

MANITOWOC CO INC
Form 10-Q
August 07, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2012

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

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Wisconsin
(State or other jurisdiction
of incorporation or organization)

39-0448110
(I.R.S. Employer
Identification Number)

**2400 South 44th Street,
Manitowoc, Wisconsin**
(Address of principal executive offices)

54221-0066
(Zip Code)

(920) 684-4410

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of June 29, 2012, the most recent practicable date, was 132,304,552.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.

Condensed Consolidated Statements of Operations

For the Three and Six Months Ended June 30, 2012 and 2011

(Unaudited)

(In millions, except per-share and average shares data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 1,005.9	\$ 949.8	\$ 1,866.0	\$ 1,682.0
Costs and expenses:				
Cost of sales	756.2	724.8	1,410.1	1,276.5
Engineering, selling and administrative expenses	151.1	145.4	299.5	285.6
Restructuring expense	0.2	2.0	0.9	2.9
Amortization expense	9.5	9.6	19.1	19.3
Other	0.1	0.1	0.1	0.1
Total operating costs and expenses	917.1	881.9	1,729.7	1,584.4
Earnings (loss) from operations	88.8	67.9	136.3	97.6
Other income (expenses):				
Amortization of deferred financing fees	(2.1)	(2.7)	(4.1)	(6.0)
Interest expense	(33.8)	(38.3)	(66.8)	(77.7)
Loss on debt extinguishment		(24.2)		(27.8)
Other income (expense), net	1.9	0.3	0.3	1.1
Total other income (expenses)	(34.0)	(64.9)	(70.6)	(110.4)
Earnings (loss) from continuing operations before taxes on income	54.8	3.0	65.7	(12.8)
Provision (benefit) for taxes on income	14.4	0.6	26.8	2.0
Earnings (loss) from continuing operations	40.4	2.4	38.9	(14.8)
Discontinued operations:				
Earnings (loss) from discontinued operations, net of income taxes of \$0.0, (\$0.2), (\$0.2) and (\$1.9), respectively	(0.2)	(0.3)	(0.5)	(3.0)
Gain (loss) on sale of discontinued operations, net of income taxes of \$0.0, (\$0.7), \$0.0 and \$29.0, respectively		(0.2)		(33.6)
Net earnings (loss)	40.2	1.9	38.4	(51.4)
	(2.3)	(1.1)	(4.2)	(2.0)

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Less: Net loss attributable to noncontrolling interest, net of income taxes

Net earnings (loss) attributable to Manitowoc	\$	42.5	\$	3.0	\$	42.6	\$	(49.4)
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Amounts attributable to the Manitowoc common shareholders:

Earnings (loss) from continuing operations	\$	42.7	\$	3.5	\$	43.1	\$	(12.8)
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Earnings (loss) from discontinued operations, net of income taxes		(0.2)		(0.3)		(0.5)		(3.0)
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Loss on sale of discontinued operations, net of income taxes				(0.2)				(33.6)
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Net earnings (loss) attributable to Manitowoc	\$	42.5	\$	3.0	\$	42.6	\$	(49.4)
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Basic earnings (loss) per common share:

Earnings (loss) from continuing operations attributable to Manitowoc common shareholders	\$	0.33	\$	0.03	\$	0.33	\$	(0.10)
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Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders		(0.00)		(0.00)		(0.00)		(0.02)
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Loss on sale of discontinued operations, net of income taxes				(0.00)				(0.26)
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Earnings (loss) per share attributable to Manitowoc common shareholders	\$	0.33	\$	0.02	\$	0.33	\$	(0.38)
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Diluted earnings (loss) per common share:

Earnings (loss) from continuing operations attributable to Manitowoc common shareholders	\$	0.32	\$	0.03	\$	0.32	\$	(0.10)
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Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders		(0.00)		(0.00)		(0.00)		(0.02)
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Loss on sale of discontinued operations, net of income taxes				(0.00)				(0.26)
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Earnings (loss) per share attributable to Manitowoc common shareholders	\$	0.32	\$	0.02	\$	0.32	\$	(0.38)
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Weighted average shares outstanding	basic	130,575,165		130,457,059		130,562,923		130,440,221
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Weighted average shares outstanding	diluted	133,392,079		133,822,522		133,552,797		130,440,221
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The accompanying notes are an integral part of these condensed consolidated financial statements.

THE MANITOWOC COMPANY, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

For the Three and Six Months Ended June 30, 2012 and 2011

(Unaudited)

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net earnings (loss)	\$ 40.2	\$ 1.9	\$ 38.4	\$ (51.4)
Other comprehensive income (loss), net of tax				
Derivative instrument fair market value adjustment, net of income taxes of \$(1.7), \$5.0, \$(0.3) and \$6.6, respectively	(4.0)	8.5	(0.9)	13.4
Foreign currency translation adjustments	(39.4)	6.7	(22.9)	40.2
Total other comprehensive income (loss), net of tax	(43.4)	15.2	(23.8)	53.6
Comprehensive income (loss)	(3.2)	17.1	14.6	2.2
Comprehensive income (loss) attributable to noncontrolling interest	(2.3)	(1.1)	(4.2)	(2.0)
Comprehensive income (loss) attributable to Manitowoc	\$ (0.9)	\$ 18.2	\$ 18.8	\$ 4.2

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

THE MANITOWOC COMPANY, INC.

Condensed Consolidated Balance Sheets

As of June 30, 2012 and December 31, 2011

(Unaudited)

(In millions, except share data)

	June 30, 2012	December 31, 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 56.8	\$ 68.6
Marketable securities	2.6	2.7
Restricted cash	10.1	7.2
Accounts receivable, less allowances of \$12.5 and \$12.8, respectively	326.3	297.0
Inventories net	808.6	668.7
Deferred income taxes	120.0	117.8
Other current assets	98.2	77.8
Total current assets	1,422.6	1,239.8
Property, plant and equipment net	555.8	568.2
Goodwill	1,157.9	1,164.8
Other intangible assets net	826.3	851.8
Other non-current assets	149.1	140.6
Total assets	\$ 4,111.7	\$ 3,965.2
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 847.3	\$ 869.8
Current portion of long-term debt and short-term borrowings	116.6	79.1
Product warranties	92.4	93.8
Customer advances	23.6	35.1
Product liabilities	27.0	26.8
Total current liabilities	1,106.9	1,104.6
Non-Current Liabilities:		
Long-term debt	1,946.2	1,810.9
Deferred income taxes	215.8	215.8
Pension obligations	88.3	90.6
Postretirement health and other benefit obligations	60.5	59.8
Long-term deferred revenue	32.4	34.2
Other non-current liabilities	163.2	175.8
Total non-current liabilities	2,506.4	2,387.1
Commitments and contingencies (Note 14)		
Total Equity:		
Common stock (300,000,000 shares authorized, 163,175,928 shares issued, 132,304,552 and 131,884,765 shares outstanding, respectively)	1.4	1.4
Additional paid-in capital	480.5	470.8
Accumulated other comprehensive income (loss)	(38.8)	(15.0)
Retained earnings	156.2	113.6
Treasury stock, at cost (30,871,376 and 31,291,163 shares, respectively)	(86.8)	(87.4)

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Total Manitowoc stockholders' equity		512.5		483.4
Noncontrolling interest		(14.1)		(9.9)
Total equity		498.4		473.5
Total liabilities and equity	\$	4,111.7	\$	3,965.2

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

THE MANITOWOC COMPANY, INC.

Condensed Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2012 and 2011

(Unaudited)

(In millions)

	Six Months Ended June 30,	
	2012	2011
Cash Flows from Operations:		
Net earnings (loss)	\$ 38.4	\$ (51.4)
Adjustments to reconcile net earnings (loss) to cash provided by (used for) operating activities of continuing operations:		
Discontinued operations, net of income taxes	0.5	3.0
Depreciation	34.4	41.1
Amortization of intangible assets	19.1	19.3
Deferred income taxes	(0.7)	(5.0)
Loss (gain) on sale of property, plant and equipment	1.0	(0.5)
Restructuring expense	0.9	2.9
Amortization of deferred financing fees	4.1	6.0
Loss on debt extinguishment		27.8
Loss on sale of discontinued operations		33.6
Other	8.8	8.5
Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures:		
Accounts receivable	(34.7)	(163.7)
Inventories	(153.0)	(160.0)
Other assets	(20.9)	20.5
Accounts payable	7.4	111.9
Accrued expenses and other liabilities	(26.6)	(62.8)
Net cash provided by (used for) operating activities of continuing operations	(121.3)	(168.8)
Net cash provided by (used for) operating activities of discontinued operations	(0.5)	(18.5)
Net cash provided by (used for) operating activities	(121.8)	(187.3)
Cash Flows from Investing:		
Capital expenditures	(34.8)	(18.6)
Restricted cash	(3.0)	(0.1)
Proceeds from sale of business		143.6
Proceeds from sale of property, plant and equipment	0.2	2.9
Net cash provided by (used for) investing activities	(37.6)	127.8
Cash Flows from Financing:		
Proceeds from revolving credit facility	148.8	91.6
(Payments on) long-term debt	(48.3)	(827.9)
Proceeds from long-term debt	64.9	805.8
(Payments on) notes financing	(18.7)	(1.4)
Debt issuance costs		(13.6)
Exercises of stock options, including windfall tax benefits	1.6	1.5
Net cash provided by (used for) financing activities of continuing operations	148.3	56.0
Effect of exchange rate changes on cash	(0.7)	0.9

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Net increase (decrease) in cash and cash equivalents		(11.8)		(2.6)
Balance at beginning of period		68.6		83.7
Balance at end of period	\$	56.8	\$	81.1

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

THE MANITOWOC COMPANY, INC.

Notes to Unaudited Condensed Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2012 and 2011

1. Accounting Policies

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary for a fair statement of the results of operations and comprehensive income for the three and six months ended June 30, 2012 and 2011, the cash flows for the same six-month periods, and the financial position at June 30, 2012, and except as otherwise discussed such adjustments consist of only those of a normal recurring nature. The interim results are not necessarily indicative of results for a full year and do not contain information included in the company's annual condensed consolidated financial statements and notes for the year ended December 31, 2011. The condensed consolidated balance sheet as of December 31, 2011 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest annual report on Form 10-K.

All dollar amounts, except share and per share amounts, are in millions of dollars throughout the tables included in these notes unless otherwise indicated.

Certain prior period amounts have been reclassified to conform to current presentation.

Prior Period Adjustment: During the second quarter of 2012, the company recorded a \$4.0 million adjustment to correct an error related to inventory, whereby for the year ended December 31, 2011 and the quarter ended March 31, 2012, the company had incorrectly overstated inventory and understated cost of goods sold by \$2.9 million and \$1.1 million, respectively. The company does not believe that this error is material to its condensed consolidated financial statements for the quarter ended March 31, 2012, or its 2011 annual or quarterly financial statements.

2. Discontinued Operations

On January 14, 2011, the company closed the previously announced divestiture of its Kysor/Warren and Kysor/Warren de Mexico (collectively Kysor/Warren) businesses, which manufacture frozen, medium temperature and heated display merchandisers, mechanical refrigeration systems and remote mechanical and electrical houses to Lennox International for approximately \$145 million, including a preliminary working capital adjustment. The transaction resulted in a \$34.6 million loss on sale, primarily consisting of \$29.9 million of income tax expense. The net proceeds from the sale were used to pay down outstanding term debt. On July 1, 2011, the company made a payment to Lennox International of \$2.4 million as the final working capital adjustment under the sale agreement. The results of these operations have been classified as discontinued operations.

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The following selected financial data of the Kysor/Warren businesses, primarily consisting of administrative costs, for the three and six months ended June 30, 2012 and 2011, is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the businesses operated as a stand-alone entity. There was no general corporate expense or interest expense allocated to discontinued operations for this business during the periods presented.

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,		
	2012	2011	2012	2011	
Net sales	\$		\$		3.3
Pretax earnings (loss) from discontinued operation	\$	(0.2)	\$	(0.1)	(4.1)
Provision (benefit) for taxes on earnings				(0.1)	(1.6)
Net earnings (loss) from discontinued operation	\$	(0.2)	\$	(0.3)	(2.5)

The following selected financial data of various other businesses disposed of prior to 2012, primarily consisting of administrative costs, for the three and six months ended June 30, 2012 and 2011, is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the businesses operated as a stand-alone entity. There was no general corporate expense or interest expense allocated to discontinued operations for these businesses during the periods presented.

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(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$	\$	\$	\$
Pretax earnings (loss) from discontinued operation	\$	\$ (0.4)	\$ (0.3)	\$ (0.8)
Provision (benefit) for taxes on earnings		(0.2)	(0.1)	(0.3)
Net earnings (loss) from discontinued operation	\$	\$ (0.2)	\$ (0.2)	\$ (0.5)

3. Fair Value of Financial Instruments

The following tables set forth the company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2012 and December 31, 2011 by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(in millions)	Fair Value as of June 30, 2012			Total
	Level 1	Level 2	Level 3	
Current Assets:				
Foreign currency exchange contracts	\$	\$ 0.9	\$	\$ 0.9
Marketable securities	2.6			2.6
Total current assets at fair value	\$ 2.6	\$ 0.9	\$	\$ 3.5
Non-Current Assets:				
Interest rate swap contracts	\$	\$ 12.0	\$	\$ 12.0
Total non-current assets at fair value	\$	\$ 12.0	\$	\$ 12.0
Current Liabilities:				
Foreign currency exchange contracts	\$	\$ 6.3	\$	\$ 6.3
Commodity contracts		2.7		2.7
Interest rate swap contracts		4.8		4.8
Total current liabilities at fair value	\$	\$ 13.8	\$	\$ 13.8

(in millions)	Fair Value as of December 31, 2011			Total
	Level 1	Level 2	Level 3	
Current Assets:				
Foreign currency exchange contracts	\$	\$ 0.8	\$	\$ 0.8
Marketable securities	2.7			2.7
Total current assets at fair value	\$ 2.7	\$ 0.8	\$	\$ 3.5
Non-current Assets:				
Interest rate swap contracts	\$	\$ 0.5	\$	\$ 0.5
Interest rate cap contracts		0.3		0.3
Total non-current assets at fair value	\$	\$ 0.8	\$	\$ 0.8
Current Liabilities:				
Foreign currency exchange contracts	\$	\$ 6.7	\$	\$ 6.7
Commodity contracts		2.4		2.4
Total current liabilities at fair value	\$	\$ 9.1	\$	\$ 9.1

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Non-current Liabilities:

Interest rate swap contracts	\$	\$	9.5	\$	\$	9.5
Total non-current liabilities at fair value	\$	\$	9.5	\$	\$	9.5

The carrying value of the amounts reported in the Condensed Consolidated Balance Sheets for cash, accounts receivable, accounts payable, deferred purchase price notes on receivables sold (see Note 9, Accounts Receivable Securitization for further discussion of deferred purchase price notes on receivables sold) and short-term variable debt, including any amounts outstanding under our revolving credit facility, approximate fair value, without being discounted, due to the short periods during which these amounts are outstanding.

The fair value of the company's 7.125% Senior Notes due 2013 was approximately \$150.5 million and \$146.6 million at June 30, 2012

and December 31, 2011, respectively. The fair value of the company's 9.50% Senior Notes due 2018 was approximately \$439.8 million and \$434.0 million at June 30, 2012 and December 31, 2011, respectively. The fair value of the company's 8.50% Senior Notes due 2020 was approximately \$649.5 million and \$634.9 million at June 30, 2012 and December 31, 2011, respectively. The fair values of the company's Term Loans under the current Senior Credit Facility were as follows at June 30, 2012 and December 31, 2011, respectively: Term Loan A \$311.8 million and \$318.6 million; and Term Loan B \$330.2 million and \$324.1 million. See Note 8, Debt, for a description of the debt instruments and their related carrying values.

ASC Topic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820-10 classifies the inputs used to measure fair value into the following hierarchy:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or
 Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
 Inputs other than quoted prices that are observable for the asset or liability
- Level 3 Unobservable inputs for the asset or liability

The company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The company estimates fair value of its Term Loans and Senior Notes based on quoted market prices of the instruments; though these markets are typically thinly traded, the liabilities are therefore classified as Level 2 within the valuation hierarchy. The carrying values of cash and cash equivalents, accounts receivable, accounts payable, deferred purchase price notes on receivables sold (See Note 9, Accounts Receivable Securitization) and short-term variable debt, including any amounts outstanding under our revolving credit facility, approximate fair value, without being discounted as of June 30, 2012 and December 31, 2011 due to the short-term nature of these instruments.

As a result of its global operating and financing activities, the company is exposed to market risks from changes in interest rates, foreign currency exchange rates, and commodity prices, which may adversely affect the company's operating results and financial position. When deemed appropriate, the company minimizes these risks through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes, and the company does not use leveraged derivative financial instruments. The forward foreign currency exchange and interest rate swap and cap contracts and commodity contracts are valued using broker quotations. As such, these derivative instruments are classified within Level 2.

4. Derivative Financial Instruments

The company's risk management objective is to ensure that business exposures to risk that have been identified and measured and are capable of being controlled are minimized using the most effective and efficient methods to eliminate, reduce, or transfer such exposures. Operating decisions consider associated risks and structure transactions to manage risk whenever possible.

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Use of derivative instruments is consistent with the overall business and risk management objectives of the company. Derivative instruments may be used to manage business risk within limits specified by the company's risk policy and manage exposures that have been identified through the risk identification and measurement process, provided that they clearly qualify as hedging activities as defined in the risk policy. Use of derivative instruments is not automatic, nor is it necessarily the only response to managing pertinent business risk. Use is permitted only after the risks that have been identified are determined to exceed defined tolerance levels and are considered to be unavoidable.

The primary risks managed by the company by using derivative instruments are interest rate risk, commodity price risk and foreign currency exchange risk. Interest rate swap and cap instruments are entered into to manage interest rate or fair value risk. Forward contracts on various commodities are entered into to manage the price risk associated with forecasted purchases of materials used in the company's manufacturing process. The company also enters into various foreign currency derivative instruments to manage foreign currency risk associated with the company's projected foreign currency denominated purchases, sales, and receivable and payable balances.

ASC Topic 815-10, Derivatives and Hedging, requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with ASC Topic 815-10, the company designates commodity swaps, foreign currency exchange contracts, and interest rate cap contracts as cash flow hedges of forecasted purchases of commodities and currencies, and variable rate interest payments. Also in accordance with ASC Topic 815-10, the company designates fixed-to-float

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interest rate swaps as fair market value hedges of fixed rate debt, which synthetically swap the company's fixed rate debt to floating rate debt.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness, are recognized in current earnings. In the next twelve months the company estimates \$4.7 million of unrealized and realized losses net of tax related to commodity price and currency exchange rate hedging will be reclassified from other comprehensive income into earnings. Foreign currency and commodity hedging is generally completed prospectively on a rolling basis for between twelve and twenty-four months, respectively, depending on the type of risk being hedged.

The risk management objective for the company's fair market value interest rate hedges is to effectively change the amount of the underlying debt equal to the notional value of the hedges from a fixed to a floating interest rate based on the benchmark six-month U.S. LIBOR rate. These swaps include an embedded call feature to match the terms of the call schedule embedded in the Senior Notes. Changes in the fair value of the interest rate swap are expected to offset changes in the fair value of the debt due to changes in the U.S. six-month LIBOR benchmark interest rate.

As of June 30, 2012 and December 31, 2011, the company had the following outstanding commodity and currency forward contracts that were entered into to hedge forecasted transactions:

Commodity	Units Hedged			Type
	June 30, 2012	December 31, 2011		
Aluminum	1,851	1,254	MT	Cash Flow
Copper	657	684	MT	Cash Flow
Natural Gas	228,144	346,902	MMBtu	Cash Flow
Steel	11,177	8,231	Tons	Cash Flow

Short Currency	Units Hedged		Type
	June 30, 2012	December 31, 2011	
Canadian Dollar	12,867,509	25,083,644	Cash Flow
European Euro	110,154,200	67,565,453	Cash Flow
South Korean Won	2,917,017,180	3,224,015,436	Cash Flow
Singapore Dollar	4,800,000	4,800,000	Cash Flow
United States Dollar	4,625,664	5,538,777	Cash Flow
Chinese Renminbi	108,083,900	111,177,800	Cash Flow

As of June 30, 2011, the company offset, dedesignated and wrote-off all of its previous interest rate swaps against Term Loan A and B interest due to the amendment of its Senior Credit Facility (See Note 8, Debt, for a description of the Senior Credit Facility). As of June 30, 2012, the company had outstanding \$450.0 million notional amount of 3.00% LIBOR caps related to the term loan portion of the Senior Credit Facility. The remaining unhedged portions of Term Loans A and B continue to bear interest according to the terms of the Senior Credit Facility. The company is also party to various fixed-to-float interest rate swaps in connection with its 2018 and 2020 Notes. At June 30, 2012, \$200.0 million and \$300.0 million of the 2018 and 2020 Notes, respectively, were swapped to floating rate interest (See Note 8, Debt, for a description of the 2018 and 2020 Notes). The 2018 Notes accrue interest at a rate of 9.50% on the fixed portion and 7.45% plus the six-month LIBOR reset in arrears on the variable portion. The 2020 Notes accrue interest at a rate of 8.50% on the fixed portion and 6.02% plus the six-month LIBOR reset in arrears on the variable portion. At June 30, 2012, the weighted average interest rates for the 2018 and 2020 Notes taking into consideration the impact of floating rate hedges, was 8.84% and 7.63%, respectively. Both aforementioned swap contracts related to the 2018 and 2020 Notes include a call premium schedule that mirrors that of the respective debt and includes an optional early termination cash settlement at five years from the trade date.

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The company monetized the derivative asset related to the fixed-to-float interest rate swaps in connection with the 2018 and 2020 Notes and received \$21.5 million in the third quarter of 2011. The gain is treated as an increase to the debt balances for each of the 2018 and 2020 Notes and will be amortized to interest expense over the life of the original swap.

For derivative instruments that are not designated as hedging instruments under ASC Topic 815-10, the gains or losses on the derivatives are recognized in current earnings within cost of sales or other income, net in the Condensed Consolidated Statements of Operations. As of June 30, 2012 and December 31, 2011, the company had the following outstanding currency forward contracts that were not designated as hedging instruments:

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Short Currency	Units Hedged		Recognized Location	Purpose
	June 30, 2012	December 31, 2011		
British Pound	6,198,616		Other income, net	Accounts Payable and Receivable Settlement
Euro	15,764,548	33,150,213	Other income, net	Accounts Payable and Receivable Settlement
United States Dollar	10,800,000	6,000,000	Other income, net	Accounts Payable and Receivable Settlement
Australian Dollar		7,569,912	Other income, net	Accounts Payable and Receivable Settlement
Mexican Peso	739,584		Other income, net	Accounts Payable and Receivable Settlement

The fair value of outstanding derivative contracts recorded as assets in the accompanying Condensed Consolidated Balance Sheet as of June 30, 2012 and December 31, 2011 was as follows:

(in millions)	Balance Sheet Location	ASSET DERIVATIVES	
		June 30, 2012	December 31, 2011
		Fair Value	
Derivatives designated as hedging instruments			
Foreign exchange contracts	Other current assets	\$ 0.8	\$ 0.6
Interest rate swap contracts: Fixed-to-float	Other non-current assets	12.0	0.5
Interest rate cap contracts	Other non-current assets		0.3
Total derivatives designated as hedging instruments		\$ 12.8	\$ 1.4

(in millions)	Balance Sheet Location	ASSET DERIVATIVES	
		June 30, 2012	December 31, 2011
		Fair Value	
Derivatives NOT designated as hedging instruments			
Foreign exchange contracts	Other current assets	\$ 0.1	\$ 0.1
Total derivatives NOT designated as hedging instruments		\$ 0.1	\$ 0.1
Total asset derivatives		\$ 12.9	\$ 1.5

The fair value of outstanding derivative contracts recorded as liabilities in the accompanying Condensed Consolidated Balance Sheet as of June 30, 2012 and December 31, 2011 was as follows:

(in millions)	Balance Sheet Location	LIABILITY DERIVATIVES	
		June 30, 2012	December 31, 2011
		Fair Value	
Derivatives designated as hedging instruments			
Foreign exchange contracts	Accounts payable and accrued expenses	\$ 5.5	\$ 5.2
Commodity contracts	Accounts payable and accrued expenses	2.7	2.5
Total derivatives designated as hedging instruments		\$ 8.2	\$ 7.7

(in millions)	Balance Sheet Location	LIABILITY DERIVATIVES	
		June 30, 2012	December 31, 2011
		Fair Value	
Derivatives NOT designated as hedging instruments			
Foreign exchange contracts	Accounts payable and accrued expenses	\$ 0.8	\$ 1.6

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Interest rate swap contracts: Float-to-fixed	Accounts payable and accrued expenses	4.8	9.5
Total derivatives NOT designated as hedging instruments	\$	5.6	\$ 11.1
Total liability derivatives	\$	13.8	\$ 18.8

The effect of derivative instruments on the Condensed Consolidated Statements of Operations for the three months ended June 30, 2012 and June 30, 2011 for gains or losses initially recognized in Other Comprehensive Income (OCI) in the Condensed Consolidated Balance Sheet was as follows:

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Derivatives in Cash Flow Hedging Relationships (in millions)	Amount of Gain or (Loss) on Derivative Recognized in OCI (Effective Portion, net of tax)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	
	June 30, 2012	June 30, 2011			June 30, 2012	June 30, 2011
Foreign exchange contracts	\$ (2.4)	\$ (1.0)	Cost of sales		\$ (2.5)	\$ 2.7
Interest rate swap & cap contracts	(0.1)		Interest expense			(2.7)
Commodity contracts	(2.7)	(0.3)	Cost of sales		(0.6)	0.2
Total	\$ (5.2)	\$ (1.3)			\$ (3.1)	\$ 0.2

Derivatives Relationships (in millions)	Location of Gain or (Loss) on Derivative Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)		Amount of Gain or (Loss) on Derivative Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Effectiveness Testing		June 30, 2012	June 30, 2011
Commodity contracts	Cost of sales	\$	(0.1)	\$
Total		\$	(0.1)	\$

Derivatives Not Designated as Hedging Instruments (in millions)	Location of Gain or (Loss) Recognized on Derivative in Income		Amount of Gain or (Loss) on Derivative Recognized in Income	
	Income		June 30, 2012	June 30, 2011
Foreign exchange contracts	Other income	\$	(0.6)	\$ (0.6)
Interest rate swaps	Other income		2.4	
Total		\$	1.8	\$ (0.6)

The effect of derivative instruments on the Condensed Consolidated Statements of Operations for the six months ended June 30, 2012 and June 30, 2011 for gains or losses initially recognized in Other Comprehensive Income (OCI) in the Condensed Consolidated Balance Sheet was as follows:

Derivatives in Cash Flow Hedging Relationships (in millions)	Amount of Gain or (Loss) on Derivative Recognized in OCI (Effective Portion, net of tax)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	
	June 30, 2012	June 30, 2011			June 30, 2012	June 30, 2011
Foreign exchange contracts	\$ (0.2)	\$ 0.9	Cost of sales		\$ (3.3)	\$ 3.4
Interest rate swap & cap contracts	(0.2)	1.1	Interest expense			(5.3)
Commodity contracts	(0.2)	(0.4)	Cost of sales		(1.3)	0.3
Total	\$ (0.6)	\$ 1.6			\$ (4.6)	\$ (1.6)

Derivatives Relationships (in millions)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)		Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Effectiveness Testing		June 30, 2012	June 30, 2011
Commodity contracts	Cost of sales	\$	(0.2)	\$
Total		\$	(0.2)	\$

Derivatives Not Designated as Hedging Instruments (in millions)	Location of Gain or (Loss) Recognized in Income on Derivative		Amount of Gain or (Loss) Recognized in Income on Derivative	
	Derivative		June 30, 2012	June 30, 2011
Foreign exchange contracts	Other income	\$	(1.4)	\$ (2.7)
Interest rate swaps	Other income		4.7	\$

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Total	\$	3.3	\$	(2.7)
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The effect of Fair Market Value designated derivative instruments on the Condensed Consolidated Statements of Operations for the three months ended June 30, 2012 and June 30, 2011 for gains or losses recognized through income was as follows:

Derivatives Designated as Fair Market Value Instruments under ASC 815 (in millions)	Location of Gain or (Loss) on Derivative Recognized in Income	Amount of Gain or (Loss) on Derivative Recognized in Income			
		June 30, 2012		June 30, 2011	
Interest rate swap contracts	Interest expense	\$	15.3	\$	14.3
Total		\$	15.3	\$	14.3

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The effect of Fair Market Value designated derivative instruments on the Condensed Consolidated Statement of Operations for the six-months ended June 30, 2012 and June 30, 2011 for gains or losses recognized through income was as follows:

Derivatives Designated as Fair Market Value Instruments under ASC 815 (in millions)	Location of Gain or (Loss) on Derivative Recognized in Income	Amount of Gain or (Loss) on Derivative Recognized in Income		
		June 30, 2012		June 30, 2011
Interest rate swap contracts	Interest expense	\$	11.5	\$ 11.7
Total		\$	11.5	\$ 11.7

5. Inventories

The components of inventories at June 30, 2012 and December 31, 2011 are summarized as follows:

(in millions)	June 30, 2012	December 31, 2011
Inventories gross:		
Raw materials	\$ 245.7	\$ 249.7
Work-in-process	217.5	168.1
Finished goods	451.4	357.6
Total inventories gross	914.6	775.4
Excess and obsolete inventory reserve	(72.8)	(75.3)
Net inventories at FIFO cost	841.8	700.1
Excess of FIFO costs over LIFO value	(33.2)	(31.4)
Inventories net	\$ 808.6	\$ 668.7

6. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by reportable segment for the year ended December 31, 2011, and the three months ended March 31, 2012, and June 30, 2012 are as follows:

(in millions)	Crane		Foodservice		Total
Gross balance as of January 1, 2011	\$	279.0	\$	1,414.5	\$ 1,693.5
Restructuring reserve adjustment				(3.0)	(3.0)
Foreign currency impact		(5.1)		(0.3)	(5.4)
Gross balance as of December 31, 2011	\$	273.9	\$	1,411.2	\$ 1,685.1
Asset impairments				(520.3)	(520.3)
Net balance as of December 31, 2011	\$	273.9	\$	890.9	\$ 1,164.8
Foreign currency impact	\$	3.8	\$	0.2	\$ 4.0
Gross balance as of March 31, 2012	\$	277.7	\$	1,411.4	\$ 1,689.1
Foreign currency impact		(10.8)		(0.1)	(10.9)
Gross balance as of June 30, 2012	\$	266.9	\$	1,411.3	\$ 1,678.2
Asset impairments				(520.3)	(520.3)
Net balance as of June 30, 2012	\$	266.9	\$	891.0	\$ 1,157.9

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The company accounts for goodwill and other intangible assets under the guidance of ASC Topic 350, Intangibles - Goodwill and Other. Under ASC Topic 350, goodwill is not amortized; however, the company performs an annual impairment review at June 30 of every year or more frequently if events or changes in circumstances indicate that the asset might be impaired. The company performs impairment reviews for its reporting units, which are Cranes Americas; Cranes Europe, Middle East, and Africa; Cranes China; Cranes Greater Asia Pacific; Crane Care; Foodservice Americas; Foodservice Europe, Middle East, and Africa; and Foodservice Asia, using a fair-value method based on the present value of future cash flows, which involves management's judgments and assumptions about the amounts of those cash flows and the discount rates used. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. Goodwill is then subject to risk of write-down to the extent that the carrying amount exceeds the estimated fair value.

As of June 30, 2012, the company performed its annual impairment analysis relative to goodwill and indefinite-lived intangible assets

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and based on those results no impairment was indicated. The company will continue to monitor market conditions and determine if any additional interim reviews of goodwill, other intangibles or long-lived assets are warranted. In the event the company determines that assets are impaired in the future, the company would recognize a non-cash impairment charge, which could have a material adverse effect on the company's condensed consolidated balance sheet and results of operations.

The gross carrying amount, accumulated amortization and net book value of the company's intangible assets other than goodwill at June 30, 2012 and December 31, 2011 are as follows:

(in millions)	June 30, 2012			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trademarks and tradenames	\$ 310.5	\$	\$ 310.5	\$ 315.0	\$	\$ 315.0
Customer relationships	437.3	(84.9)	352.4	437.7	(73.8)	363.9
Patents	32.4	(23.9)	8.5	33.1	(23.3)	9.8
Engineering drawings	10.8	(7.5)	3.3	11.1	(7.3)	3.8
Distribution network	19.9		19.9	20.4		20.4
Other intangibles	180.8	(49.1)	131.7	182.7	(43.8)	138.9
Total	\$ 991.7	\$ (165.4)	\$ 826.3	\$ 1,000.0	\$ (148.2)	\$ 851.8

Amortization expense for the three months ended June 30, 2012 and 2011 was \$9.5 million and \$9.6 million, respectively. Amortization expense for the six months ended June 30, 2012 and 2011 was \$19.1 million and \$19.3 million, respectively. Amortization expense related to intangible assets for each of the five succeeding years is estimated to be approximately \$40 million per year.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2012 and December 31, 2011 are summarized as follows:

(in millions)	June 30, 2012	December 31, 2011
Trade accounts payable and interest payable	\$ 481.5	\$ 482.2
Employee related expenses	105.8	96.7
Restructuring expenses	20.0	21.9
Profit sharing and incentives	23.5	33.4
Accrued rebates	27.9	39.3
Deferred revenue - current	23.9	27.0
Derivative liabilities	13.8	18.8
Income taxes payable	15.9	
Miscellaneous accrued expenses	135.0	150.5
	\$ 847.3	\$ 869.8

8. Debt

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Outstanding debt at June 30, 2012 and December 31, 2011 is summarized as follows:

(in millions)	June 30, 2012		December 31, 2011	
Revolving credit facility	\$	146.6	\$	146.6
Term loan A		315.0		332.5
Term loan B		332.0		332.0
Senior notes due 2013		150.0		150.0
Senior notes due 2018		410.9		407.7
Senior notes due 2020		620.2		613.5
Other		88.1		54.3
Total debt		2,062.8		1,890.0
Less current portion and short-term borrowings		(116.6)		(79.1)
Long-term debt	\$	1,946.2	\$	1,810.9

The company's Senior Credit Facility originally became effective November 6, 2008 and initially included four loan facilities a

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revolving facility of \$400.0 million with a five-year term, a Term Loan A of \$1,025.0 million with a five-year term, a Term Loan B of \$1,200.0 million with a six-year term, and a Term Loan X of \$300.0 million with an eighteen-month term. The balance of Term Loan X was repaid in 2009. On May 13, 2011, the company amended and extended the maturities of its Senior Credit Facility and by entering into a \$1,250.0 million Second Amended and Restated Credit Agreement (the Senior Credit Facility).

The Senior Credit Facility currently includes three different loan facilities. The first is a revolving facility in the amount of \$500.0 million, with a term of five years. The second facility is an amortizing Term Loan A facility in the aggregate amount of \$350.0 million with a term of five years. The third facility is an amortizing Term Loan B facility in the amount of \$400.0 million with a term of 6.5 years. Including interest rate caps at June 30, 2012, the weighted average interest rates for the Term Loan A and the Term Loan B loans were 3.25% and 4.25%, respectively. Excluding interest rate caps, Term Loan A and Term Loan B interest rates were 3.25% and 4.25%, respectively, at June 30, 2012.

The Senior Credit Facility contains financial covenants including (a) a Consolidated Interest Coverage Ratio, which measures the ratio of (i) consolidated earnings before interest, taxes, depreciation and amortization, and other adjustments (EBITDA), as defined in the credit agreement to (ii) consolidated cash interest expense, each for the most recent four fiscal quarters, and (b) a Consolidated Senior Secured Leverage Ratio, which measure the ratio of (i) consolidated senior secured indebtedness to (ii) consolidated EBITDA for the most recent four fiscal quarters. The current covenant levels of the financial covenants under the Senior Credit Facility are as set forth below:

Fiscal Quarter Ending	Consolidated Senior Secured Leverage Ratio (less than)	Consolidated Interest Coverage Ratio (greater than)
June 30, 2012	3.50:1.00	1.875:1.00
September 30, 2012	3.50:1.00	2.00:1.00
December 31, 2012	3.50:1.00	2.00:1.00
March 31, 2013	3.50:1.00	2.25:1.00
June 30, 2013	3.25:1.00	2.25:1.00
September 30, 2013	3.25:1.00	2.50:1.00
December 31, 2013	3.25:1.00	2.50:1.00
March 31, 2014	3.25:1.00	2.75:1.00
June 30, 2014	3.25:1.00	2.75:1.00
September 30, 2014	3.25:1.00	2.75:1.00
December 31, 2014, and thereafter	3.00:1.00	3.00:1.00

The Senior Credit Facility includes customary representations and warranties and events of default and customary covenants, including without limitation (i) a requirement that the company prepay the term loan facilities from the net proceeds of asset sales, casualty losses, equity offerings, and new indebtedness for borrowed money, and from a portion of its excess cash flow, subject to certain exceptions; and (ii) limitations on indebtedness, capital expenditures, restricted payments, and acquisitions.

The company has three series of Senior Notes outstanding, including the 2013, 2018, and 2020 Notes (collectively the Senior Notes; see below for the description of the 2013, 2018 and 2020 Notes). Each series of Senior Notes is an unsecured senior obligation ranking subordinate to all existing senior secured indebtedness and equal to all existing senior unsecured obligations. Each series of Senior Notes is guaranteed by certain of the company's 100% owned domestic subsidiaries; which subsidiaries also guaranty the company's obligations under the Senior Credit Facility. Each series of Senior Notes contains affirmative and negative covenants which limit, among other things, the company's ability to redeem or repurchase its debt, incur additional debt, make acquisitions, merge with other entities, pay dividends or distributions, repurchase capital stock, and create or become subject to liens. Each series of Senior Notes also includes customary events of default. If an event of default occurs and is continuing with respect to the Senior Notes, then the Trustee or the holders of at least 25% of the principal amount of the outstanding Senior Notes may declare the principal and accrued interest on all of the Senior Notes to be due and payable immediately. In addition, in the case of an event of default arising from certain events of bankruptcy, all unpaid principal of, and premium, if any, and accrued

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and unpaid interest on all outstanding Senior Notes will become due and payable immediately.

On June 30, 2012, the company had outstanding \$150.0 million of 7.125% Senior Notes due 2013 (the 2013 Notes). Interest on the 2013 Notes is payable semiannually in May and November each year. As of November 1, 2011, the company is permitted to redeem the 2013 Notes in whole or in part at any time with no prepayment premium.

On February 8, 2010, the company completed the sale of \$400.0 million aggregate principal amount of its 9.50% Senior Notes due 2018 (the 2018 Notes). Net proceeds of \$392.0 million from this offering were used to partially pay down ratably the then outstanding balances on Term Loan A and Term Loan B. Interest on the 2018 Notes is payable semiannually in February and August

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of each year. The 2018 Notes may be redeemed in whole or in part by the company for a premium at any time on or after February 15, 2014. The following would be the principal and the premium paid by the company, expressed as a percentage of the principal amount, if it redeems the 2018 Notes during the 12-month period commencing on February 15 of the year set forth below:

Year	Percentage
2014	104.750%
2015	102.375%
2016 and thereafter	100.000%

In addition, at any time, or from time to time, on or prior to February 15, 2013, the company may, at its option, use the net cash proceeds of one or more public equity offerings to redeem up to 35% of the principal amount of the 2018 Notes outstanding at a redemption price of 109.5% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of redemption; provided that (1) at least 65% of the principal amount of the 2018 Notes outstanding remains outstanding immediately after any such redemption; and (2) the company makes such redemption not more than 90 days after the consummation of any such public offering.

On October 18, 2010, the company completed the sale of \$600.0 million aggregate principal amount of its 8.50% Senior Notes due 2020 (the 2020 Notes). Net proceeds of \$583.7 million from this offering were used to pay down ratably the then outstanding balances of Term Loans A and B. Interest on the 2020 Notes is payable semi-annually in May and November of each year. The company may redeem the 2020 Notes in whole or in part for a premium at any time on or after November 1, 2015. The following would be the principal and the premium paid by the company, expressed as a percentage of the principal amount, if it redeems the 2020 Notes during the 12-month period commencing on November 1 of the year set forth below:

Year	Percentage
2015	104.250%
2016	102.833%
2017	101.417%
2018 and thereafter	100.000%

In addition, at any time, or from time to time, on or prior to November 1, 2013, the company may, at its option, use the net cash proceeds of one or more public equity offerings to redeem up to 35% of the principal amount of the 2020 Notes outstanding at a redemption price of 108.5% of the principal amount thereof, plus accrued but unpaid interest, if any, to the date of redemption; provided that (1) at least 65% of the principal amount of the 2020 Notes outstanding remains outstanding immediately after any such redemption; and (2) the company makes such redemption not more than 90 days after the consummation of any such public offering.

As of June 30, 2012, the company had outstanding \$88.1 million of other indebtedness that has a weighted-average interest rate of approximately 6.2%. This debt includes outstanding overdraft balances and capital lease obligations in its Americas, Asia-Pacific and European regions.

As of June 30, 2011, the company offset all of its previous interest rate swaps against Term Loan A and B interest due to the amendment of its Senior Credit Facility. As of June 30, 2012, the company had outstanding \$450.0 million notional amount of 3.00% LIBOR caps related to the term loan portion of the Senior Credit Facility. The remaining unhedged portions of Term Loans A and B continue to bear interest according to the terms of the Senior Credit Facility. The company is also party to various fixed-to-float interest rate swaps in connection with its 2018 and 2020 Notes. At June 30, 2012, \$200.0 million and \$300.0 million of the 2018 and 2020 Notes, respectively, were swapped to floating rate interest. The 2018 Notes accrue interest at a rate of 9.50% on the fixed portion and 7.45% plus the six-month LIBOR reset in arrears on the

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variable portion. The 2020 Notes accrue interest at a rate of 8.50% on the fixed portion and 6.02% plus the six-month LIBOR reset in arrears on the variable portion. At June 30, 2012, the weighted average interest rates for the 2018 and 2020 Notes, taking into consideration the impact of floating rate hedges, was 8.84% and 7.63%, respectively. Both aforementioned swap contracts related to the 2018 and 2020 Notes include a call premium schedule that mirrors that of the respective debt and includes an optional early termination cash settlement at five years from the trade date.

The balance sheet values of the 2018 and 2020 Notes at June 30, 2012 and December 31, 2011 are not equal to the face value of the Notes due to the fact that the monetized value and the fair market value of the fixed-to-float interest rate hedges on these Notes is included in the applicable balance sheet value (See Note 4, Derivative Financial Instruments for more information).

As of June 30, 2012, the company was in compliance with all affirmative and negative covenants in its debt instruments inclusive of the financial covenants pertaining to the Senior Credit Facility, the 2013 Notes, the 2018 Notes, and the 2020 Notes. Based upon our current plans and outlook, we believe we will be able to comply with these covenants during the subsequent 12 months. As of June 30, 2012 our Consolidated Senior Secured Leverage Ratio was 2.69:1, while the maximum ratio is 3.50:1 and our Consolidated Interest Coverage Ratio was 2.88:1, above the minimum ratio of 1.875:1.

9. Accounts Receivable Securitization

Effective September 27, 2011, the company entered into a Third Amended and Restated Receivables Purchase Agreement related to its accounts receivable securitization program with various lenders and servicers. The company's accounts receivable securitization program has a maximum capacity of \$125.0 million and includes certain of the company's U.S., Canadian and German Foodservice and U.S. Crane segment businesses. Trade accounts receivables sold to a third-party financial institution (Purchaser) and being serviced by the company totaled \$124.3 million at June 30, 2012 and \$121.1 million at December 31, 2011.

Transactions under the accounts receivable securitization program are accounted for as sales in accordance with ASC Topic 860, Transfers and Servicing. Sales of trade receivables to the Purchaser are reflected as a reduction of accounts receivable in the accompanying Condensed Consolidated Balance Sheets and the proceeds received, including collections on the deferred purchase price notes, are included in cash flows from operating activities in the accompanying Condensed Consolidated Statements of Cash Flows. The company deems the interest rate risk related to the deferred purchase price notes to be de minimis, primarily due to the short average collection cycle of the related receivables (i.e. 60 days) as noted below.

Due to an average collection cycle of less than 60 days for such accounts receivable as well as the company's collection history, the fair value of the company's deferred purchase price notes approximates book value. The fair value of the deferred purchase price notes recorded at June 30, 2012 and December 31, 2011 was \$76.9 million and \$40.3 million, respectively, and is included in accounts receivable in the accompanying Condensed Consolidated Balance Sheets.

The accounts receivable securitization program also contains customary affirmative and negative covenants. Among other restrictions, these covenants require the company to meet specified financial tests, which include a consolidated interest coverage ratio and a consolidated senior secured leverage ratio that are the same as the covenant ratios required per the Senior Credit Facility. As of June 30, 2012, the company was in compliance with all affirmative and negative covenants inclusive of the financial covenants pertaining to the accounts receivable securitization program. Based on our current plans and outlook, we believe we will be able to comply with these covenants during the subsequent 12 months.

10. Income Taxes

For the six months ended June 30, 2012, the company recorded an income tax expense of \$26.8 million, as compared to an income tax expense of \$2.0 million for the six months ended June 30, 2011. The increase in the company's tax expense for the six months ended June 30, 2012 relative to the prior year resulted primarily from an increase in pre-tax earnings. The effective tax rate varies from the U.S. federal statutory rate of 35% due to results of foreign operations that are subject to income taxes at different statutory rates and certain jurisdictions where the company cannot recognize tax benefits on current losses.

The company's unrecognized tax benefits, excluding interest and penalties, were \$55.8 million as of June 30, 2012, and \$45.8 million as of June 30, 2011. All of the company's unrecognized tax benefits as of June 30, 2012, if recognized, would impact the effective tax rate. During the next twelve months, it is reasonably possible that federal, state and foreign tax audit resolutions could reduce unrecognized tax benefits and income tax expense by up to \$16.0 million, either because the company's tax positions are sustained on audit or settled or the applicable statute of limitations closes.

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There have been no significant developments in the quarter with respect to the company's ongoing tax audits in various jurisdictions.

11. Earnings Per Share

The following is a reconciliation of the average shares outstanding used to compute basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Basic weighted average common shares outstanding	130,575,165	130,457,059	130,562,923	130,440,221
Effect of dilutive securities - stock options and restricted stock	2,816,914	3,365,463	2,989,874	
Diluted weighted average common shares outstanding	133,392,079	133,822,522	133,552,797	130,440,221

For the six months ended June 30, 2011, the total number of potential dilutive securities was 3.3 million. However, these securities were not included in the computation of diluted net loss per common share, since to do so would decrease the loss per share. For the three and six months ended June 30, 2012, 3.4 million of common shares issuable upon the exercise of stock options were anti-dilutive and were excluded from the calculation of diluted earnings per share.

No dividends were paid during each of the three and six-month periods ended June 30, 2012 and June 30, 2011.

12. Stockholders Equity

The following is a roll forward of retained earnings and noncontrolling interest for the six months ended June 30, 2012 and 2011:

(in millions)	Retained Earnings	Noncontrolling Interest
Balance at December 31, 2011	\$ 113.6	\$ (9.9)
Net earnings (loss)	42.6	(4.2)
Balance at June 30, 2012	\$ 156.2	\$ (14.1)

(in millions)	Retained Earnings	Noncontrolling Interest
Balance at December 31, 2010	\$ 134.7	\$ (3.4)
Net earnings (loss)	(49.4)	(2.0)
Balance at June 30, 2011	\$ 85.3	\$ (5.4)

Authorized capitalization consists of 300 million shares of \$0.01 par value common stock and 3.5 million shares of \$0.01 par value preferred stock. None of the preferred shares have been issued.

Currently, the company has authorization to purchase up to 10 million shares of common stock at management's discretion. As of June 30, 2012, the company has purchased approximately 7.6 million shares at a cost of \$49.8 million pursuant to this authorization; however, the company has not purchased any shares of its common stock under this authorization since 2006.

13. Stock-Based Compensation

Stock-based compensation expense is calculated by estimating the fair value of incentive and non-qualified stock options at the time of grant and amortized over the stock options' vesting period. Stock-based compensation expense was \$3.7 million and \$4.8 million for the three months ended June 30, 2012 and 2011, respectively. Stock-based compensation expense was \$8.6 million and \$8.4 million for the six months ended June 30, 2012 and 2011, respectively. The company granted options to acquire 0.7 million and 1.0 million shares of common stock to officers and employees during the first two quarters of 2012 and 2011, respectively. The company does not currently grant options to directors; however, prior to 2011, any option grants to directors were exercisable immediately upon granting and expire ten years subsequent to the grant date. For all outstanding grants made to officers and employees prior to 2011, options become exercisable in 25% increments annually over a four-year period beginning on the second anniversary of the grant date and expire ten years subsequent to the grant date. Starting with 2011 grants, any options become exercisable in 25% increments annually over a four-year period beginning on the first anniversary of the grant date and expire ten years subsequent to the grant date. In addition, the company issued a total of 0.5 million and 0.8 million shares of restricted stock to directors, officers and employees during the first two quarters of 2012 and 2011, respectively. The restrictions on all shares of restricted stock expire on the third anniversary of the applicable grant date.

Performance shares granted are earned based on the extent to which performance goals are met over the applicable performance period. The performance goals and the applicable performance period vary for each grant year. The performance shares granted in 2011 are earned based on the extent to which performance goals are met by the company over a two-year period from January 1, 2011 to December 31, 2012. The performance goals for the performance shares granted in 2011 are based fifty percent (50%) on 2012 EVA® results and fifty percent (50%) on

debt reduction over the two-year period. Seventy-five percent (75%) of the shares earned by an employee will be paid out after the end of the two-year period and the remaining twenty-five percent (25%) of the shares earned are subject to the further requirement that the employee be continuously employed by the company during the entire 2013 calendar year. If that criterion is met then the twenty-five percent (25%) will be paid out to the employee after the end of the 2013 calendar year. The performance shares granted in 2012 are earned based on the extent which performance goals are met by the company over a three-year period from January 1, 2012 to December 31, 2014. The performance goals for the performance shares granted in 2012 are based fifty percent (50%) on total shareholder return relative to a peer group of companies over the three-year period and fifty percent (50%) on improvement in the company's total leverage ratio over the three-year period. Depending on the foregoing factors, the number of shares awarded could range from zero to 0.9 million and zero to 0.7 million for the 2011 and 2012 performance share grants, respectively.

The company recognizes stock-based compensation expense over the stock-based awards' vesting period.

14. Contingencies and Significant Estimates

As of June 30, 2012, the company held reserves for environmental matters related to Enodis locations of approximately \$0.9 million.

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At certain of the company's other facilities, the company has identified potential contaminants in soil and groundwater. The ultimate cost of any remediation required will depend upon the results of future investigation. Based upon available information, the company does not expect the ultimate costs at any of these locations will have a material adverse effect on its financial condition, results of operations, or cash flows individually and in the aggregate.

The company believes that it has obtained and is in substantial compliance with those material environmental permits and approvals necessary to conduct its various businesses. Based on the facts presently known, the company does not expect environmental compliance costs to have a material adverse effect on its financial condition, results of operations, or cash flows.

As of June 30, 2012, various product-related lawsuits were pending. To the extent permitted under applicable law, all of these are insured with self-insurance retention levels. The company's self-insurance retention levels vary by business, and have fluctuated over the last five years. The range of the company's self-insured retention levels is \$0.1 million to \$3.0 million per occurrence. The high-end of the company's self-insurance retention level is a legacy product liability insurance program inherited in the Grove acquisition for cranes manufactured in the United States for occurrences from January 2000 through October 2002. As of June 30, 2012, the largest self-insured retention level for new occurrences currently maintained by the company is \$2.0 million per occurrence and applies to product liability claims for cranes manufactured in the United States.

Product liability reserves in the Condensed Consolidated Balance Sheet at June 30, 2012 were \$27.0 million; \$5.7 million was reserved specifically for actual cases and \$21.3 million for claims incurred but not reported, which were estimated using actuarial methods. Based on the company's experience in defending product liability claims, management believes the current reserves are adequate for estimated case resolutions on aggregate self-insured claims and insured claims. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and solvency of insurance carriers.

At June 30, 2012 and December 31, 2011, the company had reserved \$102.1 million and \$104.4 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Condensed Consolidated Balance Sheets. Certain of these warranty and other related claims involve matters in dispute that ultimately are resolved by negotiation, arbitration, or litigation.

It is reasonably possible that the estimates for environmental remediation, product liability and warranty costs may change in the near future based upon new information that may arise or matters that are beyond the scope of the company's historical experience. Presently, there are no reliable methods to estimate the amount of any such potential changes.

The company is involved in numerous lawsuits involving asbestos-related claims in which the company is one of numerous defendants. After taking into consideration legal counsel's evaluation of such actions, the current political environment with respect to asbestos related claims, and the liabilities accrued with respect to such matters, in the opinion of management, ultimate resolution is not expected to have a material adverse effect on the financial condition, results of operations, or cash flows of the company.

The company is also involved in various legal actions arising out of the normal course of business, which, taking into account the liabilities accrued and legal counsel's evaluation of such actions, in the opinion of management, the ultimate resolution, individually and in the aggregate, is not expected to have a material adverse effect on the company's financial condition, results of operations, or cash flows.

15. Guarantees

The company periodically enters into transactions with customers that provide for residual value guarantees and buyback commitments. These initial transactions are recorded as deferred revenue and are amortized to income on a straight-line basis over a period equal to that of the customer's third party financing agreement. The deferred revenue included in other current and non-current liabilities at June 30, 2012 and December 31, 2011 was \$56.3 million and \$61.2 million, respectively. The total amount of residual value guarantees and buyback commitments given by the company and outstanding at June 30, 2012 and December 31, 2011 was \$74.9 million and \$89.5 million, respectively. These amounts are not reduced for amounts the company would recover from repossession and subsequent resale of the units. The residual value guarantees and buyback commitments expire at various times through 2016.

During the six months ended June 30, 2012 and 2011, the company sold no additional long term notes receivable to third party financing companies. Related to notes sold in other periods, the company guarantees some percentage, up to 100%, of collection of the notes to the financing companies. The company has accounted for the sales of the notes as a financing of receivables. The receivables remain on the company's Condensed Consolidated Balance Sheets, net of payments made, in other current and non-current assets, and the company has recognized an obligation equal to the net outstanding balance of the notes in other current and non-current liabilities in the Condensed Consolidated Balance Sheets. The cash flow benefit of these transactions is reflected as financing activities in the Condensed Consolidated Statements of Cash Flows. During the three and six months ended June 30, 2012, the customers paid \$4.5 million and \$13.5 million, respectively, on the notes to the third party financing companies. During the three and six months ended

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June 30, 2011, the customers paid \$0.7 million and \$1.4 million, respectively, on the notes to the third party financing companies. As of June 30, 2012 and December 31, 2011, the outstanding balance of the notes receivable guaranteed by the company was \$0.9 million and \$14.1 million, respectively.

In the normal course of business, the company provides its customers a warranty covering workmanship, and in some cases materials, on products manufactured by the company. The warranty generally provides that products will be free from defects for periods ranging from 12 to 60 months with certain equipment having longer-term warranties. If a product fails to comply with the company's warranty, the company may be obligated, at its expense, to correct any defect by repairing or replacing such defective products. The company provides for an estimate of costs that may be incurred under its warranty at the time product revenue is recognized. These costs primarily include labor and materials, as necessary, associated with repair or replacement. The primary factors that affect the company's warranty liability include the number of units shipped and historical and anticipated warranty claims. As these factors are impacted by actual experience and future expectations, the company assesses the adequacy of its recorded warranty liability and adjusts the amounts as necessary. Below is a table summarizing the warranty activity for the six months ended June 30, 2012 and the year ended December 31, 2011:

(in millions)	Six Months Ended June 30, 2012		Year Ended December 31, 2011	
Balance at beginning of period	\$	104.4	\$	99.9
Accruals for warranties issued during the period		31.4		66.8
Settlements made (in cash or in kind) during the period		(32.6)		(62.3)
Currency translation		(1.1)		
Balance at end of period	\$	102.1	\$	104.4

16. Employee Benefit Plans

The company provides certain pension, health care and death benefits for eligible retirees and their dependents. The pension benefits are funded, while the health care and death benefits are not funded but are paid as incurred. Eligibility for coverage is based on meeting certain years of service and retirement qualifications. These benefits may be subject to deductibles, co-payment provisions, and other limitations. The company has reserved the right to modify these benefits.

The components of periodic benefit costs for the three and six months ended June 30, 2012 and June 30, 2011 are as follows:

(in millions)	Three Months Ended June 30, 2012			Six Months Ended June 30, 2012		
	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans
Service cost - benefits earned during the period	\$	\$	0.6	\$	\$	0.4
Interest cost of projected benefit obligations	2.6	2.5	0.7	5.1	5.0	1.4
Expected return on plan assets	(2.6)	(2.0)		(5.1)	(4.0)	
Amortization of actuarial net (gain) loss	0.7	0.2	0.1	1.4	0.4	0.2
Net periodic benefit costs	\$	\$	1.3	\$	\$	2.5