td>423.6</td>
<td>413.8</td>
<td>407.0</td>
<td>347.9</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>170.9</td>
<td>188.7</td>
<td>203.5</td>
<td>207.9</td>
<td>71.6</td>
</tr>
</tbody>
</table>

### Other Financial Data:

<table>
<thead>
<tr>
<th>Fiscal years ended March 31,</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (4)</td>
<td>$ 91.9</td>
<td>$ 97.8</td>
<td>$ 96.1</td>
<td>$ 90.7</td>
<td>$ 62.0</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>38.4</td>
<td>52.2</td>
<td>44.3</td>
<td>38.3</td>
<td>49.8</td>
</tr>
<tr>
<td>Cash dividends per common share</td>
<td>0.28</td>
<td>0.28</td>
<td>0.28</td>
<td>0.28</td>
<td>0.14</td>
</tr>
</tbody>
</table>

### Ratio Data:

<table>
<thead>
<tr>
<th>Fiscal years ended March 31,</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>28.5%</td>
<td>28.5%</td>
<td>28.3%</td>
<td>27.2%</td>
<td>25.1%</td>
</tr>
<tr>
<td>Selling, general, and administrative expenses as a percentage of sales</td>
<td>14.2</td>
<td>14.2</td>
<td>14.6</td>
<td>14.1</td>
<td>15.0</td>
</tr>
<tr>
<td>Income from operations as a percentage of sales (5)</td>
<td>14.3</td>
<td>14.4</td>
<td>13.7</td>
<td>13.1</td>
<td>10.1</td>
</tr>
<tr>
<td>Debt/total capitalization</td>
<td>72.9</td>
<td>69.2</td>
<td>67.0</td>
<td>66.2</td>
<td>82.9</td>
</tr>
</tbody>
</table>

---

(1) Interest expense, net includes the following unusual items in fiscal 2002: (i) $2.8 for an unrealized, non-cash, mark-to-market loss recognized on certain marketable equity securities held by our captive insurance subsidiary; (ii) $1.5 loss on the January 2002 sale of a small subsidiary; and (iii) $1.9 gain on the sale of assets held for sale.

(2) Income (loss) from continuing operations and earnings per share data are presented prior to an extraordinary charge for early debt extinguishment of $4.5 in fiscal 1998.

(3) Total assets includes net assets of discontinued operations of $150.3, $149.9, $152.6, $163.5 and $21.5 as of March 31, 1998, 1999, 2000, 2001 and 2002, respectively.

(4) EBITDA is defined as the sum of income from continuing operations before income taxes, interest and debt expense, depreciation expense, amortization of intangible assets (including goodwill), non-recurring restructuring charges and certain non-cash charges included in other (income) and expense, net as described in clauses (i) and (ii) of note 1 above. EBITDA is commonly used as an analytical indicator and also serves as a measure of leverage capacity and debt servicing ability. EBITDA should not be considered as a measure of financial performance under accounting principles generally accepted in the United States. The items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in our consolidated financial statements as an indicator of financial performance or liquidity. EBITDA as measured in this annual report is not necessarily comparable with similarly titled measures for other companies.

(5) Before restructuring charges and amortization.
In June 2002, Randy Marks, a Columbus McKinnon director since 1986, decided to resign from the Board for medical reasons. Randy joined our Board at the time of the management buyout and made many valuable contributions during his more than 15 years of service. His skills, experience and affability helped guide Columbus McKinnon to its present preeminent position in its industry. We will all miss Randy’s wit and keen ability to cut to the heart of complex business issues.