

KEWAUNEE SCIENTIFIC CORP /DE/

Form 10-Q

December 13, 2010

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended October 31, 2010

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 0-5286

**KEWAUNEE SCIENTIFIC CORPORATION**

(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>38-0715562</b> (IRS Employer Identification No.)
<b>2700 West Front Street</b>	
<b>Statesville, North Carolina</b> (Address of principal executive offices)	<b>28677-2927</b> (Zip Code)
<b>Registrant's telephone number, including area code: (704) 873-7202</b>	

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. Yes  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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark 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 Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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

As of December 6, 2010, the registrant had outstanding 2,576,167 shares of Common Stock.

**Table of Contents**

**KEWAUNEE SCIENTIFIC CORPORATION**

INDEX TO FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2010

	<b>Page Number</b>
PART I. FINANCIAL INFORMATION	
Item 1. <u>Financial Statements</u>	1
<u>Consolidated Statements of Operations – Three and Six months ended October 31, 2010 and 2009</u>	1
<u>Consolidated Balance Sheets – October 31, 2010 and April 30, 2010</u>	2
<u>Consolidated Statements of Cash Flows – Six months ended October 31, 2010 and 2009</u>	3
<u>Notes to Consolidated Financial Statements</u>	4
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	7
<u>Review by Independent Registered Public Accounting Firm</u>	9
<u>Report of Independent Registered Public Accounting Firm</u>	10
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	11
Item 4. <u>Controls and Procedures</u>	11
PART II. OTHER INFORMATION	
Item 6. <u>Exhibits</u>	12
<u>SIGNATURE</u>	13

**Table of Contents**

## Part 1. Financial Information

**Item 1. Financial Statements***Kewaunee Scientific Corporation*

## Consolidated Statements of Operations

*(Unaudited)**(in thousands, except per share data)*

	Three months ended October 31		Six months ended October 31	
	2010	2009	2010	2009
Net Sales	\$ 25,625	\$ 27,088	\$ 50,483	\$ 53,337
Costs of products sold	20,208	20,878	40,067	41,363
Gross profit	5,417	6,210	10,416	11,974
Operating expenses	4,045	3,976	7,946	7,942
Operating earnings	1,372	2,234	2,470	4,032
Other expense	(1)		(1)	
Interest expense	(77)	(39)	(122)	(80)
Earnings before income taxes	1,294	2,195	2,347	3,952
Income tax expense	414	751	743	1,340
Net earnings	880	1,444	1,604	2,612
Less: net earnings attributable to the noncontrolling interest	25	92	92	189
Net earnings attributable to Kewaunee Scientific Corporation	\$ 855	\$ 1,352	\$ 1,512	\$ 2,423
Net earnings per share attributable to Kewaunee Scientific Corporation stockholders				
Basic	\$ 0.33	\$ 0.53	\$ 0.59	\$ 0.95
Diluted	\$ 0.33	\$ 0.53	\$ 0.59	\$ 0.95
Weighted average number of common shares outstanding (in thousands)				
Basic	2,573	2,560	2,573	2,558
Diluted	2,578	2,571	2,578	2,564

*See accompanying notes to consolidated financial statements.*

**Table of Contents***Kewaunee Scientific Corporation*

## Consolidated Balance Sheets

*(in thousands)*

	October 31, 2010 (Unaudited)	April 30, 2010
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,248	\$ 1,722
Restricted cash	544	544
Receivables, less allowance	26,993	26,169
Inventories	9,058	8,350
Deferred income taxes	511	390
Prepaid expenses and other current assets	1,692	1,407
<b>Total current assets</b>	<b>40,046</b>	<b>38,582</b>
Property, plant and equipment, at cost	46,821	43,200
Accumulated depreciation	(30,483)	(29,385)
<b>Net property, plant and equipment</b>	<b>16,338</b>	<b>13,815</b>
Deferred income taxes	706	663
Other	3,692	3,561
<b>Total other assets</b>	<b>4,398</b>	<b>4,224</b>
<b>Total Assets</b>	<b>\$ 60,782</b>	<b>\$ 56,621</b>
<b><u>Liabilities and Equity</u></b>		
Current liabilities:		
Short-term borrowings	\$ 4,147	\$ 4,872
Current obligations under capital leases	80	82
Current portion of long-term	200	
Accounts payable	9,211	9,540
Employee compensation and amounts withheld	1,416	1,358
Deferred revenue	899	586
Other accrued expenses	2,312	2,059
<b>Total current liabilities</b>	<b>18,265</b>	<b>18,497</b>
Obligations under capital leases	79	119
Long-term debt	3,767	
Accrued employee benefit plan costs	6,023	6,333
<b>Total Liabilities</b>	<b>28,134</b>	<b>24,949</b>
Equity:		
Common Stock	6,550	6,550
Additional paid-in-capital	946	855
Retained earnings	29,396	28,398
Accumulated other comprehensive loss	(5,124)	(4,898)
Common stock in treasury, at cost	(473)	(472)

Edgar Filing: KEWAUNEE SCIENTIFIC CORP /DE/ - Form 10-Q

Total Kewaunee Scientific Corporation stockholders' equity	31,295	30,433
Noncontrolling interest	1,353	1,239
Total Equity	32,648	31,672
Total Liabilities and Equity	\$ 60,782	\$ 56,621

*See accompanying notes to consolidated financial statements.*

**Table of Contents***Kewaunee Scientific Corporation*

## Consolidated Statements of Cash Flows

*(Unaudited)**(in thousands)*

	<b>Six months ended October 31</b>	
	<b>2010</b>	<b>2009</b>
<b><i>Cash flows from operating activities:</i></b>		
Net earnings	\$ 1,604	\$ 2,612
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,189	1,255
Bad debt provision	85	71
Provision for deferred income tax expense	(164)	10
Decrease in prepaid income taxes		9
Increase in receivables	(909)	(2,205)
Increase in inventories	(708)	(278)
(Decrease) increase in accounts payable and other accrued expenses	(18)	432
Increase in deferred revenue	313	29
Other, net	(913)	138
Net cash provided by operating activities	479	2,073
<b><i>Cash flows from investing activities:</i></b>		
Capital expenditures	(3,712)	(2,278)
Increase in restricted cash		(5)
Net cash used in investing activities	(3,712)	(2,283)
<b><i>Cash flows from financing activities:</i></b>		
Proceeds from long-term debt	4,000	
Payments on long-term debt	(33)	
Dividends paid	(514)	(461)
Payments on short-term borrowings, net	(725)	(350)
Payments on capital leases	(42)	(144)
Purchase of treasury stock	(42)	(114)
Proceeds from exercise of stock options (including tax benefit)	41	135
Net cash provided by (used in) financing activities	2,685	(934)
Effect of exchange rate changes on cash	74	181
<b><i>Decrease in cash and cash equivalents</i></b>	<b>(474)</b>	<b>(963)</b>
<b><i>Cash and cash equivalents, beginning of period</i></b>	<b>1,722</b>	<b>3,559</b>
<b><i>Cash and cash equivalents, end of period</i></b>	<b>\$ 1,248</b>	<b>\$ 2,596</b>

*See accompanying notes to consolidated financial statements*





**Table of Contents**

## Kewaunee Scientific Corporation

## Notes to Consolidated Financial Statements

(unaudited)

**A. Financial Information**

The unaudited interim consolidated financial statements of Kewaunee Scientific Corporation (the Company or Kewaunee) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the Commission). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's 2010 Annual Report to Stockholders. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

The preparation of the interim consolidated financial statements requires management to make certain estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

**B. Inventories**

Inventories consisted of the following (in thousands):

	<b>October 31, 2010</b>	<b>April 30, 2010</b>
Finished products	\$ 2,067	\$ 2,199
Work in process	1,417	1,237
Raw materials	5,574	4,914
	\$ 9,058	\$ 8,350

For interim reporting, LIFO inventories are computed based on year-to-date quantities and interim changes in price levels. Changes in quantities and price levels are reflected in the interim consolidated financial statements in the period in which they occur.

**C. Comprehensive Income**

A reconciliation of net earnings and total comprehensive income for the three and six months ended October 31, 2010 and 2009 is as follows (in thousands):

	<b>Three months ended October 31, 2010</b>	<b>Three months ended October 31, 2009</b>
Net earnings	\$ 855	\$ 1,352
Change in cumulative foreign currency translation adjustments	98	109
Change in fair value of cash flow hedge, net of tax	(197)	
Total comprehensive income	\$ 756	\$ 1,461

	<b>Six months ended October 31, 2010</b>	<b>Six months ended October 31, 2009</b>
Net earnings	\$ 1,512	\$ 2,423
Change in cumulative foreign currency translation adjustments	(18)	213
Change in fair value of cash flow hedge, net of tax	(208)	
 Total comprehensive income	 \$ 1,286	 \$ 2,636

Assets and liabilities for the Company's foreign subsidiaries are translated at exchange rates prevailing on the balance sheet date. Revenues and expenses are translated at weighted average exchange rates prevailing during the period and any resulting translation adjustments are reported separately in stockholders' equity.

**Table of Contents****D. Segment Information**

The following table provides financial information by business segments for the three and six months ended October 31, 2010 and 2009 (in thousands):

	Domestic Operations	International Operations	Corporate	Total
<b>Three months ended October 31, 2010</b>				
Revenues from external customers	\$ 22,269	\$ 3,356	\$	\$ 25,625
Intersegment revenues	504	4	(508)	
Operating earnings (loss) before income taxes	2,112	105	(923)	1,294
<b>Three months ended October 31, 2009</b>				
Revenues from external customers	\$ 24,713	\$ 2,375	\$	\$ 27,088
Intersegment revenues	271	310	(581)	
Operating earnings (loss) before incomes taxes	2,900	206	(911)	2,195
<b>Six months ended October 31, 2010</b>				
Revenues from external customers	\$ 43,216	\$ 7,267	\$	\$ 50,483
Intersegment revenues	1,167	647	(1,814)	
Operating earnings (loss) before incomes taxes	3,697	333	(1,683)	2,347
<b>Six months ended October 31, 2009</b>				
Revenues from external customers	\$ 48,071	\$ 5,266	\$	\$ 53,337
Intersegment revenues	691	417	(1,108)	
Operating earnings (loss) before incomes taxes	5,445	509	(2,002)	3,952

**E. Defined Pension Plans**

The Company has non-contributory defined benefit pension plans covering substantially all salaried and hourly employees. These plans were amended as of April 30, 2005, no further benefits have been, or will be, earned under the plans, subsequent to the amendment date, and no additional participants will be added to the plans. Contributions of \$719,000 were paid to the plans during the six months ended October 31, 2010, and the Company does not expect any contributions to be paid to the plans during the remainder of the current fiscal year. No contributions were made during the comparable periods of the prior year.

Pension expense consisted of the following (in thousands):

	Three months ended October 31, 2010	Three months ended October 31, 2009
Service cost	\$ -0-	\$ -0-
Interest cost	240	245
Expected return on plan assets	(289)	(234)
Recognition of net loss	172	187
<b>Net periodic pension expense</b>	<b>\$ 123</b>	<b>\$ 198</b>

	Six months ended October 31, 2010	Six months ended October 31, 2009
Service cost	\$ -0-	\$ -0-
Interest cost	480	475
Expected return on plan assets	(578)	(469)
Recognition of net loss	344	347

Net periodic pension expense	\$	246	\$	353
------------------------------	----	-----	----	-----

F. Credit Arrangement

In July 2009, the Company amended its unsecured revolving credit facility to extend the facility's expiration date to July 31, 2012, and modify the variable rate component of the interest calculation. Monthly interest payments under the facility, as amended, are calculated at the 30-day LIBOR Market Interest Rate plus a variable rate ranging from 1.575% to 2.175%.

In July 2009, the Company entered into an interest rate SWAP agreement whereby the interest rate payable by the Company on \$2 million of outstanding advances under the revolving credit facility was effectively converted to a fixed interest rate of 3.9% for the period beginning August 3, 2009, and ending August 1, 2012. The Company entered into this interest rate swap to mitigate future interest rate risk associated with advances under the credit facility.

## **Table of Contents**

### **G. Long-Term Debt**

On August 2, 2010, the Company amended its existing bank agreement covering its unsecured \$14 million revolving credit facility to provide for an additional \$4 million seven-year term loan secured by the Company's real property and equipment located in Statesville, North Carolina. The term loan requires monthly principal payments of approximately \$17,000, plus interest calculated at the 30-day LIBOR Market Index Rate plus 1.575%, with payment of the outstanding principal balance and any unpaid interest at the term loan maturity date. In June 2010, the Company entered into an interest rate swap agreement whereby the interest rate payable by the Company on the term loan was effectively converted to a fixed interest rate of 4.875%, effective August 2, 2010. The term loan includes financial covenants similar to the unsecured revolving credit facility. The proceeds of the term loan are being used primarily to fund the expansion of the Company's Statesville, North Carolina manufacturing facilities.

### **H. Derivative Instruments and Hedging Activities**

As described in Note G above, the Company entered into an interest rate swap agreement with an initial notional amount of \$4 million, whereby the interest rate payable by the Company on the unpaid balance of the new term loan is effectively converted to a fixed interest rate of 4.875% for the period beginning August 2, 2010, and ending August 1, 2017. The Company entered into this interest rate swap to mitigate future interest rate risk associated with advances under the credit facility. The Company does not use derivatives for trading or speculative purposes. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The Company did not record any hedge ineffectiveness in earnings during the three months and six months periods ended October 31, 2010 and 2009.

The reduction in fair value of cash flow hedges, net of tax for the three months and six months ended October 31, 2010 was \$197,000 and \$208,000, respectively. The change in fair value was recorded in the Company's consolidated balance sheet as a current liability and accumulated other comprehensive loss.

### **I. Reclassifications**

Certain 2009 amounts have been reclassified to conform with the 2010 presentation in the consolidated statements of cash flows. Such reclassifications had no impact on net earnings.

---

**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The Company's 2010 Annual Report to Stockholders contains management's discussion and analysis of financial condition and results of operations at and for the year ended April 30, 2010. The following discussion and analysis describes material changes in the Company's financial condition since April 30, 2010. The analysis of results of operations compares the three and six months ended October 31, 2010 with the comparable periods of the prior fiscal year.

**Results of Operations**

Sales for the three months ended October 31, 2010 were \$25,625,000, a decrease of 5% from sales of \$27,088,000 in the second quarter last year. The decline primarily resulted from a continuing softness in the domestic marketplace for small and mid-sized laboratory projects. Domestic sales were \$22,269,000, down from \$24,713,000 in the second quarter last year, while international sales were \$3,356,000, up from \$2,375,000 in the second quarter last year.

Sales for the six months ended October 31, 2010 were \$50,483,000, down 5% from sales of \$53,337,000, in the same period last year. Domestic operations sales were \$43,216,000, down from sales of \$48,071,000 in the same period last year. International operations sales were \$7,267,000, up from sales of \$5,266,000 in the same period last year.

The order backlog was \$66.0 million at October 31, 2010, down slightly from \$66.9 million at July 31, 2010 and up from \$65.2 million at October 31, 2009.

The gross profit margin for the three months ended October 31, 2010 was 21.1% of sales, as compared to 22.9% of sales in the comparable quarter of the prior year. The gross profit margin for the six months ended October 31, 2010 was 20.6% of sales, as compared to 22.4% of sales in the comparable quarter of the prior year. The decreases in gross profit margin percentages for the current year periods were primarily due to aggressive pricing in all of the Company's markets and the unfavorable impact of lower production volumes.

Operating expenses for the three months ended October 31, 2010 were \$4,045,000, or 15.8% of sales, as compared to \$3,976,000, or 14.7% of sales, in the comparable period of the prior year. Operating expenses for the six months ended October 31, 2010 were \$7,946,000, or 15.7% of sales, as compared to \$7,942,000, or 14.9% of sales, in the comparable period of the prior year. The ratio of operating expenses to sales increased for the current year periods as operating expenses were relatively unchanged from the prior year periods while sales declined. Pension expense decreased \$75,000 and \$107,000 for the three and six months periods ended October 31, 2010, respectively, and incentive compensation expense decreased \$52,000 and \$211,000, respectively, for these periods. Those increases were offset by increases in various other operating expense categories.

Operating earnings were \$1,372,000 and \$2,470,000 for the three and six months ended October 31, 2010. This compares to operating earnings of \$2,234,000 and \$4,032,000 for the comparable periods of the prior year.

Interest expense was \$78,000 and \$122,000 for the three and six months ended October 31, 2010, respectively, as compared to \$39,000 and \$80,000 for the comparable periods of the prior year. The increase in interest expense for the current year periods resulted primarily from higher bank borrowings.

Income tax expense of \$414,000 and \$743,000 was recorded for the three and six months ended October 31, 2010, respectively, as compared to income tax expense of \$751,000 and \$1,340,000 recorded for the comparable periods of the prior year. The effective tax rates were 32.0% and 31.7% for the three and six months ended October 31, 2010, respectively, and were 34.2% and 33.9% for the three and six months ended October 31, 2009. The effective tax rates for each of the three and six month periods differs from the statutory rate primarily due to the impact of varying income tax rates on income earned by the Company's foreign subsidiaries. In addition to this factor, the effective tax rates for all the periods were favorably impacted by earned state and federal tax credits. The decrease in the effective tax rates in the current year periods as compared to the prior year periods resulted primarily from the fact that the higher pre-tax earnings levels in the prior year periods were less impacted by earned state and federal tax credits, and to a lesser extent, the impact of higher pretax earnings in the current year periods from geographic areas with lower statutory income tax rates.

Net earnings attributable to the noncontrolling interest related to the Company's two subsidiaries that are not 100% owned by the Company were \$25,000 and \$92,000 for the three and six months ended October 31, 2010, respectively, as compared to \$92,000 and \$189,000, respectively, for the comparable periods of the prior year. The decrease in the net earnings attributable to the noncontrolling interest in the current periods were due to lower earnings of the two subsidiaries.

## Edgar Filing: KEWAUNEE SCIENTIFIC CORP /DE/ - Form 10-Q

Net earnings for the three months ended October 31, 2010 were \$855,000, or \$0.33 per diluted share, a decrease from net earnings of \$1,352,000, or \$0.53 per diluted share, in the second quarter of the prior year. Net earnings for the six months were \$1,512,000, or \$0.59 per diluted share, down from net earnings of \$2,423,000, or \$0.95 per diluted share, for the same period last year. Earnings for the three and six months periods of the current year were unfavorably impacted by lower sales volume and continued aggressive pricing in all of the Company's markets.

---

## **Table of Contents**

### **Liquidity and Capital Resources**

Historically, the Company's principal sources of liquidity have been funds generated from operations, supplemented as needed by short-term borrowings under the Company's revolving credit facility. Additionally, certain machinery and equipment are financed by non-cancellable operating leases or capital leases. The Company believes that these sources will be sufficient to support ongoing business requirements, including capital expenditures through the current fiscal year.

The Company had working capital of \$21.8 million at October 31, 2010, compared to \$20.1 million at April 30, 2010. The ratio of current assets to current liabilities was 2.2-to-1.0 at October 31, 2010, compared to 2.1-to-1.0 at April 30, 2010. At October 31, 2010, advances of \$4,147,000 were outstanding under the Company's bank revolving credit facility, as compared to advances of \$4,872,000 outstanding as of April 30, 2010. Total bank borrowings and capital lease obligations were \$8,273,000 at October 31, 2010, as compared to \$5,073,000 at April 30, 2010.

The Company's operations provided cash of \$479,000 during the six months ended October 31, 2010. Cash was primarily provided from earnings, which was partially offset by increased accounts receivable of \$909,000 and an increase in inventory of \$708,000. The Company's operations provided cash of \$2,073,000 during the six months ended October 31, 2009, with cash primarily provided from earnings, which was partially offset by increased accounts receivable of \$2,205,000.

During the six months ended October 31, 2010, net cash of \$3,712,000 was used in investing activities, primarily for capital expenditures. This compares to the use of \$2,283,000 for investing activities in the comparable period of the prior year, primarily for capital expenditures.

The Company's financing activities provided cash of \$2,685,000 during the six months ended October 31, 2010. Cash provided was primarily from the proceeds from \$4,000,000 in new long-term debt, partially offset by cash dividends paid of \$514,000, and repayment of short-term borrowings of \$725,000. The proceeds of the term loan are being used primarily to fund the expansion of the Company's Statesville, North Carolina manufacturing facilities. Financing activities used cash of \$934,000 in the same period for the prior year, which included \$461,000 for cash dividends, \$144,000 for payments on obligations of capital leases, and repayment of short-term borrowings of \$350,000.

### **Outlook for Third Quarter of Fiscal Year 2011**

The Company's ability to predict future demand for its products continues to be limited given, among other general economic factors affecting the Company and its markets, the Company's role as subcontractor or supplier to dealers for subcontractors, and the fact that demand for its products is dependent upon the number of laboratory construction projects planned and/or current progress in projects already under construction.

The Company expects that sales and earnings for the second half of fiscal year 2011 will likely improve over the first half of the fiscal year. The Company's expectations are based on a number of factors, including scheduled delivery dates for orders in the order backlog, a modest recovery in the global economy, and continuing increased sales opportunities in the international marketplace.

### **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995**

Certain statements in this report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Reform Act). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could significantly impact results or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, economic, competitive, governmental, and technological factors affecting the Company's operations, markets, products, services, and prices, as well as prices for certain raw materials and energy. The cautionary statements made pursuant to the Reform Act herein and elsewhere by the Company should not be construed as exhaustive. The Company cannot always predict what factors would cause actual results to differ materially from those indicated by the forward-looking statements. In addition, readers are urged to consider statements that include the terms believes, belief, expects, plans, objectives, anticipates, intends or the like to be uncertain and forward-looking. Over time, the Company's results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by the Company's forward-looking statements, and such difference might be significant and harmful to stockholders' interests. Many important factors that could cause such a difference are described under the caption Risk Factors, in Item 1A of the Company's 2010 Annual Report on Form 10-K.



**Table of Contents**

REVIEW BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

A review of the interim consolidated financial information included in this Quarterly Report on Form 10-Q for each of the three and six month periods ended October 31, 2010 and October 31, 2009 has been performed by Cherry, Bekaert & Holland, L.L.P., the Company's independent registered public accounting firm. Their report on the interim consolidated financial information follows.

**Table of Contents**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have reviewed the accompanying consolidated balance sheet of Kewaunee Scientific Corporation and its subsidiaries (the Company) as of October 31, 2010, and the related consolidated statements of operations for the three month and six month periods ended October 31, 2010 and 2009 and the related consolidated statements of cash flows for the six-month periods ended October 31, 2010 and 2009. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the interim consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of April 30, 2010, and the related statements of operations, of stockholders' equity and of cash flows for the year then ended (not presented herein) and in our report dated July 16, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of April 30, 2010 is fairly stated in all material respects in relation to the consolidated financial statement from which it has been derived.

/s/ Cherry, Bekaert & Holland, L.L.P.

Charlotte, North Carolina

December 10, 2010

**Table of Contents**

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There are no material changes to the disclosures made on this matter in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2010.

**Item 4. Controls and Procedures**

(a) Evaluation of disclosure controls and procedures

An evaluation was performed under the supervision and the participation of the Company's management, including the Chief Executive Officer ( CEO ) and Chief Financial Officer ( CFO ), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of October 31, 2010. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that, as of October 31, 2010, the Company's disclosure controls and procedures were adequate and effective and designed to ensure that all material information required to be filed in this quarterly report is made known to them by others within the Company and its subsidiaries.

(b) Changes in internal controls

There was no significant change in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

PART II. OTHER INFORMATION

**Item 6. Exhibits**

- 3.1 By-Laws (as amended August 25, 2010)<sup>(1)</sup>
- 10.1 Amended and Restated Loan and Security Agreement dated as of August 2, 2010 between Bank of America, N.A. and Kewaunee Scientific Corporation.<sup>(2)</sup>
- 10.2 2010 Stock Option Plan for Directors <sup>\*(3)</sup>
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* The referenced exhibit is a management contract or compensatory plan or arrangement.

(1) Filed with this Form 10-Q with the Securities and Exchange Commission.

(2) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on August 4, 2010, and incorporated herein by reference.

(3) Filed as Appendix A to the Kewaunee Scientific Corporation Proxy Statement for its Annual Meeting of Stockholders on August 25, 2010 (Commission File No. 0-5286) filed on July 23, 2010, and incorporated herein by reference.

**Table of Contents**

SIGNATURE

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

KEWAUNEE SCIENTIFIC CORPORATION

(Registrant)

Date: December 13, 2010

By /s/ D. Michael Parker  
D. Michael Parker

(As duly authorized officer and Senior Vice President, Finance  
and Chief Financial Officer)