MANITOWOC CO INC
Form 10-Q
May 10, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

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 (State or other jurisdiction of incorporation or organization)	**39-0448110** (I.R.S. Employer Identification Number)
2400 South 44th Street, **Manitowoc, Wisconsin** (Address of principal executive offices)	**54221-0066** (Zip Code)

(920) 684-4410

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 o 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 (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares outstanding of the Registrant s common stock, $.01 par value, as of March 31, 2010, the most recent practicable date, was 131,294,222.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Operations

For the Three Months Ended March 31, 2010 and 2009

(Unaudited)

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net sales	$ 721.9	$ 1,027.6
Costs and expenses:		
Cost of sales	549.8	822.5
Engineering, selling and administrative expenses	129.4	134.0
Asset impairments		700.0
Restructuring expense	0.3	4.4
Integration expense		1.5
Amortization expense	9.8	8.3
Total operating costs and expenses	689.3	1,670.7
Earnings (loss) from operations	32.6	(643.1)
Other income (expenses):		
Loss on debt extinguishment	(15.7)	
Interest expense	(40.6)	(40.5)
Amortization of deferred financing fees	(6.9)	(8.0)
Other income (expense) net	(6.3)	2.1
Total other expenses	(69.5)	(46.4)
Loss from continuing operations before taxes on income	(36.9)	(689.5)
Benefit for taxes on income	(13.6)	(61.0)
Loss from continuing operations	$ (23.3)	$ (628.5)
Discontinued operations:		
Loss from discontinued operations, net of income taxes of $(0.2) and $0.4, respectively	(0.3)	(28.3)
Net loss	(23.6)	(656.8)
Less: Net loss attributable to noncontrolling interest, net of tax	(0.4)	(1.0)
Net loss attributable to Manitowoc	$ (23.2)	$ (655.8)
Amounts attributable to the Manitowoc common shareholders:		
Loss from continuing operations	$ (22.9)	$ (627.5)
Loss from discontinued operations, net of income taxes	(0.3)	(28.3)
Net loss attributable to Manitowoc	$ (23.2)	$ (655.8)

Basic loss per common share:				
Loss from continuing operations attributable to Manitowoc common shareholders	$	(0.18)	$	(4.82)
Loss from discontinued operations attributable to Manitowoc common shareholders		(0.00)		(0.22)
Loss per share attributable to Manitowoc common shareholders	$	(0.18)	$	(5.04)
Diluted earnings (loss) per common share:				
Earnings (loss) from continuing operations attributable to Manitowoc common shareholders	$	(0.18)	$	(4.82)
Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders		(0.00)		(0.22)
Earnings (loss) per share attributable to Manitowoc common shareholders	$	(0.18)	$	(5.04)
Weighted average shares outstanding basic		130,507,072		130,159,387
Weighted average shares outstanding diluted		130,507,072		130,159,387

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.

Consolidated Balance Sheets

As of March 31, 2010 and December 31, 2009

(Unaudited)

(In millions, except share data)

	March 31, 2010	December 31, 2009
Assets		
Current Assets:		
Cash and cash equivalents	$ 99.2	$ 105.8
Marketable securities	2.6	2.6
Restricted cash	6.3	6.5
Accounts receivable, less allowances of $45.6 and $47.3, respectively	408.3	323.2
Inventories net	630.6	595.5
Deferred income taxes	144.6	142.0
Other current assets	76.6	84.3
Total current assets	1,368.2	1,259.9
Property, plant and equipment net	638.9	673.7
Goodwill	1,242.9	1,246.8
Other intangible assets net	954.2	957.4
Other non-current assets	123.8	140.9
Total assets	$ 4,328.0	$ 4,278.7
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 811.7	$ 801.6
Short-term borrowings	93.5	144.9
Securitization liabilities	63.0	
Product warranties	90.8	96.5
Customer advances	77.5	71.2
Product liabilities	27.2	28.0
Total current liabilities	1,163.7	1,142.2
Non-Current Liabilities:		
Long-term debt	2,109.4	2,027.5
Deferred income taxes	220.5	214.8
Pension obligations	46.7	47.4
Postretirement health and other benefit obligations	60.6	58.8
Long-term deferred revenue	31.9	31.8
Other non-current liabilities	149.6	149.0
Total non-current liabilities	2,618.7	2,529.3
Commitments and contingencies (Note 15)		
Total Equity:		
Common stock (300,000,000 shares authorized, 163,175,928 shares issued 131,294,222 and 130,708,124 shares outstanding, respectively)	1.4	1.4
Additional paid-in capital	446.8	444.4
Accumulated other comprehensive income	21.2	61.8
Retained earnings	165.5	188.7

Treasury stock, at cost (31,881,706 and 32,467,804 shares, respectively)	(88.2)	(88.4)
Total Manitowoc stockholders equity	546.7	607.9
Noncontrolling interest	(1.1)	(0.7)
Total equity	545.6	607.2
Total liabilities and equity	$ 4,328.0	$ 4,278.7

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2010 and 2009

(Unaudited, In millions)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash Flows from Operations:		
Net loss	$ (23.6)	$ (656.8)
Adjustments to reconcile net earnings to cash provided by operating activities of continuing operations:		
Asset impairments		700.0
Discontinued operations, net of income taxes	0.3	28.3
Depreciation	25.0	28.2
Amortization of intangible assets	9.8	8.3
Deferred income taxes	(2.0)	(58.2)
Gain on sale of property, plant and equipment	1.1	0.2
Restructuring expense	0.3	4.4
Loss on debt extinguishment	15.7	
Other	4.8	8.7
Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures:		
Accounts receivable	(92.1)	75.8
Inventories	(53.3)	(4.4)
Other assets	7.6	(0.2)
Accounts payable	50.4	(95.6)
Accrued expenses and other liabilities	(13.7)	(62.4)
Net cash used for operating activities of continuing operations	(69.7)	(23.7)
Net cash used for operating activities of discontinued operations	(0.5)	(10.6)
Net cash used for operating activities	(70.2)	(34.3)
Cash Flows from Investing:		
Business acquisition, net of cash acquired	(4.8)	
Capital expenditures	(8.5)	(22.1)
Change in restricted cash	0.2	
Proceeds from sale of property, plant and equipment	5.9	0.9
Net cash used for investing activities	(7.2)	(21.2)
Cash Flows from Financing:		
Proceeds from revolving credit facility	7.0	9.9
Payments on long-term debt	(13.6)	(52.1)
Proceeds from long-term debt	29.0	81.5
Proceeds from securitization facility	63.0	
Proceeds (payments) on notes financing	(1.6)	1.3
Dividends paid		(2.6)
Debt issue costs	(10.7)	
Exercises of stock options, including windfall tax benefits	0.4	
Net cash provided by financing activities	73.5	38.0
Effect of exchange rate changes on cash	(2.7)	(1.5)
Net decrease in cash and cash equivalents	(6.6)	(19.0)

Balance at beginning of period		108.4		173.0
Balance at end of period	$	101.8	$	154.0

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2010 and 2009

(Unaudited)

(In millions)

	Three Months Ended March 31, 2010		Three Months Ended March 31, 2009	
Net loss	$	(23.6)	$	(656.8)
Other comprehensive income (loss):				
Derivative instrument fair market value adjustment - net of income taxes		0.6		(11.2)
Foreign currency translation adjustments		(41.2)		(39.5)
Total other comprehensive loss		(40.6)		(50.7)
Comprehensive loss		(64.2)		(707.5)
Comprehensive loss attributable to noncontrolling interest		(0.4)		(1.0)
Comprehensive loss attributable to Manitowoc	$	(63.8)	$	(706.5)

See accompanying notes which are an integral part of these statements.

THE MANITOWOC COMPANY, INC.

Notes to Unaudited Consolidated Financial Statements

For the Three Months Ended March 31, 2010 and 2009

1. Accounting Policies

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the results of operations and comprehensive income for the three months ended March 31, 2010 and 2009, the cash flows for the same three-month periods, and the financial position at March 31, 2010, 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, 2009. The consolidated balance sheet as of December 31, 2009 was derived from audited financial statements and does not include all disclosures required by accounting principles generally accepted in the United States of America. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company s latest annual report.

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 the current period presentation. During the fourth quarter of 2009 the company identified adjustments to correct an error to the amortization of deferred financing fees that reduce the expenses recognized in the previously filed Quarterly Reports for each of the first three quarters of 2009 by $0.4 million, $5.8 million, and $5.0 million, respectively. The net-of-tax effect of these adjustments increases the company s previously reported 2009 earnings per share by $0.00, $0.03, and $0.02 for the quarters ended March 31, June 30 and September 30, respectively. These adjustments also increase the unamortized portion of deferred financing fees included in long term assets by $11.2 million, increase income taxes payable and deferred tax liabilities by $4.3 million, and increase retained earnings by $6.9 million as of September 30, 2009.

There was no impact to quarterly cash flows in 2009 as the increase in net earnings was offset by the decrease in the non-cash reconciling items for deferred financing fee amortization and deferred taxes. The company does not believe that these adjustments are material to the results of operations, financial position or cash flows for any of its previously filed quarterly financial statements. Accordingly, the March 31, 2009 financial statements included herein have been revised to reflect the adjustments discussed above. The company will also revise its 2009 second and third quarter financial statements prospectively within its 2010 second and third quarter Quarterly Reports on Form 10-Q.

2. Acquisition

On March 1, 2010, the company acquired 100% of the issued and to be issued shares of Appliance Scientific, Inc. (ASI). ASI is a leader in accelerated cooking technologies and will be integrated into current foodservice hot-side offerings. Allocation of the purchase price resulted in $5.0 million of goodwill, $18.2 million of intangible assets and an estimated liability for future earnouts of $1.8 million. In accordance with guidance primarily codified in ASC Topic 805, Business Combinations, any future adjustment to the estimated earnout liability would be recognized in the earnings of that period. The results of ASI have been included in the Foodservice segment since the date of acquisition.

3. Discontinued Operations

On December 31, 2008, the company completed the sale of its Marine segment to Fincantieri Marine Group Holdings Inc., a subsidiary of Fincantieri Cantieri Navali Italiani SpA. The sale price in the all-cash deal was approximately $120 million. The results of the Marine segment have been classified as a discontinued operation.

Administrative costs related the former Marine segment resulted in a pre-tax loss from discontinued operations of $0.3 million and $0.4 million for the periods ended March 31, 2010 and 2009, respectively. Tax benefits of $0.1 million and $0.2 million were recognized in the periods ended March 31, 2010 and 2009, respectively.

In addition to the former Marine segment, the company has classified the Enodis ice and related businesses as discontinued in compliance with ASC Topic 360-10, Property, Plant, and Equipment.

In order to secure clearance for the acquisition of Enodis from various regulatory authorities including the European Commission and the United States Department of Justice, the company agreed to sell substantially all of Enodis global ice machine operations following completion of the transaction. On May 15, 2009, the company completed the sale of the Enodis global ice machine operations to Braveheart Acquisition, Inc., an affiliate of Warburg Pincus Private Equity X, L.P., for $160 million. The businesses sold were operated under the Scotsman, Ice-O-Matic, Simag, Barline, Icematic, and Oref brand names. The company also agreed to sell certain non-ice businesses of Enodis located in Italy that are operated under the Tecnomac and Icematic brand names. Prior to disposal, the antitrust clearances required that the ice businesses were treated as standalone operations, in competition with the company. The results of these operations have been classified as discontinued operations.

The company used the net proceeds from the sale of the Enodis global ice machine operations of approximately $150 million to reduce the balance on Term Loan X that matured in April of 2010. The final sale price resulted in the company recording an additional $28.8 million non-cash impairment charge to reduce the value of the Enodis global ice machine operations in the first quarter of 2009. As a result of the impairment charge and the net earnings of the businesses to be divested of $0.9 million, the total loss from discontinued operations related to the Enodis ice businesses was $27.9 million for the three months ended March 31, 2009.

Administrative costs related the Enodis ice machine businesses resulted in a pre-tax loss from discontinued operations of $0.2 million (exclusive of a $0.1 million tax benefit) for the period ended March 31, 2010.

4. 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 March 31, 2010 and December 31, 2009 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 March 31, 2010			
	Level 1	Level 2	Level 3	Total
Current Assets:				
Foreign currency exchange contracts	$ 4.4	$	$	$ 4.4
Forward commodity contracts		2.0		2.0
Marketable securities	2.6			2.6
Total Current assets at fair value	$ 7.0	$ 2.0	$	$ 9.0
Current Liabilities:				
Foreign currency exchange contracts	$ 3.9	$	$	$ 3.9
Forward commodity contracts		0.3		0.3
Total Current liabilities at fair value	$ 3.9	$ 0.3	$	$ 4.2
Non-current Liabilities:				
Interest rate swap contracts	$	$ 12.4	$	$ 12.4
Total Non-current liabilities at fair value	$	$ 12.4	$	$ 12.4

	Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Current Assets:				
Foreign currency exchange contracts	$ 1.4	$	$	$ 1.4
Forward commodity contracts		1.7		1.7
Marketable securities	2.6			2.6
Total Current assets at fair value	$ 4.0	$ 1.7	$	$ 5.7
Current Liabilities:				
Foreign currency exchange contracts	$ 5.4	$	$	$ 5.4
Forward commodity contracts		0.1		0.1
Total Current liabilities at fair value	$ 5.4	$ 0.1	$	$ 5.5
Non-current Liabilities:				
Interest rate swap contracts	$	$ 6.4	$	$ 6.4
Total Non-current liabilities at fair value	$	$ 6.4	$	$ 6.4

The carrying value of the amounts reported in the Consolidated Balance Sheets for cash, accounts receivable, accounts payable, retained interest in receivables sold and short-term variable debt, including any amounts outstanding under our revolving credit facility, approximate fair value, without being discounted, due to the short periods during which these amounts are outstanding. The fair value of the company s 7 1/8% Senior Notes due 2013 was approximately $150.0 million and $143.1 million at March 31, 2010 and December 31, 2009, respectively. The fair value of the company s 9 1/2 % Notes due 2018 was approximately $423.3 million at March 31, 2010. The fair values of the company s term loans under the New Credit Agreement are as follows at March 31, 2010 and December 31, 2009, respectively: Term Loan A $729.1 million and $883.3 million and Term Loan B $833.9 million and $1,011.3 million. See Note 9, Debt, for the related carrying values of these debt instruments.

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 has determined that its financial assets and liabilities are level 1 and level 2 in the fair value hierarchy.

As a result of its global operating and financing activities, the company is exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. When deemed appropriate, the company minimizes its risks from interest and foreign currency exchange rate and commodity price fluctuations through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes, and the company does not use leveraged derivative financial instruments. The forward foreign currency exchange and interest rate swap contracts and forward commodity purchase agreements are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are classified within level 1 and level 2.

5. Derivative Financial Instruments

The company s risk management objective is to ensure that business exposures to risk that have been identified and measured and are capable of being controlled are minimized using the most effective and efficient methods to eliminate, reduce, or transfer such exposures. Operating decisions consider associated risks and structure transactions to avoid 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 control business risk within limits specified by the company s risk management policy to 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 Company s risk management 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 using derivative instruments are interest rate risk, commodity price risk and foreign currency exchange rate risk. Interest rate swap instruments are entered to manage interest rate risk. Swap contracts on various commodities are used to manage the price risk associated with forecasted raw material related expenses in the company s manufacturing process. The company also enters into various foreign currency derivative instruments to manage foreign currency risk associated with the company s projected foreign currency revenue and expenses along with the related balance sheet exposures.

ASC Topic 815-10 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 qualifying commodity swaps, foreign exchange derivative contracts and interest rate swaps as cash flow hedges of forecasted exposures to commodity, currency, and variable rate interest rate volatility.

For derivative instruments designated and qualifying as cash flow hedges, the effective portion of the mark-to-market gain or loss is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the forecasted item 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 $0.4 million of unrealized and realized gains related to interest rate, commodity price and currency rate hedging will be reclassified from other comprehensive income into earnings. Foreign currency and commodity hedging is generally completed on a rolling and layering basis for twelve and eighteen months, respectively.

As of March 31, 2010 and December 31, 2009, the company had the following outstanding interest rate swaps, commodity swaps and foreign currency derivative contracts that were entered to hedge forecasted transactions:

	Units Hedged			
Commodity	**Q1 2010**	**Q4 2009**		**Type**
Aluminum	1,120	1,400	MT	Cash Flow
Copper	671	424	MT	Cash Flow
Natural Gas	335,945	266,934	MMBtu	Cash Flow

	Units Hedged		
Short Currency	**March 31, 2010**	**December 31, 2009**	**Type**
Canadian Dollar	23,519,231	24,426,423	Cash Flow
European Euro	59,005,867	51,155,115	Cash Flow
South Korean Won	2,761,699,709	2,079,494,400	Cash Flow
Singapore Dollar	7,000,000	3,240,000	Cash Flow
United States Dollar	11,851,768	12,285,292	Cash Flow

As of March 31, 2010, the total notional amount of the company s receive-floating/pay-fixed interest rate swaps was $925.0 million compared to $984 million on December 31, 2009.

For derivative instruments not designated as hedging instruments under ASC Topic 815-10, the gains or losses are recognized in current earnings.

	Units Hedged			
Short Currency	**March 31, 2010**	**December 31, 2009**	**Recognized Location**	**Purpose**
Great British Pound	26,913,065	30,385,738	Other income	Balance Sheet Hedges
European Euro	51,942,782	37,310,399	Other income	Balance Sheet Hedges
United States Dollar	60,980,102	42,383,351	Other income	Balance Sheet Hedges
Japanese Yen	49,000,000	0	Other income	Balance Sheet Hedges

The fair value of outstanding derivative contracts recorded as assets in the accompanying Consolidated Balance Sheet as of March 31, 2010 and December 31, 2009 was as follows:

Balance Sheet Location		ASSET DERIVATIVES March 31, 2010		December 31, 2009
		Fair Value		
Derivatives designated as hedging instrument under ASC 815				
Foreign Exchange Contracts	Other current assets	$	1.9	$	1.4
Commodity Contracts	Other current assets	$	1.8	$	1.5
Total derivatives designated as hedging instruments under ASC 815		$	3.7	$	2.9

Balance Sheet Location		ASSET DERIVATIVES March 31, 2010		December 31, 2009	
		Fair Value			
Derivatives NOT designated as hedging instrument under ASC 815					
Foreign Exchange Contracts	Other current assets	$	2.5	$	0.0
Commodity Contracts	Other current assets	$	0.2	$	0.2
Total derivatives NOT designated as hedging instruments under ASC 815		$	2.7	$	0.2
Total asset derivatives		$	6.4	$	3.1

The fair value of outstanding derivative contracts recorded as liabilities in the accompanying Consolidated Balance Sheet as of March 31, 2010 and December 31, 2009 was as follows:

Balance Sheet Location		LIABILITY DERIVATIVES March 31, 2010		December 31, 2009	
		Fair Value			
Derivatives designated as hedging instrument under ASC 815					
Foreign Exchange Contracts	Accounts payable and accrued expenses	$	3.0	$	0.5
Interest Rate Swap Contracts	Other non-current liabilities	$	12.4	$	6.4
Commodity Contracts	Accounts payable and accrued expenses	$	0.3	$	0.1
Total derivatives designated as hedging instruments under ASC 815		$	15.7	$	7.0

Balance Sheet Location		LIABILITY DERIVATIVES March 31, 2010		December 31, 2009	
		Fair Value			
Derivatives NOT designated as hedging instrument under ASC 815					
Foreign Exchange Contracts	Accounts payable and accrued expenses	$	0.9	$	4.9
Commodity Contracts	Accounts payable and accrued expenses	$	0.0	$	0.0
Total derivatives NOT designated as hedging instruments under ASC 815		$	0.9	$	4.9
Total liability derivatives		$	16.6	$	11.9

The effect of derivative instruments on the consolidated statement of operations for the quarter ended March 31, 2010 and March 31, 2009 for gains or losses initially recognized in other comprehensive income in the consolidated balance sheet were as follows:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) (Net of Tax) March 31, 2010	March 31, 2009	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) March 31, 2010	March 31, 2009
Foreign Exchange Contracts	$ (1.2)	$ (5.3)	Cost of Sales	$ (0.5)	$ (3.7)
Interest Rate Swap Contracts	(3.9)	(8.8)	Interest Expense	(2.7)	(2.1)
Commodity Contracts	0.0	(2.4)	Cost of Sales	0.2	(1.9)
Total	$ (5.1)	$ (16.5)		$ (3.0)	$ (7.7)

Derivatives in ASC 815 Cash Flow Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) March 31, 2010	March 31, 2009
Commodity Contracts	Cost of Sales	$ 0.2	$ (0.2)
Total		$ 0.2	$ (0.2)

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of Gain or (Loss) recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative March 31, 2010	March 31, 2009
Foreign Exchange Contracts	Other Income	$ 1.7	$ (0.8)
Commodity Contracts	Cost of Sales	0.0	(1.2)
Total		$ 1.7	$ (2.0)

6. Inventories

The components of inventories at March 31, 2010 and December 31, 2009 are summarized as follows:

	March 31, 2010	December 31, 2009
Inventories gross:		
Raw materials	$ 250.4	$ 244.4
Work-in-process	186.2	163.5
Finished goods	315.9	310.9
Total inventories gross	752.5	718.8
Excess and obsolete inventory reserve	(91.1)	(90.9)
Net inventories at FIFO cost	661.4	627.9
Excess of FIFO costs over LIFO value	(30.8)	(32.4)
Inventories net	$ 630.6	$ 595.5

Inventories are carried at lower of cost or market value using the first-in, first-out (FIFO) method for 90% of total inventories at March 31, 2010 and December 31, 2009. The remainder of the inventories are costed using the last-in, first-out (LIFO) method. During the first quarter of 2010, a reduction in inventories related to working capital initiatives resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs in prior years. This LIFO liquidation resulted in a $1.6 million cost of sales decrease.

7. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by reportable segment for the year ended December 31, 2009 and three months ended March 31, 2010 are as follows:

	Crane	Foodservice	Total
Gross and net balance as of January 1, 2009	$ 285.5	$ 1,605.0	$ 1,890.5
Enodis purchase accounting adjustments		(84.9)	(84.9)
Sale of product lines		(9.3)	(9.3)
Foreign currency impact	4.2	(4.9)	(0.7)
Gross balance as of December 31, 2009	289.7	1,505.9	1,795.6
Asset impairments		(548.8)	(548.8)
Net balance as of December 31, 2009	289.7	957.1	1,246.8
Acquisition of ASI		5.0	5.0
Foreign currency impact	(11.1)	2.2	(8.9)
Gross balance as of March 31, 2010	$ 278.6	$ 1,513.1	$ 1,791.7
Asset impairments		(548.8)	(548.8)
Net balance as of March 31, 2010	$ 278.6	$ 964.3	$ 1,242.9

The increase in goodwill of $5.0 million for the period ended March 31, 2010, was due to the acquisition of ASI. See further discussion in Note 2, Acquisition.

The company accounts for goodwill and other intangible assets under the guidance of ASC Topic 350-10, Intangibles Goodwill and Other. Under ASC Topic 350-10, goodwill is no longer amortized; however, the company performs an annual impairment review at June 30 of every year or more frequently if events or changes in circumstances indicate that the asset might be impaired. The company performs impairment reviews for its reporting units, which have been determined to be: Cranes Americas; Cranes Europe, Middle East, and Africa; Cranes Asia; Crane Care; Foodservice Americas; Foodservice Europe, Middle East, and Africa; Foodservice Asia; and Foodservice Retail, 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 and other intangible assets are then subject to risk of write-down to the extent that the carrying amount exceeds the estimated fair value.

During the first quarter of 2009, the company s stock price continued to decline as global market conditions remained depressed, the credit markets did not improve and the performance of the company s Crane and Foodservice segments was below the company s expectations. In connection with a reforecast of expected 2009 financial results completed in early April 2009, the company determined the foregoing circumstances to be indicators of potential impairment under the guidance of ASC Topic 350-10. Therefore, the company performed the required initial (Step One) impairment test for each of the company s operating units as of March 31, 2009. The company re-performed its established method of present-valuing future cash flows, taking into account the company s updated projections, to determine the fair value of the reporting units. The determination of fair value of the reporting units requires the company to make significant estimates and assumptions. The fair value measurements (for both goodwill and indefinite-lived intangible assets) are considered Level 3 within the fair value hierarchy. These estimates and assumptions primarily include, but are not limited to, projections of revenue growth, operating earnings, discount rates, terminal growth rates, and required capital for each reporting unit. Due to the inherent uncertainty involved in making these estimates, actual results could differ materially from the estimates. The company evaluated the significant assumptions used to determine the fair value of each reporting unit, both individually and in the aggregate, and concluded they are reasonable.

The results of the analysis indicated that the fair values of three of the company s eight reporting units (Foodservice Americas; Foodservice Europe, Middle East, and Africa; and Foodservice Retail) were potentially impaired: therefore, the company proceeded to measure the amount of the potential impairment (Step Two) with the assistance of a third-party valuation firm. Upon completion of that assessment, the company recognized impairment charges as of March 31, 2009, of $548.8 million related to goodwill. The company also recognized impairment charges of $151.2 million related to other indefinite-lived intangible assets as of March 31, 2009. Both charges were within the Foodservice segment. The goodwill and other indefinite-lived intangible assets had a carrying value of $1,598.0 million and $368.0 million, respectively, prior to the impairment charges. These non-cash impairment charges have no direct impact on the company s cash flows, liquidity, debt covenants, debt position or tangible asset values. There is no tax benefit in relation to the goodwill impairment; however, the company did recognize a $52.0

million benefit associated with the other indefinite-lived intangible asset impairment.

As of June 30, 2009, the company performed its annual impairment analysis relative to goodwill and indefinite-lived intangible assets and based on those results no additional impairment had occurred subsequent to the impairment charges recorded in the first quarter of 2009. 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. Further deterioration in the market or actual results as compared with the company s projections may ultimately result in a future impairment. In the event the company determines that assets are impaired in the future, the company would need to recognize a non-cash impairment charge, which could have a material adverse effect on the company s consolidated balance sheet and results of operations.

The gross carrying amount and accumulated amortization of the company s intangible assets other than goodwill were as follows as of

March 31, 2010 and December 31, 2009.

	March 31, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trademarks and tradenames	$ 333.5	$	$ 333.5	$ 341.0	$	$ 341.0
Customer relationships	439.2	(34.7)	404.5	438.9	(28.9)	410.0
Patents	33.6	(19.2)	14.4	35.1	(19.4)	15.7
Engineering drawings	11.3	(6.1)	5.2	11.8	(6.2)	5.6
Distribution network	20.8		20.8	21.7		21.7
Other intangibles	200.9	(25.1)	175.8	185.9	(22.5)	163.4
	$ 1,039.3	$ (85.1)	$ 954.2	$ 1,034.4	$ (77.0)	$ 957.4

The gross carrying amount of other intangibles increased $18.2 million due to the acquisition of ASI, as discussed in Note 2, Acquisition. Amortization expense for the three months ended March 31, 2010 and 2009 was $9.8 million and $8.3 million, respectively. Amortization expense related to intangible assets for each of the five succeeding years is estimated to be approximately $40 million per year.

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at March 31, 2010 and December 31, 2009 are summarized as follows:

	March 31, 2010	December 31, 2009
Trade accounts payable and interest payable	$ 403.0	$ 357.3
Employee related expenses	103.8	96.6
Restructuring expenses	52.3	61.5
Profit sharing and incentives	8.6	14.0
Accrued rebates	30.2	35.2
Deferred revenue - current	32.4	40.4
Derivative liabilities	4.2	5.5
Income taxes payable	22.0	25.3
Miscellaneous accrued expenses	155.2	165.8
	$ 811.7	$ 801.6

9. Debt

Outstanding debt at March 31, 2010 and December 31, 2009 is summarized as follows:

(in millions)	March 31, 2010	December 31, 2009

Revolving credit facility	$	7.0	$	
Term loan A		738.3		922.5
Term loan B		833.2		1,041.0
Senior notes due 2013		150.0		150.0
Senior notes due 2018		400.0		
Securitization		63.0		
Other		74.4		58.9
Total debt	$	2,265.9	$	2,172.4
Less current portion and short-term borrowings		(156.5)		(144.9)
Long-term debt	$	2,109.4	$	2,027.5

In April 2008, the company entered into a $2.4 billion credit agreement which was amended and restated as of August 25, 2008, to ultimately increase the size of the total facility to $2.925 billion (New Credit Agreement). The New Credit Agreement became effective November 6, 2008. The New Credit Agreement includes four loan facilities a revolving facility of $400.0 million with a five-year term, a Term Loan A of $1,025.0 million with a five-year term, a Term Loan B of $1,200.0 million with a six-year term, and a Term Loan X of $300.0 million with an eighteen-month term. The company is obligated to prepay the three 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. Term Loan X was repaid in full as of December 31, 2009. At March 31, 2010 the interest rates for Term Loan A and Term Loan B were 4.8125% and 7.500%, respectively. Including interest rate swaps, Term Loan A and Term Loan B rates were 5.71% and 7.97% respectively, at March 31, 2010.

In June 2009, the company entered into Amendment No. 2 (the Amendment) to the New Credit Agreement to provide relief under its consolidated total leverage ratio and consolidated interest coverage ratio financial covenants. This Amendment was obtained to avoid a potential financial covenant violation at the end of the second quarter of 2009 as a result of lower demand for certain of the company s products due to continued weakness in the global economy and tight credit markets. Terms of the Amendment include an increase in the margin on London Interbank Offered Rate (LIBOR) and Alternative Borrowing Rate (ABR) loans of between 150 and 175 basis points, depending on the consolidated total leverage ratio. Also, one additional interest rate pricing level was added for each loan facility above a certain leverage amount.

On January 21, 2010, the company entered into an amendment (January 2010 Amendment) to the New Credit Agreement. The January 2010 Amendment, among other things, amends the definition of Consolidated Earnings Before Interest and Taxes (EBIT) to provide add-backs for certain additional cash restructuring charges, amends certain financial ratios that the company is required to maintain, including (i) reducing the minimum permitted level of the Consolidated Interest Coverage Ratio, (ii) increasing the maximum permitted level of the Maximum Consolidated Total Leverage Ratio, and (iii) adjusting the start date for measurement of the Consolidated Senior Secured Leverage Ratio to December 31, 2010 and reducing the maximum permitted level for this ratio.

The January 2010 Amendment contains financial covenants whereby the ratio of (a) consolidated earnings before interest, taxes, depreciation and amortization, and other adjustments (EBITDA), as defined in the New Credit Agreement to (b) consolidated interest expense, each for the most recent four fiscal quarters (Consolidated Interest Coverage Ratio) and the ratio of (c) consolidated indebtedness to (d) consolidated EBITDA for the most recent four fiscal quarters (Consolidated Total Leverage Ratio), at all times must each meet certain defined limits listed below:

Fiscal Quarter Ending:	**Consolidated Total Leverage Ratio (less than)**	**Consolidated Interest Coverage Ratio (greater than)**
March 31, 2010	7.80:1	1.75:1
June 30, 2010	7.80:1	1.75:1
September 30, 2010	7.25:1	1.80:1