

ALLIED HOLDINGS INC
Form 10-Q
August 14, 2001
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 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:
0-22276

ALLIED HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

GEORGIA

58-0360550

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

Suite 200, 160 Clairemont Avenue, Decatur, Georgia 30030

(Address of principal executive offices)

(404) 373-4285

(Registrant's telephone number, including area code)

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

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

Outstanding common stock, No par value at July 31, 2001

8,242,851

TOTAL NUMBER OF PAGES INCLUDED IN THIS REPORT: 42

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PART 1 FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

ALLIED HOLDINGS, INC. AND SUBSIDIARIES

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CONSOLIDATED BALANCE SHEETS

(In Thousands)

		June 30 2001	December 31 2000
		(Unaudited)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents			
\$13,434	\$2,373		
Short-term investments			
62,482	59,892		
Receivables, net of allowance for doubtful accounts			
93,204	114,266		
Inventories			
6,984	7,415		
Deferred tax assets			
12,389	10,191		
Prepayments and other current assets			
20,964	19,355		
Total current assets			
209,457	213,492		
PROPERTY AND EQUIPMENT, NET			
245,703	259,362		
OTHER ASSETS:			
Goodwill, net			
93,161	95,159		
Other			
43,693	42,526		

Total other assets
136,854 137,685

Total assets
\$592,014 \$610,539

LIABILITIES AND
STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current maturities of long-term debt
\$146,744 \$109
Trade accounts payable
41,879 45,975
Accrued liabilities
86,528 79,487

Total current liabilities
275,151 125,571

LONG-TERM DEBT, less current
maturities
190,006 324,876

POSTRETIREMENT BENEFITS
OTHER THAN PENSIONS
9,579 9,943

DEFERRED INCOME TAXES
8,927 21,414

OTHER LONG-TERM
LIABILITIES
75,480 69,594

STOCKHOLDERS' EQUITY:

Common stock, no par value; 20,000
shares authorized, 8,203 and 8,187
shares outstanding at June 30, 2001
and December 31, 2000, respectively
0 0

Additional paid-in capital
46,345 45,990

Retained (deficit) earnings
(3,976) 20,602

Cumulative other comprehensive
income, net of tax
(8,791) (6,744)

Common stock in treasury, at cost,
139 shares at June 30, 2001 and
December 31, 2000
(707) (707)

Total stockholders' equity
32,871 59,141

Total liabilities and stockholders
equity
\$592,014 \$610,539

The accompanying notes are an integral part of these consolidated balance sheets.

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ALLIED HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Data)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2001	2000	2001	2000
REVENUES	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
\$250,195 \$295,897 \$468,374 \$578,781				

OPERATING EXPENSES:

Salaries, wages and fringe benefits	140,589	154,275	272,306	309,113
Operating supplies and expenses	38,330	48,302	79,772	99,884
Purchased transportation	28,666	29,301	51,962	56,454
Insurance and claims	13,768	13,087	27,057	25,143
Operating taxes and licenses	8,507	10,982	17,133	21,841
Depreciation and amortization	15,281	15,393	30,305	30,635
Rents	1,592	2,173	3,662	4,499
Communications and utilities	1,914	2,006	3,952	4,215
Other operating expenses	5,155	3,182	9,178	5,737

Total operating expenses

253,802 278,701 495,327 557,521

Operating (loss) income

(3,607) 17,196 (26,953) 21,260

OTHER INCOME (EXPENSE):

Equity in earnings of joint ventures, net of tax

1,330 1,798 2,539 2,699

Gain (loss) on sale of assets

2,576 91 2,743 (12)

Interest expense

(9,387) (8,348) (17,853) (16,749)

Interest income

626 689 1,590 2,009

(4,855) (5,770) (10,981) (12,053)

LOSS (INCOME) BEFORE INCOME TAXES

(8,462) 11,426 (37,934) 9,207

INCOME TAX BENEFIT (EXPENSE)

2,746 (4,537) 13,356 (3,353)

NET (LOSS) INCOME

\$(5,716) \$6,889 \$(24,578) \$5,854

PER COMMON SHARE BASIC AND DILUTED

\$(0.71) \$0.87 \$(3.04) \$0.74

COMMON SHARES OUTSTANDING:

BASIC

8,086 7,916 8,083 7,901

DILUTED
8,086 7,916 8,083 7,908

The accompanying notes are an integral part of these consolidated statements.

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ALLIED HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	For the Six Months Ended June 30	
	2001	2000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss		
\$(24,578) \$5,854		
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		
30,305 30,635		
(Gain) loss on sale of property and equipment		
(2,743) 12		

Deferred income taxes
 (13,356) 838
 Compensation expense related to
 stock options and grants
 138 408
 Equity in earnings of joint ventures
 (2,539) (2,699)
 Amortization of Teamsters Union
 signing bonus
 1,202 1,238
 Change in operating assets and
 liabilities excluding effect of
 businesses acquired:

 Receivables, net of allowance for
 doubtful accounts
 20,827 (4,289)
 Inventories
 415 42
 Prepayments and other current assets
 (1,635) (3,117)
 Trade accounts payable
 (4,084) (5,488)
 Accrued liabilities
 12,620 3,631

Total adjustments
 41,150 21,211

Net cash provided by operating
 activities
 16,572 27,065

**CASH FLOWS FROM INVESTING
ACTIVITIES:**

Purchases of property and equipment
 (16,942) (9,079)
 Proceeds from sale of property and
 equipment
 4,745 112
 Purchase of business, net of cash
 acquired
 0 (8,185)
 Investment in joint ventures

(464) 0
Increase in short-term investments
(2,590) (11,918)
Increase in the cash surrender value
of life insurance
(240) (240)

Net cash used in investing activities
(15,491) (29,310)

CASH FLOWS FROM
FINANCING ACTIVITIES:

Proceeds from (repayments of)
issuance of long-term debt, net
11,765 (7,095)
Proceeds from issuance of common
stock
217 422
Repurchase of common stock
0 (282)
Other, net
(573) 165

Net cash provided by (used in)
financing activities
11,409 (6,790)

EFFECT OF EXCHANGE RATE
CHANGES ON CASH AND CASH
EQUIVALENTS
(1,429) (641)
NET INCREASE (DECREASE) IN
CASH AND CASH
EQUIVALENTS
11,061 (9,676)
CASH AND CASH
EQUIVALENTS AT BEGINNING
OF YEAR
2,373 13,984

CASH AND CASH
EQUIVALENTS AT END OF
PERIOD
\$13,434 \$4,308

The accompanying notes are an integral part of these consolidated statements.

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Allied Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

Note 1. Basis of Presentation

The
unaudited
consolidated
financial
statements
included
herein have
been prepared
pursuant to the
rules and
regulations of
the Securities
and Exchange
Commission.
Accordingly,
they do not
include all of
the
information
and footnotes
required by
accounting
principles
generally
accepted in the
United States
for complete
financial
statements.
The statements

contained herein reflect all adjustments, all of which are of a normal, recurring nature, which are, in the opinion of management, necessary to present fairly the financial condition, results of operations and cash flows for the periods presented. Operating results for the three and six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. The interim financial statements should be read in conjunction with the financial statements and notes thereto of Allied Holdings, Inc. and Subsidiaries, (the Company) included in the Company s 2000 Annual Report on Form 10-K. Note 2. Long-Term Debt On September 30, 1997, the Company issued \$150 million of 8 5/8 %

senior notes
(the Notes)
through a
private
placement.
Subsequently,
the senior
notes were
registered with
the Securities
and Exchange
Commission.
The net
proceeds from
the Notes were
used to fund
the acquisition
of Ryder
Automotive
Carrier
Services, Inc.
and RC
Management
Corp., pay
related fees
and expenses,
and reduce
outstanding
indebtedness.
The Company's
obligations
under the
Notes are
guaranteed by
substantially
all of the
subsidiaries of
the Company
(the Guarantor
Subsidiaries).
Haul Insurance
Ltd.,
Arrendadora
de Equipo Para
el Transporte
de
Automoviles,
S. de R.L. de
C.V., Axis
Logistica, S.
de R.L. de
C.V. and Axis
Netherlands
C.V. do not
guarantee the
Company's
obligations
under the
Notes (the
Nonguarantor
Subsidiaries).
The following

In Thousands

ALLIED GUARANTEE GUARANTOR
HOLDINGS SUBSIDIARIES IN CONSOLIDATED

Deferred tax asset current

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10,193	1,614	582	12,389
Prepayments and other current assets			
1,567	19,132	265	20,964

Total current assets			
11,152	120,060	78,245	209,457

PROPERTY AND EQUIPMENT, NET

13,909	228,123	3,671	245,703
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OTHER ASSETS:

Goodwill, net			
1,574	91,587		93,161
Other			
17,246	16,560	9,887	43,693
Deferred tax asset noncurrent			
30,108		(30,108)	
Intercompany receivables			
269,921		(269,921)	
Investment in subsidiaries			
49,725	13,949		(63,674)

Total other assets				
368,574	122,096	9,887	(363,703)	136,854

Total assets
\$393,635 \$470,279 \$91,803 \$(363,703) \$592,014

CURRENT LIABILITIES:

Current maturities of long-term debt
\$145,104 \$1,640 \$ \$ \$146,744

Trade accounts payable
2,489 38,423 967 41,879

Intercompany payables
266,935 2,986 (269,921)

Accrued liabilities
23,171 49,535 13,822 86,528

Total current liabilities
170,764 356,533 17,775 (269,921) 275,151

LONG-TERM DEBT, less current maturities

190,000 6 190,006

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

9,579 9,579

DEFERRED INCOME TAXES

39,035 (30,108) 8,927

OTHER LONG-TERM LIABILITIES

34,468 41,012 75,480

STOCKHOLDERS' EQUITY:

Common stock, no par value

Additional paid-in capital

46,345 88,856 13,254 (102,110) 46,345

Retained (deficit) earnings

(3,976) (48,567) 22,686 25,881 (3,976)

Cumulative other comprehensive income, net of tax

(8,791) (9,631) (2,924) 12,555 (8,791)

Treasury stock

(707) (707)

Total stockholders' equity

32,871 30,658 33,016 (63,674) 32,871

Total liabilities and stockholders' equity

\$393,635 \$470,279 \$91,803 \$(363,703) \$592,014

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SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2000
In Thousands

~~ALLIED~~ ~~GUARANTEE~~ ~~GUARANTOR~~
~~HOLDINGS~~ ~~SUBSIDIARY~~ ~~SUBSIDIARIES~~ ~~CONSOLIDATED~~

CURRENT ASSETS:

Cash and cash equivalents				
\$(1,213)	\$2,063	\$1,523	\$	\$2,373
Short-term investments				
59,892		59,892		
Receivables, net of allowance for doubtful accounts				
805	112,876	585		114,266
Inventories				
7,415		7,415		
Deferred tax asset - current				
8,009	1,600	582		10,191
Prepayments and other current assets				
1,974	15,007	2,374		19,355

Total current assets				
9,575	138,961	64,956		213,492

PROPERTY AND EQUIPMENT, NET

16,319 239,866 3,177 259,362

OTHER ASSETS:

Goodwill, net

1,633 93,526 95,159

Other

15,732 16,372 10,422 42,526

Deferred tax asset noncurrent

17,585 (17,585)

Intercompany receivables

260,850 (260,850)

Investment in subsidiaries

80,057 14,072 (94,129)

Total other assets

375,857 123,970 10,422 (372,564) 137,685

Total assets

\$401,751 \$502,797 \$78,555 \$(372,564) \$610,539

CURRENT LIABILITIES:

Current maturities of long-term debt

\$ \$109 \$ \$ \$109

Trade accounts payable

1,590 43,475 910 45,975

Intercompany payables

259,268 1,582 (260,850)

Accrued liabilities

16,592 51,684 11,211 79,487

Total current liabilities

18,182 354,536 13,703 (260,850) 125,571

LONG-TERM DEBT, less current maturities

324,428 448 324,876

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

9,943 9,943

DEFERRED INCOME TAXES

38,999 (17,585) 21,414

OTHER LONG-TERM LIABILITIES

36,660 32,934 69,594

STOCKHOLDERS' EQUITY:

Common stock, no par value

Additional paid-in capital

45,990 81,180 13,612 (94,792) 45,990

Retained earnings (deficit)

20,602 (10,171) 20,309 (10,138) 20,602

Cumulative other comprehensive income, net of tax

(6,744) (8,798) (2,003) 10,801 (6,744)

Treasury stock

(707) (707)

Total stockholders' equity
59,141 62,211 31,918 (94,129) 59,141

Total liabilities and stockholders' equity
\$401,751 \$502,797 \$78,555 \$(372,564) \$610,539

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SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2001
In Thousands

	ALLIED GUARANTOR HOLDINGS	NON GUARANTOR SUBSIDIARIES	NON GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
REVENUES	\$4,950	\$467,525	\$19,033	\$(23,134)	\$468,374

OPERATING EXPENSES:

Salaries, wages and fringe benefits

7,446 264,860 272,306

Operating supplies and expenses

975 78,744 53 79,772

Purchased transportation

51,962 51,962

Insurance and claims

27,702 17,539 (18,184) 27,057

Operating taxes and licenses

93 17,040 17,133

Depreciation and amortization

1,725 28,224 356 30,305

Rents

1,041 2,618 3 3,662

Communications and utilities

112 3,834 6 3,952

Other operating expenses

3,606 10,388 134 (4,950) 9,178

Total operating expenses

14,998 485,372 18,091 (23,134) 495,327

Operating (loss) income

(10,048) (17,847) 942 (26,953)

OTHER INCOME (EXPENSE):

Equity in earnings of joint ventures, net of tax

2,437 102 2,539

Gain on sale of assets

2,743 2,743

Interest expense

(17,069) (16,132) (96) 15,444 (17,853)

Interest income

15,495 112 1,427 (15,444) 1,590

Intercompany dividends

1,980 (1,980)

Equity in losses of subsidiaries

(28,117) 28,117

(27,711) (12,820) 1,433 28,117 (10,981)

(LOSS) INCOME BEFORE INCOME TAXES

(37,759) (30,667) 2,375 28,117 (37,934)

INCOME TAX BENEFIT (PROVISION)

13,181 912 (737) 13,356

NET (LOSS) INCOME

\$(24,578) \$(29,755) \$1,638 \$28,117 \$(24,578)

SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2000
In Thousands

ALLIED GUARANTOR GUARANTOR
HOLDINGS SUBSIDIARIES SUBSIDIARIES ELIMINATIONS CONSOLIDATED

REVENUES

\$2,485	\$577,371	\$17,643	\$(18,718)	\$578,781
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OPERATING EXPENSES:

Salaries, wages and fringe benefits

1,775 307,338 309,113

Operating supplies and expenses

800 99,059 25 99,884

Purchased transportation

56,454 56,454

Insurance and claims

25,245 16,130 (16,232) 25,143

Operating taxes and licenses

5 21,836 21,841

Depreciation and amortization

59 30,207 369 30,635

Rents

39 4,460 4,499

Communications and utilities

8 4,207 4,215

Other operating expenses

1,276 6,762 185 (2,486) 5,737

Total operating expenses

3,962 555,568 16,709 (18,718) 557,521

Operating (loss) income

(1,477) 21,803 934 21,260

OTHER INCOME (EXPENSE):

Equity in earnings (loss) of joint ventures, net of tax

2,913 (214) 2,699

Loss on sale of assets

(12) (12)

Interest expense

(14,896) (17,200) (53) 15,400 (16,749)

Interest income

15,382 191 1,836 (15,400) 2,009

Intercompany dividends

4,140 (4,140)

Equity in earnings of subsidiaries

5,340 (5,340)

9,966 (18,248) 1,569 (5,340) (12,053)

INCOME BEFORE INCOME TAXES					
8,489	3,555	2,503	(5,340)	9,207	
INCOME TAX (PROVISION) BENEFIT					
(2,635)	34	(752)	(3,353)		

NET INCOME					
\$5,854	\$3,589	\$1,751	\$(5,340)	\$5,854	

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SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2001
In Thousands

ALLIED GUARANTOR	ALLIED GUARANTOR	ALLIED GUARANTOR	ALLIED GUARANTOR	ALLIED GUARANTOR
HOLDINGS	SUBSIDIARIES	SUBSIDIARIES	ELIMINATION	CONSOLIDATED

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REVENUES					
	\$2,475	\$249,749	\$9,538	\$(11,567)	\$250,195
OPERATING EXPENSES:					
Salaries, wages and fringe benefits					
2,325 138,264 140,589					
Operating supplies and expenses					
72 38,208 50 38,330					
Purchased transportation					
28,666 28,666					
Insurance and claims					
13,900 8,960 (9,092) 13,768					
Operating taxes and licenses					
46 8,461 8,507					
Depreciation and amortization					
878 14,214 189 15,281					
Rents					
509 1,080 3 1,592					
Communications and utilities					
98 1,810 6 1,914					
Other operating expenses					
1,846 5,690 94 (2,475) 5,155					
Total operating expenses					
5,774 250,293 9,302 (11,567) 253,802					
Operating (loss) income					
(3,299) (544) 236 (3,607)					

OTHER INCOME (EXPENSE):

Equity in earnings of joint ventures, net of tax

1,218 112 1,330

Gain on sale of assets

2,576 2,576

Interest expense

(9,046) (8,073) (56) 7,788 (9,387)

Interest income

7,785 49 580 (7,788) 626

Intercompany dividends

1,729 (1,729)

Equity in losses of subsidiaries

(5,238) 5,238

(4,770) (5,959) 636 5,238 (4,855)

(LOSS) INCOME BEFORE INCOME TAXES

(8,069) (6,503) 872 5,238 (8,462)

INCOME TAX BENEFIT (PROVISION)

2,353 696 (303) 2,746

NET (LOSS) INCOME
\$(5,716) \$(5,807) \$569 \$5,238 \$(5,716)

SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2000
In Thousands

ALLIED GUARANTOR GUARANTOR
HOLDINGS SUBSIDIARIES SUBSIDIARIES ELIMINATIONS CONSOLIDATED

	ALLIED HOLDINGS	GUARANTOR SUBSIDIARIES	GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
REVENUES	\$ 1,243	\$ 295,899	\$ 8,017	\$ (9,262)	\$ 295,897

OPERATING EXPENSES:

Salaries, wages and fringe benefits	117	154,158		154,275
Operating supplies and expenses	425	47,864	13	48,302
Purchased transportation		29,301		29,301
Insurance and claims		12,871	8,234	(8,018) 13,087
Operating taxes and licenses	2	10,980		10,982
Depreciation and amortization	29	15,364		15,393
Rents	19	2,154		2,173
Communications and utilities	1	2,005		2,006
Other operating expenses	544	3,822	60	(1,244) 3,182

Total operating expenses

1,137 278,519 8,307 (9,262) 278,701

Operating income (loss)

106 17,380 (290) 17,196

OTHER INCOME (EXPENSE):

Equity in earnings (loss) of joint ventures, net of tax

1,914 (116) 1,798

Gain on sale of assets

91 91

Interest expense

(7,480) (8,540) (25) 7,697 (8,348)

Interest income

7,680 105 601 (7,697) 689

Intercompany dividends

4,140 (4,140)

Equity in earnings of subsidiaries

6,800 (6,800)

11,140 (10,570) 460 (6,800) (5,770)

INCOME BEFORE INCOME TAXES

11,246 6,810 170 (6,800) 11,426

INCOME TAX PROVISION

(4,357) (82) (98) (4,537)

NET INCOME

\$6,889 \$6,728 \$72 \$(6,800) \$6,889

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SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2001
In Thousands

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ALLIED HOLDINGS GUARANTOR
SUBSIDIARIES SUBSIDIARIES
ELIMINATIONS CONSOLIDATED

CASH FLOWS FROM OPERATING ACTIVITIES

Net
(loss) income \$(24,578) \$(29,755) \$ 1,638 \$ 28,117 \$(24,578)

Adjustments to
reconcile net
(loss) income to
net cash (used
in) provided by
operating
activities:

Depreciation and amortization

1,725 28,224 356 30,305

Gain on sale of property and equipment

(2,743) (2,743)

Deferred income taxes

(15,000) 1,644 (13,356)

Compensation expense related to stock options and grants

138 138

Equity in earnings of joint ventures

(2,437) (102) (2,539)

Equity in losses of subsidiaries

28,117 (28,117)

Amortization of Teamsters Union signing bonus

1,202 1,202

Change in operating assets and liabilities:

Receivables, net of allowance for doubtful accounts

774 22,897 (2,844) 20,827

Inventories

415 415

Prepayments and other current assets

407 (4,151) 2,109 (1,635)

Intercompany receivables and payables

(9,071) 7,667 1,404

Trade accounts payable

899 (5,040) 57 (4,084)

Accrued liabilities

6,579 (4,648) 10,689 12,620

Total adjustments

14,568 43,030 11,669 (28,117) 41,150

Net cash (used in) provided by operating activities
(10,010) 13,275 13,307 16,572

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment
(67) (16,155) (720) (16,942)
Intercompany sale of property and equipment
811 (811)
Proceeds from sale of property and equipment
4,745 4,745
Investment in joint ventures
(464) (464)
Intercompany dividend received (paid)
1,980 (1,980)
Increase in short-term investments
(2,590) (2,590)
Increase in cash surrender value of life insurance
(240) (240)

Net cash provided by (used in) investing activities
2,484 (14,201) (3,774) (15,491)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of long-term debt, net

10,676 1,089 11,765

Proceeds from issuance of common stock

217 217

Other, net

(2,793) 868 1,352 (573)

Net cash provided by financing activities

8,100 1,957 1,352 11,409

EFFECT OF EXCHANGE RATE CHANGES ON CASH
AND CASH EQUIVALENTS

(508) (921) (1,429)

NET INCREASE IN CASH AND CASH EQUIVALENTS

574 523 9,964 11,061

CASH AND CASH EQUIVALENTS AT BEGINNING OF
YEAR

(1,213) 2,063 1,523 2,373

CASH AND CASH EQUIVALENTS AT END OF PERIOD
 \$(639) \$2,586 \$11,487 \$ 13,434

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SUPPLEMENTAL GUARANTOR INFORMATION
 SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
 SIX MONTHS ENDED JUNE 30, 2000
 In Thousands

		ALLIED GUARANTOR HOLDINGS	NON GUARANTOR SUBSIDIARIES	NON GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES						
	Net income	\$ 5,854	\$ 3,589	\$ 1,751	\$ (5,340)	\$ 5,854
	Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation and amortization						
59	30,207	369				30,635
Loss on sale of property and equipment						
12		12				
Deferred income taxes						
(2,269)	3,107					838
Compensation expense related to stock options and grants						
408		408				
Equity in earnings (loss) of joint ventures						
(2,913)	214					(2,699)
Equity in net income of subsidiaries						
(5,340)		5,340				
Amortization of Teamsters Union signing bonus						
1,238		1,238				

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Change in operating assets and liabilities excluding effects
of businesses acquired:

Receivables, net of allowance for doubtful accounts

7 (3,269) (1,027) (4,289)

Inventories

42 42

Prepayments and other current assets

(234) (2,751) (132) (3,117)

Trade accounts payable

(103) (5,154) (231) (5,488)

Intercompany payables

(11,665) 12,844 (1,179)

Accrued liabilities

4,463 (5,452) 4,620 3,631

Total adjustments

(14,674) 27,911 2,634 5,340 21,211

Net cash (used in) provided by operating activities

(8,820) 31,500 4,385 27,065

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment

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(7,706)	(1,373)	(9,079)
Proceeds from sale of property and equipment		
112	112	
Purchase of business, net of cash acquired		
(8,185)	(8,185)	
Return of capital		
11,999	(11,999)	
Intercompany dividend received (paid)		
4,140	(4,140)	
Increase in short-term investments		
(11,918)	(11,918)	
Increase in cash surrender value of life insurance		
(240)	(240)	

Net cash provided by (used in) investing activities

16,139	(32,158)	(13,291)	(29,310)
--------	----------	----------	----------

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of (proceeds from) long-term debt, net

(7,477)	382	(7,095)
---------	-----	---------

Proceeds from issuance of common stock

422	422
-----	-----

Repurchase of common stock

(282)	(282)
-------	-------

Other, net

(3,751)	2,386	1,530	165
---------	-------	-------	-----

Net cash (used in) provided by financing activities
 (11,088) 2,768 1,530 (6,790)

EFFECT OF EXCHANGE RATE CHANGES ON CASH
 AND CASH EQUIVALENTS

(223) (418) (641)

NET (DECREASE) INCREASE IN CASH AND CASH
 EQUIVALENTS

(3,769) 1,887 (7,794) (9,676)

CASH AND CASH EQUIVALENTS AT BEGINNING OF
 YEAR

1,852 3,179 8,953 13,984

CASH AND CASH EQUIVALENTS AT END OF
 PERIOD

\$(1,917) \$5,066 \$1,159 \$ 4,308

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Note 3. Comprehensive Income

The Company had a comprehensive loss of \$4.0 million for the second quarter of 2001 versus comprehensive income of \$5.5 million for the second quarter of 2000. For the first six months of 2001, the comprehensive loss was \$26.6 million, versus comprehensive income \$4.0 million for the first six months of 2000. The difference between comprehensive income and net income is the foreign currency translation adjustment, net of income taxes.

Note 4. Accounting for Derivative Instruments and Hedging Activities

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, the statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

From time to time, the Company enters into future contracts to manage the risk associated with changes in fuel prices. Gains and losses from fuel hedging contracts are recognized as part of fuel expense when the Company uses the underlying fuel being hedged. The Company does not enter into fuel hedging contracts for speculative purposes. At June 30, 2001, the Company did not have any outstanding fuel hedging contracts or other derivative instruments that fall under the provisions of SFAS No. 133.

Note 5. Recent Accounting Pronouncements

In June 2001 the Financial Accounting Standards Board approved Statement of Financial Accounting Standard No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 prospectively prohibits the pooling of interest method of accounting for business combinations initiated after June 30, 2001. SFAS No. 142 requires companies to cease amortizing goodwill that existed at June 30, 2001. The amortization of existing goodwill will cease on December 31, 2001. Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also establishes a new method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The adoption of SFAS No. 142 will result in the Company's discontinuation of amortization of its goodwill; however, the Company will be required to test its goodwill for impairment under the new

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standard beginning in the first quarter of 2002, which could have an adverse effect on the Company's future results of operations if an impairment occurs.

Note 6. Workforce Reduction Expense

During 2000, the Company recorded a pre-tax \$2.5 million workforce reduction charge related to terminating approximately 100 employees. During 2000, severance payments amounted to approximately \$0.9 million. During the first quarter of 2001, the Company recorded a pre-tax workforce reduction charge of \$5.0 million, and a pre-tax charge of \$0.6 million in the second quarter of 2001. These charges were related to the termination of approximately 85 employees. Severance payments during the first quarter of 2001 amounted to approximately \$1.9 million and severance payments during the second quarter of 2001 were approximately \$1.3 million. At June 30, 2001, approximately \$4.0 million is outstanding and included in accrued liabilities.

Note 7. Segment Reporting

In accordance with the requirements of SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information, the Company has identified two reportable industry segments through which it conducts its operating activities: Allied Automotive Group and Axis Group. These two segments reflect the organization used by management for internal reporting. Allied Automotive Group is engaged in the business of transporting automobiles and light trucks from manufacturing plants, ports, auctions, and railway distribution points to automobile dealerships. Axis Group provides distribution, automobile inspection, auction, and logistics services for the automotive industry.

**Three Months Ended
June 30,**

**Six Months Ended
June 30,**

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	2001	2000	2001	2000
Revenues unaffiliated customers:				
Allied Automotive Group				
\$242,790 \$286,385 \$454,814 \$563,368				
Axis Group				
7,405 9,458 13,560 15,351				
Corporate/other				
54 62				
\$250,195 \$295,897 \$468,374 \$578,781				
Depreciation and amortization:				
Allied Automotive Group				
\$13,506 \$13,046 \$26,789 \$26,320				
Axis Group				
897 813 1,791 1,441				
Corporate/other				
878 1,534 1,725 2,874				
\$15,281 \$15,393 \$30,305 \$30,635				

Operating (loss) profit:

Allied Automotive Group
 \$(922) \$18,446 \$(17,218) \$25,612
 Axis Group
 850 441 398 138
 Corporate/other
 (3,535) (1,691) (10,133) (4,490)

(3,607) 17,196 (26,953) 21,260

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Reconciling items:				
Equity income in joint ventures	\$1,330	\$1,798	\$2,539	\$2,699
Gain (loss) on sale of assets	2,576	91	2,743	(12)
Interest expense	(9,387)	(8,348)	(17,853)	(16,749)
Interest income	626	689	1,590	2,009
(Loss) income before income taxes				

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\$(8,462) \$11,426 \$(37,934) \$9,207

Capital expenditures:

Allied Automotive Group
\$8,072 \$3,295 \$15,060 \$5,018

Axis Group
1,291 480 1,815 924

Corporate/other
2,063 67 3,137

\$9,363 \$5,838 \$16,942 \$9,079

	June 30, 2001	December 31 2000
Total assets:		
Allied Automotive Group		
\$407,471 \$437,945		
Axis Group		
64,076 64,869		
Corporate/other		
120,467 107,725		

\$592,014 \$610,539

Geographic financial information for 2001 and 2000 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30	
	2001	2000	2001	2000
Revenues:				
United States				
\$203,969 \$242,240 \$385,267 \$477,178				
Canada				
46,226 53,657 83,107 101,603				

\$250,195 \$295,897 \$468,374 \$578,781

Note 8. Equity Investments

Axis Group has entered into three joint ventures for the purpose of managing the distribution of vehicles in the United Kingdom and Brazil. Axis Group initially invested \$10,395,000 in the ventures. The Company is accounting for the investments under the equity method of accounting with its share of the ventures' earnings or loss reflected as equity in earnings (loss) of joint ventures in the consolidated statements of operations. The related equity investments are included in other assets in the accompanying consolidated balance sheets.

Equity in earnings for these joint ventures is recorded net of income taxes in the
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consolidated statements of operations by the Company. Income taxes related to the joint ventures for the six months ended June 30, 2001, and 2000 were \$1,306,000 and \$1,153,000, respectively.

The majority of the Company's equity in earnings of joint ventures in 2001 was derived from its joint venture in the United Kingdom, Ansa Logistics Limited. Summarized financial information of Ansa Logistics Limited for the periods ended June 30, 2001 and 2000 (in thousands):

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
Current assets	\$ 35,079	\$ 34,799
Other assets		
4,022 5,019		
Total assets	\$39,101	\$39,818
Current liabilities		
\$26,289 \$32,194		

	Three Months Ended		Six Months Ended	
	2001	June 30, 2000	June 30 2001	2000
Revenues	\$29,226	\$29,511	\$57,597	\$57,994
Operating Income	\$ 1,269	\$ 2,261	\$ 5,007	\$ 5,495
Income from continuing operations	\$ 1,348	\$ 2,261	\$ 5,174	\$ 5,495
Net Income	\$ 836	\$ 1,402	\$ 3,208	\$ 3,407

Note 9. Litigation

The Company is routinely a party to litigation incidental to its business, primarily involving claims for personal injury and property damage incurred in the transportation of vehicles. The Company does not believe that any of such pending litigation, if adversely determined, would have a material adverse effect on the Company.

The Company is defending two pieces of related litigation in the Supreme Court of Erie County, New York: Gateway Development & Manufacturing, Inc. v. Commercial Carriers, Inc., et al., Index No. 1997/8920 (the Gateway Case), and Commercial Carriers, Inc., v. Gateway Development & Manufacturing, Inc., et al. (the CCI Case), Index No. I2000/8184. The claims at issue in both the Gateway Case and the CCI Case center around the contention that the Company breached legal duties with

respect to a
failed business
transaction
involving
Gateway
Development &
Manufacturing,
Inc., Ryder
Truck Rental,
Inc., and Ryder
System, Inc. In
the Gateway
Case, the

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Company has
sought and
received
summary
judgment in its
favor on the
sole claim (for
tortious
interference
with contract)
asserted against
it by Gateway
Development &
Manufacturing,
Inc., but the
court has
permitted the
filing and
service of
cross-claims
against the
Company by
the other
defendants in
that action. In
the CCI Case,
the Company
has accepted
service of a
separate
complaint
asserting claims
against the
Company that
are virtually
identical to the
cross-claims
asserted against
the Company
by the other
defendants in

the Gateway Case. It is anticipated that the claims asserted in both the Gateway Case and the CCI Case will be resolved in a unified proceeding.

With respect to the entirety of this litigation, the Company intends to continue its vigorous defense against the claims asserted it, as management believes all of those claims are without merit.

While the ultimate results of this litigation cannot be predicted, management does not expect that the resolution of these proceedings will have a material adverse effect on the Company's consolidated financial position or results of operations.

Note 10. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

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

Results of Operations

Revenues were \$250.2 million for the second quarter of 2001 versus revenues of \$295.9 million for the second quarter of 2000, a decrease of 15.4%. For the six-month period ended June 30, 2001, revenues were \$468.4 million, versus revenues of \$578.8 million for the six-month period ended June 30, 2000, a decrease of 19.1%. The decrease in revenues is primarily due to lower vehicle delivery volumes resulting from reduced new vehicle production.

The net loss was \$5.7 million during the second quarter of 2001 versus net income of \$6.9 million during the second quarter of 2000. Basic and diluted loss per share in the second quarter of 2001 were \$0.71, versus basic and diluted earnings per share of \$0.87 in the second quarter of 2000. For the six-month period ended June 30, 2001, the net loss was \$24.6 million, versus net income of \$5.9 million for the six-month period ended June 30, 2000. Basic and diluted loss per share for the six-month period ended June 30, 2001 were \$3.04 versus basic and diluted earnings per share of \$0.74 for the six-month period ended June 30, 2000. In April 2001 the Company

amended its revolving credit facility and its senior subordinated notes to avoid defaults relating to its financial covenants. The maturity date of the amended revolving credit facility has been accelerated from September 30, 2002 to January 31, 2002. The Company is engaged in discussions with a number of lenders to replace its revolving credit facility, and completion of the financing is anticipated by year-end. The Company expensed approximately \$0.5 million, or \$0.6 per share, of administrative costs related to the amendments during the first quarter of 2001 and expensed approximately \$1.0 million, or \$0.12 per share, of costs resulting from the amendments during the second quarter of 2001. As discussed above, the Company in

April 2001 negotiated amendments to certain affirmative, negative and financial covenants of the Revolving Credit Facility and the Senior Subordinated Notes. As a result of the amendments, the Company does not anticipate any covenant violations during 2001. There can be no assurance, however, that the Company will be able to comply with these or its other debt covenants or that, if it fails to do so, it will be able to obtain amendments to or waivers of such covenants. Failure of the Company to comply with covenants contained in its debt instruments, if not waived, or to adequately service debt obligations, could result in default under its debt instruments. Any default under the Company's debt instruments, particularly any default that results in acceleration of

indebtedness
or foreclosure
on collateral,
could have a
material
adverse effect
on the
Company.

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The following is a discussion of the changes in the Company's major expense categories: Salaries, wages and fringe benefits increased from 52.1 % of revenues in the second quarter of 2000 to 56.2 % of revenues in the second quarter of 2001, and from 53.4% of revenues for the first six months of 2000 to 58.1% of revenues for the first six months of 2001. The increase was due in part to severance charged to expense of \$4.3 million in the first quarter of 2001 and \$0.6 million in the second quarter of 2001 that was part of the Company's workforce and overhead

reduction
program, as
well as annual
wage
increases for
remaining
employees. In
addition, the
significant
drop in
vehicle
deliveries
caused
operating
inefficiencies
that increased
salaries,
wages, and
fringe benefits
as a
percentage of
revenues.
Operating
supplies and
expenses
decreased
from 16.3% of
revenues in
the second
quarter of
2000 to 15.3%
of revenues in
the second
quarter of
2001, and
decreased
from 17.3%
for the first six
months of
2000 to 17.0%
for the first six
months of
2001. The
decrease was
due primarily
to a decrease
in parts and
maintenance
expense
related to
vigorous
expense
reduction
programs and
decreasing
volumes,
combined
with lower
fuel costs.
Purchased
transportation
increased

from 9.9% of revenues in the second quarter of 2000 to 11.5% of revenues in the second quarter of 2001, and increased from 9.8% of revenues for the first six months of 2000 to 11.1% of revenues for the first six months of 2001. As volumes decline, units are hauled by drivers with the highest seniority. The number of owner operators stayed relatively constant from year to year while the number of company drivers decreased, resulting in higher purchased transportation for 2001 compared to 2000. Insurance and claims expense increased from 4.4% of revenues in the second quarter of 2000 to 5.5% of revenues in the second quarter of 2001, and increased from 4.3% of revenue for the first six months of

2000 to 5.8% of revenues for the first six months of 2001. The increase was a result of an increase in cargo claims expense and costs related to higher auto, general liability and property insurance premiums that were unaffected by the decline in vehicles delivered. Depreciation and amortization expense increased from 5.2% of revenues in the second quarter of 2000 to 6.1% of revenues in the second quarter of 2001, and increased from 5.3% of revenues for the first six months of 2000 to 6.5% of revenues for the first six months of 2001. The increase as a percentage of revenues was due primarily to a sharp decline in vehicles delivered which reduced revenues. Depreciation and amortization expense stayed relatively

constant in 2001 versus 2000; depreciation and amortization expense was \$15.3 million in the second quarter of 2001 and \$15.4 million in the second quarter of 2000, and \$30.3 million for the first six months of 2001 versus \$30.6 million for the first six months of 2000. Gain on sale of assets increased from \$91,000 in the second quarter of 2000 to \$2,576,000 in the second quarter of 2001, and increased from a loss of \$12,000 for the first six months of 2000 to a gain of \$2,743,000 for the first six months of 2001. The increase was due primarily to the disposition of excess real estate and other assets in Canada during the second quarter of 2001.

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Interest expense increased from 2.8% of revenues during the second quarter of 2000 to 3.8% of revenues in the second quarter of 2001, and increased from 2.9% of revenues for the first six months of 2000 to 3.8% of revenues for the first six months of 2001. The increase was due to higher interest rates in 2001 versus 2000, higher long-term debt levels and additional costs related to the amendment of the Company's revolving credit facility and its senior subordinated notes.

Financial Condition, Liquidity and Capital Resources

Net cash provided by operating activities totaled \$16.6 million for the six-month period ended June 30, 2001, versus \$27.1 million provided by operating activities for the six-month period ended June 30, 2000. The decline in cash provided by operating activities was due primarily to reduced earnings during the first six months of 2001 versus 2000, offset with a favorable change in operating assets and liabilities as the Company has implemented measures to improve asset utilization.

Net cash used in investing activities totaled \$15.5 million for the six-month

period ended
June 30, 2001,
versus
\$29.3 million
for the
six-month
period ended
June 30, 2000.
The decrease
was due
primarily to the
purchase of CT
Group, a
logistics
service group,
in February
2000 for
\$8.2 million,
combined with
a change in the
investment
portfolio mix
of the
Company's
captive
insurance
company
which
increased
short-term
investments by
\$11.9 million
and reduced
cash and cash
equivalents by
a like amount
in 2000. These
changes were
offset by an
increase in
capital
spending in the
first six months
of 2001 versus
2000. The
increase is due
to the timing of
capital
expenditures.
In 2000, capital
expenditures of
\$32.3 million
were weighted
to the last half
of the year.
Planned capital
expenditures
have been
reduced to
\$20-25 million
for 2001. As
vehicle

delivery volumes have declined, older rigs have been taken out of service and not replaced, which will allow the Company to reduce capital expenditures without materially increasing the average age of the fleet. The number of active rigs declined from 4,867 rigs in the second quarter of 2000 to 4,222 rigs in the second quarter of 2001. Net cash provided by financing activities totaled \$11.4 million for the six-month period ended June 30, 2001, versus cash used by financing activities of \$6.8 million for the six-month period ended June 30, 2000. The increase was due to an increase in borrowings during 2001 as a result of the lower operating cash flow.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Disclosures About Market Risks

The market risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in short-term investment prices, interest rates, fuel prices, and foreign currency exchange rates.

Table of Contents**Short-term
Investments**

The Company does not use derivative financial instruments in its investment portfolio. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines. The policy also limits the amount of credit exposure to any one issue, issuer, and type of instrument. Short-term investments at June 30, 2001, which are recorded at fair value of \$62.5 million, have exposure to price risk. This risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in quoted prices and amounts to \$6.3 million.

Interest Rates

The Company primarily issues long-term debt obligations to support general

corporate purposes including capital expenditures and working capital needs. The majority of the Company's long-term debt obligations bear a fixed rate of interest. A one-percentage point increase in interest rates affecting the Company's floating rate long-term debt would reduce pre-tax income by \$1.5 million over the next fiscal year. A one-percentage point change in interest rates would not have a material effect on the fair value of the Company's fixed rate long-term debt. **Fuel Prices** The Company is dependent on diesel fuel to operate its fleet of rigs. Diesel fuel prices are subject to fluctuations due to unpredictable factors such as weather, government policies, changes in global demand, and global production. To reduce price risk caused by market fluctuations, the Company generally follows a policy of hedging a

portion of its
anticipated
diesel fuel
consumption.

The instruments
used are
principally
readily
marketable
exchange
traded futures
contracts that
are designated
as hedges. The
changes in
market value of
such contracts
have a high
correlation to
the price
changes of
diesel fuel.

Gains and
losses resulting
from fuel
hedging
transactions are
recognized
when the
underlying fuel
being hedged is
used. A 10%
increase in
diesel fuel
prices would
reduce pre-tax
income by
\$5.0 million
over the next
fiscal year. At
June 30, 2001,
the Company
did not have
any outstanding
fuel hedging
contracts.

**Foreign
Currency
Exchange
Rates**

Although the
majority of the
Company's
operations are
in the United
States, the
Company does
have foreign
subsidiaries
(primarily
Canada). The
net investments

in foreign subsidiaries translated into dollars using exchange rates at June 30, 2001, are \$100.5 million. The potential loss in fair value impacting other comprehensive income resulting from a hypothetical 10% change in quoted foreign currency exchange rates amounts to \$10.1 million. The Company does not use derivative financial instruments to hedge its exposure to changes in foreign currency exchange rates.

Seasonality and Inflation

The Company's revenues are seasonal, with the second and fourth quarters generally experiencing higher revenues than the first and third quarters. The volume of vehicles shipped during the second and fourth quarters is generally higher due to the introduction of new models which are shipped to dealers during those periods and the higher spring and early

summer sales of
automobiles
and light trucks.
During the first
and third

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quarters, vehicle
shipments typically
decline due to
lower sales volume
during those
periods and
scheduled plant
shut downs.
Inflation has not
significantly
affected the
Company's results
of operations.

Cautionary Notice Regarding Forward-Looking Statements

Statements in this
quarterly report on
Form 10-Q
contains
forward-looking
statements,
including
statements
regarding, among
other items, (i) the
Company's plans,
intentions or
expectations,
(ii) general industry
trends, competitive
conditions and
customer
preferences,
(iii) the Company's
management
information
systems, and its
ability to resolve
any Year 2000
issues related
thereto (iv) the
Company's efforts
to reduce costs,
(v) the adequacy of
the Company's
sources of cash to
finance its current

and future operations and (vi) resolution of litigation without material adverse effect on the Company. This notice is intended to take advantage of the safe harbor provided by the Private Securities Litigation Reform Act of 1995 with respect to such forward-looking statements. These forward-looking statements involve a number of risks and uncertainties. Among others, factors that could cause actual results to differ materially are the following: economic recessions or downturns in new vehicle production or sales; the highly competitive nature of the automotive distribution industry; dependence on the automotive industry; loss or reduction of revenues generated by the Company's major customers; the variability of quarterly results and seasonality of the automotive distribution industry; labor disputes involving the Company or its significant customers; the dependence on key personnel who have been hired or retained by the Company; the availability of strategic acquisitions or joint venture partners; changes in

regulatory requirements which are applicable to the Company's business; changes in vehicle sizes and weights which may adversely impact vehicle deliveries per load; the ability to increase the rates charged to customers; risks associated with doing business in foreign countries; problems related to information technology systems and computations that must be made by the Company or its customers and vendors in 2000, 2001 or beyond; and the risk factors listed herein from time to time in the Company's Securities and Exchange Commission reports, including but not limited to, its Annual Reports on Form 10-K or 10-Q.

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PART II

OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

On May 15, 2001 the Annual Meeting of Shareholders was held. The following Directors were elected for terms that will expire on the date of the annual meeting in the year indicated below. The number of shares voted for, against and abstentions are also indicated.

Proposal I (Election of Directors)

	FOR	AGAINST	TERM
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Joseph W. Collier	5,897,245	80,537	2004
Guy W. Rutland, IV			
5,867,672 110,110 2004			
Berner F. Wilson, Jr.			
5,902,905 74,876 2004			

The following Directors terms will continue as indicated.

Robert J. Rutland	2003
William P. Benton	
2003	
David G. Bannister	
2003	
Bernard O. De Wulf	
2002	
Guy W. Rutland, III	
2002	
Robert R. Woodson	
2002	
Hugh E. Sawyer	
2003	

Proposal II (Amend the Company s Employee Stock Purchase Plan to increase the number of shares subject to the Plan by 350,000)

FOR	AGAINST	ABSTAIN
6,338,666	144,620	10,317

Proposal III (To appoint Arthur Andersen LLP as independent public accountants)

FOR	AGAINST	ABSTAIN
6,454,218	37,560	1,824

Item 5. Other Information.

On June 18, 2001, Hugh E. Sawyer joined the Company as President and Chief Executive Officer and as a member of the Board of Directors. Mr. Sawyer entered into an employment agreement with the Company which is included as an exhibit to this report.

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On July 13, 2001, the Company announced that it had been advised by the New York Stock Exchange (NYSE) that the Company currently falls below the continued listing standard requiring stockholders equity of not less than \$50 million and total market capitalization of not less than \$50 million.

As required by the NYSE, Allied has submitted a detailed plan to the Listing and Compliance Committee of the NYSE demonstrating how the Company plans to be in compliance with the continued listing standard on or before November 29, 2002, the deadline set by the NYSE. Based on internal estimates, and execution of planned corporation transactions, Allied believes it will satisfy the continued listing standard by the NYSE deadline. After reviewing the plan, the Committee will either accept it (following which the Company will be subject to quarterly

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monitoring for compliance with the plan) or not (in which event the Company will be subject to NYSE trading suspension and delisting). Should the Company's shares cease being traded on the NYSE, the Company believes that an alternative trading venue will be available.

Item 6. Exhibits and Reports on Form 8-K.

- a) Exhibits 10.1 Employment agreement between the Company and Hugh E. Sawyer Dated June 18, 2001
- b) Reports on Form 8-K: None

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SIGNATURES

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.

	Allied Holdings, Inc.
August 14, 2001	/s/ Hugh E. Sawyer
_____ (Date)	_____ Hugh E. Sawyer on behalf of Registrant as President and Chief Executive Officer
August 14, 2001	/s/ Daniel H. Popky
_____ (Date)	_____ Daniel H. Popky on behalf of Registrant as Senior Vice President, Finance and Chief Financial Officer

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