PRICESMART INC
Form 10-K/A
July 11, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended August 31, 2007

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number: 000-22793

PRICESMART, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**33-0628530**
(State of other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification Number)**

9740 SCRANTON RD, SAN DIEGO, CA 92121

(Address of principal executive offices, Zip Code)

Registrant s telephone number, including area code: (858) 404-8800

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.0001 per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨

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

The aggregate market value of the Registrant s voting stock held by non-affiliates of the Registrant as of February 28, 2007 was $164,073,460, based on the last reported sale of $14.54 per share on February 28, 2007.

As of November 23, 2007, a total of 29,358,211 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company s Annual Report for the fiscal year ended August 31, 2007 are incorporated by reference into Part II of this Form 10-K.

Explanatory Note

This Amendment No. 2 is filed to amend the Annual Report on Form 10-K of PriceSmart, Inc. (PriceSmart or the Company) for the year ended August 31, 2007, originally filed on November 29, 2007, as amended by Amendment No. 1 thereto filed December 26, 2007 (as amended, the Original Filing), to expand or correct disclosures in the Original Filing as discussed below. The expanded or corrected disclosures are in response to comment letters dated February 28, 2008 and April 24, 2008 from the staff of the Division of Corporation Finance of the Securities and Exchange Commission (the SEC) in conjunction with the SEC s review of the Company s Original Filing. As disclosed in Part I, Item 1B of this Amended Filing, none of the staff s comments remain unresolved as of the date of this filing. The following items were amended:

Item 7: The Company has provided additional disclosure at pages 13 - 16 to discuss known material trends and uncertainties that will have, or are reasonably likely to have, a material impact on the Company s revenues or income or result in the Company s liquidity increasing or decreasing in any material way;

Item 11: The Company revised the disclosure at pages 34 - 43 to elaborate on how the Compensation Committee determines executive compensation levels and to summarize the information that is gathered by the Company s President and Chief Financial Officer and provided to the Compensation Committee;

Item 12: The Company inserted data in the Equity Compensation Plan Information table that was inadvertently omitted from the Original Filing;

Item 13: The Company provided additional disclosure at page 46 to describe its policies and procedures for review, approval or ratification of related-party transactions; and

Item 15: The Company revised the signature page to include the signature of John Heffner, the Company s principal financial officer and principal accounting officer.

Except as described above, no other changes have been made to the Original Filing. The Original Filing, as amended, continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events that occurred subsequent to the filing of the Original Filing. As part of the Amended Filing, Exhibits 31.1, 31.2 and 32.1, containing the certifications of our Chief Executive Officer and Chief Financial Officer, as well as Exhibit 23.1, containing the consent of our independent register public accounting firm, that were filed as exhibits to the Original Filing have been re-executed and re-filed as of the date of this Amended Filing.

PRICESMART, INC.

ANNUAL REPORT ON FORM 10-K FOR

THE YEAR ENDED AUGUST 31, 2007

TABLE OF CONTENTS

PART I

Item 1. Business

This Form 10-K contains forward-looking statements concerning PriceSmart, Inc. s (PriceSmart or the Company) anticipated future revenues and earnings, adequacy of future cash flow and related matters. These forward-looking statements include, but are not limited to, statements containing the words expect, believe, will, may, should, project, estimate, scheduled and like expressions, and the negative thereof. statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements, including foreign exchange risks, political or economic instability of host countries, and competition as well as those risks described in the Company s Securities and Exchange Commission reports, including the risk factors referenced in this Form 10-K. See Part I, Item 1A Risk Factors.

PriceSmart s business consists primarily of international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. The number of warehouse clubs in operation, as of August 31, 2007 and 2006, the Company s ownership percentages and basis of presentation for financial reporting purposes by each country or territory are as follows:

Country/Territory	Number of Warehouse Clubs in Operation (as of August 31, 2007)	Number of Warehouse Clubs in Operation (as of August 31, 2006)	Ownership (as of August 31, 2007)	Basis of Presentation
Panama	4	4	100%	Consolidated
Costa Rica	4	4	100%	Consolidated
Dominican Republic	2	2	100%	Consolidated
Guatemala	2	2	100%	Consolidated
El Salvador	2	2	100%	Consolidated
Honduras	2	2	100%	Consolidated
Trinidad	2	2	95%	Consolidated
Aruba	1	1	90%	Consolidated
Barbados	1	1	100%	Consolidated
U.S. Virgin Islands	1	1	100%	Consolidated
Jamaica	1	1	100%	Consolidated
Nicaragua	1	1	51%	Consolidated
Totals	23	23		

During fiscal year 2006, the Company purchased land in Honduras for the construction of a warehouse club. The Company completed construction and relocated its San Pedro Sula, Honduras warehouse club to this new site, which is also located in San Pedro Sula. The opening at the new site took place on November 4, 2006 (fiscal year 2007). During fiscal year 2007, the Company purchased land in Guatemala and Trinidad, where it plans to complete construction and open new warehouse clubs in November and December 2007 (fiscal year 2008), respectively.

On November 18, 2005 (fiscal year 2006), the Company opened its fourth warehouse club in Costa Rica. Also during fiscal year 2006, the Company acquired the 32.5% of minority interests in PriceSmart Jamaica, increasing the Company s ownership to 100%. In addition, the Company acquired an additional 5% interest in its PriceSmart Trinidad subsidiary, increasing its ownership to 95% from 90%.

On August 28, 2007, Grupo Gigante S.A. de C.V. agreed to purchase all 164,046 shares held by PriceSmart, Inc. in PSMT Mexico for $2.0 million, thereby allowing Grupo Gigante S.A. de C.V. to assume 100% control and ownership of PSMT Mexico. PSMT Mexico, S.A. de C.V. is a 50/50 joint venture of PriceSmart and Grupo Gigante S.A. de C.V. which operated three membership warehouse clubs in Mexico until February 28, 2005. The sale of the shares was finalized on October 31, 2007. At the end of August 2007 and 2006, the total number of consolidated warehouse clubs in operation was 23 operating in 11 countries and one U.S. territory. The average age of the 23 warehouse clubs included in continuing operations was 80 months and 68 months as of the end of fiscal year 2007 and fiscal year 2006, respectively.

In addition to the warehouse clubs operated directly by the Company or through joint ventures, there is one warehouse club in operation in Saipan, Micronesia licensed to and operated by local business people, from which the Company earns a royalty fee. During the second quarter of fiscal year 2005, the Company terminated the license agreement with its China licensee, under which such licensee previously operated 11 warehouse clubs. No licensing revenue has been recorded with respect to the China licensee in the past three fiscal years.

International Warehouse Club Business

The Company owns and operates U.S.-style membership shopping warehouse clubs through majority or wholly owned ventures operating in Central America and the Caribbean using the trade name PriceSmart. In addition, there is one warehouse club in operation in Saipan, Micronesia licensed to and operated by local business people, from which the Company earns a royalty fee. The warehouse clubs sell basic consumer goods to individuals and businesses, sales are typically comprised of approximately 50% U.S.-sourced merchandise and approximately 50% locally sourced merchandise, with an emphasis on quality and low prices. By offering low prices on brand name and private label merchandise, the warehouse clubs seek to generate sufficient sales volumes to operate profitably at relatively low gross profit margins. The typical no-frills warehouse club-type buildings range in size from 48,000 to 72,000 square feet and are located primarily in urban areas to take advantage of dense populations and relatively higher levels of disposable income. Product selection includes perishable foods and basic consumer products. Ancillary services include food services, bakery, tire centers, and photo centers. The shopping format includes an average annual membership fee of approximately $25.

Business Strategy

PriceSmart s mission is to efficiently operate U.S.-style membership warehouse clubs in Central America and the Caribbean that sell high quality merchandise at low prices to PriceSmart members and that provide fair wages and benefits to PriceSmart employees, as well as a fair return to PriceSmart stockholders. The Company delivers U.S. brand-name and locally sourced products to its small business and consumer members in a warehouse club format that provides high value to its members. By focusing on providing exceptional value on quality merchandise in a low cost operating environment, the Company seeks to grow sales volume and membership which in turn will allow for further efficiencies, resulting in price reductions and improved value to our members.

Membership Policy

PriceSmart believes that membership reinforces customer loyalty. In addition, membership fees provide a continuing source of revenue, which allows us to continue lowering prices for the members. PriceSmart has two types of members: Business and Diamond (individual).

Business owners and managers qualify for Business membership. PriceSmart promotes Business membership through its merchandise selection and its marketing programs primarily targeting small businesses like restaurants, hotels and convenience stores. Business members pay an annual membership fee of approximately $25 for a primary and spouse membership card and approximately $10 for additional add-on membership cards. Diamond (individual) members pay an annual membership fee of approximately $20 and approximately $10 for an add-on membership card.

The Company recognizes membership fee revenues over the term of the membership, which is 12 months. Deferred membership income is presented separately on the balance sheet and totaled $6.6 million and $5.8 million as of August 31, 2007 and 2006, respectively. PriceSmart s membership agreements contain an explicit right to refund if its customers are dissatisfied with their membership. The Company s historical rate of membership fee refunds has been approximately 0.5% of membership income.

Expansion Plans

In the past, the Company rapidly expanded into new countries and markets as part of its strategy to gain volume buying benefits and to move quickly into underserved areas. The Company is currently focusing its management attention on improving the operations of its current locations and believes that its existing portfolio provides the opportunity for improved sales and profitability. However, the Company continues to evaluate various options for expansion, particularly in the countries in which it has already established a strong market presence. In that regard, the Company currently plans to complete construction and open new warehouse clubs in Trinidad and Guatemala early in fiscal year 2008, which would bring to three the total number of warehouse clubs in both Guatemala and Trinidad.

Warehouse Club Closings and Asset Impairment

During fiscal year 2005, the Company recorded $11.4 million in asset impairment and closure costs related to the closed warehouse clubs in Guatemala and Dominican Republic, and an impairment charge for the U.S. Virgin Islands warehouse club operation.

As of August 31, 2005, the Company had signed a sub-lease agreement with a sub-tenant for the closed warehouse club in Guatemala, and began marketing the closed warehouse club location in East Santo Domingo, Dominican Republic for an amount that was consistent with the carrying value of the asset.

During fiscal year 2006, the Company recorded $1.8 million in asset impairment and closure costs, which were primarily due to the write-down of two real estate assets of the Company, one in Honduras and one in the Dominican Republic. The Company s original San Pedro Sula, Honduras location was vacated and the operation was relocated to a new site which was acquired during the fiscal year 2006 in another section of the city. The charge in the Dominican Republic relates to the previously closed warehouse club in East Santo Domingo.

During fiscal year 2007, the Company recorded $1.6 million in asset impairment and closure costs. These were primarily due to the write down of the vacated San Pedro Sula, Honduras location and the loss on the sale of the East Santo Domingo, Dominican Republic location. In addition there were closure costs recorded in Guatemala for the closed Plaza warehouse, and closure costs in the Dominican Republic and Honduras incurred in operating and preparing the respective properties for sale. In September 2007, the Company finalized the sale of the vacated San Pedro Sula, Honduras location at the net impaired value of the asset.

Discontinued Operations

With the disposition of the Company s interest in PSMT Philippines, Inc., this entity, as well as the Company s Guam operation, which was closed on December 24, 2003, qualify for treatment as discontinued operations in the Company s consolidated financial statements. The prior periods have been reclassified for comparative purposes.

International Licensee Business

The Company had one warehouse club in operation in Saipan, Micronesia licensed to and operated by local business people at the end of fiscal year 2007, through which the Company receives royalties.

Intellectual Property Rights

It is the Company s policy to obtain appropriate proprietary rights protection for trademarks by filing applications for registrable marks with the U.S. Patent and Trademark Office, and in certain foreign countries. In addition, the Company relies on copyright and trade secret laws to protect its proprietary rights. The Company attempts to protect its trade secrets and other proprietary information through agreements with its joint ventures, employees, consultants and suppliers and other similar measures. There can be no assurance, however, that the Company will be successful in protecting its proprietary rights. While management believes that the Company s trademarks, copyrights and other proprietary know-how have significant value, changing technology and the competitive marketplace make the Company s future success dependent principally upon its employees technical competence and creative skills for continuing innovation.

There can be no assurance that third parties will not assert claims against the Company with respect to existing and future trademarks, trade names, domain names, sales techniques or other intellectual property matters. In the event of litigation to determine the validity of any third-party s claims, such litigation could result in significant expense to the Company and divert the efforts of the Company s management, whether or not such litigation is concluded in favor of the Company.

While the Company has registered under various classifications the mark PriceSmart in several countries, certain registration applications remain pending; because of objections by one or more parties, there can be no assurance that the Company will obtain all such registrations or that the Company has proprietary rights to the marks.

In August 1999, the Company and Associated Wholesale Grocers, Inc. (AWG) entered into an agreement regarding the trademark PriceSmart and related marks containing the name PriceSmart. The Company agreed not to use the PriceSmart mark or any related marks containing the name PriceSmart in connection with the sale or offer for sale of any goods or services within AWG s territory of operations, including the following ten states: Kansas, Missouri, Arkansas, Oklahoma, Nebraska, Iowa, Texas, Illinois, Tennessee and Kentucky. The Company, however, may use the mark PriceSmart or any mark containing the name PriceSmart on the internet or any other global computer network whether within or outside such territory, and in any national advertising campaign that cannot reasonably exclude the territory, and the Company may use the mark in connection with various travel services. AWG has agreed not to oppose any trademark applications filed by the Company for registration of the mark PriceSmart or related marks containing the name PriceSmart, and AWG has further agreed not to bring any action for trademark infringement against the Company based upon the Company s use outside the territory (or with respect to the permitted uses inside the territory) of the mark PriceSmart or related marks containing the name PriceSmart.

Employees

As of August 31, 2007, the Company and its consolidated subsidiaries had a total of 3,434 employees. Approximately 94% of the Company s employees were employed outside of the United States.

Seasonality

Historically, the Company s merchandising businesses have experienced holiday retail seasonality in their markets. In addition to seasonal fluctuations, the Company s operating results fluctuate quarter-to-quarter as a result of economic and political events in markets served by the Company, the timing of holidays, weather, the timing of shipments, product mix, and currency effects on the cost of U.S.-sourced products which may make these products more or less expensive in local currencies and therefore more or less affordable. Because of such fluctuations, the results of operations of any quarter are not indicative of the results that may be achieved for a full fiscal year or any future quarter. In addition, there can be no assurance that the Company s future results will be consistent with past results or the projections of securities analysts.

Item 1A. Risk Factors

In evaluating our business, you should consider the following discussion of risk factors, in addition to other information contained in this report as well as our other public filings with the Securities and Exchange Commission.

The Company s financial performance is dependent on international operations, which exposes it to various risks. The Company s international operations account for nearly all of the Company s total sales. The Company s financial performance is subject to risks inherent in operating and expanding the Company s international membership business, which include: (i) changes in and interpretation of tariff and tax laws and regulations, as well as inconsistent enforcement of laws and regulations, (ii) the imposition of foreign and domestic governmental controls, (iii) trade restrictions, (iv) greater difficulty and costs associated with international sales and the administration of an international merchandising business, (v) thefts and other crimes, (vi) limitations on U.S. company ownership in certain foreign countries, (vii) product registration, permitting and regulatory compliance, (viii) volatility in foreign currency exchange rates, (ix) the financial and other capabilities of the Company s joint venturers and licensees, and (x) general political as well as economic and business conditions.

Any failure by the Company to manage its widely dispersed operations could adversely affect the Company s business. As of August 31, 2007, the Company had in operation 23 consolidated warehouse clubs in 11 countries and one U.S. territory (four in Panama; four in Costa Rica; two each in the Dominican Republic, Guatemala, El Salvador, Honduras and Trinidad; and one each in Aruba, Barbados, Jamaica, Nicaragua and the United States Virgin Islands). The success of the Company s business will depend to a significant degree on the Company s ability to (i) efficiently operate warehouse clubs on a profitable basis and (ii) maintain positive comparable warehouse club sales growth in the applicable markets. In addition, the Company will need to continually evaluate the adequacy of the Company s existing personnel, systems and procedures, including warehouse management and financial and inventory control. Moreover, the Company will be required to continually analyze the sufficiency of the Company s inventory distribution channels and systems and may require additional facilities in order to support the Company s operations. The Company may not adequately anticipate all the changing demands that will be imposed on these systems. An inability or failure to retain effective warehouse personnel or to update the Company s internal systems or procedures as required could have a material adverse effect on the Company s business, financial condition and results of operations.

The Company faces significant competition. The Company s international merchandising businesses compete with exporters, wholesalers, local retailers and trading companies in various international markets. Some of the Company s competitors may have greater resources, buying power and name recognition. There can be no assurance that additional competitors will not decide to enter the markets in which the Company operates or that the Company s existing competitors will not compete more effectively against the Company. The Company may be required to implement price reductions in order to remain competitive should any of the Company s competitors reduce prices in any of the Company s markets. Moreover, the Company s ability to operate profitably in its markets, particularly small markets, may be adversely affected by the existence or entry of competing warehouse clubs or discount retailers.

The Company faces difficulties in the shipment of and inherent risks in the importation of merchandise to its warehouse clubs. The Company s warehouse clubs typically import half or more of the merchandise that they sell, which originates from various countries and is transported over great distances, typically over water, which results in: (i) substantial lead times needed between the procurement and delivery of product, thus complicating merchandising and inventory control methods, (ii) the possible loss of product due to theft or potential damage to, or destruction of, ships or containers delivering goods, (iii) product markdowns as a result of it being cost prohibitive to return merchandise upon importation, (iv) product registration, tariffs, customs and shipping regulation issues in the locations the Company ships to and from, and (v) substantial ocean freight and duty costs. Moreover, each country in which the Company operates has different governmental rules and regulations regarding the importation of foreign products. Changes to the rules and regulations governing the importation of merchandise may result in additional delays, costs or barriers in the Company s deliveries of products to its warehouse clubs or product it selects to import. For example, several of the countries in which the Company s warehouse clubs are located have imposed restrictions on the importation of some U.S. beef products because of concerns about Bovine Spongiform Encephalopathy (BSE), commonly referred to as mad cow disease. As a result of these restrictions, the sales of U.S. beef products may be impaired for the duration of these restrictions and may continue following the lifting of these restrictions because of perceptions about the safety of U.S. beef among people living in these countries. In addition, only a limited number of transportation companies service the Company s regions. The inability or failure of one or more key transportation companies to provide transportation services to the Company, any collusion among the transportation companies regarding shipping prices or terms, changes in the regulations that govern shipping tariffs or the importation of products, or any other disruption in the Company s ability to transport the Company s merchandise could have a material adverse effect on the Company s business, financial condition and results of operations.

The Company is exposed to weather and other risks associated with international operations. The Company s operations are subject to the volatile weather conditions and natural disasters such as earthquakes and hurricanes, which are encountered in the regions in which the Company s warehouse clubs are located and which could result in significant damage to, or destruction of, or temporary closure of, the Company s warehouse clubs. For example, during September 2004, while no damage was sustained from the multiple hurricanes in the Caribbean, a total of eight days of sales were lost due to selected warehouse club closures resulting from heavy rains, local flooding and government advisories to stay off the roads. Losses from business interruption may not be adequately compensated by insurance and could have a material adverse effect on the Company s business, financial condition and results of operations.

Declines in the economies of the countries in which the Company operates its warehouse clubs would harm its business. The success of the Company s operations depends to a significant extent on a number of factors that affect discretionary consumer spending, including employment rates, business conditions, consumer spending patterns and customer preferences and other economic factors in each of the Company s foreign markets. Adverse changes in these factors, and the resulting adverse impact on discretionary consumer spending, would affect the Company s growth, sales and profitability. In addition, a significant decline in these economies may lead to increased governmental ownership or regulation of the economy, higher interest rates, increased barriers to entry such as higher tariffs and taxes, and reduced demand for goods manufactured in the United States. Any general instability in the national or regional economies of the foreign countries, in which the Company currently operates, could have a material adverse effect on the Company s business, financial condition and results of operations.

A few of the Company s stockholders have control over the Company s voting stock, which will make it difficult to complete some corporate transactions without their support and may prevent a change in control. On October 31, 2007, a group comprised of Robert E. Price, who is the Company s Chairman of the Board and Chief Executive Officer, Jose Luis Laparte, the Company s President, Sol Price, a significant stockholder of the Company and father of Robert E. Price, and Jack McGrory, Murray Galinson, and Keene Wolcott, members of our Board of Directors, and affiliates of these individuals, including Price Charities, and The Price Group, LLC filed an amended Schedule 13D reporting their collective ownership of approximately 51% of the Company s outstanding shares of common stock and stating their intention to act as a group with respect to voting of the Company s common stock. Because the group beneficially owns, in the aggregate, more than 50.0% of the Company s common stock, PriceSmart is a controlled company within the meaning of Nasdaq Marketplace Rule 4350(c)(5). As a result of their beneficial ownership, these stockholders have the ability to control the outcome of all matters submitted to the Company s stockholders for approval, including the election of directors. In addition, this ownership could discourage the acquisition of the Company s common stock by potential investors and could have an anti-takeover effect, possibly depressing the trading price of the Company s common stock.

The loss of key personnel could harm the Company s business. The Company depends to a large extent on the performance of its senior management team and other key employees, such as U.S. expatriates in certain locations where the Company operates, for strategic business direction. The loss of the services of any members of the Company s senior management or other key employees could have a material adverse effect on the Company s business, financial condition and results of operations.

The Company is subject to volatility in foreign currency exchange rates. The Company, primarily through majority or wholly owned subsidiaries, conducts operations in Central America and the Caribbean, and as such is subject to both economic and political instabilities that cause volatility in foreign currency exchange rates or weak economic conditions. As of August 31, 2007, the Company had a total of 23 consolidated warehouse clubs operating in 11 foreign countries and one U.S. territory, 16 of which operate under currencies other than the U.S. dollar. For fiscal year 2007, approximately 78% of the Company s net warehouse club sales were in foreign currencies. Also, as of August 31, 2007, the Company had a 50/50 joint venture accounted for under the equity method of accounting, which operates under the Mexican Peso. The Company may enter into additional foreign countries in the future or open additional locations in existing countries, which may increase the percentage of net warehouse sales denominated in foreign currencies.

Foreign currencies in most of the countries where the Company operates have historically devalued against the U.S. dollar and are expected to continue to devalue. For example, the Dominican Republic experienced a net currency devaluation of 81% between the end of fiscal year 2002 and the end of fiscal year 2003 and 13% (significantly higher at certain points of the year) between the end of fiscal year 2003 and the end of fiscal year 2004. Foreign exchange transaction gains (losses), including repatriation of funds, which are included as part of the costs of goods sold in the consolidated statement of operations, for fiscal years 2007, 2006 and 2005 were approximately $5,000, $(1.5) million and $551,000, respectively.

The Company faces the risk of exposure to product liability claims, a product recall and adverse publicity. The Company markets and distributes products, including meat, dairy and other food products, from third-party suppliers, which exposes the Company to the risk of product liability claims, a product recall and adverse publicity. The Company may inadvertently redistribute food products that are contaminated, which may result in illness, injury or death if the contaminants are not eliminated by processing at the foodservice or consumer level. The Company generally seeks contractual indemnification and insurance coverage from its major suppliers. However, if the Company does not have adequate insurance or contractual indemnification available, product liability claims relating to products that are contaminated or otherwise harmful could have a material adverse effect on the Company s ability to successfully market its products and on the Company s business, financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding a product recall or any assertion that the Company s products caused illness or injury could have a material adverse effect on the Company s reputation with existing and potential customers and on the Company s business, financial condition and results of operations.

Potential future impairments under Financial Accounting Standards Board Statement of Financial Accounting Standard No. 144 (SFAS 144), Accounting for the Impairment or Disposal of Long-Lived Assets could adversely affect the Company s future results of operations and financial position. In accordance with SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets are assessed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be measured and recognized if the sum of the expected future discounted cash flows is less than the carrying amount of the asset. If the carrying amount of the asset were determined to be impaired, an impairment loss to write-down the carrying value of the asset to fair value by using quoted market prices, when available, would be required. When a quoted market price is not available, an estimated fair value would be determined through other valuation techniques. The Company has used projected cash flows discounted to reflect the expected commercial, competitive and other factors related to its long-lived assets and comparisons to similar asset sales and valuations by others to estimate the fair value of its intangible assets. These future tests may result in a determination that these assets have been impaired. If at any time the Company determines that an impairment has occurred, it will be required to reflect the impaired value as a charge, resulting in a reduction in earnings in the quarter such impairment is identified and a corresponding reduction in our net asset value. For example, the Company was required to take an impairment charge pursuant to SFAS No. 144 on the old San Pedro Sula, Honduras warehouse site in fiscal year 2007 of approximately $897,000. This was due to the revised fair valuation of the land and building as a result of the disposal agreement. In addition the Company recorded $2.6 million impairment charge related to the write down of the Company s interest in its Mexico joint venture as a result of the disposal agreement.

In fiscal year 2006, the Company was required to take an impairment charge pursuant to SFAS 144 of $1.6 million for its Honduras warehouse club operation, which was due to the intended relocation in November 2006 from the original San Pedro Sula location to a new site acquired during 2006 in another section of the city, and for the closed warehouse club operations in the Dominican Republic. In fiscal year 2005 the Company was required to take an impairment charge pursuant to SFAS 144 of $10.4 million in fiscal year 2005 for its U.S. Virgin Island warehouse club operation and for closed warehouse club operations in Guatemala and Dominican Republic, as well as $1.1 million and $3.1 million related to the write down of the Company s interest in its Mexico joint venture in fiscal years 2005 and 2004, respectively. A material reduction in earnings resulting from such a charge could cause the Company to fail to be profitable in the period in which the charge is taken or otherwise to fail to meet the expectations of investors and securities analysts, which could cause the price of the Company s stock to decline.

Write-offs pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standard No. 142 (SFAS 142), Goodwill and Other Intangible Assets could adversely affect the Company s future results of operations and financial position. Under statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets, goodwill and intangible assets deemed to have indefinite lives are not amortized but instead are subject to annual impairment tests in accordance with the Statement. As of August 31, 2007, the Company had goodwill of approximately $31.7 million, net of accumulated amortization originating prior to the adoption of SFAS 142. The Company performed its impairment test on goodwill as of August 31, 2007 and August 31, 2006, and no impairment losses were recorded. In the future, the Company will test for impairment at least annually. Such tests may result in a determination that these assets have been impaired. If at any time the Company determines that an impairment has occurred, the Company will be required to reflect the impaired value as a part of operating income, resulting in a reduction in earnings in the period such impairment is identified and a corresponding reduction in the Company s net asset value. A material reduction in earnings resulting from such a charge could cause the Company to fail to be profitable or increase the amount of its net loss in the period in which the charge is taken or otherwise to fail to meet the expectations of investors and securities analysts, which could cause the price of the Company s stock to decline.

The Company faces increased compliance risks associated with compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Like many smaller public companies, the Company faces a significant impact from required compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires management of public companies to evaluate, and the independent auditors to attest to the effectiveness of internal control over financial reporting and the evaluation performed by management. The Securities and Exchange Commission has adopted rules implementing Section 404 for public companies as well as disclosure requirements. The Public Company Accounting Oversight Board, or PCAOB, has adopted documentation and attestation standards that the independent auditors must follow in conducting its attestation under Section 404.

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our asset; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Any failure to effectively implement new or improved internal controls, or to resolve difficulties encountered in their implementation, could harm the Company s operating results, cause it to fail to meet reporting obligations, result in management being required to give a qualified assessment of the Company s internal controls over financial reporting or the Company s independent auditors providing an adverse opinion regarding their attestation of the effectiveness of the Company s internal controls over financial reporting. Any such result could cause investors to lose confidence in the Company s reported financial information, which could have a material adverse effect on the Company s stock price.

If remediation costs or hazardous substance contamination levels at certain properties for which the Company maintains financial responsibility exceed management s current expectations, the Company s financial condition and results of operations could be adversely impacted. In connection with its spin-off from Price Enterprises, Inc. (PEI) in 1997, the Company agreed to indemnify PEI for all of PEI s liabilities (including indemnification obligations for environmental liabilities) arising out of PEI s prior ownership of certain properties. The Company s ownership of real properties and its agreement to indemnify PEI could subject it to certain environmental liabilities. Certain of these properties are located in areas of current or former industrial activity, where environmental contamination may have occurred. For example, PEI sold an unimproved, 12.9-acre site located in Meadowlands, New Jersey in August 1995. A prior owner used this site as a debris disposal area. Elevated levels of heavy metals (including a small area contaminated with polychlorinated biphenyl) and petroleum hydrocarbons are present in soil at the Meadowlands site. To date, the Company has not been advised that PEI has been notified by any governmental authority, and is not otherwise aware, of any material noncompliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with the Meadowlands site. Nevertheless, PEI s previous ownership of the Meadowlands site creates the potential of liability for remediation costs associated with groundwater beneath the site. The Company also retains certain environmental indemnification obligations with respect to a parcel of land in Silver City, New Mexico, which PEI sold in March 1996 but agreed to retain responsibility for certain environmental matters. This site contains petroleum hydrocarbons in the soil and groundwater. There are no known receptors (groundwater users) down gradient of the Silver City site and the extent of soil and groundwater contamination is limited. The Company is continuing to monitor the soil and groundwater at this property under supervision of local authorities. If the Company were to incur costs for remediating contamination at the Meadowlands or Silver City sites (or any other site for which the Company maintains environmental responsibility) which exceed management s current expectations, the Company s financial condition and results of operations could be adversely impacted.

Available Information

The PriceSmart, Inc. website or internet address is www.pricesmart.com. On this website the Company makes available, free of charge, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after electronically filing such material with or furnishing it to the Securities and Exchange Commission (SEC). The Company s SEC reports can be accessed through the investor relations section of its website under SEC Filings. All of the Company s filings with the SEC may also be obtained at the SEC s Public Reference Room at Room 1580, 100 F Street NE, Washington, DC 20549. For information regarding the operation of the SEC s Public Reference Room, please contact the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At August 31, 2007, PriceSmart operated twenty-three membership warehouse clubs and construction is underway for the opening of two additional warehouse clubs:

Number of warehouse clubs	Own land and building	Lease land and/ or building	Warehouse expected openings	Total
CENTRAL AMERICA				
Panama	3	1		4
Guatemala[1]		2	1	3
Costa Rica	4			4
El Salvador	2			2
Honduras[2]	1	1		2
Nicaragua	1			1
CARIBBEAN				
Dominican Republic	2			2
Aruba		1		1
Barbados[5]		1		1
Trinidad[1]	1	1	1	3
U.S. Virgin Islands		1		1
Jamaica	1			1
Total	15[3]	8[4]	2	25

(1) Land purchased in Guatemala and Trinidad in March 2007. The Company is expecting to open new warehouse clubs in November and December 2007 (fiscal year 2008), respectively.

(2) San Pedro Sula 1 not included; warehouse club was closed October 27, 2006 and sold after year-end in September 2007.

(3) Queretaro, Mexico not included; warehouse club was closed February 28, 2005. Agreement in principle for sale of PriceSmart shares and interest in assets of PSMT Mexico reached with Grupo Gigante, S.A. de C.V. in August 2007, which was finalized on October 31, 2007.

(4) Barrigada, Guam not included; warehouse club was closed December 24, 2003. Land and building currently subleased to third-parties.

(5) The Company acquired the land and building leased in Barbados on November 15, 2007 (fiscal year 2008).

At August 31, 2007, our warehouse clubs occupied approximately a total of 1,453,000 square feet of which 466,652 square feet were on leased property. The following is a summary of the warehouse clubs located on leased property:

Location[1]	Date Opened	Approximate Warehouse Club Square Footage	Current Lease Expiration Date	Remaining Options to Extend
Via Brazil, Panama	December 4, 1997	68,696	October 31, 2026	10 years
Miraflores, Guatemala	April 8, 1999	66,059	December 31, 2020	5 years
Pradera, Guatemala	May 29, 2001	48,438	May 28, 2025	5 year option/ indefinite periods
Tegucigalpa, Honduras	May 31, 2000	64,735	May 30, 2020	none
Oranjestad, Aruba	March 23, 2001	54,229	March 23, 2021	10 years

Bridgetown, Barbados[2]	August 31, 2001	56,403	September 6, 2016	10 years
Port of Spain, Trinidad	December 5, 2001	54,046	July 5, 2031	none
St. Thomas, U.S.V.I.	May 4, 2001	54,046	February 28, 2020	10 years

(1) Barrigada, Guam not included; warehouse club was closed December 24, 2003. Land and building currently subleased to third-parties, net costs are included in discontinued operations line item.

(2) The Company acquired the land and building leased in Barbados on November 15, 2007 (fiscal year 2008).

Corporate Headquarters. The Company maintains its headquarters at 9740 Scranton Road, San Diego, California 92121-1745. The Company leases approximately 35,000 square feet of office space at a rate of $49,999 per month, with a 2% annual increase. The current term expires on March 31, 2011. The Company also leases two facilities in Miami, Florida. The first is an 85,000 square foot facility leased at a rate of $42,650 per month that expires on December 31, 2009. The second is a 24,700 square foot facility leased at a rate of $38,472 per month that expires on February 28, 2008. The Company is in the process of negotiating a new lease agreement. The Company believes that its existing facilities are adequate to meet its current needs and that suitable additional or alternative space will be available on commercially reasonable terms as needed.

Item 3. Legal Proceedings

From time to time, the Company and its subsidiaries are subject to legal proceedings, claims and litigation arising in the ordinary course of business, the outcome of which, in the opinion of management, would not have a material adverse effect on the Company. The Company evaluates such matters on a case by case basis, and vigorously contests any such legal proceedings or claims which the Company believes are without merit.

The SEC issued a formal order of private investigation on January 8, 2004 to investigate the circumstances surrounding a financial restatement associated with fiscal year 2002 and the first three quarters of fiscal year 2003. The SEC issued subpoenas to the Company for the production of documents and has taken testimony, pursuant to subpoena, from several of the Company s present and former employees, but to the Company s knowledge there has been no activity relating to this matter for approximately two years.

On March 22, 2007, the Company notified Tecnicard, Inc. (Tecnicard) and Banco de la Producción, S.A. (Banpro) that it was terminating and would not be renewing the agreement pursuant to which Tecnicard provided co-branded and/or dual purpose credit cards to the Company s members in several markets under a contract set to expire on April 30, 2007, nor a similar contract between Banpro and the Company sght" style="border-top: 1px solid #000000">

Net periodic benefit cost (income)
$(45) $86 **$(134)** $258

Through June 30, 2008, the Company has made $1,359 of contributions to its defined benefit pension plans. The Company anticipates making no additional contributions to fund its defined benefit pension plans during the balance of fiscal 2008.

8. <u>Business Segments</u>

The Company identifies reportable segments based upon distinct products manufactured and services performed. The Aerospace Component Manufacturing Group consists of the production, heat-treatment, surface-treatment, non-destructive testing and some machining of forged components in various steel alloys utilizing a variety of processes for application principally in the aerospace industry. The Turbine Component Services and Repair Group (Repair Group) consists primarily of the repair and remanufacture of small aerospace turbine engine components. The Repair Group is also involved in precision component machining and industrial coating of turbine engine components. The Applied Surface Concepts Group is a provider of specialized selective electrochemical metal finishing processes and services used to apply metal coatings to a selective area of a component. The Company s reportable segments are separately managed. The following table summarizes certain information regarding segments of the Company s continuing operations:

Table of Contents

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	**2007**	**2008**	**2007**
Net sales:				
Aerospace Component Manufacturing Group	**$ 19,740**	$ 16,941	**$ 53,991**	$ 44,494
Turbine Component Services and Repair Group	**3,643**	3,584	**11,229**	9,399
Applied Surface Concepts Group	**3,950**	3,497	**11,273**	10,785
Consolidated net sales from continuing operations	**$ 27,333**	$ 24,022	**$ 76,493**	$ 64,678
Operating income (loss):				
Aerospace Component Manufacturing Group	**$ 3,368**	$ 2,583	**$ 9,049**	$ 7,137
Turbine Component Services and Repair Group	**(51)**	403	**(8)**	381
Applied Surface Concepts Group	**389**	152	**1,047**	939
Corporate unallocated expenses	**(593)**	(555)	**(1,594)**	(1,183)
Consolidated operating income from continuing operations	**3,113**	2,583	**8,494**	7,274
Interest expense, net	**19**	52	**130**	104
Foreign currency exchange gain, net	**(8)**	(6)	**(12)**	(14)
Other (income) expense, net	**(1)**	24	**(1)**	(9)
Consolidated income from continuing operations before income tax provision	**$ 3,103**	$ 2,513	**$ 8,377**	$ 7,193

9. Asset Divestiture and Discontinued Operations

In June 2007, the Company and its Irish subsidiary, SIFCO Turbine Components Limited (SIFCO Turbine), completed the sale of its industrial turbine engine component repair business to PAS Turbines Ireland (PAS). The industrial turbine engine component repair business operated in SIFCO Turbine s Cork, Ireland facility. Upon completion of this transaction, the Company no longer maintains a turbine engine component repair operation in Ireland. SIFCO Turbine retained ownership of the Cork, Ireland facility (subject to a long-term lease arrangement with PAS). This facility is presented as an asset held for sale on the consolidated condensed balance sheets. In May 2006, the Company and SIFCO Turbine completed the sale of the large aerospace portion of its turbine engine component repair business and certain related assets to SR Technics. The large aerospace portion of SIFCO Turbine s turbine engine component repair business was operated in portions of two facilities located in Cork, Ireland, one of which was sold as part of this transaction.

In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets , the financial results of both the large aerospace and industrial turbine engine component repair businesses, which together make up essentially all of SIFCO Turbine s operations, are reported as discontinued operations for all periods presented in the consolidated condensed statements of operations. The financial results included in discontinued operations were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	**2007**	**2008**	**2007**

Net sales	**$**	$ 1,513	**$**	$ 5,900
Income (loss) before income tax provision	**91**	(1,532)	**(216)**	(1,897)
Income (loss) from discontinued operations, net of tax	**91**	(1,532)	**(216)**	(1,897)

9

Table of Contents

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

Management s Discussion and Analysis of Financial Condition and Results of Operations may contain various forward-looking statements and includes assumptions concerning the Company s operations, future results and prospects. These forward-looking statements are based on current expectations and are subject to risk and uncertainties. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company provides this cautionary statement identifying important economic, political and technological factors, among others, the absence or effect of which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions. Such factors include the following: (1) future business environment, including capital and consumer spending; (2) competitive factors, including the ability to replace business which may be lost; (3) successful development of turbine repair processes and/or the procurement of new repair process licenses from turbine engine manufacturers and/or the Federal Aviation Administration; (4) metals and commodities price increases and the Company s ability to recover such price increases; (5) successful development and market introductions of new products and services; (6) regressive pricing pressures on the Company s products and services, with productivity improvements as the primary means to maintain margins; (7) the impact on business conditions, and on the aerospace industry in particular, of the global terrorism threat; (8) continued reliance on consumer acceptance of regional and business aircraft powered by more fuel efficient turboprop engines vs. regional and business aircraft powered by turbofan engines; (9) continued reliance on several major customers for revenues; (10) the Company s ability to continue to have access to its revolving credit facility and to comply with the terms of its credit agreements, including financial covenants; (11) the impact of changes in defined benefit pension plan actuarial assumptions on future contributions; and (12) stable governments, business conditions, laws, regulations and taxes in economies where business is conducted.

SIFCO Industries, Inc. and its subsidiaries engage in the production and sale of a variety of metalworking processes, services and products produced primarily to the specific design requirements of its customers. The processes and services include forging, heat-treating, coating, welding, precision component machining and selective electrochemical metal finishing. The products include forged components, machined forged other metal components, remanufactured component parts for turbine engines, and selective electrochemical finishing solutions and equipment. The Company endeavors to plan and evaluate its businesses operations while taking into consideration certain factors including the following (i) the projected build rate for commercial, business and military aircraft as well as the engines that power such aircraft, (ii) the projected maintenance, repair and overhaul schedules for commercial, business and military aircraft as well as the engines that power such aircraft, and (iii) anticipated exploration and production activities relative to oil and gas products, etc.

A. Results of Operations

Nine Months Ended June 30, 2008 Compared with Nine Months Ended June 30, 2007

Net sales from continuing operations in the first nine months of fiscal 2008 increased 18.3% to $76.5 million, compared with $64.7 million in the comparable period in fiscal 2007. Income from continuing operations before income taxes in the first nine months of fiscal 2008 was $8.4 million, compared with $7.2 million in the comparable period in fiscal 2007. Included in the $8.4 million of income from continuing operations before income taxes in the first nine months of fiscal 2008 was expense of $0.5 million related to the business settlement of a product dispute that originated in fiscal 2007. Income (loss) from discontinued operations, net of tax, which includes both the industrial turbine repair business that was sold in the third quarter of fiscal 2007 and the large aerospace turbine repair business that was sold in fiscal 2006, was a loss of $0.2 million in the first nine months of fiscal 2008, compared with a $1.9 million loss in the comparable period in fiscal 2007. Included in the $0.2 million loss from discontinued operations in the first nine months of fiscal 2008 was a foreign currency loss of $0.5 million. Included in the $1.9 million loss from discontinued operations in the first nine months of fiscal 2007 was (i) grant income of $2.1 million and (ii) a loss of approximately $0.8 million from the divestiture in fiscal 2007 of a business and certain related assets, as explained more fully in Notes 5 and 9, respectively, to the Unaudited Condensed Consolidated Financial Statements.

Net income in the first nine months of fiscal 2008 was $5.1 million, compared with $4.6 million in the comparable period in fiscal 2007.

Aerospace Component Manufacturing Group (ACM Group   )

Net sales in the first nine months of fiscal 2008 increased 21.3% to $54.0 million, compared with $44.5 million in the comparable period of fiscal 2007. For purposes of the following discussion, the ACM Group considers aircraft that can accommodate less than 100 passengers to be small aircraft and those that can accommodate 100 or more passengers to be large aircraft. Net sales of airframe components for small aircraft increased $5.7 million to $29.2 million in the first nine months of fiscal 2008, compared with $23.5 million in the comparable period in fiscal 2007. Net sales of turbine engine components for small aircraft, which consist primarily of business and regional jets, as well as military transport and surveillance aircraft, increased $1.0 million to $14.0 million in the first nine months of fiscal 2008, compared with $13.0 million in the comparable period in fiscal 2007. Net sales of airframe components for large aircraft increased $1.0 million to $6.0 million in the first nine months of fiscal 2008, compared with $5.0 million in the comparable period in fiscal 2007. Net sales of turbine engine components for large aircraft increased $1.3 million to $2.4 million in the first nine months of fiscal 2008, compared with $1.1 million in the comparable period in fiscal 2007. Commercial product sales and other revenues were $2.4 million and $1.9 million in the first nine months of fiscal 2008 and 2007, respectively.

The ACM Group s airframe and turbine engine component products have both military and commercial applications. Net sales of airframe and turbine engine components that solely have military applications were $24.9 million in the first nine months of fiscal 2008, compared with $19.7 million in the comparable period in fiscal 2007. This increase is attributable in part to increased military spending due to ongoing wartime demand such as for additional military helicopters and related replacement components.

The ACM Group s selling, general and administrative expenses increased $1.0 million to $3.8 million, or 7.0% of net sales, in the first nine months of fiscal 2008, compared with $2.8 million, or 6.4% of net sales, in the comparable period in fiscal 2007. The $1.0 million increase in selling, general and administrative expenses in the first nine months of fiscal 2008 was principally due to a $0.6 million payment to a customer that (i) was made to achieve an amicable settlement related to a product dispute that originated in fiscal 2007, of which $0.1 million was expensed in fiscal 2007, and (ii) the Company agreed to make as a business gesture of good faith and cooperation without admission of liability. The remaining selling, general and administrative expenses in the first nine months of fiscal 2008 and 2007 were $3.3 million, or 6.1% of net sales, and $2.8 million, or 6.4% of net sales, respectively. In addition, variable selling expenses increased by $0.3 million in the first nine months of fiscal 2008, compared to the same period in fiscal 2007, principally due to the increase in net sales.

The ACM Group s operating income in the first nine months of fiscal 2008 was $9.0 million, compared with $7.1 million in the comparable period in fiscal 2007. Operating results improved principally due to the positive impact on margins resulting from significantly higher production and sales volumes in the first nine months of fiscal 2008, which allowed the ACM Group to leverage its fixed operating cost structure over more units of production and sales. In addition, there was a $0.7 million reduction in the LIFO provision in the first nine months of fiscal 2008, compared to the same period in fiscal 2007. These margin improvements were partially offset by the negative impact of (i) the aforementioned $0.5 million settlement expense and (ii) higher variable labor costs recognized in the first nine months of fiscal 2008, compared to the same period in fiscal 2007.

The ACM Group s backlog as of June 30, 2008 was $83.9 million, compared with $82.8 million as of September 30, 2007. At June 30, 2008, $65.8 million of the total backlog was scheduled for delivery over the next twelve months and $18.1 million was scheduled for delivery beyond the next twelve months. All orders are subject to modification or cancellation by the customer with limited charges. It is important to note that certain raw material (e.g. aerospace grade steel and titanium alloys) delivery lead times have shortened, and such lead time improvement may result in a fundamental shift in the ordering pattern of the ACM Group s customers. A potential consequence of such an ordering pattern shift may be that customers will not place orders as far in advance as they previously did resulting in a potential reduction in the ACM Group s backlog. Accordingly, due to this and other factors, the backlog may not be completely indicative of actual sales demand expected for any succeeding period.

Turbine Component Services and Repair Group (Repair Group)

During the first nine months of fiscal 2008, net sales from continuing operations, which consists principally of component repair services (including precision component machining and industrial coating) for small aerospace turbine engines, increased 19.5% to $11.2 million, compared with $9.4 million in the comparable fiscal 2007 period. During the first nine months of fiscal 2008, the Repair Group s selling, general and administrative expenses from continuing operations were $1.0 million, or 8.5% of net sales, compared with $1.0 million, or 10.6% of net sales, in the comparable fiscal 2007 period. Included in selling, general and administrative expenses during the first nine months of both fiscal 2008 and 2007 was $0.1 million of bad debt recoveries and, therefore, the remaining selling, general and administrative expenses were $1.1 million, or 9.7% of net sales, and $1.1 million, or 11.5% of net sales, during such periods.

The Repair Group s operating results from continuing operations were essentially breakeven in the first nine months of fiscal 2008 compared with income of $0.4 million, in the comparable fiscal 2007 period. Included in the breakeven operating results during the first nine months of fiscal 2008 were (i) the aforementioned $0.1 million of bad debt recovery, (ii) $0.1 million of income from the sale of previously reserved inventory, and (iii) $0.1 million of income related to the renegotiation of a vendor obligation. Despite these favorable items, the reason that operating results did not improve with the higher volumes during the first nine months of fiscal 2008 is due principally to startup costs related to the production launch of a new component repair program and a change in product sales mix to less favorable margin products.

The Repair Group s backlog from continuing operations as of June 30, 2008 was $4.1 million, compared with $4.2 million as of September 30, 2007. At June 30, 2008, $2.5 million of the total backlog was scheduled for delivery over the next twelve months.

Applied Surface Concepts Group (ASC Group)

Net sales increased 4.5% to $11.3 million, compared with $10.8 million in the comparable fiscal 2007 period. In the first nine months of fiscal 2008, product net sales, consisting of selective electrochemical metal finishing equipment and solutions, increased $0.4 million to $5.5 million, compared with $5.1 million in the same period in fiscal 2007. In the first nine months of fiscal 2008, customized selective electrochemical metal finishing contract service net sales increased $0.1 million to $5.6 million, compared with $5.5 million in the same period in fiscal 2007. A portion of the ASC Group s business is conducted in Europe and is denominated in local European currencies, which have strengthened in relation to the US dollar resulting in a favorable currency impact on net sales in the first nine months of fiscal 2008 of approximately $0.3 million.

The ASC Group s selling, general and administrative expenses decreased $0.2 million to $3.2 million, or 28.1% of net sales, in the first nine months of fiscal 2008, compared with $3.4 million, or 31.7% of net sales in the comparable fiscal 2007 period. The $0.2 million decrease in selling, general and administrative expenses in the first nine months of fiscal 2008 was principally due to a reduction in compensation and benefit related expenses attributable to certain open salaried support positions that have either been eliminated or, if not eliminated, have not yet been replaced.

The ASC Group s operating income in the first nine months of fiscal 2008 was $1.0 million, compared with $0.9 million in the same period in fiscal 2007. This $0.1 million increase in operating income is principally due to (i) decrease in selling, general and administrative expenses discussed above and (ii) improved operating margins due to higher sales. These gains were partially offset by (i) rising precious metals commodity costs that could not be fully passed on to customers and (ii) higher compensation expense due to the hiring of additional operations personnel.

The ASC Group s backlog at June 30, 2008 was not material.

Corporate Unallocated Expenses

Corporate unallocated expenses, consisting of corporate salaries and benefits, legal and professional and other corporate expenses, were $1.6 million in the first nine months of fiscal 2008, compared with $1.2 million in the same period in fiscal 2007. The $0.4 million increase in the first nine months of fiscal 2008 is principally due to an increase in legal and professional expenses related to (i) the Company s long-term strategic planning efforts, including its incentive compensation planning, (ii) its efforts required to achieve initial Sarbanes-Oxley compliance in fiscal 2008, and (iii) professional tax consulting services.

Other/General

Interest expense from continuing operations was $0.1 million in the first nine months of both fiscal 2008 and 2007.

The following table sets forth the weighted average interest rates and weighted average outstanding balances under the Company s revolving credit agreement in the first nine months of fiscal years 2008 and 2007.

	Weighted Average Interest Rate Nine Months Ended June 30,		**Weighted Average Outstanding Balance Nine Months Ended June 30,**	
	2008	**2007**	**2008**	**2007**
Revolving credit agreement	**7.1%**	8.8%	**$1.8 million**	$1.1 million

Three Months Ended June 30, 2008 Compared with Three Months Ended June 30, 2007

Net sales from continuing operations in the third quarter of fiscal 2008 increased 13.8% to $27.3 million, compared with $24.0 million in the comparable period in fiscal 2007. Income from continuing operations before income taxes in the third quarter of fiscal 2008 was $3.1 million, compared with $2.5 million in the comparable period in fiscal 2007. Income (loss) from discontinued operations, net of tax, which includes both the industrial turbine repair business that was sold in the third quarter of fiscal 2007 and the large aerospace turbine repair business that was sold in fiscal 2006, was income of $0.1 million in the third quarter of fiscal 2008, compared with a $1.5 million loss in the comparable period in fiscal 2007.

Table of Contents

Net income in the third quarter of fiscal 2008 was $2.2 million, compared with $0.4 million in the comparable period in fiscal 2007.

Aerospace Component Manufacturing Group (ACM Group)

Net sales in the third quarter of fiscal 2008 increased 16.5% to $19.7 million, compared with $16.9 million in the comparable period of fiscal 2007. For purposes of the following discussion, the ACM Group considers aircraft that can accommodate less than 100 passengers to be small aircraft and those that can accommodate 100 or more passengers to be large aircraft. Net sales of airframe components for small aircraft increased $3.0 million to $12.2 million in the third quarter of fiscal 2008, compared with $9.2 million in the comparable period in fiscal 2007. Net sales of turbine engine components for small aircraft, which consist primarily of business and regional jets, as well as military transport and surveillance aircraft, decreased $1.1 million to $4.0 million in the third quarter of fiscal 2008, compared with $5.1 million in the comparable period in fiscal 2007. Net sales of airframe components for large aircraft increased $0.7 million to $2.3 million in the third quarter of fiscal 2008, compared with $1.6 million in the comparable period in fiscal 2007. Net sales of turbine engine components for large aircraft increased $0.2 million to $0.7 million in the third quarter of fiscal 2008, compared with $0.5 million in the comparable period in fiscal 2007. Commercial product sales and other revenues were $0.5 million in the third quarters of both fiscal 2008 and 2007.

The ACM Group s airframe and turbine engine component products have both military and commercial applications. Net sales of airframe and turbine engine components that solely have military applications were $10.3 million in the third quarter of fiscal 2008, compared with $8.1 million in the comparable period in fiscal 2007. This increase is attributable in part to increased military spending due to ongoing wartime demand such as for additional military helicopters and related replacement components.

The ACM Group s selling, general and administrative expenses increased $0.2 million to $1.2 million, or 5.9% of net sales, in the third quarter of fiscal 2008, compared with $1.0 million, or 6.0% of net sales, in the comparable period in fiscal 2007. The $0.2 million increase in selling, general and administrative expenses in the third quarter of fiscal 2008, compared with the same period in fiscal 2007, was principally due to a $0.1 million increase in variable selling expenses due to the increase in net sales.

The ACM Group s operating income in the third quarter of fiscal 2008 was $3.4 million, compared with $2.6 million in the comparable period in fiscal 2007. Operating results improved principally due to the positive impact on margins resulting from significantly higher production and sales volumes in the third quarter of fiscal 2008, which allowed the ACM Group to leverage its fixed operating cost structure over more units of production and sales. In addition, there was a $0.3 million reduction in the LIFO provision in the third quarter of fiscal 2008 compared to the same period in fiscal 2007. These margin improvements were partially offset by the negative impact of higher variable labor and energy costs recognized in the third quarter of fiscal 2008, compared to the same period in fiscal 2007.

Turbine Component Services and Repair Group (Repair Group)

During the third quarters of both fiscal 2008 and 2007, net sales from continuing operations, which consists principally of component repair services (including precision component machining and industrial coating) for small aerospace turbine engines, were $3.6 million.

During the third quarters of both fiscal 2008 and 2007, the Repair Group s selling, general and administrative expenses from continuing operations were $0.3 million, or 9.4% of net sales. Included in selling, general and administrative expenses during the third quarter of fiscal 2007 was $0.1 million of bad debt recoveries and, therefore, the remaining selling, general and administrative expenses were $0.4 million, or 11.9% of net sales, during such period.

The Repair Group s operating results from continuing operations were essentially breakeven in the third quarter of fiscal 2008, compared with income of $0.4 million in the comparable fiscal 2007 period. Included in the operating results for the third quarter of fiscal 2007 were (i) the aforementioned $0.1 million of bad debt recoveries and (ii) $0.1 million of income related to the renegotiation of a vendor obligation. During the third quarter of fiscal 2008, operating costs were negatively impacted by the continuation of startup costs related to the production launch of a new component repair program.

Table of Contents

Applied Surface Concepts Group (ASC Group)
Net sales increased 12.9% to $3.9 million, compared with $3.5 million in the comparable fiscal 2007 period. In the third quarter of fiscal 2008, product net sales, consisting of selective electrochemical metal finishing equipment and solutions, increased $0.3 million to $2.0 million, compared with $1.7 million in the same period in fiscal 2007. In the third quarter of fiscal 2008, customized selective electrochemical metal finishing contract service net sales increased $0.2 million to $1.9 million, compared with $1.7 million in the same period in fiscal 2007. A portion of the ASC Group s business is conducted in Europe and is denominated in local European currencies, which have strengthened in relation to the US dollar resulting in a favorable currency impact on net sales in the third quarter of fiscal 2008 of approximately $0.1 million.

The ASC Group s selling, general and administrative expenses were $1.2 million, or 29.9% of net sales, in the third quarter of fiscal 2008, compared with $1.2 million, or 35.3% of net sales in the comparable fiscal 2007 period. Included in the $1.2 million of selling, general and administrative expenses in the third quarter of fiscal 2007 were $0.1 million of severance and related charges.

The ASC Group s operating income in the third quarter of fiscal 2008 was $0.4 million, compared with $0.2 million in the same period in fiscal 2007. This $0.2 million increase in operating income is principally due to the aforementioned increase in net sales while holding selling, general and administrative expenses relatively constant.

Corporate Unallocated Expenses
Corporate unallocated expenses, consisting of corporate salaries and benefits, legal and professional and other corporate expenses, were $0.6 million in the third quarters of both fiscal 2008 and 2007. A $0.3 million decrease in incentive compensation in the third quarter of fiscal 2008, compared with the same period in fiscal 2007, was offset by an increase in legal and professional expenses related to (i) the Company s long-term strategic planning efforts, including its incentive compensation planning, (ii) its efforts required to achieve initial Sarbanes-Oxley compliance in fiscal 2008, and (iii) professional tax consulting services.

Other/General
Interest expense from continuing operations was nominal in the third quarters of both fiscal 2008 and 2007. The following table sets forth the weighted average interest rates and weighted average outstanding balances under the Company s revolving credit agreement in the third quarters of fiscal years 2008 and 2007.

	Weighted Average Interest Rate Three Months Ended June 30,		Weighted Average Outstanding Balance Three Months Ended June 30,	
	2008	**2007**	**2008**	**2007**
Revolving credit agreement	**5.2%**	8.8%	**$0.5 million**	$1.7 million

B. Liquidity and Capital Resources

Cash and cash equivalents increased to $7.1 million at June 30, 2008 compared with $5.5 million at September 30, 2007. At present, $5.5 million of the Company s cash and cash equivalents are in the possession of its non-U.S. subsidiaries. Distributions from the Company s non-U.S. subsidiaries to the Company may be subject to statutory restriction, adverse tax consequences or other limitations.

The Company s operating activities provided $5.5 million of cash (of which $6.2 million was provided by continuing operations) in the first nine months of fiscal 2008 compared with $4.5 million of cash used by operating activities (of which $1.1 million was used for continuing operations) in the first nine months of fiscal 2007. The $6.2 million of cash provided by operating activities of continuing operations in first nine months of fiscal 2008 was primarily due to (i) income from continuing operations, before depreciation expense and deferred taxes, of $6.8 million and (ii) a $3.6 million decrease in inventory. These sources of cash were offset by (i) a $2.0 million increase in accounts receivable, (ii) a $1.3 million decrease in other long-term liabilities, and (iii) a $0.9 million decrease in accounts payable and accrued liabilities. These changes in the components of working capital were due to factors resulting from normal business conditions of the Company, including (i) the ACM Group s response to the increased demand in its business as measured by its sales levels, (ii) the ACM Group s efforts to improve the optimization of its inventory levels during such periods of increased demand, (iii) collections from customers, and (iv) the relative timing of payments to suppliers. Net cash provided by operating activities of continuing operations in the first nine months of fiscal 2008 reflects $1.4 million of contributions to defined benefit pension plans, compared with contributions to defined benefit pension plans of $0.6 million in the comparable period in fiscal 2007.

Table of Contents

Capital expenditures, all of which were from continuing operations, were $1.8 million in the first nine months of fiscal 2008 compared with $1.2 million (of which $1.1 million were from continuing operations) in the comparable fiscal 2007 period. Capital expenditures during the first nine months of fiscal 2008 consist of $1.0 million by the ACM Group, $0.4 million by the ASC Group and $0.4 million by the Repair Group. The Company anticipates that total fiscal 2008 capital expenditures will be within the range of $2.0 to $3.0 million, of which $0.6 million has been committed as of June 30, 2008.

At June 30, 2008, the Company has an $8.0 million revolving credit agreement with a bank, subject to sufficiency of collateral, which expires on July 1, 2009 and bears interest at the bank s base rate. The interest rate was 5.00% at June 30, 2008. A 0.35% commitment fee is incurred on the unused balance of the revolving credit agreement. At June 30, 2008, no amount was outstanding and the Company had $7.9 million available under its $8.0 million revolving credit agreement. The Company s revolving credit agreement is secured by substantially all of the Company s assets located in the U.S. and a guarantee by its U.S. subsidiaries. Under its revolving credit agreement with the bank, the Company is subject to certain customary covenants. These include, without limitation, covenants (as defined) that require maintenance of certain specified financial ratios, including a minimum tangible net worth level and a minimum EBITDA level. The Company was in compliance with all applicable covenants at June 30, 2008.

In February 2008, the Company entered into an agreement with its bank to (i) increase the maximum availability under its revolving credit agreement from $6.0 million to $8.0 million, (ii) reduce the interest rate from the bank s base rate plus 0.50% to the bank s base rate flat, (iii) reduce the commitment fee on the unused balance of the revolving credit agreement from 0.38% to 0.35%, (iv) revise its financial covenants and (v) extend the maturity date of its revolving credit agreement from October 1, 2008 to July 1, 2009.

The Company believes that cash flows from its operations together with existing cash reserves and the funds available under its revolving credit agreement will be sufficient to meet its working capital requirements through the end of fiscal year 2008.

C. Impact of Recently Issued Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 161 (SFAS No. 161), Disclosure about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133 . The objective of this Statement is to enhance disclosures about an entity s derivative and hedging activities and thereby improve the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company currently has no hedging arrangements in place.

In December 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 110. This guidance continues to allow companies, in certain circumstances, to utilize a simplified method in determining the expected term of stock option grants when calculating the compensation expense to be recorded under Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment . The simplified method can be used after December 31, 2007 only if a company s stock option exercise experience does not provide a reasonable basis upon which to estimate the expected option term. Because the Company s stock option exercise experience does not provide a reasonable basis upon which to estimate the expected option term, the Company will continue use the simplified method in determining the expected term of the stock options granted to date.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51 . The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require expanded disclosure related to the ownership interests in subsidiaries held by parties other than the parent. Such ownership interest(s) should be clearly identified, labeled, and presented in the consolidated financial statement and should provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This Statement applies to all for-profit entities that prepare consolidated financial statements, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Because the Company has no current non-controlling ownership in any of its subsidiaries, this statement will not impact the Company.

Table of Contents

In December 2007, the FASB issued SFAS No. 141 (revised 2007) (SFAS No. 141R), Business Combinations . The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity (the acquirer) provides in its financial reports about a business combination and its effects. To accomplish that, this Statement establishes principles and requirements for how the acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquired entity (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement applies to all transactions or other events in which an entity obtains control of one or more businesses. This Statement applies to all business entities, but does not apply to (i) the formation of a joint venture, (ii) the acquisition of an asset or a group of assets that does not constitute a business, (iii) a combination between entities or businesses under common control, or (iv) a combination between not-for-profit organizations or the acquisition of a for-profit business by a not-for-profit organization. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, the Company is subject to foreign currency and interest rate risk. The risks primarily relate to the sale of the Company s products and services in transactions denominated in non-U.S. dollar currencies; the payment in local currency of wages and other costs related to the Company s non-U.S. operations; and changes in interest rates on the Company s long-term debt obligations. The Company does not hold or issue financial instruments for trading purposes.

The Company believes that inflation has not materially affected its results of operations during the first nine months of fiscal 2008, and does not expect inflation to be a significant factor in the balance of fiscal 2008.

A. Foreign Currency Risk

The U.S. dollar is the functional currency for all of the Company s U.S. operations. For these operations, all gains and losses from completed currency transactions are included in income currently. For the Company s non-U.S. subsidiaries, the functional currency is the local currency. Assets and liabilities are translated into U.S. dollars at the rate of exchange at the end of the period, and revenues and expenses are translated using average rates of exchange for the reporting period. Foreign currency translation adjustments are reported as a component of accumulated other comprehensive loss in the consolidated condensed financial statements.

Historically, the Company has been able to mitigate the impact of foreign currency risk by means of hedging such risk through the use of foreign currency exchange contracts, which typically expire within one year. However, such risk is mitigated only for the periods for which the Company has foreign currency exchange contracts in effect, and only to the extent of the U.S. dollar amounts of such contracts. At June 30, 2008, the Company had no forward exchange contracts outstanding. The Company will continue to evaluate its foreign currency risk, if any, and the effectiveness of using similar hedges in the future to mitigate such risk.

At June 30, 2008, the Company s assets and liabilities denominated in pounds sterling, the euro, and the Swedish krona were as follows (amounts in thousands):

	Pounds Sterling	Euro	Swedish Krona
Cash and cash equivalents	32	207	1,186
Accounts receivable	164	571	906
Accounts payable and accrued liabilities	149	431	2,678

B. Interest Rate Risk

The Company s primary interest rate risk exposure results from the variable interest rate mechanisms associated with the Company s revolving credit agreement. If interest rates were to increase 100 basis points (1%) from June 30, 2008, and assuming no changes in the amount outstanding under the revolving credit agreement, the additional interest expense to the Company would be nominal.

Table of Contents

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is processed, recorded, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Chairman and Chief Executive Officer of the Company and Chief Financial Officer of the Company, of the effectiveness of the design and operation of the Company s disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) as of June 30, 2008 (the Evaluation Date). Based upon that evaluation, the Chairman and Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company s disclosure controls and procedures (as defined in Rule 13a-15(e)) were effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company s periodic SEC filings. Management has concluded that the unaudited consolidated condensed financial statements included in this Form 10-Q fairly present, in all material respects, the Company s financial position, results of operations and cash flows for the periods presented.

There has been no significant change in the Company s internal control over financial reporting that occurred during the second fiscal quarter ended June 30, 2008 that has materially affected, or that is reasonably likely to materially affect the Company s internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

No change

Item 2. Change in Securities and Use of Proceeds

No change

Item 3. Defaults upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. (a) Exhibits

The following exhibits are filed with this report or are incorporated herby reference to a prior filing in accordance with Rule 12b-32 under the Securities and Exchange Act of 1934 (Asterisk denotes exhibits filed with this report.).

Exhibit No.	Description
3.1	Third Amended Articles of Incorporation of SIFCO Industries, Inc., filed as Exhibit 3(a) of the Company s Form 10-Q dated March 31, 2002, and incorporated herein by reference
3.2	SIFCO Industries, Inc. Amended and Restated Code of Regulations dated January 29, 2002, filed as Exhibit 3(b) of the Company s Form 10-Q dated March 31, 2002, and incorporated herein by reference

17

Exhibit No.	Description
4.1	Amended and Restated Credit Agreement Between SIFCO Industries, Inc. and National City Bank dated April 30, 2002, filed as Exhibit 4(b) of the Company s Form 10-Q dated March 31, 2002, and incorporated herein by reference
4.2	Consolidated Amendment No. 1 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated November 26, 2002 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.5 of the Company s Form 10-K dated September 30, 2002, and incorporated herein by reference
4.3	Consolidated Amendment No. 2 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated February 13, 2003 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.6 of the Company s Form 10-Q dated December 31, 2002, and incorporated herein by reference
4.4	Consolidated Amendment No. 3 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated May 13, 2003 between SIFCO Industries Inc. and National City Bank, filed as Exhibit 4.7 of the Company s Form 10-Q dated March 31, 2003, and incorporated herein by reference
4.5	Consolidated Amendment No. 4 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated July 28, 2003 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.8 of the Company s Form 10-Q dated June 30, 2003, and incorporated herein by reference
4.6	Consolidated Amendment No. 5 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated November 26, 2003 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.9 to the Company s Form 10-K dated September 30, 2004 and incorporated herein by reference
4.7	Amendment No. 6 to Amended and Restated Credit Agreement dated March 31, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.10 of the Company s Form 10-Q dated March 31, 2004, and incorporated herein by reference
4.8	Consolidated Amendment No. 7 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note dated May 14, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.11 of the Company s Form 10-Q dated March 31, 2004, and incorporated herein by reference
4.9	Consolidated Amendment No. 8 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note effective June 30, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.12 of the Company s Form 10-Q dated June 30, 2004, and incorporated herein by reference
4.10	Consolidated Amendment No. 9 to Amended and Restated Credit Agreement, Amended and Restated Reimbursement Agreement and Promissory Note effective November 12, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.13 to the Company s Form 10-K dated September 30, 2004

and incorporated herein by reference

4.11 Amendment No. 10 to Amended and Restated Credit Agreement effective December 31, 2004 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.14 to the Company s Form 10-Q dated December 31, 2004, and incorporated herein by reference

4.12 Amendment No. 11 to Amended and Restated Credit Agreement dated May 19, 2005 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.15 to the Company s Form 10-Q/A dated March 31, 2005, and incorporated herein by reference

4.13 Amendment No. 12 to Amended and Restated Credit Agreement dated August 10, 2005 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.16 to the Company s Form 10-Q dated June 30, 2005, and incorporated herein by reference

Table of Contents

Exhibit No.	Description
4.14	Amendment No. 13 to Amended and Restated Credit Agreement dated November 23, 2005 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.19 to the Company s Form 10-K dated September 30, 2005, and incorporated herein by reference
4.15	Amendment No. 14 to Amended and Restated Credit Agreement dated February 10, 2006 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.20 to the Company s Form 10-Q dated December 31, 2005, and incorporated herein by reference
4.16	Amendment No. 15 to Amended and Restated Credit Agreement dated August 14, 2006 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.21 to the Company s Form 10-Q dated June 30, 2006 and incorporated herein by reference
4.17	Amendment No. 16 to Amended and Restated Credit Agreement dated November 29, 2006 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.22 to the Company s Form 10-K dated September 30, 2006 and incorporated herein by reference
4.18	Amendment No. 17 to Amended and Restated Credit Agreement dated February 5, 2007 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.23 to the Company s Form 10-Q dated December 31, 2006 and incorporated herein by reference
4.19	Amendment No. 18 to Amended and Restated Credit Agreement dated May 10, 2007 between SIFCO Industries, Inc. and National City Bank, filed as Exhibit 4.24 to the Company s Form 10-Q dated March 31, 2007 and incorporated herein by reference
4.20	Amendment No. 19 to Amended and Restated Credit Agreement dated February 8, 2008 between SIFCO Industries, Inc. and National City Bank filed as Exhibit 4.20 to the Company s Form 10-Q dated March 31, 2008 and incorporated herein by reference
9.1	Voting Trust Agreement dated January 30, 2007, filed as Exhibit 9.3 of the Company s Form 10-Q dated December 31, 2006, and incorporated herein by reference
10.2	SIFCO Industries, Inc. 1998 Long-term Incentive Plan, filed as Exhibit 10.3 of the Company s form 10-Q dated June 30, 2004, and incorporated herein by reference
10.3	SIFCO Industries, Inc. 1995 Stock Option Plan, filed as Exhibit 10(d) of the Company s Form 10-Q dated March 31, 2002, and incorporated herein by reference
10.4	Change in Control Severance Agreement between the Company and Frank Cappello, dated September 28, 2000, filed as Exhibit 10(g) of the Company s Form 10-Q dated December 31, 2000, and incorporated herein by reference
10.5	Change in Control Severance Agreement between the Company and Remigijus Belzinskas, dated September 28, 2000, filed as Exhibit 10 (i) of the Company s Form 10-Q dated December 31, 2000, and incorporated herein by reference
10.6	

Change in Control Severance Agreement between the Company and Jeffrey P. Gotschall, dated July 30, 2002, filed as Exhibit 10.10 of the Company s Form 10-K dated September 30, 2002, and incorporated herein by reference

10.10 Separation Pay Agreement between Frank A. Cappello and SIFCO Industries, Inc. dated December 16, 2005, filed as Exhibit 10.14 of the Company s Form 10-K dated September 30, 2005, and incorporated herein by reference

10.11 Agreement for the Purchase of the Assets of the Large Aerospace Business of SIFCO Turbine Components Limited dated March 16, 2006 between SIFCO Turbine Components Limited, SIFCO Industries, Inc, and SR Technics Airfoil Services Limited, as amended on April 19, 2006, May 2, 2006, May 5, 2006, May 9, 2006, and May 10, 2006, filed as Exhibit 10.15 of the Company s Form 10-Q dated March 31, 2006 and incorporated herein by reference

Exhibit No.	Description
10.12	Separation Agreement and Release Without Prejudice between the Company and Timothy V. Crean, dated November 28, 2006 filed as Exhibit 99.1 of the Company s Form 8-K dated November 30, 2006, and incorporated herein by reference
10.13	Amendment No. 1 to Change in Control Severance Agreement between the Company and Frank Cappello, dated February 5, 2007, filed as Exhibit 10.17 of the Company s Form 10-Q dated December 31, 2006 and incorporated herein by reference
10.14	Amendment No. 1 to Change in Control Severance Agreement between the Company and Remigijus Belzinskas, dated February 5, 2007, filed as Exhibit 10.18 of the Company s Form 10-Q dated December 31, 2006 and incorporated herein by reference
10.15	Business Purchase Agreement dated as of May 7, 2007 between PAS Technologies Inc. (Parent), PAS Turbines Ireland Limited (Buyer), SIFCO Industries Inc. (Shareholder), and SIFCO Turbine Components Limited (Company), filed as Exhibit 10.19 of the Company s Form 10-Q dated June 30, 2007 and incorporated herein by reference
10.16	SIFCO Industries, Inc. 2007 Long-Term Incentive Plan, filed as Exhibit A of the Company s Proxy and Notice of 2008 Annual Meeting to Shareholders dated December 14, 2007, and incorporated herein by reference
14.1	Code of Ethics, files as Exhibit 14.1 of the Company s Form 10-K dated September 30, 2003, and incorporated herein by reference
* 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) / 15d-14(a)
* 31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) / 15d-14(a)
* 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
* 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

Table of Contents

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, thereto duly authorized.

	SIFCO Industries, Inc. (Registrant)
Date: August 11, 2008	/s/ Jeffrey P. Gotschall
	Jeffrey P. Gotschall Chairman of the Board and Chief Executive Officer
Date: August 11, 2008	/s/ Frank A. Cappello
	Frank A. Cappello Vice President-Finance and Chief Financial Officer (Principal Financial Officer)

21