COLUMBUS MCKINNON CORP
Form 10-Q
October 24, 2013

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

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

For the quarterly period ended September 30, 2013
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission File Number: 0-27618

Columbus McKinnon Corporation
(Exact name of registrant as specified in its charter)

New York	16-0547600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
140 John James Audubon Parkway, Amherst, NY	14228-1197
(Address of principal executive offices)	(Zip code)

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

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. : ý Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No o

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

The number of shares of common stock outstanding as of October 21, 2013 was: 19,692,790 shares.

FORM 10-Q INDEX
COLUMBUS McKINNON CORPORATION
September 30, 2013

		Page #
Part I. Financial Information		
Item 1.	Condensed Consolidated Financial Statements (Unaudited)	
	Condensed consolidated balance sheets - September 30, 2013 and March 31, 2013	3
	Condensed consolidated statements of operations and retained earnings - Three and six months ended September 30, 2013 and 2012	4
	Condensed consolidated statements of comprehensive income - Three and six months ended September 30, 2013 and 2012	5
	Condensed consolidated statements of cash flows - Six months ended September 30, 2013 and 2012	6
	Notes to condensed consolidated financial statements - September 30, 2013	7
Item 2.	Management's Discussion and Analysis of Results of Operations and Financial Condition	28
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	34
Item 4.	Controls and Procedures	34
Part II. Other Information		
Item 1.	Legal Proceedings – none.	35
Item 1A.	Risk Factors	35
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds – none.	35
Item 3.	Defaults upon Senior Securities – none.	35
Item 4.	Mine Safety Disclosures.	35
Item 5.	Other Information – none.	35
Item 6.	Exhibits	36

Part I. Financial Information
Item 1. Condensed Consolidated Financial Statements (Unaudited)

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2013 (unaudited)	March 31, 2013
ASSETS:	(In thousands)	
Current assets:		
Cash and cash equivalents	$111,819	$121,660
Trade accounts receivable	76,852	80,224
Inventories	106,392	94,189
Prepaid expenses and other	19,082	17,905
Total current assets	314,145	313,978
Property, plant, and equipment, net	69,112	65,698
Goodwill	111,901	105,354
Other intangibles, net	12,906	13,395
Marketable securities	22,612	23,951
Deferred taxes on income	39,084	37,205
Other assets	6,491	7,286
Total assets	$576,251	$566,867
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Trade accounts payable	$29,466	$34,329
Accrued liabilities	49,319	48,884
Current portion of long term debt	1,119	1,024
Total current liabilities	79,904	84,237
Senior debt, less current portion	2,327	2,641
Subordinated debt	148,549	148,412
Other non current liabilities	86,906	91,590
Total liabilities	317,686	326,880
Shareholders' equity:		
Voting common stock; 50,000,000 shares authorized; 19,692,580 and 19,507,939 shares issued and outstanding	197	195
Additional paid in capital	194,634	192,308
Retained earnings	118,333	104,191
ESOP debt guarantee	(346)	(552)
Accumulated other comprehensive loss	(54,253)	(56,155)
Total shareholders' equity	258,565	239,987
Total liabilities and shareholders' equity	$576,251	$566,867

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(In thousands, except per share data)			
Net sales	$138,852	$146,472	$277,743	$299,485
Cost of products sold	94,592	104,070	189,992	213,259
Gross profit	44,260	42,402	87,751	86,226
Selling expenses	17,281	16,447	34,028	32,814
General and administrative expenses	14,167	12,546	27,017	26,724
Amortization of intangibles	526	489	985	988
	31,974	29,482	62,030	60,526
Income from operations	12,286	12,920	25,721	25,700
Interest and debt expense	3,372	3,505	6,743	7,004
Investment income	(276)	(382)	(492)	(662)
Foreign currency exchange loss (gain)	195	190	420	(146)
Other income, net	(1,261)	(173)	(1,172)	(495)
Income before income tax expense	10,256	9,780	20,222	19,999
Income tax expense	3,134	1,528	6,080	3,311
Net income	7,122	8,252	14,142	16,688
Retained earnings - beginning of period	111,211	34,331	104,191	25,895
Retained earnings - end of period	$118,333	$42,583	$118,333	$42,583
Average basic shares outstanding	19,655	19,419	19,587	19,384
Average diluted shares outstanding	19,959	19,581	19,866	19,546
Basic income per share:				
Net income	$0.36	$0.42	$0.72	$0.86
Diluted income per share:				
Net income	$0.36	$0.42	$0.71	$0.85

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(In thousands)			
Net income	$7,122	$8,252	$14,142	$16,688
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	3,065	2,517	2,935	(2,678)
Change in derivatives qualifying as hedges, net of taxes of $82, ($31), $108, and ($69)	105	(91)	191	(188)
Change in pension liability and postretirement obligation	(115)	(51)	(120)	34
Adjustments for unrealized gain on investments:				
Unrealized holding gain (loss) arising during the period, net of taxes of $158, $0*, ($76), and $0*	292	521	(142)	401
Reclassification adjustment for (gain) loss included in net income, net of taxes of $392, $0*, $518, and $0*	(727)	(170)	(962)	(253)
Net change in unrealized (gain) loss on investments	(435)	351	(1,104)	148
Total other comprehensive income (loss)	2,620	2,726	1,902	(2,684)
Comprehensive income	$9,742	$10,978	$16,044	$14,004

* The zero net deferred tax benefit related to the unrealized holding gains and losses and reclassification adjustments during the three and six month periods ended September 30, 2012 is related to the deferred tax asset valuation allowance that was recorded in that period.

See accompanying notes.

5

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

	Six Months Ended	
	September 30, 2013	September 30, 2012
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	$14,142	$16,688
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,324	6,221
Deferred income taxes and related valuation allowance	(1,249)	155
Gain on sale of real estate, investments, and other	(1,543)	(315)
Stock-based compensation	1,758	1,649
Amortization of deferred financing costs and discount on subordinated debt	436	192
Changes in operating assets and liabilities, net of effects of business acquisition:		
Trade accounts receivable	5,074	4,618
Inventories	(10,433)	(7,231)
Prepaid expenses	(1,024)	(3,477)
Other assets	684	445
Trade accounts payable	(5,366)	(6,002)
Accrued and non-current liabilities	(7,094)	(5,369)
Net cash provided by operating activities	1,709	7,574
INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	3,724	3,101
Purchases of marketable securities	(2,597)	(1,936)
Capital expenditures	(8,033)	(4,080)
Purchase of business	(5,847)	—
Proceeds from sale of assets	—	1,482
Net cash used for investing activities	(12,753)	(1,433)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	838	219
Net payments under lines-of-credit	—	(51)
Repayment of debt	(295)	(393)
Change in ESOP guarantee	206	213
Net cash provided by (used for) financing activities	749	(12)
Effect of exchange rate changes on cash	454	(675)
Net change in cash and cash equivalents	(9,841)	5,454
Cash and cash equivalents at beginning of period	121,660	89,473
Cash and cash equivalents at end of period	$111,819	$94,927
Supplementary cash flow data:		
Interest paid	$6,547	$6,898
Income taxes paid, net of refunds	$7,465	$3,591

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2013

1. Description of Business

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of Columbus McKinnon Corporation (the Company) at September 30, 2013, the results of its operations for the three and six month periods ended September 30, 2013 and September 30, 2012, and cash flows for the six months ended September 30, 2013 and September 30, 2012, have been included. Results for the period ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending March 31, 2014. The balance sheet at March 31, 2013 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Columbus McKinnon Corporation annual report on Form 10-K for the year ended March 31, 2013.

The Company is a leading designer, marketer and manufacturer of material handling products and services which efficiently and safely move, lift, position and secure material. Key products include hoists, rigging tools, cranes, and actuators. The Company’s material handling products are sold globally, principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users. During the three and six months ended September 30, 2013, approximately 57% and 58% of sales, respectively were to customers in the U.S.

2. Divestitures

During the fiscal 2013 quarter ending September 30, 2012, the Company sold certain assets of the Gaffey division of Crane Equipment and Service, Inc. The sale of the Gaffey assets did not have a material effect on the Company’s financial statements for year ended March 31, 2013 and therefore was not reclassified as a discontinued operation.

3. Acquisitions

On June 1, 2013, the Company acquired 100% of the outstanding common shares of Hebetechnik Gesellschaft m.b.H (“Hebetechnik”) located in Austria, a privately owned company with annual sales of approximately $10,000,000. Hebetechnik has been a value-added partner of the Company in the lifting industry in the Austrian market for over 20 years. The results of Hebetechnik are included in the Company’s condensed consolidated financial statements from the date of acquisition. The acquisition of Hebetechnik is not considered significant to the Company’s consolidated financial position and results of operations.

The acquisition was funded with existing cash. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed as of the date of acquisition. The excess consideration of $5,324,000 was recorded as goodwill. The identifiable intangible asset consists of order backlog at the date of the acquisition and is estimated to have a three month useful life. Goodwill recorded in connection with the acquisition will be deductible for Austrian tax purposes. The preliminary assignment of purchase consideration to the assets acquired and liabilities assumed, pending finalization of the determination of the fair values of the net assets acquired, is as follows (in thousands):

Working capital	$212
Other current assets	58

Property, plant and equipment	446
Goodwill	5,324
Long term debt	(193)
Total	$5,847

4. Fair Value Measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820 "Fair Value Measurements and Disclosures" establishes the standards for reporting financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). Under these standards, fair value

is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

ASC Topic 820-10-35-37 establishes a hierarchy for inputs that may be used to measure fair value. Level 1 is defined as quoted prices in active markets that the Company has the ability to access for identical assets or liabilities. The fair value of the Company’s marketable securities is based on Level 1 inputs. Level 2 is defined as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 3 inputs are unobservable inputs based on the Company’s own assumptions used to measure assets and liabilities at fair value. The Company primarily uses readily observable market data in conjunction with internally developed discounted cash flow valuation models when valuing its derivative portfolio and, consequently, the fair value of the Company’s derivatives is based on Level 2 inputs. The Company uses quoted prices in an inactive market when valuing its Subordinated Debt, represented by the 7 7/8% Notes due 2019, registered under the Securities Act of 1933, as amended (7 7/8% Notes) and, consequently, the fair value is based on Level 2 inputs. The carrying values of the Company’s senior debt and notes payable to banks approximate fair value based on current market interest rates for debt instruments of similar credit standing and, consequently, their fair values are based on Level 2 inputs. As of September 30, 2013 and March 31, 2013, the Company’s assets and liabilities measured or disclosed at fair value on recurring bases were as follows (in thousands):

	Fair value measurements at reporting date using			
	September 30,	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Description	2013	(Level 1)	(Level 2)	(Level 3)
Assets/(Liabilities) measured at fair value:				
Marketable securities	$22,612	$22,612	$—	$—
Derivative liabilities	(222)	—	(222)	—
Liabilities disclosed at fair value:				
Subordinated debt	$(160,125)	$—	$(160,125)	$—
Senior debt	(3,446)	—	(3,446)	—

	Fair value measurements at reporting date using			
	March 31,	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Description	2013	(Level 1)	(Level 2)	(Level 3)
Assets/(Liabilities) measured at fair value:				
Marketable securities	$23,951	$23,951	$—	$—
Derivative liabilities	(512)	—	(512)	—
Other equity investments	1,508	1,508	—	—
Liabilities disclosed at fair value:				
Subordinated debt	$(160,500)	$—	$(160,500)	$—

Senior debt	(3,665)	—	(3,665)	—

The carrying amount of these financial assets and liabilities are the same as their fair value with the exception of the subordinated debt whose carrying value is a liability of $148,549,000 at September 30, 2013 and $148,412,000 at March 31, 2013.

Assets and liabilities that were measured on a non-recurring basis during the period ended September 30, 2013 include assets and liabilities acquired in connection with the acquisition of Hebetechnik described in Note 3. The estimated fair values allocated to

the assets acquired and liabilities assumed relied upon fair value measurements based primarily on Level 3 inputs. The valuation techniques used to allocate fair values to working capital items; property, plant, and equipment; and identifiable intangible assets included the cost approach, market approach, and other income approaches. The valuation techniques relied on a number of inputs which included the cost and condition of property, plant, and equipment and forecasted net sales and income.

5. Inventories

Inventories consisted of the following (in thousands):

	September 30, 2013	March 31, 2013
At cost - FIFO basis:		
Raw materials	$56,638	$52,900
Work-in-process	17,102	10,813
Finished goods	52,454	50,722
	126,194	114,435
LIFO cost less than FIFO cost	(19,802)	(20,246)
Net inventories	$106,392	$94,189

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

6. Marketable Securities

All of the Company’s marketable securities, which consist of equity securities and fixed income securities, have been classified as available-for-sale securities and are therefore recorded at their fair values with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive loss in the shareholders’ equity section of the balance sheet unless unrealized losses are deemed to be other than temporary. In such instances, the unrealized losses are reported in the consolidated statements of operations and retained earnings within investment income. Estimated fair value is based on published trading values at the balance sheet dates. The cost of securities sold is based on the specific identification method. Interest and dividend income are included in investment income in the consolidated statements of operations and retained earnings.

The marketable securities are carried as long-term assets since they are held for the settlement of the Company’s general and products liability insurance claims filed through CM Insurance Company, Inc., a wholly owned captive insurance subsidiary. The marketable securities are not available for general working capital purposes.

In accordance with ASC Topic 320-10-35-30 “Investments – Debt & Equity Securities – Subsequent Measurement,” the Company reviews its marketable securities for declines in market value that may be considered other-than-temporary. The Company generally considers market value declines to be other-than-temporary if there are declines for a period longer than six months and in excess of 20% of original cost, or when other evidence indicates impairment. We also consider the nature of the underlying investments, our intent and ability to hold the investments until their market values recover to costs, and other market conditions in making this assessment. There were no other-than-temporary impairments for the three and six months ended September 30, 2013 or September 30, 2012.

The following is a summary of available-for-sale securities at September 30, 2013 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Marketable securities	$20,788	$2,062	$238	$22,612

The aggregate fair value of investments and unrealized losses on available-for-sale securities in an unrealized loss position at September 30, 2013 are as follows (in thousands):

	Aggregate Fair Value	Unrealized Losses
Securities in a continuous loss position for less than 12 months	$7,257	$238
Securities in a continuous loss position for more than 12 months	—	—
	$7,257	$238

Net realized gains related to sales of marketable securities were $91,000 and $170,000, in the three month periods ended September 30, 2013 and September 30, 2012, respectively and $127,000 and $253,000 for the six month periods then ended, respectively.

In addition to the above, during the three and six months ended September 30, 2013 the Company sold certain equity securities previously recorded on the Condensed Consolidated Balance Sheets in prepaid expenses and other resulting in a gain of $1,028,000 and $1,354,000, respectively. This gain has been recorded within other (income) expense, net in the condensed consolidated statements of operations and retained earnings.

The following is a summary of available-for-sale securities at March 31, 2013 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Marketable securities	$21,635	$2,335	$19	$23,951

7. Goodwill and Intangible Assets

Goodwill is not amortized but is tested for impairment at least annually, in accordance with the provisions of ASC Topic 350-20-35-1. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The fair value of a reporting unit is determined using a discounted cash flow methodology. The Company's reporting units are determined based upon whether discrete financial information is available and reviewed regularly, whether those units constitute a business, and the extent of economic similarities between those reporting units for purposes of aggregation. The Company's reporting units identified under ASC Topic 350-20-35-33 are at the component level, or one level below the reporting segment level as defined under ASC Topic 280-10-50-10 "Segment Reporting – Disclosure." The Company has four reporting units. Only two of the four reporting units carry goodwill at September 30, 2013 and March 31, 2013.

When we evaluate the potential for goodwill impairment, we assess a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment test.

In accordance with ASC Topic 350-20-35-3, the measurement of impairment of goodwill consists of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. As part of the impairment analysis, the Company determines the fair value of each of its reporting units with goodwill using the income approach. The income approach uses a discounted cash flow methodology to determine fair value. This methodology recognizes value based on the expected receipt of future economic benefits. Key assumptions in the income approach include a free cash flow projection, an estimated discount rate, a long-term growth rate and a terminal value. These

assumptions are based upon the Company's historical experience, current market trends and future expectations.

We performed our qualitative assessment during the fourth quarter of fiscal year 2013 and determined it was not more likely than not that the fair value of each of our reporting units was less than its applicable carrying value. Accordingly, we did not perform the two-step goodwill impairment test for any of our reporting units.

Future impairment indicators, such as declines in forecasted cash flows, may cause additional significant impairment charges. Impairment charges could be based on such factors as the Company's stock price, forecasted cash flows, assumptions used, control premiums or other variables.

A summary of changes in goodwill during the three months ended September 30, 2013 is as follows (in thousands):

Balance at April 1, 2013	$105,354
Acquisition of Hebetechnik (See Note 3)	5,324
Currency translation	1,223
Balance at September 30, 2013	$111,901

Identifiable intangible assets acquired in a business combination are amortized over their useful lives unless their useful lives are indefinite, in which case those intangible assets are tested for impairment annually (or upon identification of impairment indicators) and not amortized until their lives are determined to be finite.

Identifiable intangible assets are summarized as follows (in thousands):

	September 30, 2013			March 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademark	$5,863	$(1,606)	$4,257	$5,556	$(1,370)	$4,186
Customer relationships	14,904	(6,922)	7,982	14,166	(5,894)	8,272
Other	1,043	(376)	667	1,235	(298)	937
Total	$21,810	$(8,904)	$12,906	$20,957	$(7,562)	$13,395

Based on the current amount of identifiable intangible assets, the estimated amortization expense for each of the fiscal years 2014 through 2018 is expected to be approximately $1,700,000.

8. Derivative Instruments

The Company uses derivative instruments to manage selected foreign currency exposures. The Company does not use derivative instruments for speculative trading purposes. All derivative instruments must be recorded on the balance sheet at fair value. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded as accumulated other comprehensive gain (loss), or “AOCL”, and is reclassified to earnings when the underlying transaction has an impact on earnings. The ineffective portion of changes in the fair value of the derivative is reported in foreign currency exchange loss (gain) in the Company’s condensed consolidated statement of operations and retained earnings. For derivatives not classified as cash flow hedges, all changes in market value are recorded as a foreign currency exchange loss (gain) in the Company’s condensed consolidated statements of operations and retained earnings.

The Company has foreign currency forward agreements in place to hedge changes in the value of recorded foreign currency liabilities due to changes in foreign exchange rates at the settlement date. The notional amount of those derivatives is $3,532,000 and all contracts mature within twelve months. These contracts are marked to market each balance sheet date and are not designated as hedges.

The Company has foreign currency forward agreements that are designated as cash flow hedges to hedge a portion of forecasted inventory purchases and sales, including multi-year contracts related to capital project sales, denominated in a foreign currency. The notional amount of those derivatives is $8,053,000 and all contracts mature within twelve months of September 30, 2013.

The Company is exposed to credit losses in the event of non performance by the counterparties on its financial instruments. All counterparties have investment grade credit ratings. The Company anticipates that these

counterparties will be able to fully satisfy their obligations under the contracts. The Company has derivative contracts with three different counterparties as of September 30, 2013.

The following is the effect of derivative instruments on the condensed consolidated statement of operations and retained earnings for the three months ended September 30, 2013 and 2012 (in thousands):

September 30,	Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion)
2013	Foreign exchange contracts	$25	Cost of products sold	$(80)
2012	Foreign exchange contracts	(68)	Cost of products sold	24

September 30,	Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives
2013	Foreign exchange contracts	Foreign currency exchange gain	$(60)
2012	Foreign exchange contracts	Foreign currency exchange gain	(77)

The following is the effect of derivative instruments on the condensed consolidated statement of operations and retained earnings for the six months ended September 30, 2013 and 2012 (in thousands):

September 30,	Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion)
2013	Foreign exchange contracts	$116	Cost of products sold	$(75)
2012	Foreign exchange contracts	(73)	Cost of products sold	116

September 30,	Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives
2013	Foreign exchange contracts	Foreign currency exchange gain	$70
2012	Foreign exchange contracts	Foreign currency exchange gain	534

As of September 30, 2013, the Company had no derivatives designated as net investments or fair value hedges in accordance with ASC Topic 815, “Derivatives and Hedging.”

The following is information relative to the Company’s derivative instruments in the condensed consolidated balance sheet as of September 30, 2013 (in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value of Asset (Liability)	
		September 30, 2013	March 31, 2013
Foreign exchange contracts	Other Assets	$63	$8
Foreign exchange contracts	Accrued Liabilities	$(207)	$(511)

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	September 30, 2013	March 31, 2013

Foreign exchange contracts	Other Assets	$—	$95
Foreign exchange contracts	Accrued Liabilities	$(78)	$(104)

9. Debt

The Company entered into a fifth amended, restated and expanded revolving credit facility dated October 19, 2012 (New Revolving Credit Facility). The New Revolving Credit Facility provides availability up to a maximum of $100,000,000 and has an initial term ending October 31, 2017.

Provided there is no default, the Company may request an increase in the availability of the New Revolving Credit Facility by an amount not exceeding $75,000,000, subject to lender approval. The unused portion of the New Revolving Credit Facility totaled $91,523,000 net of outstanding borrowings of $0 and outstanding letters of credit of $8,477,000 as of September 30, 2013. The outstanding letters of credit at September 30, 2013 consisted of $3,788,000 in commercial letters of credit and $4,689,000 of standby letters of credit. Interest on the revolver is payable at varying Eurodollar rates based on LIBOR plus an applicable margin of 100 basis points or at a Base Rate (equivalent to a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate.”) plus 0 basis points. The applicable margin is determined based on the pricing grid in the New Revolving Credit Facility which varies based on the Company’s total leverage ratio at September 30, 2013. The New Revolving Credit Facility is secured by all U.S. inventory, receivables, equipment, real property, subsidiary stock (limited to 65% of non-U.S. subsidiaries) and intellectual property.

The corresponding credit agreement associated with the New Revolving Credit Facility places certain debt covenant restrictions on the Company, including certain financial requirements and restrictions on dividend payments, with which the Company was in compliance as of September 30, 2013. Key financial covenants include a minimum fixed charge coverage ratio of 1.25x, a maximum total leverage ratio, net of cash, of 3.50x and maximum annual capital expenditures of $30,000,000.

In connection with the execution of the New Revolving Credit Facility, it was determined that the borrowing capacity of each lender participating in this new agreement exceeded their borrowing capacities prior to the amendment. As a result, unamortized deferred financing costs associated with the agreement prior to its amendment remain deferred and are being amortized over the term of the New Revolving Credit Facility. Fees and other costs paid to execute the New Revolving Credit Facility totaling $684,000 were recorded as additional deferred financing costs and are being amortized over the term of the New Revolving Credit Facility.

At March 31, 2012, the Company had entered into an amended, restated and expanded revolving credit facility dated December 31, 2009. The Revolving Credit Facility provided availability up to a maximum of $85,000,000 and had an initial term ending December 31, 2013. The Revolving Credit Facility was replaced by the New Revolving Credit Facility on October 19, 2012. On January 25, 2011, the Company issued $150,000,000 principal amount of 7 7/8% Senior Subordinated Notes due 2019 in a private placement pursuant to Rule 144A under the Securities Act of 1933, as amended (Unregistered 7 7/8% Notes). The offering price of the Unregistered 7 7/8% Notes was 98.545% of par after adjustment for original issue discount.

Provisions of the Unregistered 7 7/8% Notes include, without limitation, restrictions on indebtedness, asset sales, and dividends and other restricted payments. Until February 1, 2014, the Company may redeem up to 35% of the outstanding Unregistered 7 7/8% Notes at a redemption price of 107.875% with the proceeds of equity offerings, subject to certain restrictions. On or after February 1, 2015, the Unregistered 7 7/8% Notes are redeemable at the option of the Company, in whole or in part, at a redemption price of 103.938%, reducing to 101.969% and 100% on February 1, 2016 and February 1, 2017, respectively and are due February 1, 2019. In the event of a Change of

Control (as defined in the indenture for such notes), each holder of the Unregistered 7 7/8% Notes may require the Company to repurchase all or a portion of such holder's Unregistered 7 7/8% Notes at a purchase price equal to 101% of the principal amount thereof. The Unregistered 7 7/8% Notes are guaranteed by certain existing and future U.S. subsidiaries and are not subject to any sinking fund requirements.

On June 2, 2011 the Company exchanged $150,000,000 of its outstanding Unregistered 7 7/8% Notes due 2019 for a like principal amount of its 7 7/8% Notes. All of the Unregistered 7 7/8% Senior Subordinated Notes due 2019 were exchanged in the transaction. The 7 7/8% Notes contain identical terms and provisions as the Unregistered 7 7/8% Notes.

The current and long term portion of the Company's other senior debt consists primarily of capital lease obligations.

Unsecured and uncommitted lines of credit are available to meet short-term working capital needs for certain of our subsidiaries operating outside of the U.S. The lines of credit are available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of default, as mutually agreed between our subsidiaries and the local bank at the time of each specific transaction. As of September 30, 2013,

unsecured credit lines totaled approximately $6,763,000, of which $0 was drawn. In addition, unsecured lines of $12,511,000 were available for bank guarantees issued in the normal course of business of which $6,296,000 was utilized. Finally, in addition to the above facilities, one of our foreign subsidiaries has a credit line secured by a parent company guarantee. This credit line provides availability of up to $980,000, of which $0 was drawn as of September 30, 2013.

Refer to the Company's consolidated financial statements included in its annual report on Form 10-K for the year ended March 31, 2013 for further information on its debt arrangements.

10. Net Periodic Benefit Cost

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

	Three months ended		Six months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Service costs	$629	$613	$1,253	$1,226
Interest cost	2,418	2,469	4,827	4,938
Expected return on plan assets	(3,157)	(2,803)	(6,314)	(5,606)
Net amortization	1,582	1,497	3,159	2,995
Net periodic pension cost	$1,472	$1,776	$2,925	$3,553

The Company currently plans to contribute approximately $11,000,000 to its pension plans in fiscal 2014.

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

	Three months ended		Six months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Interest cost	$63	$78	$125	$156
Amortization of plan net losses	22	36	43	72
Net periodic postretirement cost	$85	$114	$168	$228

For additional information on the Company's defined benefit pension and postretirement benefit plans, refer to the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended March 31, 2013.

11. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands):

	Three Months Ended		Six Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Numerator for basic and diluted earnings per share:				
Net income	$7,122	$ 8,252	$14,142	$ 16,688
Denominators:				
Weighted-average common stock outstanding – denominator for basic EPS	19,655	19,419	19,587	19,384
Effect of dilutive employee stock options and other share-based awards	304	162	279	162
Adjusted weighted-average common stock outstanding and assumed conversions – denominator for diluted EPS	19,959	19,581	19,866	19,546

Stock options and performance shares with respect to 17,000 and 290,000 common shares for the three month periods ended September 30, 2013 and 2012, respectively, and 47,000 and 290,000 common shares for the six month periods ended September 30, 2013 and 2012, respectively were not included in the computation of diluted earnings per share for September 30, 2013 and 2012, respectively because they were antidilutive.

On July 26, 2010, the shareholders of the Company approved the 2010 Long Term Incentive Plan ("LTIP"). The Company grants share based compensation to eligible participants under the LTIP. The total number of shares of common stock with respect to which awards may be granted under the plan is 1,250,000 including shares not previously authorized for issuance under any of the Prior Stock Plans and any shares not issued or subject to outstanding awards under the Prior Stock Plans.

During the first six months of fiscal 2014 and 2013, a total of 116,623 and 28,298 shares of stock were issued upon the exercising of stock options related to the Company's stock option plans. During the fiscal year ended March 31, 2013, 58,539 shares of restricted stock units vested and were issued.

Refer to the Company's consolidated financial statements included in its Form 10-K for the year ended March 31, 2013 for further information on its earnings per share and stock plans.

12. Loss Contingencies

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

Based on actuarial information, the Company has estimated its asbestos-related aggregate liability including related legal costs to range between $8,000,000 and $13,000,000 using actuarial parameters of continued claims for a period of 18 to 30 years from September 30, 2013. The Company's estimation of its asbestos-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates $10,400,000, which has been reflected as a liability in the consolidated financial statements as of September 30, 2013. The recorded liability does not consider the impact of any potential favorable federal legislation. This liability will fluctuate based on the uncertainty in the number of future claims that will be filed and the cost to resolve those claims, which may be influenced by a number of factors, including the outcome of the ongoing

broad-based settlement negotiations, defensive strategies, and the cost to resolve claims outside the broad-based settlement program. Of this amount, management expects to incur asbestos liability payments of approximately $2,400,000 over the next 12 months. Because payment of the liability is likely to extend over many years, management believes that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period.

The Company is also involved in other unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to product design, manufacture and performance liability. The Company's estimation of its product-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates $5,900,000, which has been reflected as a liability in the consolidated financial statements as of September 30, 2013. In some cases, we cannot reasonably estimate a range of loss because there is insufficient information regarding the matter. Management believes that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period.

13. Income Taxes

Income tax expense as a percentage of income from continuing operations before income tax expense was 31% and 16% in the quarter ended September 30, 2013 and September 30, 2012, respectively and 30% and 17% for the six-month periods then ended, respectively. Typically these percentages vary from the U.S. statutory rate primarily due to varying effective tax rates at the Company's foreign subsidiaries, and the jurisdictional mix of taxable income for these subsidiaries. We estimate that the effective tax rate related to continuing operations will be approximately 27% to 32% for fiscal 2014.

For the three and six month periods ended September 30, 2012, income taxes as a percentage of income before income taxes were not reflective of U.S. statutory rates. The Company had a valuation allowance of $53,325,000 at March 31, 2012 due to the uncertainty of whether U.S. federal and certain foreign net operating loss carryforwards ("NOLs") and deferred tax assets might ultimately be realized. In fiscal year 2013, we utilized the remaining U.S. federal NOLs thereby, reducing the valuation allowance by $5,107,000. As a result of our increased operating performance over the past several years, we reevaluated the certainty as to whether our remaining NOLs and other deferred tax assets may ultimately be realized. Management concluded that it is more likely than not that almost all of the remaining U.S. deferred tax assets will be realized; therefore, $49,161,000 of the remaining valuation allowance was reversed as of March 31, 2013.

14. Summary Financial Information

The following information (in thousands) sets forth the condensed consolidating summary financial information of the parent and guarantors, which guarantee the 7 7/8% Senior Subordinated Notes, and the nonguarantors. The guarantors are 100% owned and the guarantees are full, unconditional, joint and several.

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
As of September 30, 2013					
ASSETS					
Current assets:					
Cash and cash equivalents	$76,834	$—	$34,985	$—	$ 111,819
Trade accounts receivable, less allowance for doubtful accounts	32,896	3,955	40,001	—	76,852
Inventories	30,527	15,054	60,811	—	106,392
Prepaid expenses and other	10,373	1,638	7,071	—	19,082
Total current assets	150,630	20,647	142,868	—	314,145
Net property, plant, and equipment	38,242	11,813	19,057	—	69,112
Goodwill	40,696	31,025	40,180	—	111,901
Other intangibles, net	272	—	12,634	—	12,906
Intercompany	19,904	51,769	(71,673)	—	—
Marketable securities	—	—	22,612	—	22,612
Deferred taxes on income	27,701	2,389	8,994	—	39,084
Investment in subsidiaries	203,753	—	—	(203,753)	—
Other assets	5,941	525	25	—	6,491
Total assets	$487,139	$118,168	$174,697	$ (203,753)	$ 576,251
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Trade accounts payable	$11,197	$5,104	$13,165	$—	$ 29,466
Accrued liabilities	20,455	3,398	25,466	—	49,319
Current portion of long-term debt		331	788	—	1,119
Total current liabilities	31,652	8,833	39,419	—	79,904
Senior debt, less current portion	—	1,479	848	—	2,327
Subordinated debt	148,549	—	—	—	148,549
Other non-current liabilities	48,373	5,825	32,708	—	86,906
Total liabilities	228,574	16,137	72,975	—	317,686
Total shareholders' equity	258,565	102,031	101,722	(203,753)	258,565
Total liabilities and shareholders' equity	$487,139	$118,168	$174,697	$ (203,753)	$ 576,251

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Three Months Ended September 30, 2013:					
Net sales	$58,194	$31,703	$62,870	$(13,915)	$ 138,852
Cost of products sold	40,800	25,285	42,422	(13,915)	94,592
Gross profit	17,394	6,418	20,448	—	44,260
Selling expenses	6,244	1,284	9,753	—	17,281
General and administrative expenses	4,671	3,598	5,898	—	14,167
Amortization of intangibles	24	—	502	—	526
Income from operations	6,455	1,536	4,295	—	12,286
Interest and debt expense	3,241	44	87	—	3,372
Investment income	—	—	(276)	—	(276)
Foreign currency exchange loss	24	—	171	—	195
Other (income) and expense, net	(1,452)	(816)	1,007	—	(1,261)
Income before income tax expense	4,642	2,308	3,306	—	10,256
Income tax expense (benefit)	1,241	1,117	776	—	3,134
Equity in income from continuing operations of subsidiaries	3,721	—	—	(3,721)	—
Net income	$7,122	$1,191	$2,530	$(3,721)	$ 7,122

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Six Months Ended September 30, 2013:					
Net sales	$118,194	$66,525	$121,313	$(28,289)	$ 277,743
Cost of products sold	82,046	52,626	83,609	(28,289)	$ 189,992
Gross profit	36,148	13,899	37,704	—	87,751
Selling expenses	11,984	2,693	19,351	—	$ 34,028
General and administrative expenses	8,506	7,823	10,688	—	$ 27,017
Amortization of intangibles	47	—	938	—	$ 985
Income from operations	15,611	3,383	6,727	—	25,721
Interest and debt expense	6,485	90	168	—	$ 6,743
Investment income	—	—	(492)	—	$ (492)
Foreign currency exchange loss	40	—	380	—	$ 420
Other (income) and expense, net	(2,140)	(1,580)	2,548	—	$ (1,172)
Income before income tax expense	11,226	4,873	4,123	—	20,222
Income tax expense (benefit)	3,508	2,000	572	—	$ 6,080
Equity in income from continuing operations of subsidiaries	6,424	—	—	(6,424)	$ —
Net income	$14,142	$2,873	$3,551	$(6,424)	$ 14,142

For the Three Months Ended September 30, 2013

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
Net income	$7,122	$1,191	$2,530	$(3,721)	$7,122
Other comprehensive income (loss), net of tax:					$—
Foreign currency translation adjustments	—	3,733	(668)	—	$3,065
Change in derivatives qualifying as hedges, net of tax	75	—	30	—	$105
Change in pension liability and post-retirement obligations, net of tax	—	—	(115)	—	$(115)
Adjustments:					
Unrealized holding gains (losses) arising during the period, net of tax	96	—	196	—	$292
Reclassification adjustment for loss included in net income, net of tax	(880)	—	153	—	$(727)
Total adjustments	(784)	—	349	—	(435)
Total other comprehensive income (loss)	(709)	3,733	(404)	—	2,620
Comprehensive income (loss)	$6,413	$4,924	$2,126	$(3,721)	$9,742

For the Six Months Ended September 30, 2013

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
Net income	$14,142	$2,873	$3,551	$(6,424)	$14,142
Other comprehensive income (loss), net of tax:					$—
Foreign currency translation adjustments	—	5,052	(2,117)	—	$2,935
Change in derivatives qualifying as hedges, net of tax	26	—	165	—	$191
Change in Pension liability and post-retirement obligations, net of tax	—	—	(120)	—	$(120)
Adjustments:					$—
Unrealized holding gains (loss) arising during the period, net of tax	96	—	(238)	—	$(142)
Reclassification adjustment for loss included in net income, net of tax	(880)	—	(82)	—	$(962)
Total adjustments	(784)	—	(320)	—	(1,104)
Total other comprehensive income (loss)	(758)	5,052	(2,392)	—	1,902
Comprehensive income (loss)	$13,384	$7,925	$1,159	$(6,424)	$16,044

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Six Months Ended September 30, 2013:					
Operating activities:					
Net cash (used for) provided by operating activities	$10,999	$1,267	$(10,557)	$—	$1,709
Investing activities:					$—
Proceeds from sale of marketable securities	—	—	3,724	—	$3,724
Purchases of marketable securities	—	—	(2,597)	—	$(2,597)
Capital expenditures	(1,318)	(1,116)	(5,599)	—	$(8,033)
Purchase of business		—	(5,847)	—	$(5,847)
Intercompany transactions	(13,303)	—	13,303	—	$—
Net cash used for investing activities	(14,621)	(1,116)	2,984	—	(12,753)
Financing activities:					$—
Proceeds from exercise of stock options	838	—	—	—	$838
Repayment of debt	—	(151)	(144)	—	$(295)
Change in ESOP debt guarantee	206	—	—	—	$206
Net cash provided by (used for) financing activities	1,044	(151)	(144)	—	749
Effect of exchange rate changes on cash	—	—	454	—	$454
Net change in cash and cash equivalents	(2,578)	—	(7,263)	—	(9,841)
Cash and cash equivalents at beginning of year	79,412	—	42,248	—	$121,660
Cash and cash equivalents at end of year	$76,834	$—	$34,985	$—	$111,819

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
As of March 31, 2013:					
ASSETS					
Current assets:					
Cash and cash equivalents	$79,412	$—	$42,248	$—	$121,660
Trade accounts receivable, less allowance for doubtful accounts	37,967	4,068	38,189	—	80,224
Inventories	28,117	14,230	51,842	—	$94,189
Prepaid expenses and other	10,850	1,371	5,684	—	17,905
Total current assets	156,346	19,669	137,963	—	313,978
Net property, plant, and equipment	39,552	11,612	14,534	—	65,698
Goodwill	40,696	31,025	33,633	—	$105,354
Other intangibles, net	253	—	13,142	—	13,395
Intercompany transactions	5,805	63,368	(69,173)	—	$—
Marketable securities	—	—	23,951	—	23,951
Deferred taxes on income	27,215	2,389	7,601	—	$37,205
Investment in subsidiaries	203,753	—	—	(203,753)	—
Other assets	6,690	525	71	—	$7,286
Total assets	$480,310	$128,588	$161,722	$(203,753)	$566,867
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Trade accounts payable	$17,433	$7,018	$9,878	$—	34,329
Accrued liabilities	21,710	3,952	23,222	—	$48,884
Current portion of long-term debt	—	311	713	—	1,024
Total current liabilities	39,143	11,281	33,813	—	84,237
Senior debt, less current portion	—	1,650	991	—	2,641
Subordinated debt	148,412	—	—	—	$148,412
Other non-current liabilities	52,768	5,875	32,947	—	91,590
Total liabilities	240,323	18,806	67,751	—	326,880
Total shareholders' equity	239,987	109,782	93,971	(203,753)	239,987
Total liabilities and shareholders' equity	$480,310	$128,588	$161,722	$(203,753)	$566,867

21

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Three Months Ended September 30, 2012:					
Net sales	$57,560	$39,624	$63,192	$(13,904)	$146,472
Cost of products sold	40,826	33,243	43,905	(13,904)	104,070
Gross profit	16,734	6,381	19,287	—	42,402
Selling expenses	5,520	1,500	9,427	—	16,447
General and administrative expenses	4,172	3,602	4,772	—	$12,546
Amortization of intangibles	24	—	465	—	489
Income from operations	7,018	1,279	4,623	—	12,920
Interest and debt expense	2,746	632	127	—	3,505
Investment income	—	—	(382)	—	$(382)
Foreign currency exchange gain	9	—	181	—	190
Other (income) and expense, net	(127)	5	(51)	—	$(173)
Income before income tax expense	4,390	642	4,748	—	9,780
Income tax expense	623	—	905	—	$1,528
Equity in income from continuing operations of subsidiaries	4,485	—	—	(4,485)	—
Net income	$8,252	$642	$3,843	$(4,485)	$8,252

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Six Months Ended September 30, 2012:					
Net sales	$116,730	$83,199	$127,186	$(27,630)	$299,485
Cost of products sold	84,230	69,836	86,823	(27,630)	213,259
Gross profit	32,500	13,363	40,363	—	86,226
Selling expenses	11,427	3,133	18,254	—	32,814
General and administrative expenses	8,902	7,998	9,824	—	$26,724
Amortization of intangibles	47	—	941	—	988
Income from operations	12,124	2,232	11,344	—	25,700
Interest and debt expense	6,098	684	222	—	7,004
Investment income	—	—	(662)	—	$(662)
Foreign currency exchange gain	(25)	—	(121)	—	(146)
Other (income) and expense, net	(145)	16	(366)	—	$(495)
Income before income tax expense	6,196	1,532	12,271	—	19,999
Income tax (benefit) expense	(233)	80	3,464	—	$3,311
Equity in income from continuing operations of subsidiaries	10,259	—	—	(10,259)	—
Net income	$16,688	$1,452	$8,807	$(10,259)	$16,688

For the Three Months Ended September 30, 2012

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
Net income	$8,252	$642	$3,843	$(4,485)	$8,252
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	2,517	—	$2,517
Change in derivatives qualifying as hedges, net of tax	31	—	(122)	—	$(91)
Change in pension liability and post-retirement obligations, net of tax	—	—	(51)	—	(51)
Adjustments:					
Unrealized holding gain (loss) arising during the period, net of tax	—	—	521	—	$521
Reclassification adjustment for loss included in net income, net of tax	—	—	(170)	—	$(170)
Total adjustments	—	—	351	—	351
Total other comprehensive income	31	—	2,695	—	2,726
Comprehensive income	$8,283	$642	$6,538	$(4,485)	$10,978

For the Six Months Ended September 30, 2012

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
Net income	$16,688	$			