MANITOWOC CO INC
Form 10-Q
November 01, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

or

o 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)

| Wisconsin<br>(State or other jurisdiction<br>of incorporation or organization) | 39-0448110<br>(I.R.S. Employer<br>Identification Number) |
|---|---|
| 2400 South 44th Street,<br>Manitowoc, Wisconsin<br>(Address of principal executive offices) | 54221-0066<br>(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 ý No o

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 ý No o

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 x | Accelerated filer o |
|---|---|
| Non-accelerated filer o | Smaller reporting company o |

(Do not check if a 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 o No ý

The number of shares outstanding of the Registrant's common stock, $.01 par value, as of September 30, 2013, the most recent practicable date, was 133,628,937.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2013 and 2012
(Unaudited)
(In millions, except per-share and average shares data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | $1,014.5 | $947.5 | $2,959.1 | $2,796.6 |
| Costs and expenses: | | | | |
| Cost of sales | 754.4 | 713.6 | 2,206.2 | 2,108.2 |
| Engineering, selling and administrative expenses | 151.0 | 152.5 | 470.4 | 449.0 |
| Amortization expense | 8.7 | 9.3 | 26.8 | 27.9 |
| Restructuring expense | 0.4 | 0.7 | 1.6 | 1.6 |
| Other | 0.2 | 1.9 | 0.5 | 2.0 |
| Total operating costs and expenses | 914.7 | 878.0 | 2,705.5 | 2,588.7 |
| Earnings from operations | 99.8 | 69.5 | 253.6 | 207.9 |
| Other income (expenses): | | | | |
| Interest expense | (32.0) | (34.4) | (97.9) | (101.2) |
| Amortization of deferred financing fees | (1.8) | (2.0) | (5.3) | (6.1) |
| Loss on debt extinguishment | — | — | (0.4) | — |
| Other income (expense), net | 0.9 | (0.2) | 1.1 | — |
| Total other income (expenses) | (32.9) | (36.6) | (102.5) | (107.3) |
| Earnings from continuing operations before taxes on income | 66.9 | 32.9 | 151.1 | 100.6 |
| Provision for taxes on income | 17.0 | 13.5 | 34.8 | 40.4 |
| Earnings from continuing operations | 49.9 | 19.4 | 116.3 | 60.2 |
| Discontinued operations: | | | | |
| Earnings (loss) from discontinued operations, net of income taxes of $0.4, $0.3, $(0.9) and $0.5, respectively | 0.7 | 0.3 | (1.5) | 0.3 |
| Loss on sale of discontinued operations, net of income taxes of $0.0, $0.0, $3.3 and $0.0, respectively | — | — | (1.6) | — |
| Net earnings | 50.6 | 19.7 | 113.2 | 60.5 |
| Less: Net loss attributable to noncontrolling interest, net of income taxes | (2.3) | (2.5) | (7.7) | (6.7) |
| Net earnings attributable to Manitowoc | $52.9 | $22.2 | $120.9 | $67.2 |

| | | | | |
|---|---|---|---|---|
| Amounts attributable to the Manitowoc common shareholders: | | | | |
| Earnings from continuing operations | $52.2 | $21.9 | $124.0 | $66.9 |
| Earnings (loss) from discontinued operations, net of income taxes | 0.7 | 0.3 | (1.5) | 0.3 |
| Loss on sale of discontinued operations, net of income taxes | — | — | (1.6) | — |
| Net earnings attributable to Manitowoc | $52.9 | $22.2 | $120.9 | $67.2 |
| | | | | |
| Basic earnings (loss) per common share: | | | | |
| Earnings from continuing operations attributable to Manitowoc common shareholders | $0.39 | $0.17 | $0.93 | $0.51 |
| Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders | 0.01 | — | (0.01) | — |
| Loss on sale of discontinued operations, net of income taxes | — | — | (0.01) | — |
| Earnings per share attributable to Manitowoc common shareholders | $0.40 | $0.17 | $0.91 | $0.51 |
| | | | | |
| Diluted earnings (loss) per common share: | | | | |
| Earnings from continuing operations attributable to Manitowoc common shareholders | $0.39 | $0.17 | $0.92 | $0.50 |
| Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders | 0.01 | — | (0.01) | — |
| Loss on sale of discontinued operations, net of income taxes | — | — | (0.01) | — |
| Earnings per share attributable to Manitowoc common shareholders | $0.39 | $0.17 | $0.89 | $0.51 |
| | | | | |
| Weighted average shares outstanding — basic | 133,079,254 | 130,704,895 | 132,798,086 | 130,610,592 |
| Weighted average shares outstanding — diluted | 135,304,501 | 132,602,292 | 135,141,947 | 132,576,695 |

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

THE MANITOWOC COMPANY, INC.
Condensed Consolidated Statements of Comprehensive Income
For the Three and Nine Months Ended September 30, 2013 and 2012
(Unaudited)
(In millions)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net earnings | $50.6 | $19.7 | $113.2 | $60.5 |
| Other comprehensive income, net of tax | | | | |
| Derivative instrument fair market value adjustment, net of income taxes of $1.4, $2.0, $0.2 and $1.6, respectively | 2.3 | 4.0 | 0.2 | 3.1 |
| Employee pension and postretirement benefits, net of income taxes of $0.3, $0.3, $1.0 and $0.7, respectively | 1.0 | 1.0 | 3.1 | 2.6 |
| Foreign currency translation adjustments | 16.7 | 24.9 | 0.6 | 2.0 |
| Total other comprehensive income, net of tax | 20.0 | 29.9 | 3.9 | 7.7 |
| Comprehensive income | 70.6 | 49.6 | 117.1 | 68.2 |
| Comprehensive loss attributable to noncontrolling interest | (2.3) | (2.5) | (7.7) | (6.7) |
| Comprehensive income attributable to Manitowoc | $72.9 | $52.1 | $124.8 | $74.9 |

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

THE MANITOWOC COMPANY, INC.
Condensed Consolidated Balance Sheets
As of September 30, 2013 and December 31, 2012
(Unaudited)
(In millions, except share data)

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | $84.5 | $73.4 |
| Marketable securities | 2.7 | 2.7 |
| Restricted cash | 9.5 | 10.6 |
| Accounts receivable, less allowances of $16.9 and $13.5, respectively | 291.3 | 332.7 |
| Inventories — net | 854.9 | 707.6 |
| Deferred income taxes | 88.4 | 89.0 |
| Other current assets | 131.2 | 105.2 |
| Current assets of discontinued operation | — | 6.8 |
| Total current assets | 1,462.5 | 1,328.0 |
| | | |
| Property, plant and equipment — net | 575.0 | 556.1 |
| Goodwill | 1,210.6 | 1,210.7 |
| Other intangible assets — net | 772.1 | 796.4 |
| Other non-current assets | 146.9 | 130.3 |
| Long-term assets of discontinued operation | — | 35.8 |
| Total assets | $4,167.1 | $4,057.3 |
| Liabilities and Equity | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | $902.9 | $912.9 |
| Current portion of long-term debt and short-term borrowings | 97.2 | 92.8 |
| Product warranties | 82.9 | 82.1 |
| Customer advances | 35.4 | 24.2 |
| Product liabilities | 26.5 | 27.9 |
| Current liabilities of discontinued operation | — | 6.0 |
| Total current liabilities | 1,144.9 | 1,145.9 |
| Non-Current Liabilities: | | |
| Long-term debt | 1,706.0 | 1,732.0 |
| Deferred income taxes | 229.4 | 223.0 |
| Pension obligations | 114.3 | 114.3 |
| Postretirement health and other benefit obligations | 53.0 | 53.4 |
| Long-term deferred revenue | 39.8 | 37.7 |
| Other non-current liabilities | 165.2 | 161.1 |
| Long-term liabilities of discontinued operation | — | 8.6 |
| Total non-current liabilities | 2,307.7 | 2,330.1 |
| Commitments and contingencies (Note 14) | | |
| Total Equity: | | |
| Common stock (300,000,000 shares authorized, 163,175,928 shares issued, 133,628,937 and 132,769,478 shares outstanding, respectively) | 1.4 | 1.4 |
| Additional paid-in capital | 500.8 | 486.9 |
| Accumulated other comprehensive loss | (25.5) | (29.4) |

| | | |
|---|---|---|
| Retained earnings | 343.0 | 222.1 |
| Treasury stock, at cost (29,546,991 and 30,406,450 shares, respectively) | (78.5) | (80.7) |
| Total Manitowoc stockholders' equity | 741.2 | 600.3 |
| Noncontrolling interest | (26.7) | (19.0) |
| Total equity | 714.5 | 581.3 |
| Total liabilities and equity | $4,167.1 | $4,057.3 |

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 Nine Months Ended September 30, 2013 and 2012
(Unaudited)
(In millions)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| Cash Flows from Operations: | | |
| Net earnings | $113.2 | $60.5 |
| Adjustments to reconcile net earnings to cash used for operating activities of continuing operations: | | |
| Discontinued operations, net of income taxes | 1.5 | (0.3) |
| Depreciation | 54.2 | 51.1 |
| Amortization of intangible assets | 26.8 | 27.9 |
| Amortization of deferred financing fees | 5.3 | 6.1 |
| Deferred income taxes | (1.0) | 1.8 |
| Loss on early debt extinguishment | 0.4 | — |
| Loss on sale of property, plant and equipment | 3.2 | 0.8 |
| Loss on sale of discontinued operations | 1.6 | — |
| Stock-based compensation expense | 12.3 | 11.8 |
| Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures: | | |
| Accounts receivable | 39.0 | (42.3) |
| Inventories | (145.4) | (200.9) |
| Other assets | (45.6) | (16.0) |
| Accounts payable | (6.1) | 2.7 |
| Accrued expenses and other liabilities | (3.5) | 23.1 |
| Net cash provided by (used for) operating activities of continuing operations | 55.9 | (73.7) |
| Net cash (used for) provided by operating activities of discontinued operations | (3.3) | 2.8 |
| Net cash provided by (used for) operating activities | 52.6 | (70.9) |
| | | |
| Cash Flows from Investing: | | |
| Capital expenditures | (73.3) | (50.2) |
| Proceeds from sale of property, plant and equipment | 1.4 | 0.7 |
| Restricted cash | 1.2 | (2.9) |
| Proceeds from sale of business | 39.2 | — |
| Net cash used for investing activities of continuing operations | (31.5) | (52.4) |
| Net cash used for investing activities of discontinued operations | (0.1) | (0.1) |
| Net cash used for investing activities | (31.6) | (52.5) |
| | | |
| Cash Flows from Financing: | | |
| Proceeds from revolving credit facility | 16.7 | 123.4 |
| Proceeds from swap monetization | — | 14.8 |
| Payments on long-term debt | (55.8) | (70.3) |
| Proceeds from long-term debt | 28.3 | 73.1 |
| Payments on notes financing | (0.9) | (21.5) |

| | | |
|---|---|---|
| Debt issuance costs | — | (0.3) |
| Exercises of stock options | 3.8 | 2.6 |
| Net cash (used for) provided by financing activities | (7.9) | 121.8 |
| | | |
| Effect of exchange rate changes on cash | (2.0) | 1.3 |
| | | |
| Net increase (decrease) in cash and cash equivalents | 11.1 | (0.3) |
| Balance at beginning of period | 73.4 | 68.6 |
| Balance at end of period | $84.5 | $68.3 |

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

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THE MANITOWOC COMPANY, INC.
Notes to Unaudited Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2013 and 2012

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 nine months ended September 30, 2013 and 2012, the cash flows for the same nine-month periods, and the financial position at September 30, 2013 and December 31, 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 consolidated financial statements and notes for the year ended December 31, 2012. Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to SEC’s rules and regulations dealing with interim financial statements. However, the company believes that the disclosures made in the condensed consolidated financial statements included herein are adequate to make the information presented not misleading. 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.

During the third quarter of 2013, Shantui Investment Co., Ltd. (“Shantui”) terminated an agreement with Manitowoc's subsidiary, Manitowoc Crane Group Asia Pte Ltd. to enter into a joint venture contract with respect to the truck crane business currently operated as Manitowoc Dong Yue Heavy Machinery Co., Ltd. (“Manitowoc Dong Yue”). Manitowoc has a 50% controlling ownership interest in Manitowoc Dong Yue, and Manitowoc Dong Yue's financial results and position are included in the company's consolidated financial statements. Additionally, Manitowoc has significant intercompany loans with Manitowoc Dong Yue. As a result of the termination of the agreement by Shantui, the company is considering alternative courses of action with respect to the Manitowoc Dong Yue business, which could effectively result in the disposal of Manitowoc's interest in Manitowoc Dong Yue. It is likely that these courses of action would result in significant non-cash losses, primarily as a result of the potential deconsolidation of Manitowoc Dong Yue.

2. Discontinued Operations

On January 28, 2013, the company sold its Jackson business, which designed, manufactured and sold warewashing equipment and other equipment including racks and tables, to Hoshizaki USA Holdings, Inc. for approximately $38.5 million. Proceeds, net of estimated tax liability, were used to reduce ratably the then-outstanding balances of Term Loans A and B. The transaction resulted in a $1.6 million loss on sale, which included $3.3 million of income tax expense. During March 2013, Hoshizaki USA Holdings, Inc. made a payment to the company of $0.7 million as the final working capital adjustment under the sale agreement. The results of these operations have been classified as discontinued operations.

The following selected financial data of the Jackson business for the three and nine months ended September 30, 2013 and 2012 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business 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.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2013 | 2012 | 2013 | 2012 |
| Net sales | $— | $8.2 | $2.5 | $25.1 |
| | | | | |
| Pretax earnings from discontinued operation | $— | $0.5 | $0.1 | $1.4 |
| Provision for taxes on earnings | — | 0.3 | — | 0.7 |
| Net earnings from discontinued operation | $— | $0.2 | $0.1 | $0.7 |

The following selected financial data of various other businesses disposed of prior to 2012, primarily consisting of administrative costs and the settlement of a product liability claim in the second quarter of 2013, for the three and nine months ended September 30, 2013 and 2012, is presented for informational purposes only and does not necessarily reflect what the

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results of operations would have been had the businesses operated as stand-alone entities. There was no general corporate expense or interest expense allocated to discontinued operations for these businesses during the periods presented.

| (in millions) | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Net sales | $— | $— | $— | $— |
| Pretax earnings (loss) from discontinued operations | $1.1 | $0.1 | $(2.5) | $(0.6) |
| Provision (benefit) for taxes on earnings | 0.4 | — | (0.9) | (0.2) |
| Net earnings (loss) from discontinued operations | $0.7 | $0.1 | $(1.6) | $(0.4) |

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 September 30, 2013 and December 31, 2012 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.

| | Fair Value as of September 30, 2013 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Current Assets: | | | | |
| Foreign currency exchange contracts | $— | $3.7 | $— | $3.7 |
| Commodity contracts | — | 0.1 | — | 0.1 |
| Marketable securities | 2.7 | — | — | 2.7 |
| Total current assets at fair value | $2.7 | $3.8 | $— | $6.5 |
| Current Liabilities: | | | | |
| Foreign currency exchange contracts | $— | $1.7 | $— | $1.7 |
| Commodity contracts | — | 0.9 | — | 0.9 |
| Total current liabilities at fair value | $— | $2.6 | $— | $2.6 |
| Non-current Liabilities: | | | | |
| Interest rate swap contracts | $— | $11.2 | $— | $11.2 |
| Commodity contracts | $— | $0.1 | $— | $0.1 |
| Total Non-current liabilities at fair value | $— | $11.3 | $— | $11.3 |

| | Fair Value as of December 31, 2012 | | | |
|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Current Assets: | | | | |
| Foreign currency exchange contracts | $— | $2.9 | $— | $2.9 |
| Marketable securities | 2.7 | — | — | 2.7 |
| Total current assets at fair value | $2.7 | $2.9 | $— | $5.6 |
| Current Liabilities: | | | | |
| Foreign currency exchange contracts | $— | $0.9 | $— | $0.9 |
| Commodity contracts | — | 0.8 | — | 0.8 |
| Interest rate swap contracts | — | 0.3 | — | 0.3 |
| Total current liabilities at fair value | $— | $2.0 | $— | $2.0 |
| Non-current Liabilities: | | | | |
| Interest rate swap contracts | $— | $1.1 | $— | $1.1 |
| Total non-current liabilities at fair value | $— | $1.1 | $— | $1.1 |

The fair value of the company's 9.50% Senior Notes due 2018 was approximately $429.1 million and $447.5 million as of September 30, 2013 and December 31, 2012, respectively. The fair value of the company's 8.50% Senior Notes due 2020 was approximately $667.5 million and $675.0 million as of September 30, 2013 and December 31, 2012, respectively. The fair value of the company's 5.875% Senior Notes due 2022 was approximately $295.0 million and $307.5 million as of September 30, 2013 and December 31, 2012, respectively. The fair values of the company's Term Loans under its Senior Credit Facility were as follows as of September 30, 2013 and December 31, 2012, respectively: Term Loan A — $270.0 million and $296.0 million; and Term Loan B — $75.6 million and $81.4 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 September 30, 2013 and December 31, 2012 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 foreign currency exchange, interest rate, 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 risks that have been identified and measured and are capable of being controlled are minimized using what it believes to be the most effective and efficient methods to eliminate, reduce, or transfer such exposures. Operating decisions consider associated risks and transactions are structured to minimize or manage risk whenever possible.

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.  Swap contracts on various commodities are entered into to manage the price risk associated with forecasted purchases of materials used in the company's manufacturing processes.  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 derivative 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 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 $0.9 million of unrealized gains 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 one-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. one-month LIBOR benchmark interest rate.

As of September 30, 2013 and December 31, 2012, the company had the following outstanding commodity and foreign currency exchange contracts that were entered to hedge forecasted transactions:

| | Units Hedged | | | |
|---|---|---|---|---|
| Commodity | September 30, 2013 | December 31, 2012 | | Type |
| Aluminum | 1,715 | 1,382 | MT | Cash Flow |
| Copper | 417 | 515 | MT | Cash Flow |
| Natural Gas | 201,946 | 158,670 | MMBtu | Cash Flow |
| Steel | 14,054 | 10,041 | Tons | Cash Flow |

| | Units Hedged | | |
|---|---|---|---|
| Short Currency | September 30, 2013 | December 31, 2012 | Type |
| Canadian Dollar | 10,079,738 | 9,351,126 | Cash Flow |
| European Euro | 114,968,295 | 66,389,190 | Cash Flow |
| South Korean Won | 2,211,098,418 | 2,595,874,455 | Cash Flow |
| Singapore Dollar | 4,800,000 | 4,800,000 | Cash Flow |
| United States Dollar | 246,399 | 2,398,273 | Cash Flow |
| Chinese Renminbi | 76,791,282 | 187,640,472 | Cash Flow |

As of September 30, 2013 and December 31, 2012, the company had outstanding $150.0 million and $225.0 million, respectively, 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 without the benefit of the interest rate cap.

As of December 31, 2012, the company had $100.0 million notional amount of fixed-to-float interest rate swaps outstanding related to the Senior Notes due 2022 that were designated as fair value hedges. In the second quarter of 2013, the company entered into and designated as fair value hedges $75.0 million and $25.0 million notional amount of additional fixed-to-float interest rate swaps relating to the Senior Notes due 2020 and 2022, respectively.

As of September 30, 2013, the company had $75.0 million and $125.0 million total notional amount of fixed-to-float interest rate swaps outstanding related to the Senior Notes due 2020 and 2022, respectively, that were designated as fair value hedges.

See Note 8, "Debt," for a description of the debt instruments.

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 September 30, 2013 and December 31, 2012, the company had the following outstanding foreign currency exchange contracts that were not designated as hedging instruments:

| Short Currency | Units Hedged September 30, 2013 | December 31, 2012 | Recognized Location | Purpose |
|---|---|---|---|---|
| Euro | 30,411,329 | 24,540,841 | Other income, net | Accounts Payable and Receivable Settlement |
| United States Dollar | 42,739,909 | 6,432,000 | Other income, net | Accounts Payable and Receivable Settlement |
| Pound Sterling | — | 11,100,000 | Other income, net | Accounts Payable and Receivable Settlement |
| Chinese Renminbi | 125,000,000 | — | Other income, net | Accounts Payable and Receivable Settlement |
| Japanese Yen | 200,000,000 | — | Other income, net | Accounts Payable and Receivable Settlement |
| Swiss Franc | 25,563,763 | — | Other income, net | Accounts Payable and Receivable Settlement |

The fair value of outstanding derivative contracts recorded as assets in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012 was as follows:

| | | ASSET DERIVATIVES | |
|---|---|---|---|
| | | September 30, 2013 | December 31, 2012 |
| (in millions) | Balance Sheet Location | Fair Value | |
| Derivatives designated as hedging instruments | | | |
| Foreign exchange contracts | Other current assets | $2.7 | $2.6 |
| Commodity contracts | Other current assets | $0.1 | $— |
| Total derivatives designated as hedging instruments | | $2.8 | $2.6 |

| | | ASSET DERIVATIVES | |
|---|---|---|---|
| | | September 30, 2013 | December 31, 2012 |
| (in millions) | Balance Sheet Location | Fair Value | |
| Derivatives NOT designated as hedging instruments | | | |
| Foreign exchange contracts | Other current assets | $1.0 | $0.3 |
| Total derivatives NOT designated as hedging instruments | | $1.0 | $0.3 |
| Total asset derivatives | | $3.8 | $2.9 |

The fair value of outstanding derivative contracts recorded as liabilities in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012 was as follows:

| | | LIABILITY DERIVATIVES | |
|---|---|---|---|
| | | September 30, 2013 | December 31, 2012 |
| (in millions) | Balance Sheet Location | Fair Value | |
| Derivatives designated as hedging instruments | | | |
| Foreign exchange contracts | Accounts payable and accrued expenses | $0.2 | $0.4 |
| Commodity contracts | Accounts payable and accrued expenses | 0.9 | 0.8 |
| Commodity contracts | Other non-current liabilities | $0.1 | $— |
| Interest rate swap contracts: Fixed-to-float | Other non-current liabilities | $11.2 | $1.1 |
| Total derivatives designated as hedging instruments | | $12.4 | $2.3 |

| | | LIABILITY DERIVATIVES | |
|---|---|---|---|
| | | September 30, 2013 | December 31, 2012 |
| (in millions) | Balance Sheet Location | Fair Value | |
| Derivatives NOT designated as hedging instruments | | | |
| Foreign exchange contracts | Accounts payable and accrued expenses | $1.5 | $0.5 |
| Interest rate swap contracts: Float-to-fixed | Accounts payable and accrued expenses | — | 0.3 |
| Total derivatives NOT designated as hedging instruments | | $1.5 | $0.8 |
| | | | |
| Total liability derivatives | | $13.9 | $3.1 |

The effect of derivative instruments on the Condensed Consolidated Statements of Operations for the three months ended September 30, 2013 and September 30, 2012 for gains or losses initially recognized in Other Comprehensive Income (OCI) in the Condensed Consolidated Balance Sheets 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) September 30, 2013 | September 30, 2012 | 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) September 30, 2013 | September 30, 2012 |
|---|---|---|---|---|---|
| Foreign exchange contracts | $ 2.0 | $ 2.7 | Cost of sales | $ 0.8 | $ (3.6 ) |
| Interest rate swap & cap contracts | — | — | Interest expense | — | — |
| Commodity contracts | 0.4 | 0.9 | Cost of sales | (0.4 ) | (0.8 ) |
| Total | $ 2.4 | $ 3.6 | | $ 0.4 | $ (4.4 ) |

| 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) September 30, 2013 | September 30, 2012 |
|---|---|---|---|
| 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 | |
|---|---|---|---|
| | | September 30, 2013 | September 30, 2012 |
| Foreign exchange contracts | Other income | $ 0.8 | $ 0.3 |
| Interest rate swaps | Other income | — | 2.3 |
| Total | | $ 0.8 | $ 2.6 |

The effect of derivative instruments on the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2013 and September 30, 2012 for gains or losses initially recognized in Other Comprehensive Income (OCI) in the Condensed Consolidated Balance Sheets 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) | |
|---|---|---|---|---|---|
| | September 30, 2013 | September 30, 2012 | | September 30, 2013 | September 30, 2012 |
| Foreign exchange contracts | $ 0.2 | $ 2.5 | Cost of sales | $ 1.6 | $ (6.9) |
| Interest rate swap & cap contracts | — | (0.1) | Interest expense | — | — |
| Commodity contracts | 0.1 | 0.7 | Cost of sales | (1.5) | (2.2) |
| Total | $ 0.3 | $ 3.1 | | $ 0.1 | $ (9.1) |

| 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) | |
|---|---|---|---|
| | | September 30, 2013 | September 30, 2012 |
| Commodity contracts | Cost of sales | $ (0.1) | $ (0.2) |
| Total | | $ (0.1) | $ (0.2) |

| 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 | |
|---|---|---|---|
| | | September 30, 2013 | September 30, 2012 |
| Foreign exchange contracts | Other income | $ — | $ (1.2) |
| Interest rate swaps | Other income | — | $ 6.9 |
| Total | | $ — | $ 5.7 |

The effect of Fair Market Value designated derivative instruments on the Condensed Consolidated Statements of Operations for the three months ended September 30, 2013 and September 30, 2012 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 | |
|---|---|---|---|
| | | September 30, 2013 | September 30, 2012 |
| Interest rate swap contracts | Interest expense | $ (2.7) | $ — |
| Total | | $ (2.7) | $ — |

The effect of Fair Market Value designated derivative instruments on the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2013 and September 30, 2012 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 | |
|---|---|---|---|
| | | September 30, 2013 | September 30, 2012 |
| Interest rate swap contracts | Interest expense | $ (10.1) | $ 11.5 |
| Total | | $ (10.1) | $ 11.5 |

5. Inventories

The components of inventories as of September 30, 2013 and December 31, 2012 are summarized as follows:

| (in millions) | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Inventories — gross: | | |
| Raw materials | $255.8 | $231.1 |
| Work-in-process | 191.6 | 149.7 |
| Finished goods | 513.5 | 437.6 |
| Total inventories — gross | 960.9 | 818.4 |
| Excess and obsolete inventory reserve | (70.4) | (74.2) |
| Net inventories at FIFO cost | 890.5 | 744.2 |
| Excess of FIFO costs over LIFO value | (35.6) | (36.6) |
| Inventories — net | $854.9 | $707.6 |

6. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by reportable segment for the year ended December 31, 2012 and the nine months ended September 30, 2013 are as follows:

| (in millions) | Crane | Foodservice | Total |
|---|---|---|---|
| Gross balance as of January 1, 2012 | $338.8 | $1,384.9 | $1,723.7 |
| Accumulated asset impairments | — | (515.7) | (515.7) |
| Net balance as of January 1, 2012 | 338.8 | 869.2 | 1,208.0 |
| Restructuring reserve adjustment | — | (0.6) | (0.6) |
| Foreign currency impact | 2.9 | 0.4 | 3.3 |
| Gross balance as of December 31, 2012 | $341.7 | $1,384.7 | $1,726.4 |
| Accumulated asset impairments | — | (515.7) | (515.7) |
| Net balance as of December 31, 2012 | $341.7 | $869.0 | $1,210.7 |
| Restructuring reserve adjustment | — | (0.7) | (0.7) |
| Foreign currency impact | 0.5 | 0.1 | 0.6 |
| Gross balance as of September 30, 2013 | $342.2 | $1,384.1 | $1,726.3 |
| Accumulated asset impairments | — | (515.7) | (515.7) |
| Net balance as of September 30, 2013 | $342.2 | $868.4 | $1,210.6 |

The company accounts for goodwill and other intangible assets under the guidance of ASC Topic 350, “Intangibles — Goodwill and Other.” 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, 2013, the company performed its annual impairment analysis relative to goodwill and indefinite-lived intangible assets, 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 September 30, 2013 and December 31, 2012 are as follows:

| | September 30, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Carrying Amount | Accumulated Amortization | Net Book Value | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Trademarks and tradenames | $310.6 | $— | $310.6 | $309.4 | $— | $309.4 |
| Customer relationships | 425.8 | (109.9) | 315.9 | 426.7 | (94.1) | 332.6 |
| Patents | 34.7 | (27.8) | 6.9 | 33.6 | (26.1) | 7.5 |
| Engineering drawings | 11.3 | (8.8) | 2.5 | 11.1 | (8.1) | 3.0 |
| Distribution network | 20.9 | — | 20.9 | 20.6 | — | 20.6 |
| Other intangibles | 178.2 | (62.9) | 115.3 | 178.2 | (54.9) | 123.3 |
| Total | $981.5 | $(209.4) | $772.1 | $979.6 | $(183.2) | $796.4 |

Amortization expense for the three months ended September 30, 2013 and 2012 was $8.7 million and $9.3 million, respectively.

Amortization expense for the nine months ended September 30, 2013 and 2012 was $26.8 million and $27.9 million, respectively.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2013 and December 31, 2012 are summarized as follows:

| (in millions) | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Trade accounts payable and interest payable | $512.5 | $510.2 |
| Employee related expenses | 109.5 | 96.9 |
| Restructuring expenses | 20.4 | 25.3 |
| Profit sharing and incentives | 34.8 | 42.9 |
| Accrued rebates | 39.4 | 39.7 |
| Deferred revenue - current | 22.3 | 29.5 |
| Derivative liabilities | 2.6 | 1.9 |
| Income taxes payable | 46.4 | 37.6 |
| Miscellaneous accrued expenses | 115.0 | 128.9 |
| | $902.9 | $912.9 |

8. Debt

Outstanding debt at September 30, 2013 and December 31, 2012 is summarized as follows:

| (in millions) | September 30, 2013 | December 31, 2012 |
| --- | --- | --- |
| Revolving credit facility | $51.1 | $34.4 |
| Term loan A | 271.3 | 297.5 |
| Term loan B | 75.4 | 81.0 |
| Senior notes due 2018 | 409.0 | 410.5 |
| Senior notes due 2020 | 616.4 | 621.2 |
| Senior notes due 2022 | 291.6 | 298.9 |
| Other | 88.4 | 81.3 |
| Total debt | 1,803.2 | 1,824.8 |
| Less current portion and short-term borrowings | (97.2) | (92.8) |
| Long-term debt | $1,706.0 | $1,732.0 |

On May 13, 2011, the company entered 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. Both including and excluding interest rate caps as of September 30, 2013, the weighted average interest rates for the Term Loan A and the Term Loan B loans were 3.00% and 4.25%, respectively. The weighted average interest rates for the term loans including and excluding the impact of interest rate caps were the same because the relevant one-month U.S. LIBOR rate was below the 3.00% cap level as of September 30, 2013.

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 measures 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) |
| --- | --- | --- |
| 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 the following three series of Senior Notes outstanding (collectively the "Senior Notes"):

•5.875% Senior Notes due 2022 (the "2022 Notes"); original principal amount: $300.0 million

•8.50% Senior Notes due 2020 (the "2020 Notes"); original principal amount: $600.0 million

•9.50% Senior Notes due 2018 (the "2018 Notes"); original principal amount: $400.0 million

Interest on the 2022 Notes is payable semiannually in April and October of each year; interest on the 2020 Notes is payable semiannually in May and November of each year; and interest on the 2018 Notes is payable semiannually in February and August of each year.

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

The company may redeem the 2022 Notes in whole or in part for a premium at any time on or after October 15, 2017. The following would be the principal and premium paid by the company, expressed as percentages of the principal amount thereof, if it redeems the 2022 Notes during the 12-month period commencing on October 15 of the year set forth below:

| Year | Percentage | |
|---|---|---|
| 2017 | 102.938 | % |
| 2018 | 101.958 | % |
| 2019 | 100.979 | % |
| 2020 and thereafter | 100.000 | % |

In addition, at any time prior to October 15, 2015, the company is permitted to, at its option, use the net cash proceeds of one or more public equity offerings to redeem up to 35% of the 2022 Notes at a redemption price of 105.875%, plus accrued but unpaid interest, if any, to the date of redemption; provided that (1) at least 65% of the principal amount of the 2022 Notes outstanding remains outstanding immediately after any such redemption; and (2) the company makes such redemptions not more than 90 days after the consummation of any such public offering. Further, the company is required to offer to repurchase the 2022 Notes for cash at a price of 101% of the aggregate principal amount of the 2022 Notes, plus accrued and unpaid interest, if any, upon the occurrence of a change of control triggering event.

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.

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:



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

As of September 30, 2013, the company had outstanding $88.4 million of other indebtedness that has a weighted-average interest rate of approximately 6.4%. This debt includes outstanding line of credit balances and capital lease obligations in its Americas, Asia-Pacific and European regions.

As of September 30, 2013, the company had outstanding $150.0 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. As of September 30, 2013, $75.0 million and $125.0 million of the 2020 and 2022 Notes, respectively, were swapped to floating rate interest. Including the impact of these floating rate swaps, the 2020 and 2022 Notes have an all-in interest rate of 8.31% and 5.19%, respectively.

The balance sheet values of the Senior Notes as of September 30, 2013 and December 31, 2012 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 are included in the applicable balance sheet values (see Note 4, “Derivative Financial Instruments” for more information).

As of September 30, 2013, 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 2018 Notes, the 2020 Notes, and the 2022 Notes. Based upon the company's current plans and outlook, management believes the company will be able to comply with these covenants during the subsequent 12 months. As of September 30, 2013 our Consolidated Senior Secured Leverage Ratio was 1.35:1, while the maximum ratio is 3.25:1 and our Consolidated Interest Coverage Ratio was 3.51:1, above the minimum ratio of 2.50:1.

9. Accounts Receivable Securitization

The company maintains an accounts receivable securitization program with a commitment size of $150.0 million, whereby transactions under the program are accounted for as sales in accordance with ASC Topic 860, “Transfers and Servicing.” Sales of trade receivables under the program 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. Trade accounts receivables sold to a third-party financial institution (“Purchaser”) and being serviced by the company totaled $148.5 million as of September 30, 2013 and $149.2 million at December 31, 2012. 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 as of September 30, 2013 and December 31, 2012 was $47.8 million and $34.3 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 September 30, 2013, 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 the company's current plans and outlook, management believes the company will be able to comply with these covenants during the subsequent twelve months.

10. Income Taxes

For the nine months ended September 30, 2013, the company recorded an income tax expense of $34.8 million, compared to an income tax expense of $40.4 million for the nine months ended September 30, 2012. The decrease in the company's tax expense for the nine months ended September 30, 2013 relative to the prior year resulted primarily

from the jurisdictional mix of pre-tax earnings and net discrete items, principally the effect of the American Taxpayer Relief Act of 2012 signed into law on January 2, 2013, reserve releases related to statute of limitations expirations, a favorable audit settlement, and the effective

settlement of other state uncertain tax benefits. 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 $42.5 million as of September 30, 2013, and $55.6 million as of September 30, 2012. All of the company's unrecognized tax benefits as of September 30, 2013, 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 by up to $33.4 million, either because the company's tax positions are sustained on audit or settled, or the applicable statute of limitations closes.

Among other regular and ongoing examinations by federal and state jurisdictions globally, the company is under examination by the Internal Revenue Service ("IRS") for the calendar years 2008 through 2011. In August 2012, the company received a Notice of Proposed Assessment ("NOPA") related to the disallowance of the deductibility of a $380.9 million foreign currency loss incurred in calendar year 2008. In September 2012, the company responded to the NOPA indicating its formal disagreement and subsequently received an Examination Report which includes the proposed disallowance. The largest potential adjustment for this matter could, if the IRS were to prevail, increase the company's potential federal tax expense and cash outflow by approximately $134.0 million plus interest and penalties, if any. The company filed a formal protest to the proposed adjustment during the fourth quarter of 2012. In January 2013, the company received a formal rebuttal from the IRS and notification of the assignment of this matter to its Appeals division. Subsequent to an Appeals conference in September 2013, the company has been advised by the Appeals division that the issue has been tentatively resolved in the company's favor. However, this tentative resolution is subject to review by the Joint Committee on Taxation and there can be no assurance that this matter will be ultimately resolved in the company's favor. The company will continue to pursue all administrative and, if necessary, judicial remedies with respect to resolving this matter. The IRS also examined and proposed adjustments to the research and development credit generated in 2009. The company has tentatively resolved this issue; however, this tentative resolution is also subject to review by the Joint Committee on Taxation. Given the uncertainty, neither of the resolutions have been reflected in the current quarter results; however, should the resolutions be accepted by the Joint Committee on Taxation, the potential adjustments are not expected to have a material impact on the financial statements.

The company regularly assesses the likelihood of an adverse outcome resulting from examinations to determine the adequacy of its tax reserves. As of September 30, 2013, the company believes that it is more-likely-than-not that the tax positions it has taken will be sustained upon the resolution of its audits resulting in no material impact on its consolidated financial position and the results of operations and cash flows. However, the final determination with respect to any tax audits, and any related litigation, could be materially different from the company's estimates and/or from its historical income tax provisions and accruals and could have a material effect on operating results and/or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties, and/or interest assessments.

As of September 30, 2013, there have been no significant developments in the quarter with respect to the company's other 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Basic weighted average common shares outstanding | 133,079,254 | 130,704,895 | 132,798,086 | 130,610,592 |
| Effect of dilutive securities | 2,225,247 | 1,897,397 | 2,343,861 | 1,966,103 |
| Diluted weighted average common shares outstanding | 135,304,501 | 132,602,292 | 135,141,947 | 132,576,695 |

For the three months ended September 30, 2013 and September 30, 2012, 1.4 million and 3.4 million, respectively, of common shares issuable upon the exercise of stock options were anti-dilutive and were excluded from the calculation of diluted earnings per share. For the nine months ended September 30, 2013 and September 30, 2012, 2.3 million and 3.4 million, respectively, 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 nine months ended September 30, 2013 and September 30, 2012.

12. Stockholders' Equity

The following is a roll forward of retained earnings and noncontrolling interest for the nine months ended September 30, 2013 and 2012:

| (in millions) | Retained Earnings | Noncontrolling Interest |
|---|---|---|
| Balance at December 31, 2012 | $222.1 | $(19.0) |
| Net earnings (loss) | 120.9 | (7.7) |
| Balance at September 30, 2013 | $343.0 | $(26.7) |

| (in millions) | Retained Earnings | Noncontrolling Interest |
|---|---|---|
| Balance at December 31, 2011 | $131.0 | $(9.9) |
| Net earnings (loss) | 67.2 | (6.7) |
| Balance at September 30, 2012 | $198.2 | $(16.6) |

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 September 30, 2013, 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.

A reconciliation for the changes in accumulated other comprehensive income (loss), net of tax, by component for the three months ended March 31, 2013, June 30, 2013 and September 30, 2013 is as follows:

| (in millions) | Gains and Losses on Cash Flow Hedges | Pension & Postretirement | Foreign Currency Translation | Total |
|---|---|---|---|---|
| Balance at December 31, 2012 | $0.6 | $(80.3) | $50.3 | $(29.4) |
| Other comprehensive loss before reclassifications | (2.7) | — | (14.6) | (17.3) |
| Amounts reclassified from accumulated other comprehensive income | 0.1 | 1.0 | — | 1.1 |
| Net current period other comprehensive income (loss) | (2.6) | 1.0 | (14.6) | (16.2) |
| Balance at March 31, 2013 | $(2.0) | $(79.3) | $35.7 | $(45.6) |
| Other comprehensive income (loss) before reclassifications | 0.4 | — | (1.5) | (1.1) |
| Amounts reclassified from accumulated other comprehensive income | 0.1 | 1.1 | — | 1.2 |
| Net current period other comprehensive income (loss) | 0.5 | 1.1 | (1.5) | 0.1 |
| Balance at June 30, 2013 | $(1.5) | $(78.2) | $34.2 | $(45.5) |
| Other comprehensive income before reclassifications | 2.6 | — | 16.7 | 19.3 |
| Amounts reclassified from accumulated other comprehensive income | (0.3) | 1.0 | — | 0.7 |
| Net current period other comprehensive income | 2.3 | 1.0 | 16.7 | 20.0 |
| Balance at September 30, 2013 | $0.8 | $(77.2) | $50.9 | $(25.5) |

A reconciliation for the reclassifications out of accumulated other comprehensive income, net of tax, for the three months ended September 30, 2013 is as follows:

| (in millions) | Amount Reclassified from Accumulated Other Comprehensive Income | | Recognized Location |
|---|---|---|---|
| Gains and losses on cash flow hedges | | | |
| Foreign exchange contracts | $0.8 | | Cost of sales |
| Commodity contracts | (0.4 | ) | Cost of sales |
| | 0.4 | | Total before tax |
| | (0.1 | ) | Tax expense |
| | $0.3 | | Net of tax |
| Amortization of pension and postretirement items | | | |
| Actuarial losses | (1.3 | ) (a) | |
| | (1.3 | ) | Total before tax |
| | 0.3 | | Tax benefit |
| | $(1.0 | ) | Net of Tax |
| Total reclassifications for the period | $(0.7 | ) | Net of Tax |

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 16, "Employee Benefit Plans" for further details).

A reconciliation for the reclassifications out of accumulated other comprehensive income, net of tax, for the nine months ended September 30, 2013 is as follows:

| (in millions) | Amount Reclassified from Accumulated Other Comprehensive Income | | Recognized Location |
|---|---|---|---|
| Gains and losses on cash flow hedges | | | |
| Foreign exchange contracts | $1.6 | | Cost of sales |
| Commodity contracts | (1.5 | ) | Cost of sales |
| | 0.1 | | Total before tax |
| | — | | Tax expense |
| | $0.1 | | Net of tax |
| Amortization of pension and postretirement items | | | |
| Actuarial losses | (4.1 | ) (a) | |
| | (4.1 | ) | Total before tax |
| | 1.0 | | Tax benefit |
| | $(3.1 | ) | Net of Tax |
| Total reclassifications for the period | $(3.0 | ) | Net of Tax |

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 16, "Employee Benefit Plans" for further details).

13. Stock-Based Compensation

The company's 2013 Omnibus Incentive Plan (the "2013 Omnibus Plan") was approved by shareholders on May 7, 2013 during the 2013 annual meeting and replaces the 2003 Incentive Stock and Awards Plan (the "2003 Stock Plan") and 2004 Non-Employee Director Stock and Awards Plan (the "2004 Stock Plan") as of May 7, 2013. The 2013 Omnibus Plan also replaces the company's Short-Term Incentive Plan (the "STIP") as of December 31, 2013. The 2003 Stock Plan, the 2004 Stock Plan and the STIP may be effectively referred to as the "Existing Plans." No new awards may be granted under the Existing Plans and after the respective termination dates, but the Existing Plans will continue to govern awards outstanding as of the date they are terminated and outstanding awards will continue in force and effect until vested, exercised or forfeited pursuant to their terms. The 2013 Omnibus Plan provides for both short-term and long-term incentive awards for employees and Non-Employee Directors. Stock-based awards may take the form of stock options, stock appreciation rights, restricted stock, restricted stock units, and performance share or performance unit awards. The total number of shares of the company's common stock originally available for awards under the 2013 Omnibus Plan is 8.0 million shares and is subject to adjustments for stock splits, stock dividends and certain other transactions or events in the future.

Stock-based compensation expense was $3.3 million and $3.2 million for the three months ended September 30, 2013 and 2012, respectively. Stock-based compensation expense was $12.3 million and $11.8 million for the nine months ended September 30, 2013 and 2012, respectively. The company granted options to acquire 0.4 million and 0.7 million shares of common stock to officers and employees during the first three quarters of 2013 and 2012, respectively. In addition, the company issued a total of 0.1 million shares of restricted stock to directors during the first three quarters of 2013, and 0.2 million shares of restricted stock to directors and employees during the first three quarters of 2012. 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 2013 and 2012 are earned based on the extent to which performance goals are met by the company over three-year periods from January 1, 2013 to December 31, 2015, and January 1, 2012 to December 31, 2014, respectively. The performance goals for the performance shares granted in 2013 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 debt reduction over the three-year period. 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 0.8 million and zero to 0.7 million for the 2013 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 September 30, 2013, the company held reserves for environmental matters related to Enodis locations of approximately $0.4 million. 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 September 30, 2013, 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 September 30, 2013, 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 Sheets as of September 30, 2013 and December 31, 2012 were $26.5 million and $27.9 million, respectively; $4.5 million and $6.3 million, respectively, was reserved specifically for actual cases and $22.0 million and $21.6 million, respectively, 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.

As of September 30, 2013 and December 31, 2012, the company had reserved $101.8 million and $101.4 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 as of September 30, 2013 and December 31, 2012 was $62.2 million and $67.2 million, respectively. The total amount of residual value guarantees and buyback commitments given by the company and outstanding as of September 30, 2013 and December 31, 2012 was $53.2 million and $80.5 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 2017.

During the nine months ended September 30, 2013 the company sold $20.4 million of additional long term notes receivable to third party financing companies; the company did not sell any long term notes receivable during the nine months ended September 30, 2012. Related to notes sold, 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 nine months ended September 30, 2013 and 2012, the customers paid $21.3 million and $21.5 million, respectively, on the notes to the third party financing companies. As of September 30, 2013 and December 31, 2012, the outstanding balance of the notes receivable guaranteed by the company was $27.3 million and $27.1 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 nine months ended September 30, 2013 and the year ended December 31, 2012:

| (in millions) | Nine Months Ended September 30, 2013 | Year Ended December 31, 2012 |
|---|---|---|
| Balance at beginning of period | $101.4 | $103.7 |
| Accruals for warranties issued during the period | 46.1 | 57.1 |
| Settlements made (in cash or in kind) during the period | (46.1) | (59.9) |
| Currency translation | 0.4 | 0.5 |
| Balance at end of period | $101.8 | $101.4 |

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 nine months ended September 30, 2013 and September 30, 2012 are as follows:

| | Three Months Ended September 30, 2013 | | | Nine Months Ended September 30, 2013 | | |
|---|---|---|---|---|---|---|
| (in millions) | 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 | $— | $0.7 | $ 0.2 | $— | $1.9 | $ 0.5 |
| Interest cost of projected benefit obligations | 2.4 | 2.5 | 0.5 | 7.2 | 7.4 | 1.5 |
| Expected return on plan assets | (2.5) | (2.0) | — | (7.6) | (5.8) | — |
| Amortization of actuarial net loss | 0.8 | 0.5 | — | 2.6 | 1.5 | — |
| Net periodic benefit costs | $0.7 | $1.7 | $ 0.7 | $2.2 | $5.0 | $ 2.0 |

| | Three Months Ended September 30, 2012 | | | Nine Months Ended September 30, 2012 | | |
|---|---|---|---|---|---|---|
| (in millions) | 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 | $— | $0.5 | $ 0.2 | $— | $1.6 | $ 0.6 |
| Interest cost of projected benefit obligations | 2.5 | 2.5 | 0.7 | 7.6 | 7.5 | 2.1 |
| Expected return on plan assets | (2.5) | (2.1) | — | (7.6) | (6.1) | — |
| Amortization of actuarial net loss | 0.8 | 0.3 | 0.2 | 2.2 | 0.7 | 0.4 |
| Net periodic benefit costs | $0.8 | $1.2 | $ 1.1 | $2.2 | $3.7 | $ 3.1 |

17. Restructuring

The following is a rollforward of all restructuring activities relating to the Crane segment for the nine months ended September 30, 2013 (in millions):

| Restructuring Reserve Balance as of December 31, 2012 | Restructuring Charges | Use of Reserve | Reserve Revisions | Restructuring Reserve Balance as of September 30, 2013 |
|---|---|---|---|---|
| $8.4 | $0.6 | $(3.1) | $— | $5.9 |

The following is a rollforward of all restructuring activities relating to the Foodservice segment for the nine months ended September 30, 2013 (in millions):

| Restructuring Reserve Balance as of December 31, 2012 | Restructuring Charges | Use of Reserve | Reserve Revisions | Restructuring Reserve Balance as of September 30, 2013 |
|---|---|---|---|---|
| $16.9 | $1.0 | $(2.7 ) | $(0.7 ) | $14.5 |

18. Recent Accounting Changes and Pronouncements

In July 2013, the FASB issued Accounting Standard Update ("ASU") No. 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This new standard generally requires the netting of unrecognized tax benefits (UTBs) against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. Under the new standard, UTBs will be netted against all available same-jurisdiction loss or other tax carryforwards that would be utilized, rather than only against carryforwards that are created by the UTBs. The amendments in this ASU are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The adoption of this ASU is not expected to have a material impact on the company's consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05, "Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." This ASU changes a parent entity's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. A parent entity is required to release any related cumulative foreign currency translation adjustment from accumulated other comprehensive income into net income in the following circumstances: (i) a parent entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided; (ii) a partial sale of an equity method investment that is a foreign entity; (iii) a partial sale of an equity method investment that is not a foreign entity whereby the partial sale represents a complete or substantially complete liquidation of the foreign entity that held the equity method investment; and (iv) the sale of an investment in a foreign entity. The amendments in this ASU are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The adoption of this ASU is not expected to have a material impact on the company's consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This ASU adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. The updated standard is effective prospectively for the company's annual and interim periods beginning after December 15, 2012. The adoption of this new ASU did not impact the company's consolidated financial statements. See Note 12, “Stockholders' Equity” for related disclosures.

19. Business Segments

The company identifies its segments using the “management approach,” which designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the company’s reportable segments. The company has two reportable segments: Crane and Foodservice. Net sales and earnings from operations by segment are summarized as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in millions) | 2013 | 2012 | 2013 | 2012 |
| Net sales: | | | | |
| Crane | $612.6 | $555.1 | $1,816.9 | $1,673.6 |
| Foodservice | 401.9 | 392.4 | 1,142.2 | 1,123.0 |
| Total net sales | $1,014.5 | $947.5 | $2,959.1 | $2,796.6 |
| Earnings (loss) from continuing operations: | | | | |
| Crane | $55.7 | $26.5 | $152.0 | $99.7 |
| Foodservice | 69.5 | 71.6 | 181.6 | 188.8 |
| Corporate expense | (16.1) | (16.7) | (51.1) | (49.1) |
| Amortization expense | (8.7) | (9.3) | (26.8) | (27.9) |
| Restructuring expense | (0.4) | (0.7) | (1.6) | (1.6) |
| Other | (0.2) | (1.9) | (0.5) | (2.0) |
| Earnings from continuing operations | $99.8 | $69.5 | $253.6 | $207.9 |
| Other income (expenses): | | | | |
| Interest expense | $(32.0) | $(34.4) | $(97.9) | $(101.2) |
| Amortization of deferred financing fees | (1.8) | (2.0) | (5.3) | (6.1) |
| Loss on debt extinguishment | — | — | (0.4) | — |
| Other income (expense)-net | 0.9 | (0.2) | 1.1 | — |
| Earnings from continuing operations before taxes on earnings | $66.9 | $32.9 | $151.1 | $100.6 |

As of September 30, 2013 and December 31, 2012, the total assets by segment were as follows:

| (in millions) | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Crane | $2,018.2 | $1,903.3 |
| Foodservice | 1,916.2 | 1,956.8 |
| Corporate | 232.7 | 197.2 |
| Total | $4,167.1 | $4,057.3 |

20. Subsequent Events

During October 2013, the company acquired all remaining shares of Inducs, AG ("Inducs") for a purchase price of approximately $12.9 million, in which the company previously held a minority interest. Inducs is a leader in induction cooking technology.

On October 30, 2013 the company declared a cash dividend of $0.08 per share, payable on December 10, 2013 to shareholders of record on November 29, 2013.

21. Subsidiary Guarantors of 2018 Notes, 2020 Notes and 2022 Notes

The following tables present condensed consolidating financial information for (a) The Manitowoc Company, Inc. (Parent); (b) the guarantors of the 2018 Notes, 2020 Notes and 2022 Notes, which include substantially all of the domestic, 100% owned subsidiaries of the company (Subsidiary Guarantors); and (c) the wholly- and partially-owned foreign subsidiaries of the Parent, which do not guarantee the 2018 Notes, 2020 Notes and 2022 Notes (Non-Guarantor Subsidiaries). Separate financial statements of the Subsidiary Guarantors are not presented because the guarantors are fully and unconditionally, jointly and severally liable under the guarantees, except for normal and customary release provisions.

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2013
(In millions)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $— | $695.3 | $493.1 | $(173.9) | $1,014.5 |
| Costs and expenses: | | | | | |
| Cost of sales | — | 530.3 | 398.0 | (173.9) | 754.4 |
| Engineering, selling and administrative expenses | 15.3 | 64.8 | 70.9 | — | 151.0 |
| Amortization expense | — | 7.4 | 1.3 | — | 8.7 |
| Restructuring expense | — | 0.1 | 0.3 | — | 0.4 |
| Other | — | 0.2 | — | — | 0.2 |
| Equity in (earnings) loss of subsidiaries | (64.6) | (2.9) | — | 67.5 | — |
| Total costs and expenses | (49.3) | 599.9 | 470.5 | (106.4) | 914.7 |
| Operating earnings (loss) from continuing operations | 49.3 | 95.4 | 22.6 | (67.5) | 99.8 |
| Other income (expenses): | | | | | |
| Interest expense | (29.4) | (0.3) | (2.3) | — | (32.0) |
| Amortization of deferred financing fees | (1.8) | — | — | — | (1.8) |
| Loss on debt extinguishment | — | — | — | — | — |
| Management fee income (expense) | 15.2 | (18.8) | 3.6 | — | — |
| Other income (expense), net | 5.0 | (8.1) | 4.0 | — | 0.9 |
| Total other income (expenses) | (11.0) | (27.2) | 5.3 | — | (32.9) |
| Earnings (loss) from continuing operations before taxes on earnings | 38.3 | 68.2 | 27.9 | (67.5) | 66.9 |
| Provision (benefit) for taxes on income | (14.6) | 23.7 | 7.9 | — | 17.0 |
| Earnings (loss) from continuing operations | 52.9 | 44.5 | 20.0 | (67.5) | 49.9 |
| Discontinued operations: | | | | | |
| Loss from discontinued operations, net of income taxes | — | 0.7 | — | — | 0.7 |
| Loss on sale of discontinued operations, net of income taxes | — | — | — | — | — |
| Net earnings (loss) | 52.9 | 45.2 | 20.0 | (67.5) | 50.6 |
| Less: Net loss attributable to noncontrolling interest | — | — | (2.3) | — | (2.3) |
| Net earnings (loss) attributable to Manitowoc | $52.9 | $45.2 | $22.3 | $(67.5) | $52.9 |
| Comprehensive income (loss) attributable to Manitowoc | $72.9 | $46.4 | $25.4 | $(71.8) | $72.9 |

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Three Months Ended September 30, 2012
(In millions)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $— | $675.0 | $440.2 | $(167.7) | $947.5 |
| Costs and expenses: | | | | | |
| Cost of sales | — | 515.1 | 366.2 | (167.7) | 713.6 |
| Engineering, selling and administrative expenses | 16.0 | 63.2 | 73.3 | — | 152.5 |
| Amortization expense | — | 7.5 | 1.8 | — | 9.3 |
| Restructuring expense | — | — | 0.7 | — | 0.7 |
| Other | — | 1.9 | — | — | 1.9 |
| Equity in (earnings) loss of subsidiaries | (36.0) | (7.4) | — | 43.4 | — |
| Total costs and expenses | (20.0) | 580.3 | 442.0 | (124.3) | 878.0 |
| Operating earnings (loss) from continuing operations | 20.0 | 94.7 | (1.8) | (43.4) | 69.5 |
| Other income (expenses): | | | | | |
| Interest expense | (31.0) | (0.5) | (2.9) | — | (34.4) |
| Amortization of deferred financing fees | (2.0) | — | — | — | (2.0) |
| Management fee income (expense) | 15.5 | (19.9) | 4.4 | — | — |
| Other income (expense), net | 6.7 | (7.9) | 1.0 | — | (0.2) |
| Total other income (expenses) | (10.8) | (28.3) | 2.5 | — | (36.6) |
| Earnings (loss) from continuing operations before taxes on earnings | 9.2 | 66.4 | 0.7 | (43.4) | 32.9 |
| Provision (benefit) for taxes on earnings | (13.0) | 20.7 | 5.8 | — | 13.5 |
| Earnings (loss) from continuing operations | 22.2 | 45.7 | (5.1) | (43.4) | 19.4 |
| Discontinued operations: | | | | | |
| Earnings from discontinued operations, net of income taxes | — | — | 0.3 | — | 0.3 |
| Net earnings (loss) | 22.2 | 45.7 | (4.8) | (43.4) | 19.7 |
| Less: Net loss attributable to noncontrolling interest | — | — | (2.5) | — | (2.5) |
| Net earnings (loss) attributable to Manitowoc | $22.2 | $45.7 | $(2.3) | $(43.4) | $22.2 |
| Comprehensive income (loss) attributable to Manitowoc | $52.1 | $44.6 | $(2.8) | $(41.8) | $52.1 |

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2013
(In millions)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $— | $1,997.4 | $1,467.6 | $(505.9) | $2,959.1 |
| Costs and expenses: | | | | | |
| Cost of sales | — | 1,521.0 | 1,191.1 | (505.9) | 2,206.2 |
| Engineering, selling and administrative expenses | 48.5 | 195.3 | 226.6 | — | 470.4 |
| Amortization expense | — | 22.2 | 4.6 | — | 26.8 |
| Restructuring expense | — | 0.2 | 1.4 | — | 1.6 |
| Other | — | 0.5 | — | — | 0.5 |
| Equity in (earnings) loss of subsidiaries | (151.2) | (21.4) | — | 172.6 | — |
| Total costs and expenses | (102.7) | 1,717.8 | 1,423.7 | (333.3) | 2,705.5 |
| Operating earnings (loss) from continuing operations | 102.7 | 279.6 | 43.9 | (172.6) | 253.6 |
| Other income (expenses): | | | | | |
| Interest expense | (89.7) | (0.9) | (7.3) | — | (97.9) |
| Amortization of deferred financing fees | (5.3) | — | — | — | (5.3) |
| Loss on debt extinguishment | (0.4) | — | — | — | (0.4) |
| Management fee income (expense) | 44.9 | (54.9) | 10.0 | — | — |
| Other income (expense), net | 10.9 | (24.5) | 14.7 | — | 1.1 |
| Total other income (expenses) | (39.6) | (80.3) | 17.4 | — | (102.5) |
| Earnings (loss) from continuing operations before taxes on earnings | 63.1 | 199.3 | 61.3 | (172.6) | 151.1 |
| Provision (benefit) for taxes on income | (57.8) | 69.0 | 23.6 | — | 34.8 |
| Earnings (loss) from continuing operations | 120.9 | 130.3 | 37.7 | (172.6) | 116.3 |
| Discontinued operations: | | | | | |
| Earnings (loss) from discontinued operations, net of income taxes | — | (1.5) | — | — | (1.5) |
| Loss on sale of discontinued operations, net of income taxes | — | — | (1.6) | — | (1.6) |
| Net earnings (loss) | 120.9 | 128.8 | 36.1 | (172.6) | 113.2 |
| Less: Net loss attributable to noncontrolling interest | — | — | (7.7) | — | (7.7) |
| Net earnings (loss) attributable to Manitowoc | $120.9 | $128.8 | $43.8 | $(172.6) | $120.9 |
| Comprehensive income (loss) attributable to Manitowoc | $124.8 | $129.9 | $36.1 | $(166.0) | $124.8 |

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2012
(In millions)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $— | $1,923.1 | $1,339.5 | $(466.0) | $2,796.6 |
| Costs and expenses: | | | | | |
| Cost of sales | — | 1,466.4 | 1,107.8 | (466.0) | 2,108.2 |
| Engineering, selling and administrative expenses | 47.2 | 183.3 | 218.5 | — | 449.0 |
| Amortization expense | — | 22.5 | 5.4 | — | 27.9 |
| Restructuring expense | — | 0.2 | 1.4 | — | 1.6 |
| Other | — | 2.0 | — | — | 2.0 |
| Equity in (earnings) loss of subsidiaries | (100.2) | (27.5) | — | 127.7 | — |
| Total costs and expenses | (53.0) | 1,646.9 | 1,333.1 | (338.3) | 2,588.7 |
| Operating earnings (loss) from continuing operations | 53.0 | 276.2 | 6.4 | (127.7) | 207.9 |
| Other income (expenses): | | | | | |
| Interest expense | (91.3) | (1.5) | (8.4) | — | (101.2) |
| Amortization of deferred financing fees | (6.1) | — | — | — | (6.1) |
| Management fee income (expense) | 46.3 | (57.8) | 11.5 | — | — |
| Other income (expense), net | 36.2 | (38.3) | 2.1 | — | — |
| Total other income (expenses) | (14.9) | (97.6) | 5.2 | — | (107.3) |
| Earnings (loss) from continuing operations before taxes on earnings | 38.1 | 178.6 | 11.6 | (127.7) | 100.6 |
| Provision (benefit) for taxes on earnings | (29.1) | 56.1 | 13.4 | — | 40.4 |
| Earnings (loss) from continuing operations | 67.2 | 122.5 | (1.8) | (127.7) | 60.2 |
| Discontinued operations: | | | | | |
| Earnings (loss) from discontinued operations, net of income taxes | — | (0.5) | 0.8 | — | 0.3 |
| Net earnings (loss) | 67.2 | 122.0 | (1.0) | (127.7) | 60.5 |
| Less: Net loss attributable to noncontrolling interest | — | — | (6.7) | — | (6.7) |
| Net earnings (loss) attributable to Manitowoc | $67.2 | $122.0 | $5.7 | $(127.7) | $67.2 |
| Comprehensive income (loss) attributable to Manitowoc | $74.9 | $122.0 | $16.8 | $(138.8) | $74.9 |

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The Manitowoc Company, Inc.
Condensed Consolidating Balance Sheet
as of September 30, 2013
(In millions)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | $3.0 | $4.3 | $77.2 | $— | $84.5 |
| Marketable securities | 2.7 | — | — | — | 2.7 |
| Restricted cash | 4.1 | — | 5.4 | — | 9.5 |
| Accounts receivable — net | 0.2 | 13.0 | 278.1 | — | 291.3 |
| Intercompany interest receivable | 28.9 | 3.2 | — | (32.1) | — |
| Inventories — net | — | 375.7 | 479.2 | — | 854.9 |
| Deferred income taxes | 71.6 | — | 16.8 | — | 88.4 |
| Other current assets | 2.0 | 10.6 | 118.6 | — | 131.2 |
| Total current assets | 112.5 | 406.8 | 975.3 | (32.1) | 1,462.5 |
| | | | | | |
| Property, plant and equipment — net | 5.7 | 284.1 | 285.2 | — | 575.0 |
| Goodwill | — | 960.5 | 250.1 | — | 1,210.6 |
| Other intangible assets — net | — | 598.7 | 173.4 | — | 772.1 |
| Intercompany long-term receivable | 948.9 | 158.6 | 901.9 | (2,009.4) | — |
| Intercompany accounts receivable | — | 1,549.5 | 1,664.6 | (3,214.1) | — |
| Other non-current assets | 44.9 | 5.4 | 96.6 | — | 146.9 |
| Investment in affiliates | 5,275.8 | 3,441.5 | — | (8,717.3) | — |
| Total assets | $6,387.8 | $7,405.1 | $4,347.1 | $(13,972.9) | $4,167.1 |
| | | | | | |
| Liabilities and Equity | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued expenses | $99.3 | $427.6 | $376.0 | $— | $902.9 |
| Short-term borrowings and current portion of long-term debt | 35.6 | 0.7 | 60.9 | — | 97.2 |
| Intercompany interest payable | 3.2 | — | 28.9 | (32.1) | — |
| Product warranties | — | 46.4 | 36.5 | — | 82.9 |
| Customer advances | — | 8.0 | 27.4 | — | 35.4 |
| Product liabilities | — | 22.7 | 3.8 | — | 26.5 |
| Total current liabilities | 138.1 | 505.4 | 533.5 | (32.1) | 1,144.9 |
| Non-Current Liabilities: | | | | | |
| Long-term debt, less current portion | 1,679.3 | 2.4 | 24.3 | — | 1,706.0 |
| Deferred income taxes | 180.1 | — | 49.3 | — | 229.4 |
| Pension obligations | 103.9 | 6.5 | 3.9 | — | 114.3 |
| Postretirement health and other benefit obligations | 47.9 | 2.1 | 3.0 | — | 53.0 |
| Long-term deferred revenue | — | 9.3 | 30.5 | — | 39.8 |
| Intercompany long-term note payable | 183.3 | 831.1 | 995.0 | (2,009.4) | — |
| Intercompany accounts payable | 3,214.1 | — | — | (3,214.1) | — |
| Other non-current liabilities | 99.9 | 15.2 | 50.1 | — | 165.2 |

| | | | | | |
|---|---|---|---|---|---|
| Total non-current liabilities | 5,508.5 | 866.6 | 1,156.1 | (5,223.5) | 2,307.7 |
| Equity | | | | | |
| Manitowoc stockholders' equity | 741.2 | 6,033.1 | 2,684.2 | (8,717.3) | 741.2 |
| Noncontrolling interest | — | — | (26.7) | — | (26.7) |
| Total equity | 741.2 | 6,033.1 | 2,657.5 | (8,717.3) | 714.5 |
| Total liabilities and equity | $6,387.8 | $7,405.1 | $4,347.1 | $(13,972.9) | $4,167.1 |

The Manitowoc Company, Inc.
Condensed Consolidating Balance Sheet
as of December 31, 2012
(In millions)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | $12.0 | $4.0 | $57.4 | $— | $73.4 |
| Marketable securities | 2.7 | — | — | — | 2.7 |
| Restricted cash | 5.3 | — | 5.3 | — | 10.6 |
| Accounts receivable — net | 0.4 | 29.0 | 303.3 | — | 332.7 |
| Intercompany interest receivable | 4.1 | 3.2 | — | (7.3 ) | — |
| Inventories — net | — | 338.3 | 369.3 | — | 707.6 |
| Deferred income taxes | 70.9 | — | 18.1 | — | 89.0 |
| Other current assets | 3.8 | 3.5 | 107.9 | (10.0 ) | 105.2 |
| Current assets of discontinued operations | — | — | 6.8 | — | 6.8 |
| Total current assets | 99.2 | 378.0 | 868.1 | (17.3 ) | 1,328.0 |
| Property, plant and equipment — net | 6.8 | 271.3 | 278.0 | — | 556.1 |
| Goodwill | — | 969.1 | 241.6 | — | 1,210.7 |
| Other intangible assets — net | — | 620.9 | 175.5 | — | 796.4 |
| Intercompany long-term notes receivable | 928.6 | 158.6 | 897.5 | (1,984.7 ) | — |
| Intercompany accounts receivable | — | 924.1 | 1,260.3 | (2,184.4 ) | — |
| Other non-current assets | 49.3 | 4.5 | 76.5 | — | 130.3 |
| Long-term assets of discontinued operations | — | — | 35.8 | — | 35.8 |
| Investment in affiliates | 4,985.4 | 3,443.6 | — | (8,429.0 ) | — |
| Total assets | $6,069.3 | $6,770.1 | $3,833.3 | $(12,615.4 ) | $4,057.3 |
| Liabilities and Equity | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued expenses | $93.6 | $410.6 | $408.7 | $— | $912.9 |
| Short-term borrowings and current portion of long-term debt | 45.2 | 0.7 | 56.9 | (10.0 ) | 92.8 |
| Intercompany interest payable | 3.2 | — | 4.1 | (7.3 ) | — |
| Product warranties | — | 44.5 | 37.6 | — | 82.1 |
| Customer advances | — | 7.8 | 16.4 | — | 24.2 |
| Product liabilities | — | 23.5 | 4.4 | — | 27.9 |
| Current liabilities of discontinued operation | — | — | 6.0 | — | 6.0 |
| Total current liabilities | 142.0 | 487.1 | 534.1 | (17.3 ) | 1,145.9 |
| Non-Current Liabilities: | | | | | |
| Long-term debt, less current portion | 1,708.3 | 3.0 | | | |