

KEWAUNEE SCIENTIFIC CORP /DE/

Form 10-Q

December 13, 2011

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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, 2011

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)

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

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 5, 2011, the registrant had outstanding 2,579,464 shares of Common Stock.

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KEWAUNEE SCIENTIFIC CORPORATION

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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 | |
|--|----------------------------------|-----------|--------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Sales | \$ 25,962 | \$ 25,625 | \$ 52,283 | \$ 50,483 |
| Costs of products sold | 22,117 | 20,208 | 44,250 | 40,067 |
| Gross profit | 3,845 | 5,417 | 8,033 | 10,416 |
| Operating expenses | 4,005 | 4,045 | 7,960 | 7,946 |
| Operating earnings (loss) | (160) | 1,372 | 73 | 2,470 |
| Other income (expense) | 36 | (1) | 35 | (1) |
| Interest expense | (128) | (77) | (223) | (122) |
| Earnings (loss) before income taxes | (252) | 1,294 | (115) | 2,347 |
| Income tax expense (benefit) | (96) | 414 | (67) | 743 |
| Net earnings (loss) | (156) | 880 | (48) | 1,604 |
| Less: net earnings (loss) attributable to the noncontrolling interest | (31) | 25 | 55 | 92 |
| Net earnings (loss) attributable to Kewaunee Scientific Corporation | \$ (125) | \$ 855 | \$ (103) | \$ 1,512 |
| Net earnings (loss) per share attributable to Kewaunee Scientific Corporation stockholders | | | | |
| Basic | \$ (0.05) | \$ 0.33 | \$ (0.04) | \$ 0.59 |
| Diluted | \$ (0.05) | \$ 0.33 | \$ (0.04) | \$ 0.59 |
| Weighted average number of common shares outstanding | | | | |
| Basic | 2,579 | 2,573 | 2,579 | 2,573 |
| Diluted | 2,579 | 2,578 | 2,579 | 2,578 |

See accompanying notes to consolidated financial statements.

Table of Contents*Kewaunee Scientific Corporation*

Consolidated Balance Sheets

(in thousands)

| | October 31, 2011 (Unaudited) | April 30, 2011 |
|--|------------------------------------|-------------------|
| <u>Assets</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 3,212 | \$ 2,402 |
| Restricted cash | 876 | 553 |
| Receivables, less allowance | 23,479 | 27,346 |
| Inventories | 10,370 | 10,466 |
| Deferred income taxes | 495 | 431 |
| Prepaid expenses and other current assets | 1,583 | 1,181 |
| Total Current Assets | 40,015 | 42,379 |
| Property, plant and equipment, at cost | 43,220 | 42,716 |
| Accumulated depreciation | (27,237) | (26,141) |
| Net Property, Plant and Equipment | 15,983 | 16,575 |
| Deferred income taxes | 459 | 399 |
| Other | 3,653 | 3,705 |
| Total Other Assets | 4,112 | 4,104 |
| Total Assets | \$ 60,110 | \$ 63,058 |
| <u>Liabilities and Equity</u> | | |
| Current Liabilities: | | |
| Short-term borrowings | \$ 7,326 | \$ 6,588 |
| Current obligations under capital leases | 79 | 83 |
| Current portion of long-term debt | 200 | 200 |
| Accounts payable | 6,626 | 9,770 |
| Employee compensation and amounts withheld | 1,565 | 1,435 |
| Deferred revenue | 1,061 | 1,108 |
| Other accrued expenses | 1,619 | 1,080 |
| Total Current Liabilities | 18,476 | 20,264 |
| Obligations under capital leases | | 36 |
| Long-term debt | 3,567 | 3,667 |
| Accrued employee benefit plan costs | 5,892 | 6,075 |
| Total Liabilities | 27,935 | 30,042 |
| Commitments and Contingencies | | |
| Equity: | | |
| Common Stock | 6,550 | 6,550 |
| Additional paid-in-capital | 1,215 | 1,091 |
| Retained earnings | 28,599 | 29,218 |
| Accumulated other comprehensive loss | (5,259) | (4,930) |

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| | | |
|--|-----------|-----------|
| Common stock in treasury, at cost | (429) | (438) |
| Total Kewaunee Scientific Corporation Stockholders' Equity | 30,676 | 31,491 |
| Noncontrolling interest | 1,499 | 1,525 |
| Total Equity | 32,175 | 33,016 |
| Total Liabilities and Equity | \$ 60,110 | \$ 63,058 |

See accompanying notes to consolidated financial statements.

Table of Contents*Kewaunee Scientific Corporation*

Consolidated Statements of Cash Flows

*(Unaudited)**(in thousands)*

| | Six months ended October 31 | |
|--|--|-----------------|
| | 2011 | 2010 |
| <i>Cash flows from operating activities:</i> | | |
| Net earnings (loss) | \$ (48) | \$ 1,604 |
| Adjustments to reconcile net earnings (loss) to net cash used in operating activities: | | |
| Depreciation | 1,343 | 1,189 |
| Bad debt provision | 16 | 85 |
| Provision for deferred income tax expense (benefit) | (124) | (164) |
| Increase in prepaid income taxes | (103) | |
| Decrease (increase) in receivables | 3,851 | (909) |
| Decrease (increase) in inventories | 96 | (708) |
| Decrease in accounts payable and other accrued expenses | (2,475) | (18) |
| (Decrease) increase in deferred revenue | (47) | 313 |
| Other, net | (583) | (913) |
| Net cash provided by operating activities | 1,926 | 479 |
| <i>Cash flows from investing activities:</i> | | |
| Capital expenditures | (751) | (3,712) |
| Increase in restricted cash | (323) | |
| Net cash used in investing activities | (1,074) | (3,712) |
| <i>Cash flows from financing activities:</i> | | |
| Proceeds from long-term debt | | 4,000 |
| Payments on long-term debt | (100) | (33) |
| Dividends paid | (516) | (514) |
| Decrease (increase) in short-term borrowings | 738 | (725) |
| Payments on capital leases | (40) | (42) |
| Net proceeds from exercise of stock options (including tax benefit) | | (1) |
| Net cash provided by financing activities | 82 | 2,685 |
| Effect of exchange rate changes on cash | (124) | 74 |
| <i>Increase (decrease) in cash and cash equivalents</i> | 810 | (474) |
| <i>Cash and cash equivalents, beginning of period</i> | 2,402 | 1,722 |
| <i>Cash and cash equivalents, end of period</i> | \$ 3,212 | \$ 1,248 |

See accompanying notes to consolidated financial statements.

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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 include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of these financial statements and should be read in conjunction with the consolidated financial statements and notes included in the Company's 2011 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):

| | October 31, 2011 | April 30, 2011 |
|-------------------|------------------|----------------|
| Finished products | \$ 3,159 | \$ 2,887 |
| Work in process | 1,506 | 1,697 |
| Raw materials | 5,705 | 5,882 |
| | \$ 10,370 | \$ 10,466 |

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 (Loss)

A reconciliation of net earnings and total comprehensive income for the three and six months ended October 31, 2011 and 2010 is as follows (in thousands):

| | Three months ended October 31, 2011 | Three months ended October 31, 2010 |
|---|---|---|
| Net earnings (loss) | \$ (125) | \$ 855 |
| Change in cumulative foreign currency translation adjustments | (279) | 98 |
| Change in fair value of cash flow hedge, net of tax | (39) | (197) |
| Total comprehensive income (loss) | \$ (443) | \$ 756 |

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| | Six months ended October 31, 2011 | Six months ended October 31, 2010 |
|---|---|---|
| Net earnings (loss) | \$ (103) | \$ 1,512 |
| Change in cumulative foreign currency translation adjustments | (235) | (18) |
| Change in fair value of cash flow hedge, net of tax | (94) | (208) |
| Total comprehensive income (loss) | \$ (432) | \$ 1,286 |

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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.

D. Segment Information

The following table provides financial information by business segments for the three and six months ended October 31, 2011 and 2010 (in thousands):

| | Domestic Operations | International Operations | Corporate | Total |
|--|------------------------|-----------------------------|-----------|-----------|
| Three months ended October 31, 2011 | | | | |
| Revenues from external customers | \$ 23,826 | \$ 2,136 | \$ | \$ 25,962 |
| Intersegment revenues | 128 | 94 | (222) | |
| Operating earnings (loss) before income taxes | 650 | (43) | (859) | (252) |
| Three months ended October 31, 2010 | | | | |
| Revenues from external customers | \$ 22,269 | \$ 3,356 | \$ | \$ 25,625 |
| Intersegment revenues | 504 | 4 | (508) | |
| Operating earnings (loss) before incomes taxes | 2,112 | 105 | (923) | 1,294 |

| | Domestic Operations | International Operations | Corporate | Total |
|--|------------------------|-----------------------------|-----------|-----------|
| Six months ended October 31, 2011 | | | | |
| Revenues from external customers | \$ 47,222 | \$ 5,061 | \$ | \$ 52,283 |
| Intersegment revenues | 401 | 266 | (667) | |
| Operating earnings (loss) before income taxes | 1,367 | 200 | (1,682) | (115) |
| Six months ended October 31, 2010 | | | | |
| 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 |

E. Defined Benefit 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 \$402,000 were paid to the plans during the six months ended October 31, 2011, and the Company does not expect any contributions to be paid to the plans during the remainder of the fiscal year. Contributions of \$719,000 were made during the six months ended October 31, 2010 of the prior year.

Pension expense consisted of the following (in thousands):

| | Three months ended October 31, 2011 | Three months ended October 31, 2010 |
|-------------------------------------|---|---|
| Service cost | \$ -0- | \$ -0- |
| Interest cost | 235 | 240 |
| Expected return on plan assets | (326) | (289) |
| Recognition of net loss | 179 | 172 |
| Net periodic pension expense | \$ 88 | \$ 123 |

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| | Six months ended October 31, 2011 | Six months ended October 31, 2010 |
|-------------------------------------|---|---|
| Service cost | \$ -0- | \$ -0- |
| Interest cost | 470 | 480 |
| Expected return on plan assets | (652) | (578) |
| Recognition of net loss | 358 | 344 |
| Net periodic pension expense | \$ 176 | \$ 246 |

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F. Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding during the three and six month periods. Diluted earnings per share reflects the assumed exercise and conversion of outstanding options under the Company's stock option plans, except when options have an anti-dilutive effect. Options to purchase shares of 325,300 were not included in diluted earnings per share for the three and six month periods ended October 31, 2011, because the effect would be anti-dilutive.

G. Reclassifications

Certain 2010 amounts have been reclassified to conform with the 2011 presentation in the consolidated statements of cash flows. Such reclassifications had no impact on net earnings.

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

The Company's 2011 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, 2011. The following discussion and analysis describes material changes in the Company's financial condition since April 30, 2011. The analysis of results of operations compares the three and six months ended October 31, 2011 with the comparable period of the prior year.

Results of Operations

Sales for the three months ended October 31, 2011 were \$25,962,000, an increase of 1.3% from sales of \$25,625,000 in the comparable period of the prior year. Sales from Domestic Operations were \$23,826,000, up from \$22,269,000 in the comparable period of the prior year. The increase was primarily due to the continued demand for larger laboratory projects, although at extremely competitive prices. Sales from International Operations were \$2,136,000, down from \$3,356,000 in the comparable period of the prior year. The decrease in international sales was primarily due to building construction delays for several projects in the Company's order backlog.

Sales for the six months ended October 31, 2011 were \$52,283,000, up 3.6% from sales of \$50,483,000 in the same period last year. Domestic operations sales were \$47,222,000, up from sales of \$43,216,000 in the same period last year. International operation sales were \$5,061,000, down from sales of \$7,267,000 in the same period last year.

The order backlog was \$78.0 million at October 31, 2011, as compared to \$65.7 million at April 30, 2011 and \$66.0 million at October 31, 2010.

The gross profit margin for the three months ended October 31, 2011 was 14.8% of sales, as compared to 21.1% of sales in the comparable quarter of the prior year. The gross profit margin for the six months ended October 31, 2011 was 15.4% of sales, as compared to 20.6% of sales in the comparable period of the prior year. The decrease in the gross profit margin percentages was primarily due to lower selling prices due to the extremely-competitive marketplace and higher costs paid for raw materials, particularly steel and epoxy resin.

Operating expenses for the three months ended October 31, 2011 were \$4,005,000, or 15.4% of sales, as compared to \$4,045,000, or 15.8% of sales, in the comparable period of the prior year. Operating expenses for the six months ended October 31, 2011 were \$7,960,000, or 15.2% of sales, as compared to \$7,946,000, or 15.7% of sales in the comparable period of the prior year. Expenses for both periods of the current year were relatively flat with the comparable periods of the prior year as higher sales and marketing costs were offset by lower administrative expenses. Expenses as a percentage of sales declined in both periods of the current years, as sales increased 1.3% and 3.6%, respectively for the three and six month periods ended October 31, 2011.

Interest expense was \$128,000 and \$223,000 for the three and six months ended October 31, 2011, as compared to \$77,000 and \$122,000 for the comparable periods of the prior year. The increase for the current year period resulted from the addition of long-term debt used to finance the expansion of the Company's Statesville facilities in fiscal year 2011.

An income tax benefit of \$96,000 was recorded for the three months ended October 31, 2011, as compared to income tax expense of \$414,000 recorded for the comparable period of the prior year. An income tax benefit of \$67,000 was recorded for the six months ended October 31, 2011, as compared to an income tax expense of \$743,000 recorded for the comparable period of the prior year. The effective tax rate was 38.1% for the three months ended October 31, 2011, and 32.0% for the comparable period of the prior year. The effective tax rates were 58.3% and 31.7% for the six months ended October 31, 2011 and 2010, respectively. The effective tax rate for the current year periods benefited from the favorable impact of federal and state income tax credits combined with the reported net loss.

Noncontrolling interests related to the Company's two subsidiaries that are not 100% owned by the Company increased net earnings by \$31,000 for the three months ended October 31, 2011, as compared to a reduction of net earnings by \$25,000 for the comparable period of the prior year. Net earnings were reduced by \$55,000 and \$92,000 for the six months ended October 31, 2011 and 2010, respectively. The changes in the net earnings attributable to the noncontrolling interest in the current periods were due to the earnings of the two subsidiaries.

A net loss of \$125,000, or \$0.05 per diluted share, was reported for the three months ended October 31, 2011, compared to net earnings of \$855,000, or \$0.33 per diluted share, in the prior year period. A net loss of \$103,000, or \$0.04 per diluted share, was reported for the six months ended October 31, 2011, compared to net earnings of \$1,512,000, or \$0.59 per diluted share, for the same period last year.

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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 \$21.5 million at October 31, 2011, compared to \$22.1 million at April 30, 2011. The ratio of current assets to current liabilities was 2.2-to-1.0 at October 31, 2011, compared to 2.1-to-1.0 at April 30, 2011. At October 31, 2011, advances of \$7,326,000 were outstanding under the Company's bank revolving credit facility, as compared to advances of \$6,588,000 outstanding as of April 30, 2011. Total bank borrowings and capital lease obligations were \$11,172,000 at October 31, 2011, as compared to \$10,574,000 at April 30, 2011.

The Company's operations provided cash of \$1,926,000 during the six months ended October 31, 2011. Cash was primarily provided from earnings and a decrease in accounts receivable of \$3,851,000, which was partially offset by a decrease in accounts payable and other accrued expenses of \$2,475,000. The Company's operations provided cash of \$479,000 during the six months ended October 31, 2010, with cash primarily provided from earnings, which was partially offset by increased accounts receivable of \$909,000 and an increase in inventory of \$708,000.

During the six months ended October 31, 2011, net cash of \$1,074,000 was used in investing activities, primarily for capital expenditures. This compares to the use of \$3,712,000 for investing activities in the comparable period of the prior year, primarily for capital expenditures, related to the expansion of the Company's Statesville, North Carolina manufacturing facilities.

The Company's financing activities provided cash of \$82,000 during the six months ended October 31, 2011. Cash provided included \$738,000 received from short-term borrowings, partially offset by cash dividends of \$516,000 paid to stockholders. Financing activities provided cash of \$2,685,000 in the same period of the prior year, primarily from the proceeds from \$4,000,000 in 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 were used primarily to fund the expansion of the Company's Statesville, North Carolina manufacturing facilities.

Outlook for Fiscal Year 2012

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. Customer changes to product designs and delivery dates for orders may also delay the start of manufacturing and shipment of orders, which in return may impact the timing of sales revenue and increase manufacturing costs.

The Company's current expectations are that sales and earnings for fiscal year 2012 will improve modestly over fiscal year 2011. These expectations are based on scheduled shipments of international orders in the backlog, cost savings initiatives in process, increased sales through the Company's strengthened and expanding dealer network, growing benefits from new product lines, and sales and earnings from new products.

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, customer changes to product designs, customer changes to delivery dates, 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, anticipate, intends or the like to be uncertain and forward-looking. Over time, the Company's actual 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 2011 Annual Report on Form 10-K.

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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, 2011 and October 31, 2010 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.

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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, 2011, and the related consolidated statements of operations for the three month and six month periods ended October 31, 2011 and 2010 and the related consolidated statements of cash flows for the six-month periods ended October 31, 2011 and 2010. 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, 2011, 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 15, 2011, 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, 2011 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 12, 2011

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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, 2011.

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, 2011. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that, as of October 31, 2011, 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.

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PART II. OTHER INFORMATION

Item 6. Exhibits

- 10.1 Amendment No. 1 to Amended and Restated Loan and Security Agreement, dated August 25, 2011 ⁽¹⁾.
- 10.2 Extension Agreement, dated August 24, 2011, with respect to the Change of Control Employment Agreement of William A. Shumaker. ^{*(1)}
- 10.3 Extension Agreement, dated August 24, 2011, with respect to the Change of Control Employment Agreement of D. Michael Parker. ^{*(1)}
- 10.4 Extension Agreement, dated August 24, 2011, with respect to the Change of Control Employment Agreement of Kurt P. Rindoks. ^{*(1)}
- 10.5 Extension Agreement, dated August 24, 2011, with respect to the Change of Control Employment Agreement of David M. Rausch. ^{*(1)}
- 10.6 Extension Agreement, dated August 24, 2011, with respect to the Change of Control Employment Agreement of Dana L. Dahlgren. ^{*(1)}
- 10.7 Extension Agreement, dated August 24, 2011, with respect to the Change of Control Employment Agreement of K. Bain Black. ^{*(1)}
- 10.8 Extension Agreement, dated August 24, 2011, with respect to the Change of Control Employment Agreement of Keith D. Smith. ^{*(1)}
- 10.9 Extension Agreement, dated August 24, 2011, with respect to the Change of Control Employment Agreement of Elizabeth D. Phillips. ^{*(1)}
- 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.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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

(1) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed on August 30, 2011, and incorporated herein by reference.

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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, 2011

By /s/ D. Michael Parker
D. Michael Parker
(As duly authorized officer and Senior Vice President, Finance
and Chief Financial Officer)