

MANITOWOC CO INC  
Form 10-Q  
November 10, 2008

**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 September 30, 2008**

**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.**

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(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  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company   
(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  No

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of September 30, 2008, the most recent practicable date, was 130,351,394.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**THE MANITOWOC COMPANY, INC.**  
**Consolidated Statements of Operations**  
**For the Three and Nine Months Ended September 30, 2008 and 2007**

(Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales	\$ 1,106.8	\$ 925.2	\$ 3,286.4	\$ 2,638.1
Costs and expenses:				
Cost of sales	863.1	713.4	2,512.8	2,016.1
Engineering, selling and administrative expenses	98.7	92.8	317.3	276.0
Gain on sale of parts line				(3.3)
Pension settlements				5.2
Restructuring expense	0.8		0.8	
Integration expense	1.6		1.6	
Amortization expense	2.0	1.0	5.5	2.9
Total operating costs and expenses	966.2	807.2	2,838.0	2,296.9
Earnings from continuing operations	140.6	118.0	448.4	341.2
Other expense:				
Interest expense	(7.5)	(8.5)	(21.6)	(27.4)
Loss on debt extinguishment		(12.5)		(12.5)
Loss on currency hedges	(198.4)		(198.4)	
Other income, net	(2.8)	(0.4)	5.3	4.4
Total other expense	(208.7)	(21.4)	(214.7)	(35.5)
Earnings (loss) from continuing operations before taxes on income and minority interest	(68.1)	96.6	233.7	305.7
Provision (benefit) for taxes on income	(29.6)	25.5	55.9	83.3
Earnings (loss) from continuing operations before minority interest	(38.5)	71.1	177.8	222.4
Minority interest, net of income taxes	(0.8)		(0.9)	
Net earnings (loss) from continuing operations	\$ (37.7)	\$ 71.1	\$ 178.7	\$ 222.4
Discontinued operations:				
Earnings from discontinued operations, net of income taxes of \$4.2, \$1.6, 12.1, and \$5.4, respectively	11.6	4.8	31.7	15.0
Net earnings (loss)	\$ (26.1)	\$ 75.9	\$ 210.4	\$ 237.4
Earnings (loss) per common share:				
Basic earnings (loss) per share:				
Net earnings (loss) from continuing operations	\$ (0.29)	\$ 0.57	\$ 1.38	\$ 1.79

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Earnings from discontinued operations, net of income taxes	0.09	0.04	0.24	0.12
Net earnings (loss)	\$ (0.20)	\$ 0.61	\$ 1.62	\$ 1.91
<b>Diluted earnings (loss) per share:</b>				
Net earnings (loss) from continuing operations	\$ (0.29)	\$ 0.56	\$ 1.36	\$ 1.75
Earnings from discontinued operations, net of income taxes	0.09	0.04	0.24	0.12
Net earnings (loss)	\$ (0.20)	\$ 0.59	\$ 1.60	\$ 1.87
Weighted average shares outstanding - basic	130,090,741	125,175,721	129,855,810	124,314,233
Weighted average shares outstanding - diluted	130,090,741	127,915,004	131,781,634	127,141,212

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

**THE MANITOWOC COMPANY, INC.**  
**Consolidated Balance Sheets**  
**As of September 30, 2008 and December 31, 2007**  
**(Unaudited)**  
**(In millions, except share data)**

	September 30, 2008	December 31, 2007
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 379.4	\$ 366.9
Marketable securities	2.6	2.5
Restricted cash	5.3	16.7
Accounts receivable, less allowances of \$23.5 and \$25.5, respectively	492.9	416.7
Inventories net	868.7	591.0
Deferred income taxes	66.6	66.1
Other current assets	132.0	61.1
Current assets of discontinued operations	25.2	54.6
<b>Total current assets</b>	<b>1,972.7</b>	<b>1,575.6</b>
Property, plant and equipment net	534.2	468.9
Goodwill	491.3	471.6
Other intangible assets net	201.5	200.6
Deferred income taxes	28.0	27.6
Other non-current assets	77.1	55.8
Long-term assets of discontinued operations	71.3	71.3
<b>Total assets</b>	<b>\$ 3,376.1</b>	<b>\$ 2,871.4</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,096.2	\$ 845.7
Short-term borrowings	44.7	13.1
Product warranties	80.0	80.4
Customer advances	53.6	
Product liabilities	34.1	34.7
Current liabilities of discontinued operations	74.3	100.7
<b>Total current liabilities</b>	<b>1,382.9</b>	<b>1,074.6</b>
<b>Non-Current Liabilities:</b>		
Long-term debt	202.4	217.5
Pension obligations	26.3	25.0
Postretirement health and other benefit obligations	49.9	51.3
Long-term deferred revenue	54.4	60.6
Other non-current liabilities	98.8	92.5
<b>Total non-current liabilities</b>	<b>431.8</b>	<b>446.9</b>
<b>Commitments and contingencies (Note 14)</b>		
<b>Stockholders' Equity:</b>		
Common stock (300,000,000 shares authorized for both periods, 163,175,928 shares issued for both periods, 130,351,394 and 129,880,734 shares outstanding, respectively)	1.4	1.4
Additional paid-in capital	433.9	419.8
Accumulated other comprehensive income	108.6	114.5
Retained earnings	1,106.4	903.8
Treasury stock, at cost (32,824,534 and 33,295,194 shares, respectively)	(88.9)	(89.6)
<b>Total stockholders' equity</b>	<b>1,561.4</b>	<b>1,349.9</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,376.1</b>	<b>\$ 2,871.4</b>

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

**THE MANITOWOC COMPANY, INC.**  
**Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2008 and 2007**  
**(Unaudited, In millions)**

	Nine Months Ended September 30,	
	2008	2007
<b>Cash Flows from Operations:</b>		
Net earnings	\$ 210.4	\$ 237.4
Adjustments to reconcile net earnings to cash provided by operating activities of continuing operations:		
Discontinued operations, net of income taxes	(31.7)	(15.0)
Pension settlements		5.2
Gain on sale of parts line		(3.3)
Depreciation	62.2	57.8
Deferred income taxes	3.9	(16.0)
Gain on sale of property, plant and equipment	(1.9)	(3.3)
Other	10.9	6.1
Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures:		
Accounts receivable	(68.0)	(127.8)
Inventories	(257.5)	(152.6)
Other assets	(78.0)	(0.4)
Accounts payable and accrued expenses	249.5	38.8
Other liabilities	13.1	(8.4)
Net cash provided by operating activities of continuing operations	112.9	18.5
Net cash provided by operating activities of discontinued operations	36.8	10.9
Net cash provided by operating activities	149.7	29.4
<b>Cash Flows from Investing:</b>		
Business acquisitions, net of cash acquired	(26.7)	(80.1)
Capital expenditures	(96.2)	(52.4)
Change in restricted cash	11.5	(0.5)
Proceeds from sale of property, plant and equipment	5.6	7.8
Proceeds from sales of parts product line		4.9
Purchase of marketable securities	(0.1)	(0.1)
Net cash used for investing activities of continuing operations	(105.9)	(120.4)
Net cash used for investing activities of discontinued operations	(2.2)	(4.5)
Net cash used for investing activities	(108.1)	(124.9)
<b>Cash Flows from Financing:</b>		
Proceeds from revolving credit facility		103.3
Payments on long-term debt	(43.1)	(113.8)
Proceeds from long-term debt	33.1	11.5
Proceeds (payments) on notes financing	(4.4)	3.4
Dividends paid	(7.8)	(6.9)
Exercises of stock options, including windfall tax benefits	8.6	20.0
Debt issuance costs	(17.6)	
Net cash (used for) provided by financing activities	(31.2)	17.5
Effect of exchange rate changes on cash	2.1	8.0
Net increase (decrease) in cash and cash equivalents	12.5	(70.0)
Balance at beginning of period	366.9	174.9
Balance at end of period	\$ 379.4	\$ 104.9

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



**THE MANITOWOC COMPANY, INC.**  
**Consolidated Statements of Comprehensive Income**  
**For the Three and Nine Months Ended September 30, 2008 and 2007**  
**(Unaudited)**  
**(In millions)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net earnings (loss)	\$ (26.1)	\$ 75.9	\$ 210.4	\$ 237.4
Other comprehensive income (loss)				
Derivative instrument fair market value adjustment - net of income taxes	(6.6)	(0.3)	(4.7)	(0.7)
Foreign currency translation adjustments	(47.3)	26.8	(1.2)	38.7
Total other comprehensive income (loss)	(53.9)	26.5	(5.9)	38.0
Comprehensive income (loss)	\$ (80.0)	\$ 102.4	\$ 204.5	\$ 275.4

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

**THE MANITOWOC COMPANY, INC.**  
**Notes to Unaudited Consolidated Financial Statements**  
**For the Three and Nine Months Ended September 30, 2008 and 2007**

**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 and nine months ended September 30, 2008 and 2007, the cash flows for the same nine-month periods, and the financial position at September 30, 2008, 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, 2007. The consolidated balance sheet as of December 31, 2007 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest annual report.

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 as a result of the decision to sell the Marine segment. The company's Unaudited Consolidated Financial Statements, accompanying notes and other information provided in this Form 10-Q reflect the Marine segment as a discontinued operation for all periods presented. After reclassifying the Marine segment to discontinued operations, the company has two remaining reportable segments, the Crane and Foodservice segments. See further detail related to the Marine segment at Note 3, Discontinued Operations.

**2. Acquisitions**

On March 6, 2008, the company formed a 50% joint venture with the shareholders of TaiAn Dongyue Heavy Machinery Co., Ltd. (TaiAn Dongyue) for the production of mobile and truck-mounted hydraulic cranes. The joint venture is located in TaiAn City, Shandong Province, China. The company controls 60% of the voting rights and has other rights that give it significant control over the operations of TaiAn Dongyue, and accordingly, the results of this joint venture are consolidated by the company. The aggregate consideration for the joint venture interest in TaiAn Dongyue was \$32.5 million and resulted in \$21.7 million of goodwill and \$8.5 million of other intangible assets being recognized by the company's Crane segment. See further detail related to the goodwill and other intangible assets of the TaiAn Dongyue acquisition at Note 6, Goodwill and Other Intangible Assets.

On July 19, 2007, the company acquired Shirke Construction Equipments Pvt. Ltd (Shirke) for an aggregate consideration of \$64.5 million including approximately \$1.3 million of acquisition costs. Headquartered in Pune, India, Shirke is a market leader in the Indian tower crane industry and has been Potain's Indian manufacturing partner and distributor since 1982. The aggregate consideration paid for Shirke resulted in \$33.8 million of goodwill and \$30.2 million of other intangible assets being recognized by the company's Crane segment. See further detail related to the goodwill and other intangible assets of the Shirke acquisition at Note 6, Goodwill and Other Intangible Assets.

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On January 3, 2007, the company acquired the Carrydeck line of mobile industrial cranes from Marine Travelift, Inc. of Sturgeon Bay, Wisconsin for an aggregate consideration of \$16.0 million. The acquisition of the Carrydeck line added six new models to the company's product offering of mobile industrial cranes. The aggregate consideration paid for the Carrydeck line resulted in \$9.2 million of goodwill and \$6.5 million of other intangible assets being recognized by the company's Crane segment. See further detail related to the goodwill and other intangible assets of the Carrydeck acquisition at Note 6, Goodwill and Other Intangible Assets.

### **3. Discontinued Operations**

On August 1, 2008, the company signed a definitive purchase agreement to sell the ownership interests of its Marine segment to Fincantieri Marine Group Holdings Inc, a subsidiary of Fincantieri-Cantieri Navali Italiani, S.p.A. ( Fincantieri ). Lockheed Martin Corporation has agreed to be a minority investor with Fincantieri in the proposed acquisition. This transaction will allow the company to focus its financial assets and managerial resources on the growth of its increasingly global crane and foodservice businesses. The purchase price for the Marine segment is \$120 million in cash

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and is subject to certain post-closing working capital adjustments. Assuming a timely completion of this sale by year-end, the transaction is expected to generate a per-share, after-tax gain of approximately \$0.60. The company intends to use the after-tax proceeds for general corporate purposes, which include pay down of debt anticipated as a result of the pending acquisition of Enodis. The sale is subject to customary clearances for transactions of this type including U.S. antitrust and certain U.S. security agencies.

The Company is reporting the Marine segment as a discontinued operation for financial reporting purposes as of September 30, 2008, and for all periods presented in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Results of the Marine segment in current and prior periods have been classified as discontinued in the Consolidated Financial Statements to exclude the results from continuing operations. The following selected financial data of the Marine segment for the three and nine months ended September 30, 2008 and 2007 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the businesses operated as a stand-alone entity. There were no general corporate expenses or interest expense allocated to discontinued operations for this business during the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales	\$ 103.5	\$ 81.0	\$ 306.1	\$ 248.8
Pretax earnings from discontinued operations	\$ 15.8	\$ 6.4	\$ 43.8	\$ 20.4
Provision for taxes on income	4.2	1.6	12.1	5.4
Earnings from discontinued operations, net of income taxes	\$ 11.6	\$ 4.8	\$ 31.7	\$ 15.0

#### **4. Financial Instruments**

As discussed in Note 18, the company adopted SFAS No. 157, Fair Value Measurements effective January 1, 2008. The following table sets forth the company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2008 by level within the fair value hierarchy. As required by SFAS No. 157, 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, 2008			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Foreign currency exchange contracts	2.9			2.9
Forward commodity contracts				
Interest rate swaps	0.3			0.3
<b>Total assets at fair value</b>	<b>3.2</b>			<b>3.2</b>
<b>Liabilities:</b>				
Foreign currency exchange contracts	205.2			205.2
Forward commodity contracts		1.2		1.2
Interest rate swaps				
<b>Total liabilities at fair value</b>	<b>205.2</b>	<b>1.2</b>		<b>206.4</b>

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The carrying value of the company's other financial assets and liabilities, including cash, accounts receivable, accounts payable, retained interest in receivables sold and short-term loans payable approximate fair value, without being discounted, due to the short periods during which these amounts are outstanding.

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SFAS No. 157 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 (exit price). SFAS No. 157 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 our financial assets and liabilities are level 1 and level 2 in the fair value hierarchy.

As a result of our 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, we minimize our 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 we do not use leveraged derivative financial instruments. The forward foreign currency exchange 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.

During July 2008, the Company entered into various hedging transactions (the "hedges") to comply with the terms of its New Credit Agreement (see further detail related to the New Credit Agreement at Note 8, Debt ) issued to fund the purchase of Enodis plc ("Enodis"). The hedges were required to limit the company's exposure to fluctuations in the underlying purchase price of the Enodis shares which could ultimately require additional funding capacity under the New Credit Agreement. Subsequent to entering into the hedging transactions, the U.S. Dollar strengthened against the British Pound which resulted in a significant change to the fair value of the underlying hedges. FAS 133, "Accounting for Derivative Instruments and Hedging Activities" states that hedges of a firm commitment to acquire a business do not qualify for hedge accounting (or balance sheet) treatment. Therefore, the periodic market value changes in these hedges are required to go through the income statement. Additionally, the hedge accounting treatment will lower the initial amount of goodwill booked for the purchase by the amount of the loss on currency hedges. The final disposition of these hedge positions will be determined based upon the market exchange rate on the date the funding transaction is completed. For the three and nine months ended September 30, 2008, loss on currency hedges related to the purchase of Enodis was \$198.4 million. The acquisition price of Enodis, in U.S. Dollars, has decreased by a similar amount from the point in time in which the hedges were entered into. Accordingly, the goodwill that will be recorded when the acquisition is finalized will be lower than it would have been if the exchange rate between the U.S. Dollar and the British Pound had not changed from the time the hedges were entered into.

### **5. Inventories**

The components of inventories at September 30, 2008 and December 31, 2007 are summarized as follows:

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	September 30, 2008	December 31, 2007
Inventories gross:		
Raw materials	\$ 359.3	\$ 252.3
Work-in-process	270.9	216.4
Finished goods	315.1	188.5
Total inventories gross	945.3	657.2
Excess and obsolete inventory reserve	(40.9)	(42.6)
Net inventories at FIFO cost	904.4	614.7
Excess of FIFO costs over LIFO value	(35.7)	(23.7)
Inventories net	\$ 868.7	\$ 591.0

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Inventories are carried at lower of cost or market value using the first-in, first-out (FIFO) method for 88% of total inventories at September 30, 2008 and December 31, 2007. The remainder of the inventories are costed using the last-in, first-out (LIFO) method.

### 6. Goodwill and Other Intangible Assets

The changes in carrying amount of goodwill by reportable segment for the year ended December 31, 2007 and nine months ended September 30, 2008 are as follows:

	Crane	Foodservice	Total
Balance as of January 1, 2007	\$ 214.8	\$ 200.1	\$ 414.9
Carrydeck acquisition	9.2		9.2
Shirke acquisition	33.8		33.8
Foreign currency impact	13.7		13.7
Balance as of December 31, 2007	271.5	200.1	471.6
TaiAn Dongyue acquisition	21.7		21.7
Foreign currency impact	(2.0)		(2.0)
Balance as of September 30, 2008	\$ 291.2	\$ 200.1	\$ 491.3

As discussed in Note 2, Acquisitions, during 2008, the company formed a 50% joint venture with the shareholders of TaiAn Dongyue for the production of mobile and truck-mounted hydraulic cranes. The joint venture is located in TaiAn City, Shandong Province, China. The aggregate consideration for the joint venture interest in TaiAn Dongyue was \$32.5 million and resulted in \$21.7 million of goodwill and \$8.5 million of other intangible assets being recognized by the company's Crane segment. The other intangible assets consist of trademarks of \$1.0 million, which have an indefinite life, customer relationships of \$0.9 million, which have been assigned a 10-year life, and other intangibles of \$6.6 million, which consist primarily of crane manufacturing licenses and have been assigned a 10-year life.

During 2007, the company completed the acquisitions of the Carrydeck line of mobile industrial cranes and Shirke. The acquisition of the Carrydeck line resulted in an increase of \$9.2 million of goodwill and \$6.5 million of other intangible assets being recognized by the company's Crane segment. The other intangible assets consist of trademarks totaling \$1.2 million, which have an indefinite life, customer relationships of \$4.2 million, which have been assigned a 20-year life, and non-patented technologies of \$1.1 million which have been assigned a 20-year life. The acquisition of Shirke resulted in an increase of \$33.8 million of goodwill and \$30.2 million of other intangible assets being recognized by the company's Crane segment. The other intangible assets consist of customer relationships of \$10.5 million, which have been assigned a 10-year life, trademarks totaling \$9.1 million, which have an indefinite life, and other intangibles of \$10.6 million, which include various intangible assets that are amortized over 6 months to 6 years, which approximates their estimated useful lives.

The gross carrying amount and accumulated amortization of the company's intangible assets other than goodwill were as follows as of September 30, 2008 and December 31, 2007.

Gross Carrying Amount	September 30, 2008		Net Book Value	December 31, 2007		Net Book Value
	Accumulated Amortization			Gross Carrying Amount	Accumulated Amortization	



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Trademarks and tradenames	\$	122.6	\$		\$	122.6	\$	120.9	\$		\$	120.9
Customer relationships		19.9		(2.5)		17.4		20.4		(1.4)		19.0
Patents		35.5		(16.3)		19.2		35.2		(12.2)		23.0
Engineering drawings		12.0		(5.3)		6.7		12.0		(5.4)		6.6
Distribution network		22.0				22.0		21.8				21.8
Other intangibles		16.5		(2.9)		13.6		10.6		(1.3)		9.3
	\$	228.5	\$	(27.0)	\$	201.5	\$	220.9	\$	(20.3)	\$	200.6

**7. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at September 30, 2008 and December 31, 2007 are summarized as follows:

	September 30, 2008	December 31, 2007
Trade accounts payable	\$ 594.0	\$ 519.5
Interest payable	5.6	2.6
Employee related expenses	92.4	88.9
Income taxes payable		6.7
Profit sharing and incentives	41.3	58.1
Unremitted cash liability	2.9	4.9
Deferred revenue - current	47.7	55.9
Derivative liabilities	206.4	0.8
Miscellaneous accrued expenses	105.9	108.3
	\$ 1,096.2	\$ 845.7

**8. Debt**

In April 2008, the company entered into a \$2,400.0 million credit agreement which was amended and restated as of August 25, 2008 to ultimately increase the size of the total facility to \$2,925.0 million (New Credit Agreement). The New Credit Agreement will not become effective until the effective date of the acquisition (see further detail related to the acquisition in Note 21, Subsequent Events ) or, in the case of a takeover offer, the date on which the takeover offer has become or is declared unconditional in all respects. Until such time as the company borrows under the New Credit Agreement, the company's existing \$300.0 million Amended and Restated Credit Agreement, dated as of December 14, 2006, will remain in effect.

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.

Borrowings made under the revolving facility, Term Loan A, and Term Loan X will initially bear interest at 3.25 percent in excess of an adjusted LIBOR rate as defined in the New Credit Agreement, or 1.50 percent in excess of an alternate base rate, at the company's option.

Borrowings made under the Term Loan B will initially bear interest at 3.50 percent in excess of an adjusted LIBOR rate as defined in the New Credit Agreement, or 1.50 percent in excess of an alternate base rate, at the company's option. The company will also pay a commitment fee of 0.50 percent per annum for the first 120 days, and 0.75 percent per annum after the 120th day on the entire facility balance up to the date of funding; upon funding, the commitment fee will reduce to apply only to the revolving commitment and will be 0.50 percent per year. As of September 30, 2008, the company incurred \$17.6 million in deferred financing expenses. The cash flow impact of these fees is included in cash flow used for financing activities in the Consolidated Statement of Cash Flows for the nine month period ending September 30, 2008.

On August 1, 2007, the company redeemed its 10 ½% senior subordinated notes due 2012. Pursuant to the terms of the indenture, the company paid the note holders 105.25 percent of the principal amount plus accrued and unpaid interest up to the redemption date. As a result of this redemption, the company incurred a charge of \$12.5 million (\$8.1 million net of income taxes) related to the call premium, write-off of

unamortized debt issuance costs and other expenses. The charge was recorded in loss on debt extinguishment in the Consolidated Statement of Operations.

**9. Accounts Receivable Securitization**

The company has entered into an accounts receivable securitization program whereby it sells certain of its domestic trade accounts receivable to a wholly owned, bankruptcy-remote special purpose subsidiary which, in turn, sells participating interests in its pool of receivables to a third-party financial institution (Purchaser). The Purchaser receives an ownership and security interest in the pool of receivables. New receivables are purchased by the special purpose subsidiary and participation interests are resold to the Purchaser as collections reduce previously sold participation interests. The company has retained collection and administrative responsibilities on the participation interests sold. The Purchaser has no recourse against the company for uncollectible receivables; however, the company's retained interest in the receivable pool is

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subordinate to the Purchaser and is recorded at fair value. Due to a short average collection cycle of less than 60 days for such accounts receivable and due to the company's collection history, the fair value of the company's retained interest approximates book value. The retained interest recorded at September 30, 2008 is \$81.3 million and is included in accounts receivable in the accompanying Consolidated Balance Sheets.

The securitization program includes certain of the company's domestic U.S. Foodservice and Crane segments' businesses and the capacity of the program is \$105.0 million. Trade accounts receivables sold to the Purchaser and being serviced by the company totaled \$85.0 million at September 30, 2008.

Incremental sales of trade receivables from the special purpose subsidiary to the Purchaser totaled \$278.0 million for the nine months ended September 30, 2008. Cash collections of trade accounts receivable balances in the total receivable pool totaled \$910.1 million for the nine months ended September 30, 2008.

The accounts receivables securitization program is accounted for as a sale in accordance with FASB Statement No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities a Replacement of FASB Statement No. 125. Sales of trade receivables to the Purchaser are reflected as a reduction of accounts receivable in the accompanying Consolidated Balance Sheets and the proceeds received are included in cash flows from operating activities in the accompanying Consolidated Statements of Cash Flows.

The table below provides additional information about delinquencies and net credit losses for trade accounts receivable subject to the accounts receivable securitization program.

	Balance outstanding September 30, 2008	Balance Outstanding 60 Days or More Past Due September 30, 2008	Net Credit Losses Nine Months Ended September 30, 2008
Trade accounts receivable subject to securitization program	\$ 166.3	\$ 3.9	\$
Trade accounts receivable balance sold	85.0		
Retained interest	\$ 81.3		

### **10. Income Taxes**

The company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, the company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2001. The Wisconsin Department of Revenue (WDOR) continues its examination of the company's Wisconsin income tax returns for 1997 through 2005. The company anticipates that this examination will be completed by the end of 2008. As of September 30, 2008, the WDOR has not issued a formal assessment report. In August 2007, the German tax authorities began an examination of the company's German entity's income and trade tax returns for 2001 through 2005. Thus far, there have been no significant developments with regard to this German examination.

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The company's liability for unrecognized tax benefits is expected to increase by \$2.0 million, including interest and penalty, to \$38.6 million during the year ended December 31, 2008. All of the company's unrecognized tax benefits as of September 30, 2008, if recognized, would affect the effective tax rate.

During the next 12 months, the company does not expect any other significant changes in its unrecognized tax benefits.

**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,	
	2008	2007	2008	2007
Basic weighted average common shares outstanding	130,090,741	125,175,721	129,855,810	124,314,233
Effect of dilutive securities - stock options and restricted stock		2,739,283	1,925,824	2,826,979
Diluted weighted average common shares outstanding	130,090,741	127,915,004	131,781,634	127,141,212

For the three months ended September 30, 2008, the total number of potential dilutive options was 1.4 million. However, these options were not included in the computation of diluted net loss per common share for the quarter since to do so would decrease the loss per share. For the nine months ended September 30, 2008, 0.3 million 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 three and nine months ended September 30, 2007, no common shares issuable upon the exercise of stock options, were anti-dilutive and were excluded from the calculation of diluted earnings per share.

During each of the three months ended September 30, 2008 and 2007, the company paid a quarterly dividend of \$0.02 per outstanding common share. During each of the nine months ended September 30, 2008 and 2007, the company paid three quarterly dividends totaling \$0.06 and \$0.055 per share, respectively.

**12. Stockholders Equity**

On March 21, 2007, the Board of Directors of the company approved the Rights Agreement between the company and Computershare Trust Company, N.A., as Rights Agent and declared a dividend distribution of one right (a Right) for each outstanding share of Common Stock, par value \$0.01 per share, of the company (the Common Stock), to shareholders of record at the close of business on March 30, 2007 (the Record Date). In addition to the Rights issued as a dividend on the record date, the Board of Directors has also determined that one Right will be issued together with each share of Common Stock issued by the company after the Record Date. Generally, each Right, when it becomes exercisable, entitles the registered holder to purchase from the company one share of Common Stock at a purchase price, in cash, of \$110.00 per share (\$220.00 per share prior to the September 10, 2007 stock split), subject to adjustment as set forth in the Rights Agreement (the Purchase Price or Exercise Price).

As explained in the Rights Agreement, the Rights become exercisable on the Distribution Date, which is that date that any of the following occurs: (1) 10 days following a public announcement that a person or group of affiliated persons (an Acquiring Person) has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of Common Stock of the company; or (2) 10 business days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 20% or more of such outstanding shares of Common Stock. The Rights will expire at the close of business on March 29, 2017, unless earlier redeemed or exchanged by the company as described in the Rights Agreement.

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On July 26, 2007, the board of directors authorized a two-for-one split of the company's common stock. Record holders of the company's common stock at the close of business on August 31, 2007 received on September 10, 2007 one additional share of common stock for every share of the company's common stock they owned as of August 31, 2007. The company's shares outstanding at the close of business on August 31, 2007 totaled 62,787,642. The company's common stock began trading at its post-split price at the beginning of trading on September 11, 2007. Per share, share and stock option amounts within this Quarterly Report on Form 10-Q for all periods presented have been adjusted to reflect the stock split.

In November 2007, the company sold, pursuant to an underwritten public offering, approximately 4.0 million shares of its common stock at a price of \$39.48 per share to the public. The offering was undertaken to meet anticipated investor demand for the company's common stock in connection with Standard & Poor's decision to add the company to the S&P 500 Index as of the close of trading on November 15, 2007. Net cash proceeds from this offering, after deducting underwriting discounts and commissions, were \$156.9 million. The company used the proceeds for general corporate purposes.

### **13. Stock Based Compensation**

Stock based compensation expense is calculated by estimating the fair value of incentive stock options at the time of grant and amortized over the stock options vesting period. Stock based compensation was \$1.5 million and \$4.8 million for the three and nine months ended September 30, 2008, respectively. Stock based compensation was \$1.6 million and \$4.9 million for the three and nine months ended September 30, 2007, respectively.

### **14. Contingencies and Significant Estimates**

The company has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) in connection with the Lemberger Landfill Superfund Site near Manitowoc, Wisconsin. Approximately 150 potentially responsible parties have been identified as having shipped hazardous materials to this site. Eleven of those, including the company, have formed the Lemberger Site Remediation Group and have successfully negotiated with the United States Environmental Protection Agency and the Wisconsin Department of Natural Resources to fund the cleanup and settle their potential liability at this site. The estimated remaining cost to complete the clean up of this site is approximately \$8.1 million. Although liability is joint and several, the company's share of the liability is estimated to be 11% of the remaining cost. Remediation work at the site has been substantially completed, with only long-term pumping and treating of groundwater and site maintenance remaining. The company's remaining estimated liability for this matter, included in accounts payable and accrued expenses in the Consolidated Balance Sheet at September 30, 2008 is \$0.8 million. Based on the size of the company's current allocation of liabilities at this site, the existence of other viable potential responsible parties and current reserve, the company does not believe that any liability imposed in connection with this site will have a material adverse effect on its financial condition, results of operations, or cash flows.

During the due diligence process for the sale of the company's wholly-owned subsidiary Diversified Refrigeration, LLC, (f/k/a Diversified Refrigeration, Inc.) (DRI) certain contaminants in the soil and ground water associated with the facility were identified. As part of the sale agreement, the company agreed to be responsible for costs associated with further investigation and remediation of the issues identified. Estimates indicate that the costs to remediate this site are approximately \$2.0 million. During December 2005, the company recorded a \$2.0 million reserve for these estimated costs. This charge was recorded in discontinued operations in the Consolidated Statements of Operations for the year ended December 31, 2005. The company's remaining estimated liability for this matter, included in other accounts payable and accrued expenses in the Consolidated Balance Sheet at September 30, 2008 is \$0.7 million. Based upon available information, the company does not expect the ultimate costs will have a material adverse effect on its financial condition, results of operations, or cash flows.

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 will have a material adverse effect on its financial condition, results of operations, or cash flows.

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.



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As of September 30, 2008, 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 for certain cranes manufactured in the United States for occurrences from January 2000 through October 2002. As of September 30, 2008, the largest self-insured retention level 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 Consolidated Balance Sheet at September 30, 2008, were \$34.1 million; \$13.4 million was reserved specifically for actual cases and \$20.7 million for claims incurred but not reported which were estimated using actuarial methods. Based on the company's experience in defending product liability claims, management believes the current reserves are adequate for estimated case resolutions on aggregate self-insured claims and insured claims. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and solvency of insurance carriers.

At September 30, 2008 and December 31, 2007, the company had reserved \$91.5 million and \$91.2 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheets.

Certain of these warranties and other related claims involve matters in dispute that ultimately are resolved by negotiations, 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.

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 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 transactions are recorded as operating leases for all significant residual value guarantees and for all 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 accounts payable and accrued expenses and non-current liabilities at September 30, 2008 and December 31, 2007 was \$102.0 million and \$102.4 million, respectively. The total amount of residual value guarantees and buyback commitments given by the company and outstanding at September 30, 2008 was \$120.0 million. This amount is not reduced for amounts the company would recover from repossessing and subsequent resale of the units. The residual value guarantees and buyback commitments expire at various times through 2013.

During the nine months ended September 30, 2008 and 2007, the company sold \$1.4 million and \$9.2 million, respectively, of its long term notes receivable to third party financing companies. 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 Consolidated Balance Sheet, 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 Consolidated Balance Sheets. The cash flow benefit of these transactions, net of payments made by the customer, are reflected as financing activities in the Consolidated Statement of Cash Flows. During the nine months ended September 30, 2008, the customers have paid \$5.8 million of the notes to the third party financing companies. As of September 30, 2008, the outstanding balance of the notes receivables guaranteed by the company was \$13.9 million.

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. Such warranty generally provides that products will be free from defects for periods ranging from 6 months to 60 months. 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

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liability and adjusts the amounts as necessary. Below is a table summarizing the warranty activity for the nine months ended September 30, 2008 and 2007.

	<b>2008</b>		<b>2007</b>	
Balance at beginning of period	\$	91.2	\$	69.1
Accruals for warranties issued during the period		44.5		39.5
Settlements made (in cash or in kind) during the period		(45.2)		(32.6)
Acquisition		0.2		
Currency translation		0.8		2.1
Balance at end of period	\$	91.5	\$	78.1

**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, 2008 and 2007 are as follows:

	Three Months Ended September 30, 2008			Nine Months Ended September 30, 2008		
	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	\$	\$ 1.7	\$ 0.6
Interest cost of projected benefit obligations	1.8	0.9	0.8	5.5	2.6	2.3
Expected return on plan assets	(1.7)	(0.8)		(5.2)	(2.4)	
Amortization of actuarial net (gain) loss						
Net periodic benefit costs	\$ 0.1	\$ 0.6	\$ 1.0	\$ 0.3	\$ 1.9	\$ 2.9
Weighted average assumptions:						
Discount rate	6.50%	5.5 - 5.8%	5.75%	6.50%	5.5 - 5.8%	5.75%
Expected return on plan assets	5.9%	0.0 - 6.1%	N/A	5.9%	0.0 - 6.1%	N/A
Rate of compensation increase	N/A	0.0 - 4.4%	N/A	N/A	0.0 - 4.4%	N/A

	Three Months Ended September 30, 2007			Nine Months Ended September 30, 2007		
	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	\$	\$ 1.5	\$ 0.5
Interest cost of projected benefit obligations	1.8	1.2	0.8	5.3	3.5	2.5
Expected return on plan assets	(1.8)	(1.1)		(5.3)	(3.3)	
Amortization of actuarial net (gain) loss	0.2		0.1	0.5		0.2
Net periodic benefit costs	\$ 0.2	\$ 0.6	\$ 1.1	\$ 0.5	\$ 1.7	\$ 3.2

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Weighted average assumptions:

Discount rate	5.75%	4.5	4.9%	5.75%	5.75%	4.5 - 4.9%	5.75%	
Expected return on plan assets	6.5%	0.0 - 6.3%		N/A	6.5%	0.0 - 6.3%		N/A
Rate of compensation increase	N/A	1.8	4.0%	N/A	N/A	1.8	4.0%	N/A

The three U.S. pension plans had benefit accruals frozen during 2003. Effective January 1, 2007, the company merged all U.S. pension plans together and made a contribution of \$27.2 million that is expected to fully fund the ongoing pension liability. The company also changed its investment policy to more closely align the interest rate sensitivity of its pension assets with the corresponding liabilities. The resulting asset allocation is approximately 10% equities and 90% fixed

income. This funding and change in allocation removed a significant portion of the U.S. pension's volatility arising from unpredictable changes in interest rates and the equity markets. This decision will protect the company's balance sheet as well as support its goal of minimizing unexpected future pension cash contributions based upon the new provisions of the Pension Protection Act and protect our employees' benefits.

During the second quarter of 2007, the company made a \$15.1 million pension contribution to its U.K. defined benefit pension plan. The \$15.1 million contribution funded the defined benefit plan as well as paid an incentive to certain pensioners to transfer from the defined benefit plan to a defined contribution plan. As a result of this payment, the company recorded a charge during the second quarter of 2007 of approximately \$3.8 million to reflect the incentive given to the pensioners and expenses incurred. This charge is recorded in pension settlements in the Consolidated Statement of Operations for the three and nine months ended September 30, 2007. Subsequent to the funding of the defined benefit pension plan, approximately \$39.2 million of assets and related liabilities were transferred from the defined benefit pension plan to a defined contribution pension plan.

During the second quarter of 2007, the company recorded a charge of \$1.4 million related to a withdraw liability from a multiemployer pension plan at its former River Falls, Wisconsin facility. During the third quarter of 2005, the company closed its Kolpak operation located in River Falls, Wisconsin and consolidated it with its operation in Tennessee. The \$1.4 million represents the estimated payment the company will make to the multiemployer pension plan for its former union employees at the closed facility. This charge is recorded in pension settlements in the Consolidated Statement of Operations for the three and nine months ended September 30, 2007.

#### **17. Sale of Parts Line**

On April 3, 2007, the company sold all of its aftermarket replacement parts and rights to manufacture, sell and service aftermarket replacement parts for all the models of the Grove Manlift aerial work platform product line around the world, to MinnPar LLC. The company received \$4.9 million in proceeds and recognized a gain of \$3.3 million, which is recorded in gain on sale of parts line in the Consolidated Statement of Operations for the nine months ended September 30, 2007.

#### **18. Recent Accounting Changes and Pronouncements**

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The company is currently evaluating the impact this statement will have on its financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, an amendment of FASB Statement No. 133. SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of: 1) how and why an entity uses derivative instruments; 2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and 3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The company is currently evaluating the impact on disclosures of the adoption of SFAS No. 161 on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51, which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 also provides guidance when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The company is currently evaluating the impact this statement will have on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, which establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value to be recognized in earnings until settled. SFAS 141(R) also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The company is currently evaluating the impact this statement will have on its financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 permits all entities to choose, at specified election dates, to measure eligible items at fair value (the *fair value option*). A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected are recognized in earnings as incurred and not deferred. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 was effective for us on January 1, 2008. The adoption of SFAS No. 159 did not have an impact on our consolidated financial statements as the company did not elect the fair value option for any of such eligible financial assets or financial liabilities as of March 31, 2008.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 which delays the effective date of SFAS 157 for one year, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FAS 157 and FSP 157-2 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We have elected a partial deferral of SFAS 157 under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating goodwill, other intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. The impact of partially adopting SFAS 157 effective January 1, 2008 was not material to our Consolidated Financial Statements.



**19. Subsidiary Guarantors of Senior Notes due 2013**

The following tables present condensed consolidating financial information for (a) The Manitowoc Company, Inc. (Parent); (b) the guarantors of the Senior Notes due 2013, which include substantially all of the domestic wholly owned subsidiaries of the company (Subsidiary Guarantors); and (c) the wholly and partially owned foreign subsidiaries of the company, which do not guarantee the Senior Notes due 2013 (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, and 100% owned by the company. On August 1, 2007, the company redeemed its 10 ½% senior subordinated notes due 2012, the guarantors of which were substantially the same as the guarantors of the Senior Notes due 2013.

**The Manitowoc Company, Inc.**  
**Condensed Consolidating Statement of Operations**  
**For the Three Months Ended September 30, 2008**  
(In millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 641.9	\$ 658.1	\$ (193.2)	\$ 1,106.8
Costs and expenses:					
Cost of sales		527.6	528.7	(193.2)	863.1
Engineering, selling and administrative expenses	13.2	36.0	49.5		98.7
Restructuring expense			0.8		0.8
Amortization expense		0.5	1.5		2.0
Integration expense		1.6			1.6
Equity in (earnings) loss of subsidiaries	(123.5)	0.7		122.8	
Total costs and expenses	(110.3)	566.4	580.5	(70.4)	966.2
Earnings (loss) from continuing operations	110.3	75.5	77.6	(122.8)	140.6
Other income (expense):					
Interest expense	(2.9)	(0.9)	(3.7)		(7.5)
Loss on currency hedges	(198.4)				(198.4)
Management fee income (expense)	11.2	(11.6)	0.4		
Other income (expense), net	18.1	(3.0)	(17.9)		(2.8)
Total other income (expense)	(172.0)	(15.5)	(21.2)		(208.7)
Earnings from (loss) from continuing operations before taxes on income and minority interest	(61.7)	60.0	56.4	(122.8)	(68.1)
Provision (benefit) for taxes on income	(35.6)	0.1	5.9		(29.6)
Earnings (loss) from continuing operations before minority interest	(26.1)	59.9	50.5	(122.8)	(38.5)
Minority interest, net of income taxes			(0.8)		(0.8)
Net earnings (loss) from continuing operations	\$ (26.1)	\$ 59.9	\$ 51.3	\$ (122.8)	\$ (37.7)
Discontinued operations:					
Earnings from discontinued operations, net of income taxes		11.6			11.6
Net earnings (loss)	\$ (26.1)	\$ 71.5	\$ 51.3	\$ (122.8)	\$ (26.1)



**The Manitowoc Company, Inc.**  
**Condensed Consolidating Statement of Operations**  
**For the Three Months Ended September 30, 2007**  
(In millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 533.1	\$ 509.9	\$ (117.8)	\$ 925.2
Costs and expenses:					
Cost of sales		420.0	411.2	(117.8)	713.4
Engineering, selling and administrative expenses	10.9	42.4	39.5		92.8
Amortization expense		0.5	0.5		1.0
Total costs and expenses	10.9	462.9	451.2	(117.8)	807.2
Earnings (loss) from continuing operations	(10.9)	70.2	58.7		118.0
Other income (expense):					
Interest expense	(4.8)	(1.3)	(2.4)		(8.5)
Loss on debt extinguishment	(12.5)				(12.5)
Management fee income (expense)	9.2	(8.8)	(0.4)		
Other income (expense), net	15.6	(2.5)	(13.5)		(0.4)
Total other income (expense)	7.5	(12.6)	(16.3)		(21.4)
Earnings (loss) from continuing operations before taxes on income and equity in earnings of subsidiaries					
	(3.4)	57.6	42.4		96.6
Provision (benefit) for taxes on income	(0.8)	12.8	13.5		25.5
Earnings (loss) from continuing operations before equity in earnings of subsidiaries	(2.6)	44.8	28.9		71.1
Equity in earnings (loss) of subsidiaries	78.5			(78.5)	
Net earnings (loss) from continuing operations	75.9	44.8	28.9	(78.5)	71.1
Discontinued operations:					
Earnings from discontinued operations, net of income taxes		4.8			4.8
Net earnings (loss)	\$ 75.9	\$ 49.6	\$ 28.9	\$ (78.5)	\$ 75.9

**The Manitowoc Company, Inc.**  
**Condensed Consolidating Statement of Operations**  
**For the Nine Months Ended September 30, 2008**  
(In millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 1,795.1	\$ 2,010.7	\$ (519.4)	\$ 3,286.4
Costs and expenses:					
Cost of sales		1,448.3	1,583.9	(519.4)	2,512.8
Engineering, selling and administrative expenses	38.3	123.0	156.0		317.3
Restructuring expense			0.8		0.8
Integration expense		1.6			1.6
Amortization expense		1.5	4.0		5.5
Equity in (earnings) loss of subsidiaries	(335.4)	(5.4)		340.8	
Total costs and expenses	(297.1)	1,569.0	1,744.7	(178.6)	2,838.0
Earnings (loss) from continuing operations	297.1	226.1	266.0	(340.8)	448.4
Other income (expense):					
Interest expense	(8.3)	(2.7)	(10.6)		(21.6)
Loss on currency hedges	(198.4)				(198.4)
Management fee income (expense)	33.8	(24.3)	(9.5)		
Other income (expense), net	59.4	(8.8)	(45.3)		5.3
Total other income (expense)	(113.5)	(35.8)	(65.4)		(214.7)
Earnings (loss) from continuing operations before taxes on income and minority interest	183.6	190.3	200.6	(340.8)	233.7
Provision (benefit) for taxes on income	(26.8)	32.7	50.0		55.9
Earnings (loss) from continuing operations before minority interest	210.4	157.6	150.6	(340.8)	177.8
Minority interest			(0.9)		(0.9)
Net earnings (loss) from continuing operations	210.4	157.6	151.5	(340.8)	178.7
Discontinued operations:					
Earnings from discontinued operations, net of income taxes		31.7			31.7
Net earnings (loss)	\$ 210.4	\$ 189.3	\$ 151.5	\$ (340.8)	\$ 210.4

**The Manitowoc Company, Inc.**  
**Condensed Consolidating Statement of Operations**  
**For the Nine Months Ended September 30, 2007**  
(In millions)

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 1,527.6	\$ 1,460.4	\$ (349.9)	\$ 2,638.1
Costs and expenses:					
Cost of sales		1,204.2	1,161.8	(349.9)	2,016.1
Engineering, selling and administrative expenses	33.0	120.6	122.4		276.0
Gain on sale of parts line		(3.3)			(3.3)
Pension settlements	1.3		3.9		5.2
Amortization expense		1.4	1.5		2.9
Total costs and expenses	34.3	1,322.9	1,289.6	(349.9)	2,296.9
Earnings (loss) from continuing operations	(34.3)	204.7	170.8		341.2
Other income (expense):					
Interest expense	(19.0)	(3.4)	(5.0)		(27.4)
Loss on debt extinguishment	(12.5)				(12.5)
Management fee income (expense)	27.1	(25.8)	(1.3)		
Other income (expense), net	49.5	(12.1)	(33.0)		4.4
Total other income (expense)	45.1	(41.3)	(39.3)		(35.5)
Earnings from continuing operations before taxes on income and equity in earnings of subsidiaries	10.8	163.4	131.5		305.7
Provision for taxes on income	2.0	34.0	47.3		83.3
Earnings from continuing operations before equity in earnings of subsidiaries	8.8	129.4	84.2		222.4
Equity in earnings (loss) of subsidiaries	228.6			(228.6)	
Net earnings (loss) from continuing operations	237.4	129.4	84.2	(228.6)	222.4
Discontinued operations:					
Earnings from discontinued operations, net of income taxes		15.0			15.0
Net earnings (loss)	\$ 237.4	\$ 144.4	\$ 84.2	\$ (228.6)	\$ 237.4

**The Manitowoc Company, Inc.**  
**Condensed Consolidating Balance Sheet**  
**as of September 30, 2008**  
**(In millions)**

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 220.4	\$ 31.9	\$ 127.1	\$	\$ 379.4
Marketable securities	2.6				2.6
Restricted cash	5.3				5.3
Accounts receivable net	0.4	146.7	345.8		492.9
Inventories net		272.6	596.1		868.7
Deferred income taxes	49.2		17.4		66.6
Other current assets	58.8	9.3	63.9		132.0
Current assets of discontinued operations		25.2			25.2
<b>Total current assets</b>	<b>336.7</b>	<b>485.7</b>	<b>1,150.3</b>		<b>1,972.7</b>
Property, plant and equipment net	10.3	218.5	305.4		534.2
Goodwill		278.7	212.6		491.3
Other intangible assets net		70.2	131.3		201.5
Deferred income taxes	25.4		2.6		28.0
Other non-current assets	59.4	9.6	8.1		77.1
Long-term assets of discontinued operations		71.3			71.3
Investment in affiliates	1,180.1	15.3		(1,195.4)	
<b>Total assets</b>	<b>\$ 1,611.9</b>	<b>\$ 1,149.3</b>	<b>\$ 1,810.3</b>	<b>\$ (1,195.4)</b>	<b>\$ 3,376.1</b>
<b>Liabilities and Stockholders Equity</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 220.4	\$ 316.4	\$ 559.4	\$	\$ 1,096.2
Short-term borrowings			44.7		44.7
Customer advances		23.2	30.4		53.6
Product warranties		38.0	42.0		80.0
Product liabilities		30.6	3.5		34.1
Current liabilities of discontinued operations		74.3			74.3
<b>Total current liabilities</b>	<b>220.4</b>	<b>482.5</b>	<b>680.0</b>		<b>1,382.9</b>
<b>Non-Current Liabilities:</b>					
Long-term debt, less current portion	150.3		52.1		202.4
Pension obligations	7.9	3.2	15.2		26.3
Postretirement health and other benefit obligations	49.0		0.9		49.9
Intercompany	(425.5)	(277.5)	703.0		
Long-term deferred income		10.4	44.0		54.4
Other non-current liabilities	48.4	14.8	35.6		98.8
<b>Total non-current liabilities</b>	<b>(169.9)</b>	<b>(249.1)</b>	<b>850.8</b>		<b>431.8</b>
<b>Stockholders equity</b>	<b>1,561.4</b>	<b>915.9</b>	<b>279.5</b>	<b>(1,195.4)</b>	<b>1,561.4</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,611.9</b>	<b>\$ 1,149.3</b>	<b>\$ 1,810.3</b>	<b>\$ (1,195.4)</b>	<b>\$ 3,376.1</b>

## The Manitowoc Company, Inc.

## Condensed Consolidating Balance Sheet

as of December 31, 2007

(In millions)

	Parent	Guarantor	Non-Guarantor	Eliminations	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 195.0	\$ 25.2	\$ 146.7	\$	\$ 366.9
Marketable securities	2.5				2.5
Restricted cash	15.5		1.2		16.7
Account receivable-net	0.5	107.0	309.2		416.7
Inventories-net		201.5	389.5		591.0
Deferred income taxes	46.6		19.5		66.1
Other current assets	0.7	12.9	47.5		61.1
Current assets of discontinued operations		54.6			54.6
Total current assets	260.8	401.2	913.6		1,575.6
Property, plant and equipment - net	9.5	178.7	280.7		468.9
Goodwill-net		278.7	192.9		471.6
Other intangible assets		71.6	129.0		200.6
Deferred income taxes	25.0		2.6		27.6
Other non-current assets	37.9	9.1	8.8		55.8
Long-term assets of discontinued operations		71.3			71.3
Investments in affiliates	932.4	8.4		(940.8)	
Total assets	\$ 1,265.6	\$ 1,019.0	\$ 1,527.6	\$ (940.8)	\$ 2,871.4
<b>Liabilities and stockholders equity</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 32.0	\$ 262.0	\$ 551.7	\$	\$ 845.7
Short-term borrowings			13.1		13.1
Product warranties		38.5	41.9		80.4
Product liabilities		30.1	4.6		34.7
Current liabilities of discontinued operations		100.7			100.7
Total current liabilities	32.0	431.3	611.3		1,074.6
Long-term debt	150.1		67.4		217.5
Pension obligations	6.4	3.3	15.3		25.0
Postretirement health and other benefit obligations	50.2		1.1		51.3
Long-term deferred revenue		16.6	44.0		60.6
Intercompany	(370.3)	(231.5)	601.8		
Other non-current liabilities	47.3	16.0	29.2		92.5
Total non-current liabilities	(116.3)	(195.6)	758.8		446.9
Stockholders equity	1,349.9	783.3	157.5	(940.8)	1,349.9
Total liabilities and stockholders equity	\$ 1,265.6	\$ 1,019.0	\$ 1,527.6	\$ (940.8)	\$ 2,871.4





**The Manitowoc Company, Inc.**  
**Condensed Consolidating Statement of Cash Flows**  
**For the Nine Months Ended September 30, 2008**  
(In millions)

	Parent	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operating activities of continuing operations	349.5	143.6	(39.4)	(340.8)	112.9
Cash provided by operating activities of discontinued operations		36.8			36.8
Net cash provided by (used in) operating activities	\$ 349.5	\$ 180.4	\$ (39.4)	\$ (340.8)	\$ 149.7
<b>Cash Flows from Investing:</b>					
Business acquisition			(26.7)		(26.7)
Capital expenditures	(1.9)	(60.0)	(34.3)		(96.2)
Restricted cash	10.3		1.2		11.5
Proceeds from sale of property, plant and equipment		0.6	5.0		5.6
Purchase of marketable securities	(0.1)				(0.1)
Intercompany investments	(315.6)	(109.6)	84.4	340.8	
Net cash provided by (used for) investing activities of continuing operations	(307.3)	(169.0)	29.6	340.8	(105.9)
Net cash used for investing activities of discontinued operations		(2.2)			(2.2)
Net cash provided by (used for) investing activities	(307.3)	(171.2)	29.6	340.8	(108.1)
<b>Cash Flows from Financing:</b>					
Proceeds from long-term debt			33.1		33.1
Payments on long-term debt			(43.1)		(43.1)
Payments on notes financing		(2.5)	(1.9)		(4.4)
Debt issuance costs	(17.6)				(17.6)
Dividends paid	(7.8)				(7.8)
Exercises of stock options	8.6				8.6
Net cash used for financing activities	(16.8)	(2.5)	(11.9)		(31.2)
Effect of exchange rate changes on cash			2.1		2.1
Net increase (decrease) in cash and cash equivalents	25.4	6.7	(19.6)		12.5
Balance at beginning of period	195.0	25.2	146.7		366.9
Balance at end of period	\$ 220.4	\$ 31.9	\$ 127.1	\$	\$ 379.4

**The Manitowoc Company, Inc.**  
**Condensed Consolidating Statement of Cash Flows**  
**For the Nine Months Ended September 30, 2007**  
(In millions)

	Parent	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (used in) operating activities of continuing operations	235.7	117.6	(106.2)	(228.6)	18.5
Cash provided by operating activities of discontinued operations		10.9			10.9
Net cash provided by (used in) operating activities	\$ 235.7	\$ 128.5	\$ (106.2)	\$ (228.6)	\$ 29.4
<b>Cash Flows from Investing:</b>					
Business acquisitions		(15.9)	(64.2)		(80.1)
Capital expenditures	(1.7)	(18.7)	(32.0)		(52.4)
Restricted cash	(0.5)				(0.5)
Proceeds from sale of property, plant and equipment		0.2	7.6		7.8
Proceeds from sales of parts product line		4.9			4.9
Purchase of marketable securities	(0.1)				(0.1)
Intercompany investments	(201.4)	(91.4)	64.2	228.6	
Net cash provided by (used for) investing activities of continuing operations	(203.7)	(120.9)	(24.4)	228.6	(120.4)
Net cash used for investing activities of discontinued operations		(4.5)			(4.5)
Net cash provided by (used for) investing activities	(203.7)	(125.4)	(24.4)	228.6	(124.9)
<b>Cash Flows from Financing:</b>					
Proceeds from long-term debt			11.5		11.5
Payments on long-term debt	(113.8)				(113.8)
Proceeds from revolving credit facility	53.3		50.0		103.3
Proceeds on notes financing		3.3	0.1		3.4
Dividends paid	(6.9)				(6.9)
Exercises of stock options	20.0				20.0
Net cash provided by (used for) financing activities	(47.4)	3.3	61.6		17.5
Effect of exchange rate changes on cash			8.0		8.0
Net increase (decrease) in cash and cash equivalents	(15.4)	6.4	(61.0)		(70.0)
Balance at beginning of period	20.4	24.1	130.4		174.9
Balance at end of period	\$ 5.0	\$ 30.5	\$ 69.4	\$	\$ 104.9

**20. Business Segments**

As a result of the decision to sell the Marine segment, the company's Unaudited Consolidated Financial Statements, accompanying notes and other information provided in this Form 10-Q reflect the Marine segment as a discontinued operation for all periods presented.

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. After reclassifying the Marine segment to discontinued operations, the company has two remaining reportable segments: Crane and Foodservice. The company has not aggregated individual operating segments within these reportable segments. Net sales and earnings from operations by segment are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales:				
Crane	\$ 991.0	\$ 812.3	\$ 2,939.2	\$ 2,300.2
Foodservice	115.8	112.9	347.2	337.9
Total net sales	\$ 1,106.8	\$ 925.2	\$ 3,286.4	\$ 2,638.1
Earnings (loss) from operations:				
Crane	\$ 137.1	\$ 111.5	\$ 435.6	\$ 326.3
Foodservice	18.3	17.7	53.1	50.6
Corporate expense	(12.4)	(11.2)	(37.9)	(33.8)
Gain on sale of parts line				3.3
Pension settlements				(5.2)
Restructuring expense	(0.8)		(0.8)	
Integration expense	(1.6)		(1.6)	
Operating earnings	\$ 140.6	\$ 118.0	\$ 448.4	\$ 341.2

Crane segment operating earnings for the three and nine months ended September 30, 2008 includes amortization expense of \$1.9 million and \$5.0 million, respectively. Crane segment operating earnings for the three and nine months ended September 30, 2007 includes amortization expense of \$0.9 million and \$2.5 million, respectively. Foodservice segment operating earnings for the three and nine months ended September 30, 2008 includes amortization expense of \$0.1 million and \$0.5 million, respectively. Foodservice segment operating earnings for the three and nine months ended September 30, 2007 includes amortization expense of \$0.1 million and \$0.4 million, respectively.

As of September 30, 2008 and December 31, 2007, the total assets by segment were as follows:

	September 30, 2008	December 31, 2007
Crane	\$ 2,397.0	\$ 1,958.1
Foodservice	349.4	341.5
Corporate	533.2	446.0
Total	\$ 3,279.6	\$ 2,745.6

**21. Subsequent Events**

On October 27, 2008, the company completed the previously announced acquisition (the Acquisition ) of all of the issued and to be issued ordinary share capital of Enodis plc ( Enodis ) from the existing shareholders of Enodis for cash of 328 pence per share. Enodis is a global leader in the design and manufacture of innovative equipment for the commercial foodservice industry. The Acquisition was valued at approximately \$2.7 billion, including the assumption of Enodis net debt, and was funded by loan facilities made available to the company under its Amended and Restated New Credit Agreement, dated as of August 25, 2008, with JPMorgan Chase Bank, N.A., as Administrative Agent, Deutsche Bank AG New York Branch and Morgan Stanley Senior Funding, Inc., as Syndication Agents, and BNP Paribas, as Documentation Agent, as amended. The initial funding date for the Acquisition was November 6, 2008. A total of \$175.0 million was drawn from the \$400.0 million revolving facility of the New Credit Agreement to fund the transaction. In addition, a total of \$2,525.0 million was drawn under the term loan facilities of the New Credit Agreement to fund the transaction which represents the total amount available under these facilities.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation****Results of Operations for the Three and Nine Months Ended September 30, 2008 and 2007****Analysis of Net Sales**

The following table presents net sales by business segment (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales:				
Cranes and Related Products	\$ 991.0	\$ 812.3	\$ 2,939.2	\$ 2,300.2
Foodservice Equipment	115.8	112.9	347.2	337.9
Total net sales	\$ 1,106.8	\$ 925.2	\$ 3,286.4	\$ 2,638.1

Consolidated net sales for the three months ended September 30, 2008 increased 19.6% to \$1.1 billion, from \$925.2 million for the same period in 2007. For the nine months ended September 30, 2008 sales increased 24.6% to \$3.3 billion versus sales of \$2.6 billion for the nine months ended September 30, 2007. The increases in sales were driven mainly by our Crane segment.

Net sales from the Crane segment for the three months ended September 30, 2008 increased 22.0% to \$991.0 million versus \$812.3 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008 sales increased 27.8% to \$2.9 billion versus \$2.3 billion for the nine months ended September 30, 2007. Net sales for both the three and nine months ended September 30, 2008 increased over the same periods in the prior year in all major geographic regions despite the ongoing softness in some residential and commercial construction markets, as well as challenges in customer and project financing. From a product-line standpoint, the higher sales were driven by increased volume of crawler, tower, and mobile hydraulic cranes worldwide and increases in our aftermarket sales and service business. Crane sales also benefited from product pricing increases in 2008 versus 2007.

For the three and nine months ended September 30, 2008 versus the same periods in 2007, the stronger Euro currency compared to the U.S. Dollar had a favorable impact on sales of approximately \$43.6 million and \$170.7 million, respectively. As of September 30, 2008, total Crane segment backlog was \$3.3 billion, a 5.4% decrease over the June 30, 2008 backlog of \$3.5 billion and a 15.8% increase over the December 31, 2007 backlog of \$2.9 billion. The solid backlog reflects the increased international activity, the pay back of our innovation strategy, and the success of our new products in the marketplace. The drop in backlog for the three months ended September 30, 2008, as compared to the three months ended June 30, 2008, reflected slowing demand for tower cranes in Europe, and a delay in opening the 2009 and 2010 customer order book until material price forecasts and customer pricing arrangements can be finalized. Demand has also softened in China which was expected due to the pause in construction projects after the Beijing 2008 Olympic Games.

Net sales from the Foodservice segment increased 2.6% to \$115.8 million for the three months ended September 30, 2008 versus \$112.9 million for the three months ended September 30, 2007. The sales increase during the quarter was a result of higher sales for ice and beverage products despite the fact that the weak global economy is negatively impacting the growth of new restaurant and commercial foodservice facilities worldwide. The 2008 quarter benefited from strong sales from global markets and from a weak third quarter in 2007 as a result of a slowing ice

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market. For the nine months ended September 30, 2008, Foodservice segment sales of \$347.2 million increased 2.8% over the same period in 2007. The sales increase during the nine months versus the prior year was driven by higher product volume, strong sales from global markets, and pricing increases. Despite the challenging environment, the company increased its market share across several product lines and will continue to aggressively pursue potential sales opportunities.

**Analysis of Operating Earnings**

The following table presents operating earnings by business segment (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Earnings from operations:				
Cranes and Related Products	\$ 137.1	\$ 111.5	\$ 435.6	\$ 326.3
Foodservice Equipment	18.3	17.7	53.1	50.6
General corporate expense	(12.4)	(11.2)	(37.9)	(33.8)
Gain on sale of parts line				3.3
Pension settlements				(5.2)
Restructuring expense	(0.8)		(0.8)	
Integration expense	(1.6)		(1.6)	
Total	\$ 140.6	\$ 118.0	\$ 448.4	\$ 341.2

Consolidated gross profit for the three months ended September 30, 2008 was \$243.7 million, an increase of \$31.9 million over the \$211.8 million of consolidated gross profit for the same period in 2007. Consolidated gross profit for the nine months ended September 30, 2008 was \$773.6 million, an increase of \$151.6 million over the \$622.0 million of consolidated gross profit for the same period in 2007. These increases were driven by significantly higher gross profit in the Crane segment. The three and nine month increases in the Crane segment were due to increased sales volumes, factory productivity gains, favorable impact of price increases, and favorable translation effect of foreign currency exchange rate changes. For the three and nine months ended September 30, 2008 versus the same periods in 2007, the stronger Euro currency compared to the U.S. Dollar had a favorable impact on gross profit of approximately \$7.5 million and \$32.5 million, respectively. The gross profit increases from the three and nine months ended September 30, 2008, as compared to last year, were partially offset by unfavorable material cost increases.

For the three and nine months ended September 30, 2008, the Foodservice segment gross profit declined approximately \$1.8 million and \$2.0 million, respectively, versus the same periods last year. The decreases in the Foodservice segment were primarily the result of material price increases and higher warranty expenses.

Engineering, selling and administrative (ES&A) expenses for the third quarter of 2008 increased approximately \$5.9 million to \$98.7 million versus \$92.8 million for the third quarter of 2007. For the nine months ended September 30, 2008, ES&A was \$317.3 million, which was a \$41.4 million increase over ES&A for the nine months ended September 30, 2007. This increase was primarily driven by the Crane segment due to higher employee related costs, increased research and development costs, expenses for product support call centers, and higher sales and marketing expenses due to increased sales efforts in emerging markets. ES&A expenses were also higher due to the impact of the stronger Euro currency to the U.S. Dollar currency and to higher corporate expenses primarily due to higher employee-related costs.

For the three months ended September 30, 2008, the Crane segment reported operating earnings of \$137.1 million compared to \$111.5 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008, the Crane segment reported operating earnings of \$435.6 million compared to \$326.3 million for the nine months ended September 30, 2007. Operating earnings of the Crane segment were favorably affected by increased volume across all regions, impact of price increases, product cost reductions, and the positive translation effect of foreign currency exchange rate changes. These increases were partially offset by higher raw material costs and higher ES&A related costs. Operating margin for the three months ended September 30, 2008 was 13.8% versus 13.7% for the three months ended September 30, 2007. Volume and favorable mix, effective leveraging of fixed costs and ES&A expenses on higher sales volume, and favorable pricing levels in all our regions contributed to the margin improvement.

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For the three months ended September 30, 2008, the Foodservice segment reported operating earnings of \$18.3 million compared to \$17.7 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008, the Foodservice segment reported operating earnings of \$53.1 million compared to \$50.6 million for the nine months ended September 30, 2007. The increases in operating earnings for the quarter and nine month period was the result of increased pricing, product cost reductions, and tightly controlled ES&A expenses. These increases were partially offset by higher raw material costs.

For the three months ended September 30, 2008, corporate expenses were \$12.4 million compared to \$11.2 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008, corporate expenses were \$37.9



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million compared to \$33.8 million for the nine months ended September 30, 2007. These increases are the result of higher employee-related costs and other professional services expenses.

The company is engaged in a number of integration activities associated with the Enodis acquisition. For the three and nine months ended September 30, 2008, integration expenses were approximately \$1.6 million. Integration expenses include only costs directly associated with the integration such as costs related to outside vendors or services, costs of employees who have been assigned full-time to integration activities, and travel related expenses.

Restructuring expenses relate to costs associated with ceasing operations for two U.K. facilities in the Crane segment and centralizing its activities in a new sales, administration, and customer service office located close to Buckingham, Buckinghamshire. The new facility is an important step in continuing the company's expansion in the U.K. and support for the company's presence in the U.K. and Ireland. For the three and nine months ended September 30, 2008, restructuring expenses were approximately \$0.8 million.

On April 3, 2007, we sold all of our aftermarket replacement parts and rights to manufacture, sell and service aftermarket replacement parts for all the models of the Grove Manlift aerial work platform product line around the world to MinnPar LLC (MinnPar). We received \$4.9 million in proceeds and recognized a gain of \$3.3 million, which is recorded in gain on sale of parts line in the Consolidated Statement of Operations for the nine months ended September 30, 2007.

During the second quarter of 2007, we made a \$15.1 million pension contribution to our U.K. defined benefit pension plan. The \$15.1 million contribution funded the defined benefit plan as well as paid an incentive to certain pensioners to transfer from the defined benefit plan to a defined contribution plan. As a result of this payment, the company recorded a charge during the second quarter of 2007 of approximately \$3.8 million to reflect the incentive given to the pensioners and expenses incurred. This charge is recorded in pension settlements in the Consolidated Statement of Operations for the nine months ended September 30, 2007. Subsequent to the funding of the defined benefit pension plan, approximately \$39.2 million of assets and related liabilities were transferred from the defined benefit pension plan to a defined contribution pension plan.

During the second quarter of 2007, we recorded a charge of \$1.4 million related to a withdraw liability from a multiemployer pension plan at our former River Falls, Wisconsin facility. During the third quarter of 2005, we closed our Kolpak operation located in River Falls, Wisconsin and consolidated it with our operation in Tennessee. The \$1.4 million represents the estimated payment we will make to the multiemployer pension plan for our former union employees at the closed facility. This charge is recorded in pension settlements in the Consolidated Statement of Operations for the nine months ended September 30, 2007.

### **Analysis of Non-Operating Income Statement Items**

Interest expense for the third quarter of 2008 was \$7.5 million versus \$8.5 million for the third quarter ended September 30, 2007. The decrease resulted from the redemption of the 10 1/2% senior subordinated notes due 2012 during August of 2007.

During July 2008, the Company entered into various hedging transactions (the hedges) to comply with the terms of its New Credit Agreement (see further detail related to the New Credit Agreement at Note 8, Debt) issued to fund the purchase of Enodis plc (Enodis). The hedges were

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required to limit the company's exposure to fluctuations in the underlying purchase price of the Enodis shares which could have ultimately required additional funding capacity under the New Credit Agreement. Subsequent to entering into the hedging transactions, the U.S. Dollar strengthened against the British Pound which resulted in a significant change to the fair value of the underlying hedges. FAS 133, Accounting for Derivative Instruments and Hedging Activities states that hedges of a firm commitment to acquire a business do not qualify for hedge accounting (or balance sheet) treatment. Therefore, the periodic market value changes in these hedges are required to go through the income statement. Additionally, the hedge accounting treatment will lower the initial amount of goodwill booked for the purchase by the amount of the loss on currency hedges. The final disposition of these hedge positions will be determined based upon the market exchange rate on the date the funding transaction is completed. For the three and nine months ended September 30, 2008, loss on currency hedges related to the purchase of Enodis was \$198.4 million. The acquisition price of Enodis, in U.S. Dollars, has decreased by a similar amount from the point in time in which the hedges were entered into. Accordingly, the goodwill that will be recorded when the acquisition is finalized will be lower than it would have been if the exchange rate between the U.S. Dollar and the British Pound had not changed from the time the hedges were entered into.

Other income, net for the first nine months of 2008 was \$5.3 million versus \$4.4 million for the same period ended September 30, 2007. This increase is primarily the result of an increase in interest income as a result of higher cash

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balances during the first nine months of 2008 versus the same period last year. This result was partially offset by foreign currency losses reflecting a stronger U.S. Dollar against Chinese and Australian currencies and its effect on net monetary assets that are denominated in those currencies.

The effective tax rates for the three and nine months ended September 30, 2008 were 43.4% and 23.9%, respectively. The effective tax rate for the three and nine months ended September 30, 2007 were 26.4% and 27.3%, respectively. The loss on the currency hedges drove a significant decrease in U.S. pre-tax income, and consequently a change in the mix between U.S. and foreign source pre-tax income. Because the foreign effective tax rate is less than the U.S. effective tax rate, there is a decrease in the projected annual overall effective tax rate. During the quarter, the company recognized a loss from continuing operations. Therefore, an income tax benefit was recorded. The benefit recorded during the quarter was favorably impacted by the effect of reduction in the overall effective tax rate as previously described. The rate for the three and nine months ended September 30, 2007 was favorably impacted by a foreign tax credit carryforward which was recognized during the quarter. In addition, all periods were favorably affected, as compared to the statutory rate, to varying degrees by certain global tax planning initiatives.

For the three and nine months ended September 30, 2008, a minority interest loss of \$0.8 million and \$0.9 million, respectively, was recorded in relation to our 50% joint venture with the shareholders of TaiAn Dongyue. See further detail related to the joint venture at Note 2, Acquisitions.

On August 1, 2008, the company signed a definitive purchase agreement to sell the ownership interests of its Marine segment to Fincantieri Marine Group Holdings Inc, a subsidiary of Fincantieri-Cantieri Navali Italiani, S.p.A. ( Fincantieri ). This transaction will allow the company to focus its financial assets and managerial resources on the growth of its increasingly global crane and foodservice businesses. The Company is reporting the Marine segment as a discontinued operation for financial reporting purposes as of September 30, 2008, and for all periods presented in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . Results of the Marine segment in current and prior periods have been classified as discontinued in the Consolidated Financial Statements to exclude the results from continuing operations. See further detail related to the Marine segment at Note 3, Discontinued Operations.

The following selected financial data of the Marine segment for the three and nine months ended September 30, 2008 and 2007 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the businesses operated as a stand-alone entity. There were no general corporate expenses or interest expense allocated to discontinued operations for these businesses during the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales	\$ 103.5	\$ 81.0	\$ 306.1	\$ 248.8
Pretax earnings from discontinued operation	\$ 15.8	\$ 6.4	\$ 43.8	\$ 20.4
Provision for taxes on income	4.2	1.6	12.1	5.4
Earnings from discontinued operation, net of income taxes	\$ 11.6	\$ 4.8	\$ 31.7	\$ 15.0

### Financial Condition

**First Nine Months of 2008**

Cash and cash equivalents balance as of September 30, 2008 totaled \$382.0 million, which was an increase of \$12.6 million from the December 31, 2007 balance of \$369.4 million. Cash flow provided by operating activities of continuing operations for the first nine months of 2008 was \$112.9 million compared to \$18.5 million for the first nine months of 2007. During the first nine months of 2008, the cash flow from operating activities of continuing operations primarily benefited from \$210.4 million of net earnings, the unrealized loss on currency hedges of \$205.2 million and a non-cash adjustment for depreciation expense of \$62.2 million. Cash flow was negatively impacted by an increase in inventory of \$257.5 million, an increase in accounts receivable of \$68.0 million, and a non-cash adjustment for discontinued operations earnings of \$31.7 million. The increase in inventory was due to the increase in production to support higher sales volumes

and higher backlog levels in the Crane segment. In addition, supplier constraints have negatively impacted production throughput resulting in higher Crane segment inventories. The increase in accounts receivable was driven primarily by an increase in the Crane segment sales volumes. During the first nine months of 2008 we made tax payments of approximately \$96.3 million versus \$103.8 million during the first nine months of 2007.

On March 6, 2008, the company formed a 50% joint venture with the shareholders of TaiAn Dongyue for the production of mobile and truck-mounted hydraulic cranes. The cash flow impact of this acquisition is included in business acquisitions, net of cash acquired, within the cash flow from investing section of the Consolidated Statement of Cash Flows. See further detail related to the joint venture at Note 2, Acquisitions.

Capital expenditures during the first nine months of 2008 were \$94.0 million versus \$52.4 million during the first nine months of 2007. The majority of the capital expenditures are related to capacity expansion projects and ERP implementation costs for the Crane segment and ERP costs for the Foodservice segment.

#### **First Nine Months of 2007**

Cash and cash equivalents balance as of September 30, 2007 were \$103.8 million, which was a reduction of \$69.9 million from the December 31, 2006 balance of \$173.7 million. Cash flow from operations for the first nine months of 2007 was \$29.5 million compared to \$128.9 million for the first nine months of 2006. During the first nine months of 2007 inventories and accounts receivable increased by \$148.0 million and \$123.1 million, respectively. This is primarily due to increased production and sales in the Crane segment. In addition, during the first nine months of 2007 we made pension payments totaling \$42.3 million to our U.S. and U.K. pension plans and tax payments of approximately \$103.8 million.

On January 3, 2007, we acquired the Carrydeck line of mobile industrial cranes from Marine Travelift, Inc. of Sturgeon Bay, Wisconsin. The cash flow impact of this acquisition is included in business acquisition, net of cash acquired, within the cash flow from investing section of the Consolidated Statement of Cash Flows.

On July 19, 2007, we acquired Shirke Construction Equipments Pvt. Ltd (Shirke). Headquartered in Pune, India, Shirke is a market leader in the Indian tower crane industry and has been Potain's Indian manufacturing partner and distributor since 1982. The cash flow impact of this acquisition is included in business acquisitions, net of cash acquired, within the cash flow from investing section of the Consolidated Statement of Cash Flows.

On April 3, 2007, we sold all of our aftermarket replacement parts and rights to manufacture, sell and service aftermarket replacement parts for all the models of the Grove Manlift aerial work platform product line around the world to MinnPar, LLC. We received \$4.9 million in proceeds from this transaction. The cash flow impact of this sale is included in proceeds from sale of parts line within the investing section of the Consolidated Statement of Cash Flows.

Capital expenditures during the first nine months of 2007 were \$52.4 million versus \$35.9 million during the first nine months of 2006. In the third quarter of 2007 we reached an agreement with Valcovna profilov a.s. for the development of a crane manufacturing facility in Saris,

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Slovakia. Capital expenditures in 2007 are also related to other facility expansions, machinery and tooling for our three segments. In addition, during the first quarter of 2007 we entered into agreements with a major software and systems supplier and a related consulting firm to purchase software and consulting services to implement an ERP system in our Crane segment. Through the third quarter of 2007, capital expenditures on the ERP system were not significant.

On August 1, 2007, we redeemed our 10 ½% senior subordinated notes due 2012. Pursuant to the terms of the indenture, we paid the note holders 105.25 percent of the principal amount plus accrued and unpaid interest up to the redemption date. The total cash payment for the redemption was \$129.6 million. As a result of this redemption, we incurred a charge of \$12.5 million (\$8.1 million net of income taxes) related to the call premium, write-off of unamortized debt issuance costs and other expenses. The charge was recorded in loss on debt extinguishment in the Consolidated Statement of Operations.

### **Liquidity and Capital Resources**

Our outstanding debt at September 30, 2008 consisted of \$44.1 million outstanding under our Revolving Credit Facility, \$150.0 million of 7 1/8% senior notes due 2013 (Senior Notes due 2013), and \$53.0 million of other debt and capital leases.

On August 1, 2007, we redeemed our 10 ½% senior subordinated notes due 2012. Pursuant to the terms of the indenture, we paid the note holders 105.25% of the principal amount plus accrued and unpaid interest up to the redemption date. The total cash payment for the redemption was \$129.6 million. As a result of this redemption, we incurred a charge of \$12.5 million (\$8.1 million net of income taxes) related to the call premium, the write-off of unamortized debt issuance costs and other expenses. The charge was recorded in loss on debt extinguishment in the Consolidated Statement of Operations.

Our Revolving Credit Facility, governed by the Amended and Restated Credit Agreement, dated as of December 14, 2006, (as amended), has \$300 million of initial borrowing capacity and provides us the ability to increase the capacity by an additional \$250 million during the life of the facility under the same terms. Borrowings under the Revolving Credit Facility bear interest at a rate equal to the sum of a base rate or a Eurodollar rate plus an applicable margin, which is based on our consolidated total leverage ratio as defined by the Credit Agreement. The annual commitment fee in effect at September 30, 2008 on the unused portion of the Revolving Credit Facility was 0.15%. As of September 30, 2008, we had \$44.1 million outstanding under the Revolving Credit Facility with a weighted-average interest rate of 6.57%. In addition to the outstanding borrowings, the availability under the Revolving Credit Facility is also reduced for outstanding letters of credit of \$2.2 million as of September 30, 2008.

The Senior Notes due 2013 are unsecured senior obligations ranking equal with our indebtedness under our Revolving Credit Facility, except that the Revolving Credit Facility is secured by substantially all domestic tangible and intangible assets of the company and its subsidiaries. Interest on the Senior Notes due 2013 is payable semiannually in May and November of each year. The Senior Notes due 2013 can be redeemed by us in whole or in part for a premium on or after November 1, 2008.

As of September 30, 2008, we also had outstanding \$53.0 million of other indebtedness with a weighted-average interest rate of 7.0%. This debt includes outstanding bank overdrafts in Asia and Europe, swaps, and various capital leases.

As of September 30, 2008, we had two fixed-to-floating rate swap contracts which effectively converted \$50.0 million of our fixed rate Senior Notes due 2013 to variable rate debt. Under these swap agreements, we contract with a counter-party to exchange the difference between a floating rate and the fixed rate applied to \$50.0 million of our Senior Notes due 2013. These contracts are considered to be a hedge against changes in the fair value of the fixed-rate obligations. Accordingly, these interest rate swap contracts are reflected at fair value in our Consolidated Balance Sheets at September 30, 2008 as an asset of \$0.3 million, and the related debt is reflected at an amount equal to the sum of its carrying value plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate risk being hedged. Changes during any accounting period in the fair value of the interest rate swap contract, as well as the offsetting changes in the adjusted carrying value of the related portion of fixed-rate debt being hedged, are recognized as an adjustment to interest expense in the Consolidated Statements of Operations. The change in the fair value of the swaps exactly offsets the change in fair value of the hedged fixed-rate debt; therefore, there was no net impact on earnings from these swaps for the nine months ending September 30, 2008.

Our Revolving Credit Facility and Senior Notes due 2013 contain customary affirmative and negative covenants. In general, the covenants contained in the Revolving Credit Facility are more restrictive than those of the Senior Notes due 2013. Among other restrictions, these covenants require us to meet specified financial tests, which include the following: consolidated interest coverage ratio; consolidated total leverage ratio; and consolidated senior leverage ratio. These covenants also limit, among other things, our ability to redeem or repurchase our debt, incur additional debt, make acquisitions, merge with other entities, pay dividends or distributions, repurchase capital stock, and create or become subject to liens. The Revolving Credit Facility also contains cross-default provisions whereby certain defaults under any other debt agreements would result in default under the Revolving Credit Facility. We were in compliance with all covenants as of September 30, 2008, and based upon our current plans and outlook, we believe we will be able to comply with these covenants during the subsequent 12 months.

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We have entered into an accounts receivable securitization program whereby we sell certain of our domestic trade accounts receivable to a wholly owned, bankruptcy-remote, special purpose subsidiary which, in turn, sells participating interests in its pool of receivables to a third-party financial institution (Purchaser). The Purchaser receives an ownership and security interest in the pool of receivables. New receivables are purchased by the special purpose subsidiary and participation interests are resold to the Purchaser as collections reduce previously sold participation interests. We have retained collection and administrative responsibilities on the participation interests sold. The Purchaser has no recourse against us for uncollectible receivables; however, our retained interest in the receivable pool is subordinate to the Purchaser's interest and is recorded at fair value. Due to a short average collection cycle of less than 60 days for such accounts receivable and our collection history, the fair value of our retained interest approximates book value. The total capacity of this facility is



\$105.0 million as of September 30, 2008. The accounts receivable balances sold from the special purpose subsidiary was \$85.0 million at September 30, 2008. The retained interest recorded at September 30, 2008 is \$81.3 million, and is included in accounts receivable in the accompanying Consolidated Balance Sheets.

In April 2008, the company entered into a \$2,400.0 million credit agreement which was amended and restated as of August 25, 2008 to ultimately increase the size of the total facility to \$2,925.0 million (New Credit Agreement). The New Credit Agreement became effective on the effective date of the acquisition (see further detail related to the acquisition in Note 21, Subsequent Events ) or, in the case of a takeover offer, the date on which the takeover offer has become or is declared unconditional in all respects. Until such time as the company borrows under the New Credit Agreement, the company's existing \$300.0 million Amended and Restated Credit Agreement, dated as of December 14, 2006, will remain in effect.

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.

Borrowings made under the revolving facility, Term Loan A, and Term Loan X will initially bear interest at 3.25 percent in excess of an adjusted LIBOR rate as defined in the New Credit Agreement, or 1.50 percent in excess of an alternate base rate, at the company's option.

Borrowings made under the Term Loan B will initially bear interest at 3.50 percent in excess of an adjusted LIBOR rate as defined in the New Credit Agreement, or 1.50 percent in excess of an alternate base rate, at the company's option. The company will also pay a commitment fee of 0.50 percent per annum for the first 120 days, and 0.75 percent per annum after the 120th day on the entire facility balance up to the date of funding; upon funding, the commitment fee will reduce to apply only to the revolving commitment and will be 0.50 percent per year. As of September 30, 2008, the company incurred \$17.6 million in deferred financing expenses. The cash flow impact of these fees is included in cash flow used for financing activities in the Consolidated Statement of Cash Flows for the nine month period ending September 30, 2008.

#### **Recent Accounting Changes and Pronouncements**

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles , which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles . The company is currently evaluating the impact this statement will have on its financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 . SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of: 1) how and why an entity uses derivative instruments; 2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and 3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The company is currently evaluating the impact on disclosures of the adoption of SFAS No. 161 on its Consolidated Financial Statements.

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In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51 , which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 also provides guidance when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent s owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years,

beginning on or after December 15, 2008. The company is currently evaluating the impact this statement will have on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, which establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value to be recognized in earnings until settled. SFAS 141(R) also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The company is currently evaluating the impact this statement will have on its financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 permits all entities to choose, at specified election dates, to measure eligible items at fair value (the *fair value option*). A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected are recognized in earnings as incurred and not deferred. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 was effective for us on January 1, 2008. The adoption of SFAS No. 159 did not have an impact on our consolidated financial statements as the company did not elect the fair value option for any of such eligible financial assets or financial liabilities as of March 31, 2008.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 which delays the effective date of SFAS 157 for one year, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FAS 157 and FSP 157-2 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We have elected a partial deferral of SFAS 157 under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating goodwill, other intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. The impact of partially adopting SFAS 157 effective January 1, 2008 was not material to our Consolidated Financial Statements.

### **Critical Accounting Policies**

Our critical accounting policies have not materially changed since the 2007 Form 10-K was filed.

### **Cautionary Statements About Forward-Looking Information**

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Statements in this report and in other company communications that are not historical facts are forward-looking statements, which are based upon our current expectations. These statements involve risks and uncertainties that could cause actual results to differ materially from what appears within this annual report.

Forward-looking statements include descriptions of plans and objectives for future operations, and the assumptions behind those plans. The words anticipates, believes, intends, estimates, targets and expects, or similar expressions, usually identify forward-looking statements. All projections of future performance are forward-looking statements.

In addition to the assumptions, uncertainties, and other information referred to specifically in the forward-looking statements, a number of factors relating to each business segment could cause actual results to be significantly different from what is presented in this annual report. Those factors include, without limitation, the following:

Crane market acceptance of new and innovative products; cyclicity of the construction industry; the effects of government spending on construction-related projects throughout the world; unanticipated changes in global demand for high-capacity lifting equipment; the replacement cycle of technologically obsolete cranes; and demand for used equipment.

Foodservice market acceptance of new and innovative products; weather; consolidations within the restaurant and foodservice equipment industries; global expansion of customers; the commercial ice-cube machine replacement cycle in the United States; unanticipated issues associated with refresh/renovation plans by national restaurant accounts; specialty foodservice market growth; the demand for quickservice restaurant and kiosks; future strength of the beverage industry; and in connection with the acquisition of Enodis plc, compliance with the terms and conditions of regulatory approvals obtained in connection with the acquisition of Enodis, the ability to appropriately and timely integrate the acquisition of Enodis, the timing, price, and other terms of the divestiture of Enodis global ice business required by regulatory authorities, anticipated earnings enhancements, estimated cost savings and other synergies and the anticipated timing to realize those savings and synergies, estimated costs to be incurred in completing the acquisition and in achieving synergies, potential divestitures and other strategic options.

Marine shipping volume fluctuations based on performance of the steel industry; weather and water levels on the Great Lakes; trends in government spending on new vessels; five-year survey schedule; the replacement cycle of older marine vessels; growth of existing marine fleets; consolidation of the Great Lakes marine industry; frequency of casualties on the Great Lakes; the level of construction and industrial maintenance; government approval and funding of projects; ability of our customers to obtain financing; award of military and commercial ship and barge construction contracts; and in connection with the previously announced sale of the Marine segment, the anticipated tax gain, the expected timing and conditions precedent, unanticipated issues associated with the satisfaction of conditions precedent and obtaining regulatory approvals, the terms and conditions of any regulatory approvals, anticipated earnings impact, and estimated costs to be incurred in completing the proposed sale.

Corporate (including factors that may affect more than one of the three segments) changes in laws and regulations throughout the world; the ability to finance, complete and/or successfully integrate, restructure and consolidate acquisitions, divestitures, strategic alliances and joint ventures; issues related to new facilities and expansions or consolidation of existing facilities; efficiencies and capacity utilization of facilities; competitive pricing; availability of certain raw materials; changes in raw materials and commodity prices; issues associated with new product introductions; matters impacting the successful and timely implementation of ERP systems; changes in domestic and international economic and industry conditions, including steel industry conditions; changes in the markets served by the company (including Enodis); unexpected issues associated with the availability of local suppliers and skilled labor; changes in the interest rate environment; risks associated with growth; foreign currency fluctuations and their impact on hedges in place with Manitowoc; world-wide political risk; geographic factors and economic risks; health epidemics; pressure of additional financing leverage resulting from acquisitions; success in increasing manufacturing efficiencies and capacities; unanticipated changes in revenue, margins, costs and capital expenditures; work stoppages, labor negotiations and rates; actions of competitors; unanticipated changes in consumer spending; the ability of our customers to obtain financing; the state of financial and credit markets; and unanticipated changes in customer demand.

### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

The company's market risk disclosures have not materially changed since the 2007 Form 10-K was filed. The company's quantitative and qualitative disclosures about market risk are incorporated by reference from Item 7A of the company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2007.

### **Item 4. Controls and Procedures**

**Disclosure Controls and Procedures:** The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ( Exchange Act )) as of the end of the period covered by this report. Based on such evaluation, the company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the company's disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the company in the reports that it files or submits under the Exchange Act, and that such information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting:** Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). During the period covered by this report, we made no changes which have materially affected, or which are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1A. Risk Factors**

The company's risk factors disclosures have not materially changed since the 2007 Form 10-K was filed. The company's risk factors are incorporated by reference from Item 1A of the company's Annual Report on Form 10-K for the year ended December 31, 2007.

**Item 6. Exhibits**

(a) Exhibits: See exhibit index following the signature page of this Report, which is incorporated herein by reference.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 10, 2008

The Manitowoc Company, Inc.  
(Registrant)

/s/ Glen E. Tellock  
Glen E. Tellock  
President and Chief Executive Officer

/s/ Carl J. Laurino  
Carl J. Laurino  
Senior Vice President and Chief Financial  
Officer



**THE MANITOWOC COMPANY, INC.  
EXHIBIT INDEX  
TO FORM 10-Q  
FOR QUARTERLY PERIOD ENDED  
September 30, 2008**

<b>Exhibit No.*</b>	<b>Description</b>	<b>Filed/Furnished Herewith</b>
4.1	Amended and Restated New Credit Agreement dated as of August 25, 2008, by and among The Manitowoc Company, Inc., the subsidiary borrowers named therein, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders named therein. Schedules and exhibits to the Credit Agreement have not been filed herewith. Manitowoc agrees to furnish a copy of any omitted schedule or exhibit to the Commission upon request.	X (1)
31	Rule 13a - 14(a)/15d - 14(a) Certifications	X (1)
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350	X (2)
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350	X (2)

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(1) Filed Herewith

(2) Furnished Herewith

Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish to the Securities and Exchange Commission upon request a copy of any unfiled exhibits or schedules to such document.