MANITOWOC CO INC
Form 10-Q
August 09, 2011

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 June 30, 2011

or

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

For the transition period from to

Commission File Number

1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

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

(920) 684-4410

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares outstanding of the Registrant s common stock, $.01 par value, as of June 30, 2011, the most recent practicable date, was 131,902,200.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Operations

For the Three and Six Months Ended June 30, 2011 and 2010

(Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net sales	$ 949.8	$ 819.3	$ 1,682.0	$ 1,503.7
Costs and expenses:				
Cost of sales	725.2	613.1	1,277.0	1,131.1
Engineering, selling and administrative expenses	145.4	124.5	285.6	249.0
Restructuring expense	2.0	1.3	2.9	1.7
Amortization expense	9.6	9.7	19.3	19.2
Other	0.1		0.1	
Total operating costs and expenses	882.3	748.6	1,584.9	1,401.0
Earnings (loss) from operations	67.5	70.7	97.1	102.7
Other income (expenses):				
Amortization of deferred financing fees	(2.7)	(5.2)	(6.0)	(12.1)
Interest expense	(38.3)	(43.2)	(77.7)	(83.8)
Loss on debt extinguishment	(24.2)		(27.8)	(15.7)
Other income (expense), net	0.3	(5.5)	1.1	(11.9)
Total other income (expenses)	(64.9)	(53.9)	(110.4)	(123.5)
Earnings (loss) from continuing operations before taxes on income	2.6	16.8	(13.3)	(20.8)
Provision (benefit) for taxes on income	0.5	3.9	1.8	(10.0)
Earnings (loss) from continuing operations	2.1	12.9	(15.1)	(10.8)
Discontinued operations:				
Earnings (loss) from discontinued operations, net of income taxes of ($0.2), $0.6, ($1.9) and $0.7, respectively	(0.3)	0.4	(3.0)	0.5
Gain (loss) on sale of discontinued operations, net of income taxes of ($0.7) and $29.0, respectively	(0.2)		(33.6)	
Net earnings (loss)	1.6	13.3	(51.7)	(10.3)
	(1.1)	(0.8)	(2.0)	(1.2)

Less: Net loss attributable to noncontrolling interest, net of tax				
Net earnings (loss) attributable to Manitowoc	$ 2.7	$ 14.1	$ (49.7)	$ (9.1)
Amounts attributable to the Manitowoc common shareholders:				
Earnings (loss) from continuing operations	$ 3.2	$ 13.7	$ (13.1)	$ (9.6)
Earnings (loss) from discontinued operations, net of income taxes	(0.3)	0.4	(3.0)	0.5
Loss on sale of discontinued operations, net of income taxes	(0.2)		(33.6)	
Net earnings (loss) attributable to Manitowoc	$ 2.7	$ 14.1	$ (49.7)	$ (9.1)
Basic earnings (loss) per common share:				
Earnings (loss) from continuing operations attributable to Manitowoc common shareholders	$ 0.02	$ 0.10	$ (0.10)	$ (0.07)
Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders	(0.00)	0.00	(0.02)	0.00
Loss on sale of discontinued operations, net of income taxes	(0.00)		(0.26)	
Earnings (loss) per share attributable to Manitowoc common shareholders	$ 0.02	$ 0.11	$ (0.38)	$ (0.07)
Diluted earnings (loss) per common share:				
Earnings (loss) from continuing operations attributable to Manitowoc common shareholders	$ 0.02	$ 0.10	$ (0.10)	$ (0.07)
Earnings (loss) from discontinued operations attributable to Manitowoc common shareholders	(0.00)	0.00	(0.02)	0.00
Loss on sale of discontinued operations, net of income taxes	(0.00)		(0.26)	
Earnings (loss) per share attributable to Manitowoc common shareholders	$ 0.02	$ 0.11	$ (0.38)	$ (0.07)
Weighted average shares outstanding basic	130,457,059	130,574,043	130,440,221	130,535,386
Weighted average shares outstanding diluted	133,822,522	132,609,138	130,440,221	130,535,386

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

THE MANITOWOC COMPANY, INC.

Consolidated Balance Sheets

As of June 30, 2011 and December 31, 2010

(Unaudited)

(In millions, except share data)

	June 30, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and cash equivalents	$ 81.1	$ 83.7
Marketable securities	2.7	2.7
Restricted cash	9.5	9.4
Accounts receivable, less allowances of $17.6 and $27.6, respectively	427.8	255.1
Inventories net	734.9	557.0
Deferred income taxes	125.8	131.3
Other current assets	54.6	57.7
Current assets of discontinued operation		63.7
Total current assets	1,436.4	1,160.6
Property, plant and equipment net	555.0	565.8
Goodwill	1,181.1	1,173.2
Other intangible assets net	886.1	893.5
Other non-current assets	95.6	92.6
Long-term assets of discontinued operation		123.6
Total assets	$ 4,154.2	$ 4,009.3
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 901.3	$ 776.1
Short-term borrowings	103.2	61.8
Product warranties	87.8	86.7
Customer advances	35.0	48.9
Product liabilities	27.4	27.8
Current liabilities of discontinued operation		24.2
Total current liabilities	1,154.7	1,025.5
Non-Current Liabilities:		
Long-term debt	1,978.1	1,935.6
Deferred income taxes	214.0	213.3
Pension obligations	67.5	64.4
Postretirement health and other benefit obligations	58.3	59.9
Long-term deferred revenue	29.2	27.8
Other non-current liabilities	162.0	185.7
Long-term liabilities of discontinued operation		18.6
Total non-current liabilities	2,509.1	2,505.3
Commitments and contingencies (Note 15)		
Total Equity:		
Common stock (300,000,000 shares authorized, 163,175,928 shares issued, 131,902,200 and 131,388,472 shares outstanding, respectively)	1.4	1.4

Additional paid-in capital		463.3		454.0
Accumulated other comprehensive income (loss)		63.6		9.9
Retained earnings		55.0		104.7
Treasury stock, at cost (31,273,728 and 31,787,456 shares, respectively)		(87.5)		(88.1)
Total Manitowoc stockholders equity		495.8		481.9
Noncontrolling interest		(5.4)		(3.4)
Total equity		490.4		478.5
Total liabilities and equity	$	4,154.2	$	4,009.3

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

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2011 and 2010

(Unaudited)

(In millions)

	Six Months Ended June 30, 2011	2010
Cash Flows from Operations:		
Net earnings (loss)	$ (51.7)	$ (10.3)
Adjustments to reconcile net earnings to cash provided by operating activities of continuing operations:		
Discontinued operations, net of income taxes	3.0	(0.5)
Depreciation	41.1	48.1
Amortization of intangible assets	19.3	19.2
Deferred income taxes	(5.0)	(1.4)
Loss (gain) on sale of property, plant and equipment	(0.5)	(1.5)
Restructuring expense	2.9	1.7
Amortization of deferred financing fees	6.0	12.1
Loss on debt extinguishment	27.8	15.7
Loss on sale of discontinued operations	33.6	
Other	4.3	3.2
Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures:		
Accounts receivable	(163.7)	(76.2)
Inventories	(159.4)	(68.0)
Other assets	20.5	19.6
Accounts payable	111.9	86.3
Accrued expenses and other liabilities	(61.0)	(45.2)
Net cash provided by (used for) operating activities of continuing operations	(170.9)	2.8
Net cash provided by (used for) operating activities of discontinued operations	(18.5)	7.5
Net cash provided by (used for) operating activities	(189.4)	10.3
Cash Flows from Investing:		
Business acquisitions, net of cash acquired		(4.8)
Capital expenditures	(18.6)	(14.4)
Restricted cash	(0.1)	(3.0)
Proceeds from sale of business	143.6	
Proceeds from sale of property, plant and equipment	2.9	11.8
Net cash provided by (used for) investing activities of continuing operations	127.8	(10.4)
Net cash provided by (used for) investing activities of discontinued operations		(1.9)
Net cash provided by (used for) investing activities	127.8	(12.3)
Cash Flows from Financing:		
Proceeds from revolving credit facility	91.6	
Payments on long-term debt	(827.9)	(410.2)
Proceeds from long-term debt	805.8	437.4
Proceeds from securitization facility		101.0
(Payments on) securitization facility		(101.0)
Payments on notes financing	(1.4)	(3.2)

Debt issuance costs		(13.6)		(11.3)
Exercises of stock options, including windfall tax benefits		3.6		0.4
Net cash used for financing activities of continuing operations		58.1		13.1
Effect of exchange rate changes on cash		0.9		(4.5)
Net increase (decrease) in cash and cash equivalents		(2.6)		6.6
Balance at beginning of period		83.7		103.7
Balance at end of period	$	81.1	$	110.3

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

THE MANITOWOC COMPANY, INC.

Consolidated Statements of Comprehensive Income

For the Three and Six Months Ended June 30, 2011 and 2010

(Unaudited)

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Net earnings (loss)	$ 1.6	$ 13.3	$ (51.7)	$ (10.3)
Other comprehensive income (loss)				
Derivative instrument fair market value adjustment - net of income taxes	8.5	(7.4)	13.4	(13.5)
Foreign currency translation adjustments	6.7	(43.2)	40.2	(77.7)
Total other comprehensive income (loss)	15.2	(50.6)	53.6	(91.2)
Comprehensive income (loss)	16.8	(37.3)	1.9	(101.5)
Comprehensive loss attributable to noncontrolling interest	(1.1)	(0.8)	(2.0)	(1.2)
Comprehensive income (loss) attributable to Manitowoc	$ 17.9	$ (36.5)	$ 3.9	$ (100.3)

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

THE MANITOWOC COMPANY, INC.

Notes to Unaudited Consolidated Financial Statements

For the Six Months Ended June 30, 2011 and 2010

1. Accounting Policies

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary for a fair statement of the results of operations and comprehensive income for the three and six months ended June 30, 2011 and 2010, the cash flows for the same six-month periods, and the financial position at June 30, 2011, 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, 2010. The consolidated balance sheet as of December 31, 2010 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company s latest annual report on Form 10-K.

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

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

2. Acquisition

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

3. Discontinued Operations

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

Administrative costs related to the former Marine segment resulted in pre-tax losses from discontinued operations of $0.5 million and $0.3 million for the three-month periods ended June 30, 2011 and June 30, 2010, respectively. Tax benefits of $0.2 million and $0.1 million were recognized in the three-month periods ended June 30, 2011 and June 30, 2010, respectively. Administrative costs related to the former Marine segment resulted in pre-tax losses from discontinued operations of $0.8 million and $0.6 million for the six month periods ended June 30, 2011 and June 30, 2010, respectively. Tax benefits of $0.3 million and $0.2 million were recognized in the six month periods ended June 30, 2011 and June 30, 2010, respectively.

In addition to the former Marine segment, the company has classified the Enodis ice and related businesses acquired in connection with the company s acquisition of Enodis plc (Enodis) in October of 2008, as discontinued in compliance with ASC Topic 360-10, Property, Plant, and Equipment. In order to secure clearance for the acquisition of Enodis from various regulatory authorities including the European Commission and the United States Department of Justice, the company agreed to sell substantially all of Enodis global ice machine operations following completion of the acquisition of Enodis. On May 15, 2009, the company completed the sale of the Enodis global ice machine operations to Braveheart Acquisition, Inc., an affiliate of Warburg Pincus Private Equity X, L.P., for $160 million. The businesses sold were operated under the Scotsman, Ice-O-Matic, Simag, Barline, Icematic, and Oref brand names. The company also agreed to sell certain non-ice businesses of Enodis located in Italy that are operated under the Tecnomac and Icematic brand names. Prior to disposal, the antitrust clearances required that the ice businesses be treated and operated as standalone operations, in competition with the company. The results of these operations have been classified as discontinued operations.

Administrative costs related to the Enodis ice machine businesses resulted in pre-tax earnings from discontinued operations of $0.1 million for the three-month period ended June 30, 2011 and pre-tax losses from discontinued operations of $0.2 million for the three-month period ended June 30, 2010. A tax benefit of $0.0 million and $0.1 million was recognized in the three-month periods ended June 30, 2011 and June 30, 2010, respectively. Administrative costs related to the Enodis ice machine businesses resulted in pre-tax losses from discontinued operations of $0.0 million and $0.4 million for the six-month periods ended June 30, 2011 and June 30, 2010, respectively. A tax benefit of $0.0 million and $0.1 million was recognized in the six-month periods ended June 30, 2011 and June 30, 2010, respectively.

On December 15, 2010, the company announced that a definitive agreement had been reached to divest its Kysor/Warren and Kysor/Warren de Mexico (collectively Kysor/Warren) businesses, which manufacture frozen, medium temperature and heated display merchandisers, mechanical refrigeration systems and remote mechanical and electrical houses to Lennox International for approximately $143 million. The transaction subsequently closed on January 14, 2011 and the net proceeds were used to pay down outstanding debt. On July 1, 2011, the company made a payment to Lennox International of $2.4 million to settle the final working capital adjustment per the sale agreement. The results of these operations have been classified as discontinued operations.

The following selected financial data of Kysor/Warren for the three and six months ended June 30, 2011 and 2010, 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.

(in millions)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net sales	$	$ 56.7	$ 3.3	$ 94.8
Pretax earnings (loss) from discontinued operations	$ (0.1)	$ 1.5	$ (4.1)	$ 2.2
Provision (benefit) for taxes on income		0.8	(1.6)	1.0
Earnings (loss) from discontinued operations, net of income taxes	$ (0.1)	$ 0.7	$ (2.5)	$ 1.2

4. Fair Value of Financial Instruments

The following tables set forth the company s financial assets and liabilities that were accounted for at fair value according to ASC Topic 820-10, Fair Value Measurements and Disclosures, on a recurring basis as of June 30, 2011 and December 31, 2010 by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value as of June 30, 2011			
(in millions)	Level 1	Level 2	Level 3	Total
Current Assets:				
Foreign currency exchange contracts	$ 4.7	$	$	$ 4.7
Forward commodity contracts		0.7		0.7
Marketable securities	2.7			2.7
Total current assets at fair value	$ 7.4	$ 0.7	$	$ 8.1
Current Liabilities:				
Foreign currency exchange contracts	$ 2.7	$	$	$ 2.7
Forward commodity contracts		0.4		0.4
Total current liabilities at fair value	$ 2.7	$ 0.4	$	$ 3.1
Non-current Liabilities:				

Interest rate swap contracts	$		$	24.4	$		$	24.4
Total non-current liabilities at fair value	$		$	24.4	$		$	24.4

	Fair Value as of December 31, 2010							
(in millions)	**Level 1**		**Level 2**		**Level 3**		**Total**	
Current Assets:								
Foreign currency exchange contracts	$	2.3	$		$		$	2.3
Forward commodity contracts				1.1				1.1
Marketable securities		2.7						2.7
Total current assets at fair value	$	5.0	$	1.1	$		$	6.1
Current Liabilities:								
Foreign currency exchange contracts	$	0.6	$		$		$	0.6
Forward commodity contracts				0.3				0.3
Total current liabilities at fair value	$	0.6	$	0.3	$		$	0.9
Non-current Liabilities:								
Interest rate swap contracts	$		$	38.4	$		$	38.4
Total non-current liabilities at fair value	$		$	38.4	$		$	38.4

The carrying value of the amounts reported in the Consolidated Balance Sheets for cash, accounts receivable, accounts payable, deferred purchase price notes and short-term variable debt, including any amounts outstanding under our revolving credit facility, approximate fair value, without being discounted, due to the short time periods during which these amounts are outstanding. The fair value of the company s 7.125% Senior Notes due 2013 was approximately $151.7 million and $152.4 million at June 30, 2011 and December 31, 2010, respectively. The fair value of the company s 9.50% Senior Notes due 2018 was approximately $438.8 million and $438.8 million at June 30, 2011 and December 31, 2010, respectively. The fair value of the company s 8.50% Senior Notes due 2020 was $642.0 million and $645.0 million at June 30, 2011 and December 31, 2010, respectively. The fair values of the company s term loans under the previous and New Senior Credit Agreement were as follows at June 30, 2011 and December 31, 2010, respectively: Term Loan A $349.4 million and $461.2 million; and Term Loan B $401.1 million and $342.0 million. See Note 9, Debt, for the related carrying values of these debt instruments.

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

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

The company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The company has determined that its financial assets and liabilities are level 1 and level 2 in the fair value hierarchy.

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

5. Derivative Financial Instruments

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

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

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

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

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of Other Comprehensive Income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness, are recognized in current earnings. In the next twelve months the company estimates $2.9 million of unrealized and realized gains net of tax related to commodity price and currency rate hedging will be reclassified from Other Comprehensive Income into earnings. Foreign currency and commodity hedging is generally completed prospectively on a rolling basis for between twelve and twenty-four months depending on the type of risk being hedged.

As of June 30, 2011 and December 31, 2010, the company had the following outstanding commodity and currency derivative contracts that were entered into to hedge forecasted transactions:

	Units Hedged			
Commodity	**June 30, 2011**	**December 31, 2010**		**Type**
Aluminum	853	688	MT	Cash Flow
Copper	572	312	MT	Cash Flow
Natural Gas	211,487	304,177	MMBtu	Cash Flow
Steel	7,019		Tons	Cash Flow

	Units Hedged		
Short Currency	**June 30, 2011**	**December 31, 2010**	**Type**
Canadian Dollar	23,561,557	21,186,951	Cash Flow
Chinese Renminbi	17,631,000		Cash Flow
European Euro	68,389,382	43,440,929	Cash Flow
South Korean Won	2,199,820,637	2,245,331,882	Cash Flow
Singapore Dollar	4,800,000	4,140,000	Cash Flow
United States Dollar	9,907,323	8,828,840	Cash Flow
Great British Pound		399,999	Cash Flow

The total notional amount of the company s receive-floating/pay-fixed interest rate swaps of the company s term loans was $650.8 million on December 31, 2010. These hedges were dedesignated and offset on June 30, 2011.

The designated fair market value hedges of receive-fixed/pay-float swaps of the company s 2018 Notes was $200.0 million and $200.0 million, as of June 30, 2011 and December 31, 2010, respectively. The designated fair market value hedges of receive-fixed/pay-float swaps of the company s 2020 Notes was $300.0 million and $300.0 million, as of June 30, 2011 and December 31, 2010, respectively.

For derivative instruments that are not designated as hedging instruments under ASC Topic 815-10, the gains or losses on the derivatives are recognized in current earnings within cost of sales or other income, net in the Consolidated Statements of Operations.

As of June 30, 2011 and December 31, 2010, the company had the following outstanding currency forward contracts that were not designated as hedging instruments:

	Units Hedged			
Short Currency	**June 30, 2011**	**December 31, 2010**	**Recognized Location**	**Purpose**
Great British Pound		8,172,569	Other income, net	Accounts Payable and Receivable Settlement
Euro	22,842,432	7,732,026	Other income, net	Accounts Payable and Receivable Settlement
United States Dollar	39,302,482	33,158,979	Other income, net	Accounts Payable and Receivable Settlement
Japanese Yen	200,000,000		Other income, net	Accounts Payable and Receivable Settlement

The fair value of outstanding derivative contracts recorded as assets in the accompanying Consolidated Balance Sheet as of June 30, 2011 and December 31, 2010 was as follows:

		ASSET DERIVATIVES	
		June 30, 2011	December 31, 2010
(in millions)	Balance Sheet Location	Fair Value	
Derivatives designated as hedging instruments			
Foreign exchange contracts	Other current assets	$ 4.6	$ 1.8
Commodity contracts	Other current assets	0.7	1.1
Total derivatives designated as hedging instruments		$ 5.3	$ 2.9

		ASSET DERIVATIVES	
		June 30, 2011	December 31, 2010
(in millions)	Balance Sheet Location	Fair Value	
Derivatives NOT designated as hedging instruments			
Foreign exchange contracts	Other current assets	$ 0.1	$ 0.5
Total derivatives NOT designated as hedging instruments		$ 0.1	$ 0.5
Total asset derivatives		$ 5.4	$ 3.4

The fair value of outstanding derivative contracts recorded as liabilities in the accompanying Consolidated Balance Sheet as of June 30, 2011 and December 31, 2010 was as follows:

		LIABILITY DERIVATIVES	
		June 30, 2011	December 31, 2010
(in millions)	Balance Sheet Location	Fair Value	
Derivatives designated as hedging instruments			
Foreign exchange contracts	Accounts payable and accrued expenses	$ 0.4	$ 0.6
Interest rate swap contracts	Other non-current liabilities	10.1	38.4
Commodity contracts	Accounts payable and accrued expenses	0.4	0.3
Total derivatives designated as hedging instruments		$ 10.9	$ 39.3

		LIABILITY DERIVATIVES	
		June 30, 2011	December 31, 2010
(in millions)	Balance Sheet Location	Fair Value	
Derivatives NOT designated as hedging instruments			
Foreign exchange contracts	Accounts payable and accrued expenses	$ 2.3	$
Interest rate swap contracts	Other non-current liabilities	14.3	
Total derivatives NOT designated as hedging instruments		$ 16.6	$
Total liability derivatives		$ 27.5	$ 39.3

The effect of derivative instruments on the Consolidated Statement of Operations for the quarter ended June 30, 2011 and June 30, 2010 for gains or losses initially recognized in Other Comprehensive Income (OCI) in the consolidated balance sheet was as follows:

[redacted]

Foreign exchange contracts	$ (1.0)	$ (3.5)	Cost of sales	$ 2.7	$ (2.0)
Interest rate swap contracts		(3.1)	Interest expense	(2.7)	(2.7)
Commodity contracts	(0.3)	(0.8)	Cost of sales	0.2	0.3
Total	$ (1.3)	$ (7.4)		$ 0.2	$ (4.4)

		Amount of Gain of (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
Derivatives Relationships	**Location of Gain of (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)**	**June 30, 2011**	**June 30, 2010**
Commodity contracts	Cost of sales	$	$ 0.2
Total		$	$ 0.2

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative June 30, 2011		June 30, 2010	
Foreign exchange contracts	Other income	$	(0.6)	$	(1.5)
Total		$	(0.6)	$	(1.5)

The effect of derivative instruments on the Consolidated Statement of Operations for the six months ended June 30, 2011 and June 30, 2010 for gains or losses initially recognized in Other Comprehensive Income (OCI) in the Consolidated Balance Sheet was as follows:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion, net of tax) June 30, 2011		June 30, 2010		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) June 30, 2011		June 30, 2010	
Foreign exchange contracts	$	0.9	$	(4.7)	Cost of sales	$	3.4	$	(2.5)
Interest rate swap contracts		1.1		(7.0)	Interest expense		(5.3)		(5.4)
Commodity contracts		(0.4)		(0.8)	Cost of sales		0.3		0.5
Total	$	1.6	$	(12.5)		$	(1.6)	$	(7.4)

Derivatives Relationships	Location of Gain of (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain of (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) June 30, 2011		June 30, 2010	
Commodity contracts	Cost of sales	$		$	
Total		$		$	

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative June 30, 2011		June 30, 2010	
Foreign exchange contracts	Other income	$	(2.7)	$	0.2
Total		$	(2.7)	$	0.2

The effect of Fair Market Value designated derivative instruments on the Consolidated Statement of Operations for the quarters ended June 30, 2011 and June 30, 2010 for gains or losses recognized through income was as follows:

Derivatives Designated as Fair Market Value Instruments under Statement 133 Relationships	Location of Gain of (Loss) Recognized in Income on Derivative Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative June 30, 2011		June 30, 2010	
Interest rate swap contracts	Interest expense	$	14.3	$	
Total		$	14.3	$	

The effect of Fair Market Value designated derivative instruments on the Consolidated Statement of Operations for the six months ended June 30, 2011 and June 30, 2010 for gains or losses recognized through income was as follows:

Derivatives Designated as Fair Market Value Instruments under Statement 133 Relationships	Location of Gain of (Loss) Recognized in Income on Derivative Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative June 30, 2011	June 30, 2010
Interest rate swap contracts	Interest expense	$ 11.7	$
Total		$ 11.7	$

6. Inventories

The components of inventories at June 30, 2011 and December 31, 2010 are summarized as follows:

(in millions)	June 30, 2011	December 31, 2010
Inventories gross:		
Raw materials	$ 276.9	$ 224.0
Work-in-process	188.8	119.8
Finished goods	381.9	324.5
Total inventories gross	847.6	668.3
Excess and obsolete inventory reserve	(81.7)	(80.3)
Net inventories at FIFO cost	765.9	588.0
Excess of FIFO costs over LIFO value	(31.0)	(31.0)
Inventories net	$ 734.9	$ 557.0

7. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by reportable segment for the year ended December 31, 2010 and three month periods ended March 31, 2011 and June 30, 2011 are as follows:

(in millions)	Crane	Foodservice	Total
Gross and net balance as of January 1, 2010	$ 289.7	$ 1,435.0	$ 1,724.7
Acquisition of ASI		5.0	5.0
Deferred tax adjustment		5.8	5.8
Restructuring reserve adjustment		(2.7)	(2.7)
Foreign currency impact	(10.7)	(0.1)	(10.8)
Gross balance as of December 31, 2010	$ 279.0	$ 1,443.0	$ 1,722.0
Asset impairments		(548.8)	(548.8)
Net balance as of December 31, 2010	$ 279.0	$ 894.2	$ 1,173.2
Restructuring reserve adjustment	$	$ (2.6)	$ (2.6)
Foreign currency impact	9.0		