

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1 — Condensed Financial Statements

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS.**

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

PART II — OTHER INFORMATION

Item 6 — Exhibits and Reports on Form 8-K

SIGNATURE

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

 X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended April 28, 2001, or

 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 333-38223

ARGO-TECH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

31-1521125
(I.R.S. employer
identification no.)

23555 Euclid Avenue
Cleveland, Ohio
(Address of principal executive offices)

44117
(Zip code)

(216) 692-6000
(Registrant’s telephone number, including area code)

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.
 X YES NO

All of the outstanding capital stock of the registrant is held by AT Holdings Corporation.

As of June 1, 2001, 1 share of the registrant’s common stock, \$.01 par value, was outstanding.

INDEX

	<u>Page No.</u>
PART I — FINANCIAL INFORMATION	
Item 1 – Condensed Financial Statements	
Consolidated Balance Sheets as of April 28, 2001 and October 28, 2000	3
Consolidated Statements of Net Income (Loss) for the 26 weeks and 13 weeks ended April 28, 2001 and April 29, 2000	4
Consolidated Statements of Cash Flows for the 26 weeks ended April 28, 2001 and April 29, 2000	5
Notes to Consolidated Financial Statements	6 - 9
Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations	10 - 13
Item 3 - Quantitative and Qualitative Disclosure about Market Risk	13
PART II — OTHER INFORMATION	
Item 6 - Exhibits and Reports on Form 8-K	13
Signature	14

PART I — FINANCIAL INFORMATION

ARGO-TECH CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of AT Holdings Corporation)

CONSOLIDATED BALANCE SHEETS
APRIL 28, 2001 AND OCTOBER 28, 2000
(In thousands, except share data)

	2001	2000
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,671	\$ 5,174
Receivables, net	26,568	27,008
Inventories	31,437	30,115
Deferred income taxes and prepaid expenses	5,848	5,613
Total current assets	68,524	67,910
PROPERTY AND EQUIPMENT, net of accumulated depreciation	30,734	32,701
GOODWILL, net of accumulated amortization	110,677	112,422
INTANGIBLE ASSETS, net of accumulated amortization	46,159	48,173
DEFERRED FINANCING AND OTHER ASSETS	14,948	16,128
Total Assets	\$ 271,042	\$277,334
LIABILITIES		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 16,285	\$ 11,634
Accounts payable	4,677	4,990
Accrued liabilities	15,688	18,009
Total current liabilities	36,650	34,633
LONG-TERM DEBT, net of current maturities	243,944	253,128
OTHER NONCURRENT LIABILITIES	26,626	27,432
Total Liabilities	307,220	315,193
REDEEMABLE ESOP STOCK	25,542	26,863
Unearned ESOP stock	(5,040)	(5,880)
	20,502	20,983
SHAREHOLDERS' EQUITY/(DEFICIENCY):		
Common Stock, \$.01 par value, authorized 3,000 shares; 1 share issued and outstanding	—	—
Paid-in capital	—	—
Accumulated deficit	(56,680)	(58,842)
Total shareholders' equity/(deficiency)	(56,680)	(58,842)
Total Liabilities and Shareholders' Equity/(Deficiency)	\$ 271,042	\$277,334

The accompanying notes to consolidated financial statements are an integral part of this statement.

ARGO-TECH CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of AT Holdings Corporation)

CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)

(In thousands)
UNAUDITED

	26 Weeks Ended		13 Weeks Ended	
	April 28, 2001	April 29, 2000	April 28, 2001	April 29, 2000
Net revenues	\$80,012	\$75,638	\$44,684	\$39,808
Cost of revenues	44,576	45,825	23,762	23,661
Gross profit	35,436	29,813	20,922	16,147
Selling, general and administrative	11,203	11,722	5,773	5,657
Research and development	5,103	5,107	2,824	2,603
Amortization of intangible assets	3,757	3,759	1,878	1,880
Operating expenses	20,063	20,588	10,475	10,140
Income from operations	15,373	9,225	10,447	6,007
Interest expense	12,641	12,683	6,130	6,173
Other, net	(224)	(203)	(107)	(110)
Income / (loss) before income taxes	2,956	(3,255)	4,424	(56)
Income tax provision (benefit)	1,305	(1,411)	1,681	(291)
Net income / (loss)	\$ 1,651	\$ (1,844)	\$ 2,743	\$ 235

The accompanying notes to consolidated financial statements are an integral part of this statement.

ARGO-TECH CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of AT Holdings Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 26 WEEKS ENDED APRIL 28, 2001 AND APRIL 29, 2000

(In thousands)
UNAUDITED

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income / (loss)	\$ 1,651	\$(1,844)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	2,794	3,068
Amortization of intangible assets and deferred financing costs	4,826	4,804
Accretion of bond discount	122	112
Compensation expense recognized in connection with employee stock ownership plan	1,680	1,534
Amortization of inventory step-up	—	155
Deferred income taxes	(546)	(1,722)
Changes in operating assets and liabilities:		
Receivables	440	6,332
Inventories	(1,322)	(1,384)
Prepaid expenses	(823)	(532)
Accounts payable	(314)	(2,916)
Accrued and other liabilities	(1,920)	(2,237)
Other, net	(229)	46
Net cash provided by operating activities	<u>6,359</u>	<u>5,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>(827)</u>	<u>(1,150)</u>
Net cash used in investing activities	<u>(827)</u>	<u>(1,150)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additional borrowing of long-term debt	—	6,000
Repayment of long-term debt	(4,655)	(6,679)
Repayment of note payable — Durodyne acquisition	—	(557)
Purchase of treasury stock	(1,340)	(2,570)
Dividend	<u>(40)</u>	<u>(1,841)</u>
Net cash used in financing activities	<u>(6,035)</u>	<u>(5,647)</u>
CASH AND CASH EQUIVALENTS:		
Net decrease for the period	(503)	(1,381)
Balance, Beginning of period	<u>5,174</u>	<u>3,873</u>
Balance, End of period	<u>\$ 4,671</u>	<u>\$ 2,492</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

ARGO-TECH CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of AT Holdings Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 26 WEEKS ENDED APRIL 28, 2001 AND APRIL 29, 2000
(Unaudited)

1. BASIS OF PRESENTATION

The principal operations of Argo-Tech Corporation (a wholly-owned subsidiary of AT Holdings Corporation) and its Subsidiaries include the design, manufacture and distribution of aviation products, primarily aircraft fuel pumps, throughout the world. In addition, Argo-Tech leases a portion of its manufacturing facility to other parties. Argo-Tech's fiscal year ends on the last Saturday in October. Argo-Tech is obligated to fulfill certain obligations of AT Holdings Corporation. As a result, those obligations have been reflected in its financial statements. Certain reclassifications have been made in the prior years' financial statements to conform to the current year presentation.

Argo-Tech Corporation is a parent, holding company with four wholly-owned operating guarantor subsidiaries. Argo-Tech has no outside assets, liabilities or operations apart from its wholly-owned subsidiaries. The Senior Subordinated Notes are fully, unconditionally, jointly and severally guaranteed by the guarantor subsidiaries, and therefore, separate financial statements of the guarantor subsidiaries will not be presented. Management has determined that the information presented by such separate financial statements of the guarantor subsidiaries is not material to investors. All of Argo-Tech's subsidiaries are guarantors except one wholly-owned subsidiary that has inconsequential assets, liabilities and equity. Its only operations are the result of intercompany activity, which is immediately dividended back to Argo-Tech.

2. UNAUDITED FINANCIAL INFORMATION

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of Argo-Tech's financial position and results of operations and cash flows for the interim periods presented. The results of operations for the 26 weeks and 13 weeks ended April 28, 2001 are not necessarily indicative of the results to be expected for the full year.

3. INVENTORIES

Inventories are stated at standard cost which approximates the costs which would be determined using the first-in, first-out (FIFO) method. The recorded value of inventories is not in excess of market value. Inventories consist of the following (in thousands):

	April 28, 2001	October 28, 2000
Finished goods	\$ 2,057	\$ 2,259
Work-in-process and purchased parts	19,445	19,106
Raw materials and supplies	13,223	11,866
Total	34,725	33,231
Reserve for excess and obsolete inventory	(3,288)	(3,116)
Inventories — net	<u>\$31,437</u>	<u>\$30,115</u>

4. CONTINGENCIES

Environmental Matters — The soil and groundwater at Argo-Tech’s Euclid, Ohio facility and the Costa Mesa, California facility contain elevated levels of certain contaminants which are currently in the process of being removed and/or remediated. Because Argo-Tech has certain indemnification rights from former owners of the facilities for liabilities arising from these or other environmental matters, in the opinion of Argo-Tech’s management, the ultimate outcome is not expected to materially affect its financial condition, results of operations or liquidity.

Other Matters — Argo-Tech is subject to various legal actions and other contingencies. In the opinion of Argo-Tech’s management, after reviewing the information which is currently available with respect to such matters and consulting with Argo-Tech’s legal counsel, any liability which may ultimately be incurred with respect to these additional matters is not expected to materially affect Argo-Tech’s financial condition, results of operations or liquidity.

5. SEGMENT INFORMATION

Argo-Tech operates in two business segments: Aerospace and Industrial. Aerospace includes the design, manufacture and distribution of aviation products throughout the world consisting of aircraft fuel pumps, fuel flow related products found on a plane’s airframe and aerial refueling systems. The Industrial segment includes the design, manufacture and distribution of industrial pumps, ground fueling system valves and related components, industrial marine cryogenic pumps for transferring liquefied natural gas and operation of a business park where we maintain our headquarters and one of our production facilities.

Argo-Tech evaluates the performance of its segments based primarily on operating profit before amortization of goodwill, deferred financing fees and other identified intangibles, interest expense, interest income, other miscellaneous fees and income taxes.

The following table presents revenues and other financial information by business segment (in thousands):

	13 Week Period Ending April 28, 2001			
	Aerospace	Industrial	Corporate	Consolidated
Net revenues	\$37,211	\$7,473	\$ —	\$44,684
Operating profit (loss)	13,050	(474)	(251)	12,325
Amortization of intangible assets				1,878
Income from operations				10,447
Interest expense				6,130
Other, net				(107)
Income before income taxes				\$ 4,424
Capital expenditures	541	131		672
Depreciation	803	369	237	1,409
Compensation expense recognized in connection with employee stock ownership plan	742	98		840

13 Week Period Ending April 29, 2000

	Aerospace	Industrial	Corporate	Consolidated
Net revenues	\$33,041	\$6,767	\$ —	\$39,808
Operating profit (loss)	8,358	(88)	(383)	7,887
Amortization of intangible assets				<u>1,880</u>
Income from operations				6,007
Interest expense				6,173
Other, net				<u>(110)</u>
Loss before income taxes				<u>\$ (56)</u>
Capital expenditures	535	107		642
Depreciation	836	406	286	1,528
Compensation expense recognized in connection with employee stock ownership plan	461	64		525

26 Week Period Ending April 28, 2001

	Aerospace	Industrial	Corporate	Consolidated
Net revenues	\$66,471	\$13,541	\$ —	\$80,012
Operating profit (loss)	20,711	(1,072)	(509)	19,130
Amortization of intangible assets				<u>3,757</u>
Income from operations				15,373
Interest expense				12,641
Other, net				<u>(224)</u>
Income before income taxes				<u>\$ 2,956</u>
Capital expenditures	635	192		827
Depreciation	1,575	744	475	2,794
Compensation expense recognized in connection with employee stock ownership plan	1,482	198		1,680

26 Week Period Ending April 29, 2000

	Aerospace	Industrial	Corporate	Consolidated
Net revenues	\$61,079	\$14,559	\$ —	\$75,638
Operating profit (loss)	13,926	(139)	(803)	12,984
Amortization of intangible assets				<u>3,759</u>
Income from operations				9,225
Interest expense				12,683
Other, net				<u>(203)</u>
Loss before income taxes				<u>\$ (3,255)</u>
Capital expenditures	1,013	137		1,150
Depreciation	1,686	810	572	3,068
Amortization of inventory step-up			155	155
Compensation expense recognized in connection with employee stock ownership plan	1,356	178		1,534

6. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes foreign currency translation adjustments and changes in the fair value of the interest rate swaps (in thousands).

	26 weeks ended		13 weeks ended	
	April 28, 2001	April 29, 2000	April 28, 2001	April 29, 2000
Net income (loss)	\$1,651	\$(1,844)	\$2,743	\$235
Other comprehensive income (loss):				
Foreign currency translation adjustment	138	89	55	20
Cumulative effect of accounting change	284			
Change in fair market value of interest rate swaps	(419)		(139)	
Other comprehensive income (loss) before tax	3	89	(84)	20
Income tax benefit related to other comprehensive income (loss)	54		56	
Other comprehensive income (loss) net of tax	57	89	(28)	20
Comprehensive income (loss)	<u>\$1,708</u>	<u>\$(1,755)</u>	<u>\$2,715</u>	<u>\$255</u>

7. ACCOUNTING CHANGE

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, “Accounting for Derivative Instruments and Hedging Activities.” This pronouncement requires that all derivative financial instruments, such as interest rate swap contracts and foreign exchange contracts, be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or shareholders’ equity (as a component of comprehensive income), depending on whether the derivative is being used to hedge changes in fair value or cash flows. Argo-Tech adopted this standard effective October 29, 2000 and has determined that its derivative instruments meet the criteria for cash flow hedge accounting. In order to reduce variable interest rate exposure on borrowings under its existing credit facility and to hedge cash flows, Argo-Tech has two interest rate swap agreements on a portion of the variable rate debt which each fix the rate on the notional amounts of \$10.0 million at 5.60%. The fair value of Argo-Tech’s derivative instruments was a \$284 thousand asset at October 29, 2000, which was recorded as a cumulative effect of accounting change, and a \$135 thousand liability at April 28, 2001. The adjustments to record the cumulative effect of accounting change and the net change in the fair value during the period ended April 28, 2001, was recorded, net of income taxes, in other comprehensive income.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Argo-Tech Corporation is a leading designer, manufacturer and servicer of high performance fuel flow devices for the aerospace industry providing a broad range of products and services to substantially all commercial and domestic military engine and airframe manufacturers, to airlines worldwide and to the U.S. and certain foreign militaries. Argo-Tech is the world's leading supplier of main engine fuel pumps to the commercial aircraft industry and a leading supplier of airframe products and aerial refueling systems. Argo-Tech is also a leading manufacturer of components for ground fueling systems and is a manufacturer of industrial marine cryogenic pumps.

The following is management's discussion and analysis of certain significant factors which have affected Argo-Tech's financial position and operating results during the periods presented in the accompanying condensed consolidated financial statements. Argo-Tech's fiscal year ends on the last Saturday of October and is identified according to the calendar year in which it ends.

Results of Operations for the 13 Week Period Ended April 28, 2001 Compared With the 13 Week Period Ended April 29, 2000

Net revenues for the 13 week period ended April 28, 2001 increased \$4.9 million, or 12.3%, to \$44.7 million from \$39.8 million for the 13 week period ended April 29, 2000. This increase was primarily due to an increase in aerospace revenues of \$4.2 million and a \$0.7 million increase in industrial revenues. The increase in aerospace revenues was attributable to an increase of \$4.5 million of commercial aerospace revenues offset by a decrease of \$0.3 million in military revenues. Commercial OEM revenues decreased \$1.0 million, or 10.9%, to \$8.1 million and commercial aftermarket revenues increased \$5.5 million, or 30.9%, to \$23.3 million in the 13 week period ended April 28, 2001. Commercial OEM revenues declined as a result of lower overall engine requirements from our customers, while commercial aftermarket revenues were higher primarily due to an increase in spare parts and overhaul services for the JT8 and JT9 engine programs. Military revenues decreased primarily due to reduced activity on the KC-135 aerial refueling components and F-18E/F 480 gallon fuel tank offset by increased revenue related to F-16 and F-22 airframe components. The increase in industrial revenues was primarily attributable to industrial gas turbine and industrial marine revenues.

Gross profit for the 13 week period ended April 28, 2001 increased \$4.8 million, or 29.8%, to \$20.9 million from \$16.1 million in the 13 week period ended April 29, 2000. Gross margin increased to 46.8% for the 13 week period ended April 28, 2001 from 40.5% in the 13 week period ended April 29, 2000. The increase in gross profit and gross margin is primarily due to the favorable sales mix of aerospace and industrial revenues.

Operating expenses for the 13 week period ended April 28, 2001 increased \$0.4 million, or 4.0%, to \$10.5 million from \$10.1 million in the 13 week period ended April 29, 2000. This increase is primarily attributable to an increase in research and development expense and selling, general and administrative expense. Operating expenses as a percent of revenues declined to 23.5% for the 13 week period ended April 28, 2001 as compared to 25.4% for the 13 week period ended April 29, 2000.

Income from operations for the 13 week period ended April 28, 2001 increased \$4.4 million, or 73.3%, to \$10.4 million from \$6.0 million in the 13 week period ended April 29, 2000. As a percent of revenues, income from operations for the 13 week period ended April 28, 2001 increased to 23.3% from 15.1% for the 13 week period ended April 29, 2000. These increases were primarily due to the increased sales of higher margin aerospace products.

Interest expense was \$6.1 million for both of the 13 week periods ended April 28, 2001 and April 29, 2000 due to a lower level of term loans partially offset by higher interest rates on the term loans.

The income tax provision for the 13 week period ended April 28, 2001 increased \$2.0 million to an expense of \$1.7 million from a benefit of \$0.3 million in the 13 week period ended April 29, 2000. This increase is due to a pre-tax income of \$4.4 million for the 13 week period ended April 28, 2001 as compared to a pre-tax loss of \$0.1 million for the 13 week period ended April 29, 2000.

Net income for the 13 week period ended April 28, 2001 increased \$2.5 million to \$2.7 million from \$0.2 million for the 13 week period ended April 29, 2000 primarily due to the revenue and expense factors discussed above.

Results of Operations for the 26 Week Period Ended April 28, 2001 Compared With the 26 Week Period Ended April 29, 2000

Net revenues for the 26 week period ended April 28, 2001 increased \$4.4 million, or 5.8%, to \$80.0 million from \$75.6 million for the 26 week period ended April 29, 2000. This increase was primarily due to an increase in aerospace revenues of \$5.4 million offset by a \$1.0 million decrease in industrial revenues. The increase in aerospace revenues was attributable to an increase of \$8.3 million of commercial aerospace revenues offset by a decrease of \$2.9 million in military revenues. Commercial OEM revenues decreased \$0.7 million, or 4.5%, to \$14.8 million and commercial aftermarket revenues increased \$9.0 million, or 27.7%, to \$41.6 million in the 26 week period ended April 28, 2001. Commercial OEM revenues decreased as a result of lower overall engine requirements from our customers, while commercial aftermarket revenues were higher primarily due to a slight increase in demand by airlines for spare pumps used for initial provisioning purposes and an increase in spare part and repair and overhaul services. The increase in spare parts sales was primarily attributable to higher demand on the JT8 and JT9 engine programs both domestically and from our international distributor. Military revenues decreased primarily due to a lower rate of activity on KC-135 aerial refueling components and the F-18E/F 480 gallon fuel tank offset by increased revenue related to F-16 and F-22 airframe components. The decrease in industrial revenues was attributable to lower ground fueling and industrial marine revenues offset by an increase in industrial gas turbine revenues.

Gross profit for the 26 week period ended April 28, 2001 increased \$5.6 million, or 18.8%, to \$35.4 million from \$29.8 million in the 26 week period ended April 29, 2000. Gross margin increased to 44.3% for the 26 week period ended April 28, 2001 from 39.4% in the 26 week period ended April 29, 2000. The increase in gross profit and gross margin is primarily due to the favorable sales mix of aerospace and industrial revenues.

Operating expenses for the 26 week period ended April 28, 2001 decreased \$0.6 million, or 2.9%, to \$20.0 million from \$20.6 million in the 26 week period ended April 29, 2000. This decrease is primarily attributable to reduced general and administrative expenses related to cost reduction actions taken in fiscal 2000. Operating expenses as a percent of revenues declined to 25.0% for the 26 week period ended April 28, 2001 as compared to 27.2% for the 26 week period ended April 29, 2000.

Income from operations for the 26 week period ended April 28, 2001 increased \$6.2 million, or 67.4%, to \$15.4 million from \$9.2 million in the 26 week period ended April 29, 2000. As a percent of revenues, income from operations for the 26 week period ended April 28, 2001 increased to 19.3% from 12.2% for the 26 week period ended April 29, 2000. These increases were due to increased sales of higher margin aerospace products and decreased operating expenses.

Interest expense was \$12.6 million for both of the 26 week periods ended April 28, 2001 and April 29, 2000 due to lower outstanding borrowings offset by slightly higher interest rates on the term loans.

The income tax provision for the 26 week period ended April 28, 2001 increased \$2.7 million to an expense of \$1.3 million from a benefit of \$1.4 million in the 26 week period ended April 29, 2000. This increase is due to a pre-tax gain of \$3.0 million for the 26 week period ended April 28, 2001 as compared to a pre-tax loss of \$3.2 million for the 26 week period ended April 29, 2000.

Net income for the 26 week period ended April 28, 2001 increased \$3.5 million, to \$1.7 million compared to a loss of \$1.8 million for the 26 week period ended April 29, 2000 primarily due to the revenue and expense factors discussed above.

Fluctuations of Operating Results; Limitation of Quarterly Comparisons

Argo-Tech's results of operations are subject to fluctuations from quarter to quarter due to changes in demand for its products, changes in product mix and other factors. Demand for its products can vary from quarter to quarter due to changes in demand for, and timing of deliveries of, OEM, aftermarket and military products and services. In particular, the timing of Argo-Tech's aftermarket sales tends not to occur on a predictable schedule and, furthermore, the sales tend to occur in large quantities that can significantly impact quarterly comparisons. Accordingly, year-to-year and quarter-to-quarter comparisons of quarterly results may not be meaningful, and quarterly results during the year are not necessarily indicative of the results that may be expected for any future period or for the entire year.

Liquidity and Capital Resources

Argo-Tech is a holding company that receives all of its operating income from its subsidiaries. As a result, Argo-Tech's primary source of liquidity for conducting business activities and servicing its indebtedness has been cash flows from operating activities.

Cash for the 26 week period ended April 28, 2001 decreased \$0.5 million to \$4.7 million. This was primarily due to the scheduled repayment of term loans, the purchase of stock from former ESOP participants, an increase in inventory and prepaid expenses and a decrease in accounts payable and accrued and other liabilities offset by operating income.

Capital expenditures for the 26 weeks ended April 28, 2001 totaled \$0.8 million compared to \$1.2 million for the 26 weeks ended April 29, 2000. Argo-Tech expects to incur capital expenditures of approximately \$3.2 million for the remainder of fiscal year 2001, related to the continued maintenance of facilities, equipment and systems to support current operating activities.

Long-term debt at April 28, 2001 consisted of \$67.4 million principal amount of term loans and \$192.8 million principal amount of Senior Subordinated Notes. Scheduled payments of \$4.7 million were made on the term loans during the 26 week period ended April 28, 2001. Argo-Tech has available, after \$1.0 million in letters of credit, a \$19.0 million revolving credit facility. As of April 28, 2001, there were no outstanding borrowings on the revolving credit facility. The credit facility contains no restrictions on the ability of Argo-Tech's subsidiaries to make distributions to Argo-Tech.

Certain Factors That May Affect Future Results

From time to time, information provided by Argo-Tech, statements by its employees or information included in its filings with the Securities and Exchange Commission (including those portions of the Management's Discussion and Analysis that refer to the future) may contain forward-looking statements that are not historical facts. Those statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, and Argo-Tech's future performance, operating results, financial position and liquidity, are subject to a variety of factors that could materially affect

results. Some, but not necessarily all, of these factors include: Argo-Tech’s dependence on the aerospace industry; government regulation and oversight; defense spending; competition; product and environmental liabilities; and risks associated with its workforce, suppliers, and future acquisitions.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

In the ordinary course of operations, Argo-Tech’s major market risk exposure is to changing interest rates. Argo-Tech’s exposure to changes in interest rates relates primarily to its long-term debt obligations. At April 28, 2001, Argo-Tech had fixed rate debt totaling \$195 million, including \$2.5 million of accretion, at 8.625% and variable rate debt under its existing credit facility of \$67.4 million calculated at Argo-Tech’s choice using an alternate base rate (ABR) or LIBOR, plus a supplemental percentage determined by the ratio of debt to EBITDA. The variable rate is not to exceed ABR plus 1.50% or LIBOR plus 2.50%. In order to reduce variable interest rate exposure on borrowings under its existing credit facility, Argo-Tech has two interest rate swap agreements on a portion of the variable rate debt which fix the rate on the notional amounts of \$10.0 million at 5.60%. Argo-Tech does not enter into derivative contracts for trading or speculative purposes. A 10% fluctuation in interest rates would not materially affect Argo-Tech’s financial condition, results of operations or cash flows.

PART II — OTHER INFORMATION

Item 6 — Exhibits and Reports on Form 8-K

(a) Exhibits — None

Reports on Form 8-K — None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 8, 2001

ARGO-TECH CORPORATION

By: /s/ Frances S. St. Clair

Frances S. St. Clair
Vice President and Chief Financial Officer
(Duly Authorized Officer)

By: /s/ Paul A. Sklad

Paul A. Sklad
Controller
(Principal Accounting Officer)