MANITOWOC CO INC
Form 10-K
February 13, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2018

or

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

Commission File Number 1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin	39-0448110
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification Number)

11270 West Park Place

Suite 1000	
Milwaukee, Wisconsin	53224
(Address of principal executive offices)	(Zip Code)

(414) 760-4600

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The Aggregate Market Value on June 29, 2018, of the registrant's Common Stock held by non-affiliates of the registrant was approximately $909 million based on the closing per share price of $25.86 on that date.

The number of shares outstanding of the registrant's Common Stock as of January 31, 2019, the most recent practicable date, was 35,603,164.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2019 Annual Meeting of Shareholders, are incorporated by reference in Part III of this Annual Report on Form 10-K.

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For the Year Ended December 31, 2018

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Cautionary Statements Regarding Forward-Looking Information

All of the statements in this Annual Report on Form 10-K, other than historical facts, are forward-looking statements, including, without limitation, the statements made in the “Management's Discussion and Analysis of Financial Condition and Results of Operations.” As a general matter, forward-looking statements are those focused upon anticipated events or trends, expectations and beliefs relating to matters that are not historical in nature. The words “could,” “should,” “may,” “feel,” “anticipate,” “aim,” “preliminary,” “expect,” “believe,” “estimate,” “intend,” “intent,” “plan,” “project,” “forecast,” or the negative thereof or variations thereon, and similar expressions identify forward-looking statements.

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for these forward-looking statements. In order to comply with the terms of the safe harbor, The Manitowoc Company, Inc. (the “Company” or “Manitowoc”) notes that forward-looking statements are subject to known and unknown risks, uncertainties and other factors relating to the Company's operations and business environment, all of which are difficult to predict and many of which are beyond the control of the Company. These known and unknown risks, uncertainties and other factors could cause actual results to differ materially from those matters expressed in, anticipated by or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- changes in economic or industry conditions generally or in the markets served by Manitowoc;
- unanticipated changes in customer demand, including changes in global demand for high-capacity lifting equipment, changes in demand for lifting equipment in emerging economies, and changes in demand for used lifting equipment;
- unanticipated changes in revenues, margins, costs, and capital expenditures;
- the ability to increase operational efficiencies across Manitowoc’s businesses and to capitalize on those efficiencies;
- the ability to significantly improve profitability;
- the risks associated with overall economic growth or contraction;
- changes in raw material and commodity prices;
- impairment of goodwill and/or intangible assets;
- foreign currency fluctuation and its impact on reported results and hedges in place with Manitowoc;
- the ability to focus on customers, new technologies, and innovation;
- uncertainties associated with new product introductions, the successful development and market acceptance of new and innovative products that drive growth;
- actions of competitors;
- potential delays or failures to implement specific initiatives within the Company’s restructuring programs;
- issues relating to the ability to timely and effectively execute on manufacturing strategies, including issues relating to plant closings, new plant start-ups, and/or consolidations of existing facilities and operations, and the ability to achieve the expected benefits from such actions, as well as general efficiencies and capacity utilization of the Company’s facilities;
- the ability to complete and appropriately integrate restructurings, consolidations, acquisitions, divestitures, strategic alliances, joint ventures, and other strategic alternatives;
- realization of anticipated earnings enhancements, cost savings, strategic options and other synergies, and the anticipated timing to realize those savings, synergies, and options;
- the ability to capitalize on key strategic opportunities and the ability to implement Manitowoc’s long-term initiatives;
- the ability to generate cash and manage working capital consistent with Manitowoc’s stated goals;
- geographic factors and political and economic conditions and risks;
- global expansion of customers;

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- changes in laws throughout the world;
- the ability to focus and capitalize on product quality and reliability;
- unexpected issues associated with the quality of materials, components and products sourced from third parties and the ability to successfully resolve those issues;
- unexpected issues associated with the availability and viability of suppliers;
- the ability to convert orders and order activity into sales and the timing of those sales;
- the ability to sell products through distributors and other third parties;
- the Company's ability to attract and retain qualified personnel;
- the ability of Manitowoc's customers to receive financing;
- failure to comply with regulatory requirements related to the products the Company sells;
- risks associated with manufacturing or design defects;
- issues related to workforce reductions and potential subsequent rehiring;
- risks associated with data security and technological systems and protections;
- the inability to defend against potential infringement claims on intellectual property rights;
- the ability to direct resources to those areas that will deliver the highest returns;
- work stoppages, labor negotiations, labor rates, and temporary labor costs;
- risks associated with high financing leverage;
- unanticipated issues affecting the effective tax rate for the year;
- natural disasters and other weather events disrupting commerce in one or more regions of the world;
- government approval and funding of projects and the effect of government-related issues or developments;
- the replacement cycle of technologically obsolete cranes;
- unanticipated changes in the capital and financial markets;
- acts of terrorism;
- risks related to actions of activist shareholders; and
- other risks factors detailed in Manitowoc's filings with the United States Securities and Exchange Commission, including risk factors in Item 1A, "Risk Factors" of this Annual Report on Form 10-K, as such may be amended or supplemented in Manitowoc's subsequently filed Quarterly Reports on Form 10-Q.

These statements reflect the current views and assumptions of management with respect to future events. Except to the extent required by the federal securities laws, the Company does not undertake, and hereby disclaims, any duty to update these forward-looking statements, even though its situation and circumstances may change in the future. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. The inclusion of any statement in this report does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

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PART I

Item 1. BUSINESS

General

The Manitowoc Company, Inc. (“Manitowoc”, the “Company”, “we”, “us” and “our”) was founded in 1902 and has over a 116-year tradition of providing high-quality, customer-focused products and support services to our markets, and for the year ended December 31, 2018, we had net sales of approximately $1.8 billion. Manitowoc is one of the world’s leading providers of engineered lifting solutions. We design, manufacture, market, sell and support one of the most comprehensive product lines of mobile telescopic cranes, tower cranes, lattice-boom crawler cranes and boom trucks. Our crane products are principally marketed under the Manitowoc, Grove, Potain and National Crane brand names. We support customers globally with financing and leasing options through Manitowoc Finance, which is a program that utilizes third-party leasing companies. We serve a wide variety of customers, including dealers, rental companies, contractors and government entities, across the petrochemical, industrial, commercial construction, power and utilities, infrastructure and residential construction end markets. Additionally, our Manitowoc Crane Care offering leverages Manitowoc’s installed base of approximately 144,000 cranes to provide aftermarket parts and services to enable our customers to manage their fleets more effectively and deliver best in class total cost of ownership. Due to the ongoing and predictable maintenance needed by cranes, as well as the high cost of crane downtime, Manitowoc Crane Care provides us with a consistent stream of recurring aftermarket revenue. We are a Wisconsin corporation, and our principal executive offices are located at 11270 West Park Place, Suite 1000, Milwaukee, Wisconsin 53224.

Unless otherwise indicated, references to Manitowoc, the Company, we and us refer to The Manitowoc Company, Inc. and its consolidated subsidiaries.

The Manitowoc Way

The Manitowoc Way is a culture of continuous improvement which encompasses the core values and growth strategies that add value for our key stakeholders - customers, shareholders and employees. Customers are the priority of The Manitowoc Way as we build strong relationships by listening to them, understanding their needs and quickly responding with creative products and services. As shareholders understand the value-driven relationship we prioritize with our customers, they continue to invest resources in order to support our growth.

Employee commitment to the goals and vision of The Manitowoc Way enables us to use those resources to create a stronger organization. The Manitowoc Way empowers employees to develop innovative products and services that meet the needs of our customers. The culture of The Manitowoc Way fosters employee engagement to quickly recognize opportunities and to capitalize on them to add value. Innovation and velocity are the core of The Manitowoc Way, driving differentiation from our competitors.

Products & Services

We design, manufacture and distribute a diversified line of crawler-mounted lattice-boom cranes, which we sell under the Manitowoc brand name. We also design and manufacture an expansive line of top-slewing and self-erecting tower cranes, which we sell under the Potain brand name. We design and manufacture mobile telescopic cranes, which we sell under the Grove brand name, and a comprehensive line of hydraulically powered telescopic boom trucks, which we sell under the National Crane brand name. We also provide crane product parts and services and crane rebuilding, remanufacturing and training services, which are delivered under the Manitowoc Crane Care brand name. In some cases our products are manufactured for us or distributed for us under strategic alliances. Our crane products are used in a wide variety of applications throughout the world, including energy production/distribution and utility, petrochemical and industrial, infrastructure, such as road, bridge and airport construction, as well as commercial and residential construction.

We sell our entire product offering and full line of services in most regions of the world. Moreover, we report under a geographic reporting structure to better align with the location of our customers and the unique market dynamics of each geographic region. The main products we sell in each region are:

Lattice-boom crawler cranes. Under the Manitowoc brand name, we design, manufacture, market and sell lattice-boom crawler cranes. Lattice-boom crawler cranes weigh less and provide higher lifting capacities than a mobile telescopic crane of similar boom length. The lattice-boom crawler cranes are the only category of crane that can pick and move simultaneously with a full-rated load. The lattice-boom sections, together with the crane base, are transported to and erected at a project site. We offer our lattice-boom crawler crane customers various attachments that provide our cranes with greater capacity in terms of height, movement and lifting.

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These cranes are used to lift material and equipment in a wide variety of applications, including heavy construction, bridge and highway, infrastructure and energy-related projects. These cranes are also used by the value-added crane rental industry, which serves all the aforementioned end markets. Lattice boom crawler cranes are produced in the U.S.

Tower cranes.   Under the Potain brand name, we design, manufacture, market and sell tower cranes primarily used in the commercial and residential construction end markets. Tower cranes offer the ability to lift and distribute material at the point of use, more quickly and accurately than other types of lifting machinery, without utilizing substantial square footage on the ground. We offer a complete line of tower crane products, including top slewing, luffing jib, topless, self-erecting and special cranes for large building projects. Top-slewing cranes are the most traditional form of tower cranes. Self-erecting cranes are bottom-slewing cranes which have a counterweight located at the bottom of the mast and are able to be erected, used and dismantled on job sites without assist cranes.

Top-slewing tower cranes have a tower and multi-sectioned horizontal jib. These cranes rotate from the top of their mast and can increase in height with the project. Top-slewing cranes are transported in separate pieces and assembled at the construction site in one to three days depending on the height. These cranes are generally sold to medium to large building and construction groups, as well as to rental companies. These cranes are produced in France, Portugal, India and China.

Topless tower cranes are a type of top-slewing crane and, unlike all others, have no cathead or jib tie-bars on the top of the mast. The cranes are utilized primarily when overhead height is constrained or in situations where several cranes are installed close together. Topless tower cranes are produced in France, Portugal, India and China.

Luffing jib tower cranes, which are a type of top-slewing crane, have an angled rather than horizontal jib. Unlike other tower cranes which have a trolley that controls the lateral movement of the load, luffing jib cranes move their load by changing the angle of the jib. The angle is modified using either a cable controlled by a luffing winch or hydraulic cylinder. The cranes are utilized primarily in urban areas where space is constrained or in situations where several cranes are installed close together. Luffing jib tower cranes are produced in France and China.

Self-erecting tower cranes are mounted on axles or transported on a trailer. The lower segment of the range unfolds in four sections, two for the mast and two for the jib. The smallest of our models unfolds in less than eight minutes; larger models erect in a few hours. Self-erecting cranes rotate from the bottom of their mast and are utilized primarily in low to medium rise construction and residential applications. Self-erecting tower cranes are produced in France and Italy.

Mobile telescopic cranes.   Under the Grove, Shuttlelift and National Crane brand names, we design, manufacture, market and sell mobile telescopic cranes utilized in industrial, commercial, construction and maintenance applications. Mobile telescopic cranes consist of a telescopic boom mounted on a carrier with the ability to easily move in or between job sites, with some permitted on public roadways. We currently offer the following six types of mobile telescopic cranes: rough-terrain, all-terrain, truck-mounted, telescopic crawler, industrial and boom truck.

Rough-terrain cranes are designed to lift materials and equipment on rough or uneven terrain, and their versatility allows them to carry out many different lifts within the boundaries of given sites. These cranes cannot be driven on public roadways, and, accordingly, must be transported by truck to a job site. Rough-terrain cranes are produced in the U.S. and Italy.

All-terrain cranes are versatile cranes designed to perform a wide range of lifts on rough or uneven terrain. These cranes are highly maneuverable and roadable at highway speeds. All-terrain cranes are produced in Germany.

Truck-mounted cranes provide simple set-up, long reach, high capacity booms and are roadable at highway speeds. These cranes are produced in the U.S.

Telescopic crawler cranes are designed to lift materials on rugged terrain. These cranes consist of a telescopic boom superstructure mounted on a crawler crane chassis. These cranes combine excellent gradeability and lift capacity with 100 percent pick and carry capabilities. These cranes are purchased as complete units from a strategic manufacturer.

Industrial cranes are designed primarily for plant maintenance, storage yard and material handling applications. These cranes allow for lifting and carrying loads on a smooth, flat surface. We manufacture industrial cranes in the U.S. under the Grove and Shuttlelift brand names.

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We offer our hydraulic boom truck products under the National Crane brand name. A boom truck is a hydraulically powered telescopic crane mounted on a conventional truck chassis. Telescopic boom trucks are used primarily for lifting material on a job site. These cranes are produced in the U.S.

Backlog, orders and customers. The year-end backlog of products includes accepted orders that have been placed on a production schedule that we expect to be shipped and billed primarily within one year. Our backlog of unfilled orders at December 31, 2018, 2017 and 2016 was $670.6 million, $606.6 million and $323.8 million, respectively. Our backlog at the end of 2018 increased from the end of 2017 due primarily to higher customer demand for mobile hydraulic products in the Americas region, partially offset by slowing demand for our products in the EURAF and MEAP regions.

Orders for the year ended December 31, 2018 increased 3% to $1,910.7 million from $1,864.2 million for the same period in 2017. The increase was due to strengthening demand for our mobile hydraulic and towers products in the Americas region, along with increased aftermarket demand across all regions. This was partially offset by slowing demand for new cranes in the Europe and Africa (“EURAF”) and Middle East and Asia Pacific (“MEAP”) regions. Orders were favorably impacted by $24.4 million year over year due to changes in foreign currency exchange rates.

We do not have any customers that individually comprise more than 10% of our consolidated net sales.

Manufacturing

We operate ten manufacturing facilities (including remanufacturing facilities) that utilize a variety of processes. In general, the manufacturing process involves the fabrication and machining of raw materials, primarily steel, which are then manufactured into sub-assemblies. Sub-assemblies are then assembled with purchased components into a complete machine. In our manufacturing operations, we maintain advanced manufacturing, quality assurance and testing equipment and utilize extensive process automation. We have also invested in Product Verification Centers at our major manufacturing facilities to support new product development, testing and qualification of sub-systems and final product designs.

We train employees dedicated to leading the implementation of The Manitowoc Way, a business system that seeks to enhance customers' experiences with our products and services. Our team is comprised of members with diverse backgrounds in quality, lean principles, finance, product and process engineering. The Manitowoc Way includes lean tools to eliminate waste from processes to provide better value for customers, and it assesses customer satisfaction and implements measures to improve customer experiences. The Manitowoc Way improvement projects have contributed to manufacturing efficiency gains, materials management improvements, steady quality improvements and reduction of lead times, as well as enabled us to free up manufacturing space.

Raw Materials and Supplies

We purchase a wide variety of raw materials to manufacture our products. Our primary raw materials are structural and rolled steel, which are purchased from various domestic and international suppliers. We also purchase engines and electrical equipment and other semi- and fully-processed materials. Our policy is to maintain alternate sources of supply for our critical materials and parts wherever possible, and by doing so, we mitigate the risk of being dependent on a single source for any particular raw material or supply.

Patents, Trademarks, and Licenses

We utilize patent rights to protect our intellectual property and our position as a leading provider of engineered lift solutions. We hold numerous patents across the world pertaining to our products and also have pending applications for additional patents. In addition, we have various registered and unregistered trademarks, copyrights and licenses. We believe our patents, trademarks and copyrights are adequately protected in customary fashions under applicable laws. We actively enforce our patents, trademarks and copyrights and this intellectual property, in which we have invested, is collectively of material importance to our business.

Seasonality

Our first quarter is typically the slowest quarter of the year due to seasonal conditions in the northern hemisphere impacting customer buying behavior.

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Competition

We sell all of our products in highly competitive end markets. We compete in each of our end markets based on product design, quality of products and aftermarket support services, product performance, maintenance costs, energy and resource savings and other contributions to sustainability and price. Given the potential for equipment failure causing expensive operational disruption, our customers generally view quality and reliability as critical factors in their purchasing decision. We believe that we benefit from the following competitive advantages which create customer loyalty: strong brand names with competitive resale values, a reputation for quality and reliable products and aftermarket support and solution services, an established network of global distributors and customer relationships, broad product line offerings in the markets we serve and a commitment to customer-focused engineering design and product innovation. The following table sets forth our primary competitors:

Products	Primary Competitors
Tower Cranes	Comansa; Terex Comedil/Peiner; Liebherr; FM Gru; Jaso; Raimondi; Vicario; Saez; Benazzato; Cattaneo; Zoomlion; Yongmao; and Wolffkran
Mobile Telescopic Cranes	Liebherr; Link-Belt; Terex; Tadano; XCMG; Kato; Locatelli; Broderson; Sany; Manitex; Altec; Elliott; Hitachi Sumitomo; Kobelco; Sumitomo/Link-Belt; and Zoomlion

Engineering, Research and Development

We believe our extensive engineering, research and development capabilities are key drivers of our success. We engage in research and development activities at dedicated locations. We have a staff of in-house engineers and technicians on three continents, supplemented with external engineering resources, who are responsible for improving our existing products and developing new products.

Our team of engineers focuses on developing high performance, low maintenance, innovative products intended to create significant brand loyalty among customers. Design engineers work closely with our manufacturing, marketing staff and customers, enabling us to identify changing end-user requirements, implement new technologies and effectively introduce product innovations. Closely managed relationships with dealers, distributors and end users help us identify their needs, not only for products, but for the service and support that are critical to their profitable operations. As part of our ongoing commitment to provide superior products, we intend to continue our efforts to design products that meet evolving customer demands and reduce the period from product conception to product introduction.

Employee Relations

As of December 31, 2018, we employed approximately 5,000 people. A large majority of our European employees belong to various European trade unions, we have one trade union in China, one trade union in India and no trade unions in North America. The union contract in India is expected to be renegotiated in 2019 and involves 124 employees.

Available Information

We make available, free of charge at our website site (www.manitowoc.com), our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, our proxy statements and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). Although some documents available on our website are filed with the SEC, the information generally found on our website is not part of this or any other report we file with or furnish to the SEC.

The SEC also maintains electronic versions of our reports on its website at www.sec.gov.

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Item 1A. RISK FACTORS

The Company's financial position, results of operations and cash flows are subject to various risks, many of which are not exclusively within the Company's control, which may cause actual performance to differ materially from historical or projected future performance. Investors should consider carefully information in this Annual Report on Form 10-K in light of the risk factors described below.

Sales of our products are cyclical and/or are otherwise sensitive to volatile or variable factors. A downturn or weakness in overall economic activity or fluctuations in those other factors can have a material adverse effect on us.

Historically, sales of products that we manufacture and sell have been subject to cyclical variations caused by changes in general economic conditions and other factors. In particular, demand for our products is cyclical and is impacted by the strength of the economy, generally, the availability of financing and other factors, including crude oil prices, that may have an effect on the level of construction activity on an international, national or regional basis. During periods of expansion in construction activity, we generally have benefited from increased demand for our products. Conversely, during recessionary periods, we have been adversely affected by reduced demand for our products, and challenging conditions can continue well beyond the end of such periods. Furthermore, any future economic recession may impact leveraged companies, such as Manitowoc, more than competing companies with less leverage and may have a material adverse effect on our financial condition, results of operations and cash flows.

Demand for our products also depend in part on federal, state, local and foreign governmental spending and appropriations, including infrastructure, security and defense outlays. Reductions in governmental spending can reduce demand for our products, which in turn, can negatively affect our performance. Our sales depend in part upon our customers’ replacement or repair cycles. Adverse economic conditions may cause customers to forego or postpone new purchases in favor of repairing existing machinery.

If we are unable to sufficiently adjust to market conditions, among other potential adverse effects on our financial condition, results of operations and cash flows, we could fail to deliver on planned results, fall short of analyst and investor expectations, incur high fixed costs and/or fail to benefit from higher than expected customer demand resulting in loss of market share.

Our operational results are dependent on how well we can scale our manufacturing capacity and resources to the level of our customers’ demand.

We sell our products in industries that require manufacturers to make highly efficient use of manufacturing capacity. Insufficient or excess capacity threatens our ability to generate competitive profit margins and may expose us to liabilities such as contractual commitments. Although from time to time we close or consolidate facilities, adapting or modifying our capacity is difficult, as modifications take substantial time to execute, are inherently disruptive and costly and, in some cases, may require regulatory approval. Additionally, delivering product during process or facility modifications requires special coordination. The cost and resources required to adapt our capacity, such as through facility acquisitions, facility closings or process moves between facilities, may negate any planned cost reductions or may result in costly delays, product quality issues or material shortages, all of which could adversely affect our operational results and our reputation with our customers.

Large or rapid increases in the cost of raw materials or components parts, substantial decreases in their availability, or our dependence on particular suppliers of raw materials and component parts could materially and adversely affect our operating results.

We use large amounts of steel, among other items, in the manufacture of our products. Occasionally, market prices of some of our key raw materials increase significantly, including as a result of tariffs or other trade barriers. If in the future we are not able to reduce product costs in other areas or pass raw material price increases on to our customers, our margins could be adversely affected. In addition, because we maintain limited raw material and component inventories, even brief unanticipated delays in delivery by suppliers - including those due to capacity constraints, labor disputes, impaired financial condition of suppliers, weather emergencies or other natural disasters - may impair our ability to satisfy our customers and could adversely affect our financial performance.

The Company purchases certain branded cranes and parts under strategic alliances from third-party suppliers which are then sold into our markets. If we are not able to effectively manage pricing from these suppliers, our financial performance could be adversely affected. Likewise, if our suppliers terminate these agreements and we are unable to procure alternate products at substantially similar competitive pricing, our financial performance could be adversely affected.

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Our goodwill and other intangible assets represent a material amount of our total assets; as a result, impairments have had, and future impairment may have, a material adverse effect on our results of operations.

At December 31, 2018, goodwill and other intangible assets totaled $350.9 million, or about 23% of our total assets. We assess annually whether there has been impairment in the value of our goodwill or indefinite-lived intangible assets. Based on that assessment in 2018, we recorded a non-cash goodwill impairment charge of $82.2 million in our EURAF reporting unit. If future operating performance were to fall below current projections or if there are material changes to management's assumptions, we could be required to recognize additional non-cash charges to operating earnings for goodwill and/or other intangible asset impairment. Goodwill or intangible asset impairments have had, and any future impairments may have, a material adverse effect on our results of operations.

Our results of operations are subject to exchange rate and other currency risks. A significant movement in exchange rates could adversely impact our results of operations and cash flows.

Some of our operations are and will continue to be conducted by subsidiaries in foreign countries. The results of the operations and the financial position of these subsidiaries will be reported in the relevant foreign currencies and then translated into U.S. dollars at the applicable exchange rates for inclusion in our consolidated financial statements, which are stated in U.S. dollars. The exchange rates between foreign currencies and the U.S. dollar have fluctuated significantly in recent years and may continue to fluctuate in the future. Such fluctuations may have a material effect on our results of operations and financial position and may significantly affect the comparability of our results between financial periods.

We also incur currency transaction risk whenever one of our operating subsidiaries enters into a transaction using a different currency than its functional currency. We attempt to reduce currency transaction risk whenever one of our operating subsidiaries enters into a material transaction using a different currency than its functional currency by:

- matching cash receipts and payments in the same currency;
- direct foreign currency borrowing; and
- entering into foreign exchange contracts for hedging purposes.

However, we may not be able to hedge this risk completely or at an acceptable cost, which may adversely affect our results of operations, financial condition and cash flows in future periods.

If we do not develop new and innovative products or if customers in our markets do not accept them, our results could be negatively affected.

Our products must be kept current to meet our customers' needs. To remain competitive, we therefore must develop new and innovative products on an on-going basis. If we fail to make innovations or the market does not accept our new products, our sales and results would likely suffer. We invest significantly in the research and development of new products. These expenditures do not always result in products that will be accepted by the market. To the extent they do not, whether as a function of the product or the business cycle, we will have increased expenses without significant sales to benefit us. Failure to develop successful new products may also cause potential customers to purchase competitors' products, rather than products manufactured by us.

Because we participate in end markets that are highly competitive, our net sales and profits could decline as we respond, or fail to effectively respond, to competition.

We sell most of our products in highly competitive end markets. We compete in each of those end markets based on product design, quality of products, quality and responsiveness of product support services, product performance, maintenance costs and price. Some of our competitors may have greater financial, marketing, manufacturing and distribution resources than we do. These competitors may, among others:

- respond more quickly to new or emerging technologies;
- have greater name recognition, critical mass or geographic market presence;
- be better able to take advantage of acquisition opportunities;
- adapt more quickly to changes in customer requirements;

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- devote greater resources to the development, promotion and sale of their products;
- be better positioned to compete on price for their products, due to any combination of low-cost labor, raw materials, components, facilities or other operating items, or willingness to make sales at lower margins than us;
- consolidate with other competitors in the industry which may create increased pricing and competitive pressures on our business; and
- be better able to utilize excess capacity which may reduce the cost of their products or services.

We cannot be certain that our products and services will continue to compete successfully with those of our competitors or that we will be able to retain our customer base or improve or maintain our profit margins on sales to our customers, any of which could materially and adversely affect our financial condition, results of operations and cash flows.

Our ongoing and expected restructuring plans and other cost savings initiatives may not be as effective as we anticipate and we may fail to realize the cost savings and increased efficiencies that we expect from these actions. Our operating results could be negatively affected by our inability to effectively implement such restructuring plans and other cost saving initiatives.

We continually seek ways to simplify or improve processes, eliminate excess capacity and reduce costs in all areas of our operations, which from time to time includes restructuring activities. We have implemented significant restructuring activities across our global manufacturing, sales and distribution footprint, which includes workforce reductions and facility consolidations.

Our restructuring actions may not be as effective as we anticipate, and we may fail to realize the cost savings we expect from these actions. Actual charges, costs and adjustments due to restructuring activities may vary materially from our estimates. Our ability to realize anticipated cost savings, synergies and revenue enhancements may be affected by a number of factors, including our ability to effectively eliminate duplicative back office overhead and overlapping sales personnel, rationalize manufacturing capacity, synchronize information technology systems, consolidate warehousing and distribution facilities, and shift production to more economical facilities. Our restructuring plans will require significant cash and non-cash integration and implementation costs or charges in order to achieve those cost savings, which could offset any such savings and other benefits.

Although we have considered the impact of local regulations, negotiations with employee representatives and the related costs associated with our restructuring activities, factors beyond the control of management may affect the timing of these projects and therefore affect when savings will be achieved under the plans. Further, our operating results could be negatively affected if we are not successful in completing the restructuring projects in the time frames contemplated or if additional issues arise during the projects that add costs to or disrupt our operations.

We have significant manufacturing and sales of our products outside of the United States and such international operations may be subject to a number of risks specific to these countries.

For the years ended December 31, 2018, 2017, and 2016, approximately 57%, 61% and 60%, respectively, of our net sales were attributable to products sold outside of the United States. Expanding the Company’s international sales is part of our growth strategy. Our international operations across many different jurisdictions may be subject to a number of risks specific to these countries, including:

- less flexible employee relationships which can be difficult and expensive to terminate;
- labor unrest;
- political and economic instability (including war and acts of terrorism);
- inadequate infrastructure for our operations (i.e., lack of adequate power, water, transportation and raw materials);
- health concerns and related government actions;
- risk of governmental expropriation of our property;
- less favorable, or relatively undefined, intellectual property laws;
- unexpected changes in regulatory requirements and laws;
- longer customer payment cycles and difficulty in collecting trade accounts receivable;
- export duties, tariffs, import controls and trade barriers (including quotas);

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- adverse trade policies or adverse changes to any of the policies of either the United States or any of the foreign jurisdictions in which we operate;
- adverse changes in tax rates or regulations;
- legal or political constraints on our ability to maintain or increase prices;
- burdens of complying with a wide variety of labor practices and foreign laws, including those relating to export and import duties, environmental policies and privacy issues;
- inability to utilize net operating losses incurred by our foreign operations against future income in the same jurisdiction; and
- economies that are emerging or developing, that may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks.

These factors may harm our results of operations, and any measures that we may implement to reduce the effect of volatile currencies and other risks of our international operations may not be effective. In our experience, entry into new international markets requires considerable management time as well as start-up expenses for market development, hiring and establishing office facilities before any significant revenue is generated. As a result, initial operations in a new market may operate at low margins or may be unprofitable.

Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

We must comply with all applicable international trade, customs, export controls and economic sanctions laws and regulations of the United States and other countries. We are also subject to the Foreign Corrupt Practices Act and other anti-bribery laws that generally bar bribes or gifts to foreign governments or officials. The existing presidential administration in the United States has taken, and make take additional, actions that may inhibit international trade by U.S.-based companies. Changes in trade sanctions laws may restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned parties, and may result in modifications to compliance programs. Violation of these laws or regulations could result in sanctions or fines and could have a material adverse effect on our financial condition, results of operations and cash flows.

If we do not meet customers’ product quality, reliability standards and expectations, we may experience increased or unexpected product warranty claims and other adverse consequences to our business.

Product quality and reliability are significant factors influencing customers' decisions to purchase our products. Inability to maintain the high quality of our products relative to the perceived or actual quality of similar products offered by competitors could result in the loss of market share, loss of revenue, reduced profitability, an increase in warranty costs, government investigations and/or damage to our reputation.

Product quality and reliability are determined in part by factors that are not entirely within our control. We depend on our suppliers for parts and components that meet our standards. If our suppliers fail to meet those standards, we may not be able to deliver the quality of products that our customers expect, which may impair our reputation, resulting in lower revenue and higher warranty costs.

We provide our customers a warranty covering workmanship, and in some cases materials, on products we manufacture. Our warranty generally provides that products will be free from defects for periods ranging from 12 months to 60 months. If a product fails to comply with the warranty, we may be obligated, at our expense, to correct any defect by repairing or replacing the defective product. Although we maintain warranty reserves in an amount based primarily on the number of units shipped and on historical and anticipated warranty claims, there can be no assurance that future warranty claims will follow historical patterns or that we can accurately anticipate the level of future warranty claims. An increase in the rate of warranty claims or the occurrence of unexpected warranty claims, for which we are not insured or where we cannot recover from our vendors to the extent their materials or workmanship were defective, could materially and adversely affect our financial condition, results of operations and cash flows.

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We may incur additional expenses and delays due to technical problems or other interruptions at our manufacturing facilities.

Disruptions in operations due to technical problems or other interruptions such as floods or fire would adversely affect the manufacturing capacity of our facilities. Such interruptions could cause delays in production and cause us to incur additional expenses such as charges for expedited deliveries for products that are delayed. Additionally, our customers may have the ability to cancel purchase orders in the event of any delays in production and may decrease future orders if delays are persistent. Additionally, to the extent that such disruptions do not result from damage to our physical property, these may not be covered by our business interruption insurance. Any such disruptions may adversely affect our business, operations, and financial results.

We face risks related to sales through distributors and other third parties.

We sell a portion of our products through third parties such as distributors, agents and channel partners (collectively referred to as distributors). Using third parties for distribution exposes us to many risks, including competitive pressure, concentration risk, credit risk, and compliance risks. Distributors may sell products that compete with our products, and we may need to provide financial and other incentives to focus distributors on the sale of our products. We may rely on one or more key distributors for a product, and the loss of these distributors could negatively impact our sales. Distributors may face financial difficulties, including bankruptcy, which could harm our collection of accounts receivable and financial results. Violations of the Foreign Corrupt Practices Act or similar laws by distributors or other third-party intermediaries could have a material impact on our business. Failing to manage risks related to our use of distributors may reduce sales, increase expenses, and weaken our competitive position.

We depend on our key executive officers, managers and skilled personnel and may have difficulty retaining and recruiting qualified employees.

Our success depends to a large extent upon the continued services of our executive officers, senior management personnel, managers and other skilled personnel and our ability to recruit and retain skilled personnel to maintain and expand our operations. We could be affected by the loss of any of our executive officers who are responsible for formulating and implementing our business plan and strategy. In addition, we need to recruit and retain additional management personnel and other skilled employees. However, competition is high for skilled technical personnel among companies that rely on engineering and technology, and the loss of qualified employees or an inability to attract, retain and motivate additional skilled employees required for the operation and expansion of our business could hinder our ability to conduct design, engineering and manufacturing activities successfully and develop marketable products. We may not be able to attract the skilled personnel we require or retain those whom we have trained at our own cost. If we are not able to do so, our business and our ability to continue to grow could be negatively affected and we could face additional competition from those employees who leave and work for our competitors.

Some of our customers may not be able to obtain financing with third parties to purchase our products, and we may incur expenses associated with our assistance to customers in securing third-party financing.

A portion of our sales are financed by third-party finance companies on behalf of our customers. The availability of financing from third parties is affected by general economic conditions, the creditworthiness of our customers and the estimated residual value of our equipment. In certain transactions, we provide residual value guarantees and buyback commitments to our customers or to third-party financial institutions. Deterioration in the credit quality of our customers or the overall health of the finance industry could negatively impact our customers' ability to obtain the resources needed to make purchases of our equipment or their ability to obtain third-party financing. In addition, if the actual value of the equipment for which we have provided a residual value guaranty declines below the amount of our guaranty, we may incur additional costs, which may negatively impact our financial condition, results of operations and cash flows.

If our manufacturing processes and products do not comply with applicable statutory and regulatory requirements, or if we manufacture products containing design or manufacturing defects, demand for our products may decline and we may be subject to product liability claims.

Our designs, manufacturing processes and facilities need to comply with applicable statutory and regulatory requirements. We may also have the responsibility to ensure that products we design satisfy safety and regulatory standards including those applicable to our customers and to obtain any necessary certifications. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or not be in compliance with applicable statutory and regulatory requirements or demands of our customers. Potential defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers, replacement costs or reduced or canceled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility.

Any manufacturing or design defects may also result in product liability claims. Furthermore, customers use some of our products in potentially hazardous applications that can cause injury or loss of life and damage to property, equipment or the environment. We may be named as a defendant in product liability or other lawsuits asserting potentially large claims if an accident occurs at a location where our equipment and services have been or are being used. Certain of our businesses also have experienced claims relating to past alleged asbestos exposure. We have not to date incurred material costs related to these asbestos claims. We vigorously defend ourselves against current claims and intend to do so against future claims. We also maintain certain insurance policies which may limit our financial exposures. Any significant liabilities which are not covered by insurance could have an adverse effect on our financial condition, results of operation and cash flows. Likewise, a substantial increase in the number of claims that are made against us or the amounts of any judgments or settlements could materially and adversely affect our reputation and our financial condition, results of operations and cash flows.

We may not be able to maintain our engineering, technological and manufacturing expertise.

The markets for our products are characterized by changing technology and evolving process development. The continued success of our business will depend upon our ability to:

- hire, retain and expand our pool of qualified engineering and technical personnel;
- maintain technological leadership in our industry;
- successfully anticipate or respond to changes in manufacturing processes in a cost-effective and timely manner; and
- successfully anticipate or respond to changes in cost to serve in a cost-effective and timely manner.

We cannot be certain that we will develop the capabilities required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment, inventory or processes obsolete or uncompetitive. We may have to acquire new technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require us to incur significant expense and capital investment, which could reduce our margins and affect our operating results. When we establish new facilities, we may not be able to maintain or develop our engineering, technological and manufacturing expertise due to a lack of trained personnel, effective training of new staff or technical difficulties with machinery. Failure to anticipate and adapt to customers' changing technological needs and requirements or to hire and retain a sufficient number of engineers and maintain engineering, technological and manufacturing expertise may have a material adverse effect on our business.

Any disruption in our information systems could disrupt our operations and would be adverse to our business and financial operations.

We depend on various information systems to support our customers' requirements and to successfully manage our business, including managing orders, suppliers, accounting controls and payroll. Any inability to successfully manage the procurement, development, implementation or execution of our information systems and back-up systems, including matters related to system security, reliability, performance and access, as well as any inability of these systems to fulfill their intended purpose within our business, could have an adverse effect on our business and financial performance. Such disruptions may not be covered by our business interruption insurance.

An inability to successfully manage information systems, or to adequately maintain these systems and their security, as well as to protect data and other confidential information, could adversely affect our business and reputation.

In the ordinary course of business, we collect and store sensitive data and information, including our proprietary and regulated business information and that of our customers, suppliers and business partners, as well as personally identifiable information about our employees. We depend on our information systems to successfully manage our business. We have taken steps to maintain adequate data security by implementing security technologies, internal controls, and network and data center resiliency and recovery processes. However, any inability to successfully manage these systems, including matters related to

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system and data security, privacy, reliability, compliance, performance and access, as well as any inability of these systems to fulfill their intended purpose within our business, could have an adverse effect on our business.

Despite our efforts, our information systems, like those of other companies, are susceptible to damage or interruption due to natural disasters, power loss, telecommunications failures, viruses, breaches of security, system upgrades or new system implementations. Furthermore, our security measures may not detect or prevent all security threats, whether from intentional or inadvertent breaches by our employees or attacks designed to gain unauthorized access to our systems, networks and data, such as denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions. Any operational failure or breach of security from increasingly sophisticated cyber threats could lead to the loss or disclosure of both our and our customers' financial, product and other confidential information, result in regulatory actions and legal proceedings, and/or have an adverse effect on our business and reputation.

If we fail to protect our intellectual property rights or maintain our rights to use licensed intellectual property, our business could be adversely affected.

Our patents, trademarks and licenses are important in the operation of our business. Although we intend to protect our intellectual property rights vigorously, we cannot be certain that we will be successful in doing so. Third parties may assert or prosecute infringement claims against us in connection with the services and products that we offer, and we may or may not be able to successfully defend these claims. Litigation, either to enforce our intellectual property rights or to defend against claimed infringement of the rights of others, could result in substantial costs and in a diversion of our resources. In addition, if a third party would prevail in an infringement claim against us, then we would likely need to obtain a license from the third party on commercial terms, which would likely increase our costs. Our failure to maintain or obtain necessary licenses or an adverse outcome in any litigation relating to patent infringement or other intellectual property matters could have a material adverse effect on our financial condition, results of operations and cash flows.

Increasing costs of doing business in many countries in which we operate may adversely affect our business and financial results.

Increasing costs such as labor and overhead costs in the countries in which we operate may erode our profit margins and compromise our price competitiveness. Historically, the low cost of labor in certain of the countries in which we operate has been a competitive advantage but labor costs in these countries, such as China and India, have been increasing. Our profitability also depends on our ability to manage and contain our other operating expenses such as the cost of utilities, factory supplies, factory space costs, equipment rental, repairs and maintenance and freight and packaging expenses. In the event we are unable to manage any increase in our labor and other operating expenses in an environment where revenue does not increase proportionately, our financial results would be adversely affected.

Our operations and profitability could suffer if we experience problems with labor relations.

As of December 31, 2018, we employed approximately 5,000 people. A large majority of our European employees belong to various European trade unions, we have one trade union in China, one trade union in India, and no trade unions in North America. The union contract in India is expected to be renegotiated in 2019 and involves 124 employees.

Any significant labor relations issues could have an adverse effect our operations, reputation, results of operations and financial condition.

Our leverage may impair our operations and financial condition.

As of December 31, 2018, our total consolidated debt was $273.1 million as compared to consolidated debt of $274.9 million as of December 31, 2017. On March 3, 2016, the Company entered into a $225.0 million Asset Based Revolving Credit Facility (as amended, the “ABL Revolving Credit Facility”) by and among the Company and certain of its domestic and German subsidiaries, as borrowers, the lender party thereto, Wells Fargo Bank, N.A. as administrative agent, and Wells Fargo Bank N.A., JP Morgan Chase Bank, N.A. and Goldman Sachs Bank USA as joint lead arrangers. The ABL Revolving Credit Facility includes a $75.0 million Letter of Credit Facility, $10.0 million of which is available to the German borrower, with a maturity date of March 3, 2021.

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The amount of debt we maintain could have consequences, including increasing our vulnerability to general adverse economic and industry conditions; requiring a substantial portion of our cash flows from operations be used for the payment of interest rather than to fund working capital, capital expenditures, acquisitions and general corporate requirements; limiting our ability to obtain additional financing; and limiting our flexibility in planning for, or reacting to, changes in our business and the end markets in which we operate.

The agreements governing our debt include covenants that restrict, among other matters, our ability to incur additional debt, pay dividends on or repurchase our equity, make certain investments, and consolidate, merge or transfer all or substantially all of our assets. Certain of our debt facilities require or will require us to maintain specified financial ratios and satisfy certain financial condition tests. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Adhering to these covenants may also require that we take disadvantageous actions, including reducing spending on marketing, advertising and new product innovation, reducing future financing for working capital, capital expenditures and general corporate purposes, selling assets or dedicating an unsustainable level of cash flow from operations to the payment of principal and interest on our indebtedness. Our leverage could also put us at a disadvantage compared to any competitors that are less leveraged. We cannot be certain that we will meet any future financial tests or that the lenders would waive any such failure to meet those tests. See additional discussion in Note 11, “Debt” to our Consolidated Financial Statements.

If we default under our debt agreements, our lenders could elect, among other potential remedies, to declare all amounts outstanding under our debt agreements to be immediately due and payable and could proceed against any collateral securing the debt.

Exposure to additional tax liabilities may have a negative impact on our operating results.

We regularly undergo tax audits in various jurisdictions in which we operate. Although we believe that our tax estimates are reasonable and that we prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits, and any related contests thereto, could be materially different from our estimates or from our historical income tax provisions and accruals. The results of an audit or contests thereto could have a material adverse effect on operating results and/or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties and/or interest assessments.

Environmental liabilities that may arise in the future could be material to us.

Our operations, facilities and properties are subject to extensive and evolving laws and regulations pertaining to air emissions, wastewater discharges, the handling and disposal of solid and hazardous materials and wastes, the remediation of contamination, and otherwise relating to health, safety and the protection of the environment. As a result, we are involved from time to time in administrative or legal proceedings relating to environmental and health and safety matters and have in the past and will continue to incur capital costs and other expenditures relating to such matters.

We cannot be certain that identification of presently unidentified environmental conditions, more vigorous enforcement by regulatory authorities or other unanticipated events will not arise in the future and give rise to additional environmental liabilities, compliance costs and/or penalties that could be material. Further, environmental laws and regulations are constantly evolving, and it is impossible to predict accurately the effect they may have upon our financial condition, results of operations or cash flows.

In addition, increasing laws and regulations dealing with environmental aspects of the products we manufacture can result in significant expenditures in designing and manufacturing new products that satisfy such new laws and regulations. In particular, climate change is receiving increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gas emissions. While additional regulation of emissions in the future appears likely, how such new regulations would ultimately affect our business, operations or financial results is unknown at this time.

Our inability to recover from natural or man-made disasters could adversely affect our business.

Our business and financial results may be affected by certain events that we cannot anticipate or that are beyond our control, such as natural or manmade disasters, national emergencies, significant labor strikes, work stoppages, political unrest, war or terrorist activities that could curtail production at our facilities and cause delayed deliveries and canceled orders. In addition, we purchase components and raw materials and information technology and other services from numerous suppliers, and, even if our facilities were not directly affected by such events, we could be affected by interruptions at such suppliers. Such suppliers may be less likely than our own facilities to be able to quickly recover from such events and may be subject to additional risks

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such as financial problems that limit their ability to conduct their operations. We cannot assure you that we will have insurance to adequately compensate us for any of these events.

Compliance or the failure to comply with regulations and governmental policies could cause us to incur significant expense.

We are subject to a variety of local and foreign laws and regulations including those relating to labor and health and safety concerns and import/export duties and customs. Such laws may require us to pay mandated compensation in the event of workplace accidents and penalties in the event of incorrect payments of duties or customs. Additionally, we may need to obtain and maintain licenses and permits to conduct business in various jurisdictions. If we or the businesses or companies we acquire have failed or fail in the future to comply with such laws and regulations, then we could incur liabilities and fines and our operations could be suspended. Such laws and regulations could also restrict our ability to modify or expand our facilities, could require us to acquire costly equipment, or could impose other significant expenditures that are unable to be passed on to our customers.

We continue the transition to various regulations, particularly in Europe, including Tier 5 power systems and crash test regulations for Mobile products. While plans are in place to comply with the phase-in of these regulations, there is a significant amount of engineering that the Company must complete to comply with these standards. A failure to implement these new standards may result in the loss of market share or fines from regulatory agencies which could have a material adverse effect on our business or results of operations.

We face risks associated with our pension and other postretirement benefit obligations.

We have both funded and unfunded pension and other postretirement benefit plans worldwide. As of December 31, 2018, our projected benefit obligations under our pension and other postretirement benefit plans exceeded the fair value of plan assets by an aggregate of approximately $108.1 million (“unfunded status”), compared to $119.4 million at December 31, 2017. Estimates for the amount and timing of the future funding obligations of these benefit plans are based on various assumptions. These assumptions include discount rates, rates of compensation increases, expected long-term rates of return on plan assets and expected healthcare cost trend rates. If our assumptions prove incorrect, our funding obligations may increase, which may have a material adverse effect on our financial results.

We have invested the plan assets of our funded benefit plans in various equity and debt securities. A deterioration in the value of plan assets could cause the unfunded status of these benefit plans to increase, thereby increasing our obligation to make additional contributions to these plans. An obligation to make contributions to our benefit plans could reduce the cash available for working capital and other corporate uses, and may have an adverse impact on our operations, financial condition and liquidity.

Our business and/or reputation could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of our securities.

Certain of our shareholders have publicly or privately expressed views with respect to the operation of our business, our business strategy, corporate governance considerations or other matters that may not be fully aligned with our own. Responding to actions by activist shareholders can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. Perceived uncertainties as to our future direction may result in the loss of potential business opportunities, damage to our reputation and may make it more difficult to attract and retain qualified directors, personnel and business partners. These actions could also cause our stock price to experience periods of volatility.

Activist shareholders have made, and may in the future make, strategic proposals, suggestions or requests for changes concerning the operation of our business, our business strategy, corporate governance considerations or other matters. We cannot predict, and no assurances can be given, as to the outcome or timing of any consequences arising from these actions, and any such consequences may impact the value of our securities.

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Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Manitowoc maintains leased and owned manufacturing, warehouse, storage, field testing and office facilities throughout the world. The Company's corporate office is located in Milwaukee, Wisconsin. The Company believes that its facilities currently in use are suitable and have adequate capacity to meet its present and foreseeable future demand. See Note 22, "Leases," to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for additional information regarding leases. Manitowoc management continually monitors the Company's capacity needs and makes adjustments as dictated by market and other conditions.

The following table provides information about principal facilities owned or leased by the Company (exceeding 50,000 square feet) as of December 31, 2018.

Facility Location	Type of Facility	Approximate Square Footage	Owned/Leased
Americas			
Shady Grove, Pennsylvania	Manufacturing/Office	1,354,862	Owned
Manitowoc, Wisconsin **	Manufacturing	538,000	Owned
Port Washington, Wisconsin	Manufacturing	81,029	Owned
Passo Fundo, Brazil **	Manufacturing/Office	300,000	Owned
EURAF			
Wilhelmshaven, Germany	Manufacturing/Office and Storage	410,000	Owned/Leased
Fanzeres, Portugal	Manufacturing/Office	197,000	Owned
Baltar, Portugal	Manufacturing/Office	135,000	Owned
Niella Tanaro, Italy	Manufacturing/Office/Field Testing	232,000	Owned
Langenfeld, Germany	Office/Storage/Field Testing	80,300	Leased
Moulins, France	Manufacturing/Office	385,000	Owned
Charlieu, France	Manufacturing/Office/Field Testing	404,000	Owned
Dardilly, France	Office	80,000	Leased
Dry, France	Office/Storage/Workshop	93,000	Leased
Buckingham, United Kingdom	Office/Storage	78,000	Leased
Saint Pierre de Chandieu, France	Warehouse/Office	153,000	Leased
MEAP			
Zhangjiagang, China	Manufacturing	800,000	Owned
Pune, India	Manufacturing/Office	195,634	Leased
Sydney, Australia *	Office/Storage/Workshop	78,943	Leased

*There are multiple separate facilities within this location.
**This facility is inactive as of December 31, 2018.

Item 3. LEGAL PROCEEDINGS

From time to time, the Company is subject to litigation incidental to its business, as well as other litigation of a non-material nature in the ordinary course of business. See Note 18, “Commitments and Contingencies,” to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further information.

Item 4. MINE SAFETY DISCLOSURE

Not Applicable.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Each of the following executive officers of the Company has been elected by the Board of Directors. The information presented below is as of February 13, 2019.

Name	Age	Position With The Registrant	Principal Position Held Since
Barry L. Pennypacker	58	President and Chief Executive Officer	2016
David J. Antoniuk	61	Senior Vice President and Chief Financial Officer	2016
Aaron H. Ravenscroft	40	Executive Vice President of Cranes	2016
Thomas L. Doerr, Jr.	43	Senior Vice President, General Counsel and Secretary	2017
Terrance L. Collins	54	Senior Vice President of Human Resources and Administration	2018
Peter A. Ruck	47	Senior Vice President, Business Development	2018

The following paragraphs provide further information as to our executive officers' duties and their employment history:

Barry L. Pennypacker was appointed to the position of President and Chief Executive Officer of the Company's cranes business in December 2015 and became the Company's President and Chief Executive Officer in March 2016. Mr. Pennypacker served, since 2013, as founder, President and Chief Executive Officer of Quantum Lean LLC, a privately held manufacturer and supplier of precision components. He previously served as president and chief executive officer, as well as a director, of Gardner Denver, Inc., a manufacturer and marketer of engineered industrial machinery and related parts and services (2008-2012). Prior to joining Gardner Denver, Inc., Mr. Pennypacker served in positions with increasing responsibility at Westinghouse Air Brake Technologies Corporation, a worldwide provider of technology-based equipment and services for the rail industry (1999-2008), with his last position being vice president-group executive. He previously served as director, Worldwide Operations, Stanley Fastening Systems, an operating unit of The Stanley Works, a worldwide producer of tools and security products, and held a number of senior management positions with increasing responsibility with Danaher Corporation, a manufacturer and marketer of professional, medical, industrial and commercial products and services.

David J. Antoniuk has served as Senior Vice President and Chief Financial Officer since May 2016, responsible for directing teams in accounting, financial reporting, investor relations, global tax, information services and treasury. Prior to joining Manitowoc, Mr. Antoniuk served as Vice President and Chief Financial Officer at Colorcon, Inc. (2015-2016), a leader in the development, supply and technical support of formulated coatings and functional excipients for the pharmaceutical and dietary/food/nutritional supplement industries, and Vice President and Corporate Controller at Gardner Denver, Inc. (2005-2014). Prior to Gardner Denver, Inc., Mr. Antoniuk served in positions of increasing responsibility at Davis-Standard Corp., Pirelli Cables, Johnson & Johnson and KPMG.

Aaron H. Ravenscroft joined the Company as the Executive Vice President of Mobile Cranes in March 2016. In September 2017, Mr. Ravenscroft was promoted to Executive Vice President of Cranes. In this position Mr. Ravenscroft focuses on safety, quality, delivery and cost of the entire business. Prior to joining Manitowoc, Mr. Ravenscroft served as Regional Managing Director of the North American Minerals business for the Weir Group (2013-2016), an engineering company, President of Process & Flow Control Group of Robbins & Myers (2011-2013), a manufacturer of engineered equipment, and Regional Vice President of Industrial Products Group for Gardner Denver, Inc. (2008-2011). Prior to that, he held a series of positions with increasing responsibility at Westinghouse Air Brake Technologies and Janney Montgomery Scott.

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Thomas L. Doerr, Jr. has served as Senior Vice President, General Counsel and Secretary since November 2017. Prior to Mr. Doerr’s current position, he served as Vice President, General Counsel and Secretary of Jason Industries, Inc., a manufacturer in the finishing, components, seating, and automotive acoustics markets, from November 2015 to November 2017. Mr. Doerr originally joined Manitowoc in 2006 as legal counsel; in 2008 he expatriated to London, England, and in 2009 to Lyon, France where he served as Assistant General Counsel - International and was responsible for all legal matters for both Manitowoc’s crane segment and Manitowoc’s then foodservice segment in Europe, Middle East, Africa and Asia Pacific. After spending four years abroad, Mr. Doerr returned to the United States and assumed global legal responsibility for Manitowoc’s crane segment until November 2015. Prior to first joining Manitowoc, Mr. Doerr was most recently with the law firm von Briesen & Roper, s.c. Mr. Doerr is a graduate of Marquette University Law School and the University of St. Thomas.

Terrance Collins has served as Senior Vice President of Human Resources since April 2018, responsible for the strategic development and execution of the Company’s human resources function globally including; talent acquisition, talent development, inclusion and diversity, employee engagement, compensation and benefits programs, employee and labor relations, HR information systems and HR administration and compliance. Prior to joining Manitowoc, Mr. Collins served as Chief Administrative Officer at FDH Velocitel (2014-2018), Senior Vice President at Zebra Technologies (2013-2014) and Vice President, Human Resources at IDEX Corporation (2006-2013). Prior to IDEX, Mr. Collins served in senior leadership positions at AmSan LLC and U.S. Foodservice, Inc.

Peter Ruck has served as the Senior Vice President of Business Development since April 2018, chartering and leading Manitowoc’s organic and inorganic growth initiatives across the enterprise. Prior to joining Manitowoc, Mr. Ruck served as Corporate Vice President of Strategy and Acquisitions for IDEX Corporation, where he held a series of progressively responsible positions since 2010. Prior to IDEX, Mr. Ruck spent seven years with Danaher Corporation in various management positions. Mr. Ruck started his career with Motorola.

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PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company’s common stock is traded on the New York Stock Exchange (“NYSE”) under the symbol MTW. The number of shareholders of record of common stock as of December 31, 2018 was 628.

The amount and timing of any dividends are determined by the Board of Directors at its regular meetings each year, subject to limitations within the indenture governing the Company’s senior secured second lien note due 2021 (the “2021 Notes”) and the Company’s ABL Revolving Credit Facility described below. In the years ended December 31, 2018 and 2017, no cash dividends were declared or paid.

Our ABL Revolving Credit Facility and indenture governing our 2021 Notes limit or restrict the amount of certain payments the Company can make; including the purchase or retirement of Company stock, prepayment of debt principal and distribution of dividends to holders of Company stock. These so-called “Restricted Payments” are currently constrained by a provision requiring a minimal fixed charge coverage ratio after giving effect to the Restricted Payment. Additionally, the Company must consider all previous Restricted Payments when calculating the capacity for future Restricted Payments. See additional disclosure in Note 11, “Debt” to our Consolidated Financial Statements.

See Part III, Item 12 of the Annual Report on Form 10-K for certain information regarding the Company’s equity compensation plans.

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Total Return to Shareholders

(Includes reinvestment of dividends)

	Annual Return Percentages Years Ending December 31,				
	2014	2015	2016	2017	2018
The Manitowoc Company, Inc.	(4.86)%	(30.21)%	69.23%	64.46%	(62.46)%
S&P 500 Index	13.69%	1.38 %	11.96%	21.83%	(4.38)%
S&P 600 Industrial Machinery	1.36 %	(17.22)%	36.69%	22.17%	(16.96)%

	Indexed Returns Years Ending December 31,					
	2013	2014	2015	2016	2017	2018
The Manitowoc Company, Inc.	100.00	95.14	66.40	112.37	184.81	69.38
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33
S&P 600 Industrial Machinery	100.00	101.36	83.91	114.69	140.12	116.36

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Item 6. SELECTED FINANCIAL DATA

The following selected historical financial data has been derived from the Consolidated Financial Statements of Manitowoc. The data should be read in conjunction with the Company's Consolidated Financial Statements and related notes and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Results of the former foodservice business and the Manitowoc Dong Yue business in the years presented have been classified as discontinued operations to exclude those results from continuing operations. In addition, the income (loss) from discontinued operations includes the impact of adjustments to certain retained liabilities for operations sold or closed in periods prior to those presented. Amounts are in millions except share and per share data.

	2018	2017	2016	2015	2014
Net sales	$1,846.8	$1,581.3	$1,613.1	$1,865.7	$2,305.2
Gross Profit	328.1	281.9	253.3	332.2	467.2
Total operating costs and expenses (1)	347.4	273.5	396.3	332.6	349.8
Operating income (loss)	(19.3)	8.4	(143.0)	(0.4)	117.4
Total other expense	(52.4)	(47.9)	(125.1)	(110.6)	(137.8)
Loss from continuing operations before income taxes	(71.7)	(39.5)	(268.1)	(111.0)	(20.4)
Provision (benefit) for income taxes	(4.8)	(49.5)	100.5	(41.1)	(17.8)
Income (loss) from continuing operations	(66.9)	10.0	(368.6)	(69.9)	(2.6)
Discontinued operations: (2)					
Income (loss) from discontinued operations, net of income taxes	(0.2)	(0.6)	(7.2)	135.4	161.4
Loss on sale of discontinued operations, net of income taxes	—	—	—	—	(11.0)
Net income (loss)	(67.1)	9.4	(375.8)	65.5	147.8
Less: Net income (loss) attributable to noncontrolling interest, net of tax	—	—	—	—	3.9
Net income (loss) attributable to Manitowoc common shareholders	$(67.1)	$9.4	$(375.8)	$65.5	$143.9
Amounts attributable to the Manitowoc common shareholders:					
Income (loss) from continuing operations	$(66.9)	$10.0	$(368.6)	$(69.9)	$(6.9)
Income (loss) from discontinued operations, net of income taxes	(0.2)	(0.6)	(7.2)	135.4	161.8
Loss on sale of discontinued operations, net of income taxes	—	—	—	—	(11.0)
Net income (loss) attributable to Manitowoc common shareholders	$(67.1)	$9.4	$(375.8)	$65.5	$143.9
Basic income (loss) per common share:					
Income (loss) from continuing operations	$(1.88)	$0.28	$(10.70)	$(2.06)	$(0.20)

attributable to Manitowoc common shareholders					
Income (loss) from discontinued operations attributable to Manitowoc common shareholders	(0.01)	(0.02)	(0.21)	3.98	4.80
Loss on sale of discontinued operations, net of income taxes	—	—	—	—	(0.33)
Basic income (loss) per share attributable to Manitowoc common shareholders	$(1.89)	$0.26	$(10.91)	$1.92	$4.27
Diluted income (loss) per common share:					
Income (loss) from continuing operations attributable to Manitowoc common shareholders	$(1.88)	$0.28	$(10.70)	$(2.06)	$(0.20)
Income (loss) from discontinued operations attributable to Manitowoc common shareholders	(0.01)	(0.02)	(0.21)	3.98	4.80
Loss on sale of discontinued operations, net of income taxes	—	—	—	—	(0.33)
Diluted income (loss) per share attributable to Manitowoc common shareholders	$(1.89)	$0.26	$(10.91)	$1.92	$4.27
Cash dividends per share	$—	$—	$—	$0.08	$0.08
Average shares outstanding:					
Basic	35,513,162	35,111,594	34,441,777	34,009,048	33,733,723
Diluted	35,513,162	35,854,902	34,441,777	34,009,048	33,733,723
PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment - net	$288.9	$303.7	$308.8	$410.7	$456.7
Capital expenditures	(31.7)	(28.9)	(45.9)	(54.9)	(59.5)
Depreciation	36.1	38.1	45.6	50.6	47.2
TOTAL ASSETS (3)	$1,541.9	$1,607.8	$1,517.8	$3,562.5	$3,821.1
CAPITALIZATION					
Current and long-term obligations	$273.1	$274.9	$281.5	$1,397.6	$1,503.1
Total stockholders' equity	601.3	677.5	590.5	842.3	844.9

Notes to the table above:

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(1) During 2018, the Company recorded an $82.2 million goodwill impairment charge in the EURAF segment. Refer to Note 9, “Goodwill and Other Intangible Assets” to the Consolidated Financial Statements for additional information.

(2) Discontinued operations represent the results of operations of Manitowoc’s former foodservice business through the March 4, 2016 spin-off (refer to note 4, “Discontinued Operations” to the Consolidated Financial Statements for additional information regarding the spin-off), and results of operations of our Chinese joint venture, Manitowoc Dong Yue, through the sale date, January 21, 2014.

(3) Total assets includes assets of discontinued operations of $0.0, $0.0, $0.0, $1,755.7 and $1,899.6 for the years ended 2018, 2017, 2016, 2015 and 2014, respectively.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes appearing in Part II, Item 8 of this Annual Report on Form 10-K.

Overview: Manitowoc is a leading provider of engineered lifting solutions, including lattice-boom cranes, tower cranes, mobile telescopic cranes and boom trucks. The Company has three reportable segments, the Americas segment, EURAF segment, and MEAP segment. The segments were identified using the "management approach," which designates the internal organization that is used by the CEO, who is also the Company's Chief Operating Decision Maker, for making decisions about the allocation of resources and assessing performance.

During the first quarter of fiscal 2016, the Board of Directors of Manitowoc approved the tax-free spin-off of the Company's former foodservice business ("MFS" or "Foodservice") into an independent, public company (the "Spin-Off"). As a result of the Spin-Off, the Consolidated Financial Statements and related financial information reflect MFS operations, assets, liabilities and cash flows as discontinued operations for all periods presented. Refer to Note 4, "Discontinued Operations," to the Consolidated Financial Statements for additional information regarding the Spin-Off.

The Company has identified the Americas, EURAF, and MEAP as the reportable segments. The Americas operating segment includes the North American and South American continents. The EURAF operating segment includes the continents of Europe and Africa. The MEAP operating segment includes the Asia and Australian continents and the Middle East region.

In Management's Discussion and Analysis, unless otherwise indicated, references to Manitowoc, the Company, we and us refer to The Manitowoc Company, Inc. and its consolidated subsidiaries.

The following discussion and analysis provides an overview analysis behind our results for 2016 through 2018 and is broken down into three sections. First, we provide an overview of our results of operations for the years 2016 through 2018 on a segment and consolidated basis. Next, we discuss our market conditions, liquidity and capital resources, off-balance sheet arrangements and obligations and commitments. Finally, we provide a discussion of risk management techniques, contingent liability issues, and critical accounting policies.

All dollar amounts, except per share amounts, are in millions of dollars throughout the tables included in Management's Discussion and Analysis of Financial Conditions and Results of Operations unless otherwise indicated.

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Results of Consolidated Operations

	2018	2017	2016
Operations			
Net sales	$1,846.8	$1,581.3	$1,613.1
Cost of sales	1,518.7	1,299.4	1,359.8
Gross Profit	328.1	281.9	253.3
Operating costs and expenses:			
Engineering, selling and administrative expenses	251.6	245.3	270.4
Asset impairment expense	82.6	0.1	96.9
Amortization of intangible assets	0.3	0.8	3.0
Restructuring expense	12.9	27.2	23.4
Other expense	—	0.1	2.6
Total operating costs and expenses	347.4	273.5	396.3
Operating income (loss)	(19.3)	8.4	(143.0)
Other expense:			
Interest expense	(39.1)	(39.2)	(39.6)
Amortization of deferred financing fees	(1.8)	(1.9)	(2.2)
Loss on debt extinguishment	—	—	(76.3)
Other expense - net	(11.5)	(6.8)	(7.0)
Total other expense	(52.4)	(47.9)	(125.1)
Loss from continuing operations before income taxes	(71.7)	(39.5)	(268.1)
Provision (benefit) for income taxes	(4.8)	(49.5)	100.5
Income (loss) from continuing operations	(66.9)	10.0	(368.6)
Discontinued operations:			
Loss from discontinued operations, net of income taxes	(0.2)	(0.6)	(7.2)
Net income (loss) attributable to Manitowoc common shareholders	$(67.1)	$9.4	$(375.8)
Amounts attributable to the Manitowoc common shareholders:			
Income (loss) from continuing operations	$(66.9)	$10.0	$(368.6)
Loss from discontinued operations, net of income taxes	(0.2)	(0.6)	(7.2)
Net income (loss) attributable to Manitowoc common shareholders	$(67.1)	$9.4	$(375.8)

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Segment Operating Performance

The Company manages its business primarily on a geographic basis. The Company’s reportable segments consist of Americas, EURAF, and MEAP. Further information regarding the Company’s reportable segments can be found in Note 17, “Segments,” to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Americas

	2018	Change	2017	Change	2016
Net Sales	$882.7	27.3 %	$693.6	(5.8)%	$736.3
Operating income (loss)	$58.8	764.7 %	$6.8	118.3 %	$(37.1)

Americas net sales increased 27.3% in 2018 to $882.7 million from $693.6 million in 2017. This change was primarily due to increased crane shipments to the commercial construction and energy end markets.

Americas operating income increased 764.7% in 2018 to $58.8 million from $6.8 million in 2017. This change was primarily due to $14.3 million of lower restructuring expenses, $2.0 million of lower engineering, selling and administrative costs, better utilization of the U.S. manufacturing facilities and increased revenues as discussed above. This was partially offset by increased raw material costs of $4.5 million.

Americas net sales decreased 5.8% in 2017 to $693.6 million from $736.3 million in 2016. This change was primarily due to lower shipments of variable position counterweight (“VPC”) crawler cranes delivered in 2017 as a significant portion of the America’s backlog entering 2016 was comprised of VPC crawler cranes which had been booked in 2016 and previous years. The vast majority of this backlog was shipped and recognized as revenue in the first half of 2016. This was partially offset by higher shipments of other mobile and tower products in 2017. Americas net sales were also favorably impacted by approximately $0.4 million from changes in foreign currency exchange rates.

Americas operating income increased 118.3% in 2017 to $6.8 million from a loss of $37.1 million in 2016. This change was primarily due to lower engineering, selling and administrative costs of $18.4 million as a result of headcount reductions during the latter half of 2016 and early 2017 and asset impairment charges of $14.6 million in 2016 related to the closure of the Manitowoc, Wisconsin manufacturing location. This was partially offset by lower net sales year over year as discussed above.

EURAF

	2018	Change	2017	Change	2016
Net Sales	$680.6	8.2 %	$628.9	12.2 %	$560.4
Operating income (loss)	$(68.2)	*	$5.1	114.4 %	$(35.3)

* Measure not meaningful

EURAF net sales increased 8.2% in 2018 to $680.6 million from $628.9 million in 2017. This change was primarily due to higher demand for cranes in the commercial construction end market. EURAF net sales were also favorably impacted by approximately $24.0 million from changes in foreign currency exchange rates.

EURAF operating income decreased in 2018 to a loss of $68.2 million from income of $5.1 million in 2017. This change was mainly due to a goodwill asset impairment charge of $82.2 million (see further detail at Note 9, “Goodwill and Other Intangible Assets” to the Consolidated Financial Statements). Excluding this item, operating income increased $8.9 million or 174.5%. This increase was primarily due to increased revenues as discussed above, strategic pricing actions on crane sales and $5.5 million from favorable changes in foreign currency exchange rates. This was partially offset by $2.0 million of increased ES&A costs due to trade shows in 2018 that did not occur in 2017 and increased raw material input costs of $8.0 million.

EURAF net sales increased 12.2% in 2017 to $628.9 million from $560.4 million in 2016. This change was primarily due to higher demand for cranes in the commercial construction end market. EURAF net sales were also favorably impacted by approximately $13.8 million from changes in foreign currency exchange rates.

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EURAF operating income increased 114.4% in 2017 to $5.1 million from a loss of $35.3 million in 2016. This change was primarily due to increased net sales as discussed above and $4.9 million of asset impairment charges in 2016 which did not reoccur in 2017. EURAF operating income was also favorably impacted by approximately $3.1 million from changes in foreign currency exchange rates.

MEAP

	2018	Change	2017	Change	2016
Net Sales	$283.5	9.5 %	$258.8	(18.2)%	$316.4
Operating income	$31.5	(4.8)%	$33.1	(25.6)%	$44.5

MEAP net sales increased 9.5% in 2018 to $283.5 million from $258.8 million in 2017. This change was primarily due to shipments of cranes for the commercial construction and energy end markets. MEAP net sales were also favorably impacted by approximately $3.0 million from changes in foreign currency exchange rates.

MEAP operating income decreased 4.8% in 2018 to $31.5 million from $33.1 million in 2017. This change was primarily due to unfavorable geographic product mix within the MEAP segment and approximately $2.5 million of increased raw material input costs, partially offset by approximately $0.4 million of favorable changes in foreign currency exchange rates. Additionally, there was a $3.6 million loss in 2018 from a long-term note receivable resulting from the 2014 divestiture of the Company’s Chinese joint venture.

MEAP net sales decreased 18.2% in 2017 to $258.8 million from $316.4 million in 2016. This change was primarily due to lower shipments of tower cranes. MEAP net sales were favorably impacted by approximately $4.2 million from changes in foreign currency exchange rates.

MEAP operating income decreased 25.6% in 2017 to $33.1 million from $44.5 million in 2016. This change was primarily due to lower net sales as discussed above. MEAP operating income was favorably impacted by approximately $0.8 million from changes in foreign currency exchange rates.

Year Ended December 31, 2018 Compared to 2017

Net Sales

	2018	2017	Change

Net Sales	$1,846.8	$1,581.3	16.8 %

Consolidated net sales increased 16.8% in 2018 compared to 2017. The increase was primarily due to higher crane shipments across all regions. Consolidated net sales were also favorably impacted by approximately $27.0 million from changes in foreign currency exchange rates.

Gross Profit

	2018	2017	Change
Gross Profit	$328.1	$281.9	16.4 %
Gross Profit %	17.8 %	17.8 %	

Gross profit for the year ended December 31, 2018 increased 16.4% to $328.1 million compared to $281.9 million for the year ended December 31, 2017. This change was due to increased net sales as discussed above. Gross profit percentage remained flat year over year due to increased raw material input costs that were offset by strategic price increases.

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Engineering, Selling and Administrative Expenses

	2018	2017	Change
Engineering, selling and administrative expenses	$251.6	$245.3	2.6 %

Engineering, selling and administrative expenses for the year ended December 31, 2018 increased $6.3 million to $251.6 million. This increase was primarily due to a $3.6 million loss from a long-term note receivable resulting from the 2014 divestiture of the Company's Chinese joint venture. This was partially offset by lower trade show expenses in 2018. Further information regarding the Chinese joint venture note receivable can be found in Note 7, "Notes Receivable" to the Consolidated Financial Statements.

Asset Impairment Expense

	2018	2017	Change
Asset impairment expense	$82.6	$0.1	*

* Measure not meaningful

Asset impairment expense for the year ended December 31, 2018 was $82.6 million compared to $0.1 million for the year ended December 31, 2017. The increase is primarily due to a $82.2 million goodwill impairment charge that was recorded in the EURAF reporting unit. See further detail at Note 9, "Goodwill and Other Intangible Assets" to the Consolidated Financial Statements.

Restructuring Expense

	2018	2017	Change
Restructuring expense	$12.9	$27.2	(52.6)%

Restructuring expense for the year ended December 31, 2018 totaled $12.9 million compared to $27.2 million in 2017. The costs for 2018 related primarily to severance costs for the departure of an executive officer, costs associated with training of skilled labor as a result of the transfer of crawler production to Shady Grove, PA and costs associated with headcount reductions in Europe. The costs for 2017 related primarily to the closure of manufacturing operations in Manitowoc, WI and Passo Fundo, Brazil and severance costs associated with headcount reductions in North America. See further detail at Note 20, "Restructuring" to the Consolidated Financial Statements.

Interest Expense & Amortization of Deferred Financing Fees

	2018	2017	Change

Interest expense	$39.1	$39.2	(0.3)%
Amortization of deferred financing fees	$1.8	$1.9	(5.3)%

Interest expense for the year ended December 31, 2018 totaled $39.1 million versus $39.2 million for the year ended December 31, 2017. Interest expense was relatively flat due to a consistent average debt balance and interest rate. Amortization expense for deferred financing fees was $1.8 million for the year ended December 31, 2018 as compared to $1.9 million in 2017. See further detail at Note 11, "Debt" to the Consolidated Financial Statements.

Other expense – Net

	2018	2017	Change
Other expense - net	$(11.5)	$(6.8)	69.1 %

Other expense - net for the year ended December 31, 2018 was $11.5 million compared to $6.8 million for the year ended December 31, 2017. This increase was primarily due to a $4.5 million non-cash pension settlement charge and $3.2 million of unfavorable changes in foreign currency exchange rates compared to 2017. This was partially offset by a $2.3 million decrease in other components of net periodic pension costs year over year.

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Income Taxes

	2018	2017	Change
Effective annual tax rate	6.6 %	125.2%	
Provision (benefit) for income taxes	$(4.8)	$(49.5)	*

* Measure not meaningful

Due to the Company's historic losses, impacts from U.S. tax reform and full valuation allowances, the effective annual tax rate is not a meaningful measure of the Company's cash tax position or performance of the business.

The 2018 effective tax rate was favorably impacted by the release of the unrecognized tax benefits reserve of $6.9 million and the release of the U.K valuation allowance of $12.3 million. In addition, the U.S. recognized a tax benefit of $7.8 million during the year related to deferred tax assets for which a valuation allowance was not recorded.

The 2017 effective tax rate was favorably impacted by the release of the French valuation allowance, Internal Revenue Service audit closure, and U.S. tax reform.

See further detail at Note 13, "Income Taxes" to the Consolidated Financial Statements.

Year Ended December 31, 2017 Compared to 2016

Net Sales

	2017	2016	Change
Net Sales	$1,581.3	$1,613.1	(2.0)%

Consolidated net sales decreased 2.0% in 2017 compared to 2016. The decrease in net sales was primarily due to lower shipments of VPC crawler cranes delivered in 2017 as a significant portion of the Americas' backlog entering 2016 was comprised of VPC crawler cranes which had been booked in 2016 and previous years, lower demand for mobile cranes in MEAP and EURAF. This was partially offset by higher demand for tower cranes in EURAF. Consolidated net sales were also favorably impacted by approximately $18.4 million from changes in foreign currency exchange rates.

Gross Profit

2017	2016	Change

Gross Profit	$281.9	$253.3	11.3 %
Gross Profit %	17.8 %	15.7 %	

Gross profit for the year ended December 31, 2017 increased by 11.3% to $281.9 million compared to $253.3 million for the year ended December 31, 2016. This change was primarily due to manufacturing cost reduction initiatives such as the consolidation of the Manitowoc, WI facility into the Shady Grove, PA facility. As a result of these cost reductions, the gross profit percentage increased in 2017 to 17.8% from 15.7% in 2016.

Engineering, Selling and Administrative Expenses

	2017	2016	Change
Engineering, selling and administrative expenses	$245.3	$270.4	(9.3)%

Engineering, selling and administrative expenses for the year ended December 31, 2017 decreased $25.1 million to $245.3 million compared to $270.4 million for the year ended December 31, 2016. This change was driven primarily by decreases in wages and benefits due to headcount reductions and discretionary cost controls, partially offset by higher short-term incentive compensation costs.

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Asset Impairment Expense

	2017	2016	Change
Asset impairment expense	$ 0.1	$ 96.9	*

* Measure not meaningful

Asset impairment expense for the year ended December 31, 2017 was $0.1 million compared to $96.9 million for the year ended December 31, 2016. In conjunction with the decision to close the Manitowoc, Wisconsin facility, the Company permanently suspended implementation of the SAP enterprise resource planning (“ERP”) platform and recorded a write-off of $58.6 million related to SAP construction-in-progress and $18.6 million related to SAP and other information technology assets. This amount also included a $13.8 million write-down to fair value of the Company's fixed assets at the Manitowoc, Wisconsin manufacturing facility.

Restructuring Expense

	2017	2016	Change
Restructuring expense	$ 27.2	$ 23.4	16.2 %

Restructuring expense for the year ended December 31, 2017 totaled $27.2 million compared to $23.4 million in 2016. These costs primarily related to employee termination benefits associated with workforce reductions. The workforce reductions in 2017 and 2016 were part of manufacturing and operations rationalization programs in the U.S. and Europe.

During 2017, the Company completed the relocation of its crawler crane manufacturing operations located in Manitowoc, Wisconsin to Shady Grove, Pennsylvania. See further detail at Note 20, “Restructuring” to the Consolidated Financial Statements.

Interest Expense & Amortization of Deferred Financing Fees

	2017	2016	Change
Interest expense	$ 39.2	$ 39.6	(1.0)%
Amortization of deferred financing fees	$ 1.9	$ 2.2	(13.6)%

Interest expense for the year ended December 31, 2017 totaled $39.2 million versus $39.6 million for the year ended December 31, 2016. The decrease in interest expense of $0.4 million for the year ended December 31, 2017 compared to the prior year was caused by a lower average debt balance in 2017 as compared to the prior year, partly offset by a higher average interest rate. Amortization expense for deferred financing fees was $1.9 million for the year ended December 31, 2017 as compared to $2.2 million in 2016. The decrease in amortization expense for deferred financing fees was related to the lower balance of deferred financing fees as a result of the redemption of certain prior notes during the Spin-Off. See further detail at Note 11, “Debt” to the Consolidated Financial Statements.

Loss on Debt Extinguishment

	2017	2016	Change
Loss on debt extinguishment	$ —	$76.3	*

* Measure not meaningful

Loss on debt extinguishment for the year ended December 31, 2017 totaled $0.0 million, compared to $76.3 million in 2016. The loss on debt extinguishment for 2016 consisted of:

- $31.5 million related to the March 3, 2016 redemption of the prior 2020 notes, which included $24.6 million related to the redemption premium and $6.9 million related to the write-off of deferred financing fees;
- $34.6 million on the redemption of the prior 2022 notes, comprised of $31.2 million related to the redemption premium and $3.4 million related to the write-off of deferred financing fees;
- $5.9 million on the termination of the prior senior credit facility as a result of the write-off of deferred financing expenses; and
- $4.3 million loss on the termination of interest rate swaps related to the prior senior credit facility.

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Other Expense – Net

	2017	2016	Change
Other expense - net	$(6.8)	$(7.0)	*

* Measure not meaningful

Other expense - net for the year ended December 31, 2017 was $6.8 million compared to $7.0 million for the year ended December 31, 2016. The change was primarily due to $2.7 million of unfavorable changes in foreign currency exchange rates and a $1.4 million reduction in interest income. This was partially offset by an increase of $0.7 million of gains on the disposal of property, plant and equipment and a $3.0 million decrease in other components of net periodic pension costs year over year.

Income Taxes

	2017	2016	Change
Effective annual tax rate	125.2 %	(37.5)%	
Provision (benefit) for income taxes	$(49.5)	$100.5	*

* Measure not meaningful

Due to the Company’s historic losses and full valuation allowances, the effective annual tax rate is not a meaningful measure of the Company’s cash tax position or performance of the business.

The 2017 effective tax rate was favorably impacted by the release of the French valuation allowance, Internal Revenue Service audit closure, and U.S. tax reform.

The 2016 effective tax rate was unfavorably impacted by the establishment of valuation allowance reserves against the Company's deferred tax assets in several jurisdictions, most notably the United States, as these jurisdictions moved to cumulative three-year loss positions during the year.

See further detail at Note 13, “Income Taxes” to the Consolidated Financial Statements.

Loss from Discontinued Operations

	2017	2016	Change
Loss from discontinued operations	$(0.6)	$(7.2)	*

* Measure not meaningful

The results from discontinued operations was a loss of $0.6 million and $7.2 million, net of income taxes, for the years ended December 31, 2017 and 2016, respectively. The activity from discontinued operations in 2017 and 2016 are primarily the result of the Spin-Off. See additional discussion at Note 4, “Discontinued Operations” to the Consolidated Financial Statements.

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Non-GAAP Measures

The Company uses EBITDA, Adjusted EBITDA and Adjusted operating income (loss), which are financial measures that are not prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as additional metrics to evaluate the Company's performance.

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization. The Company defines Adjusted EBITDA as EBITDA plus the addback of restructuring expense, asset impairment expense, loss on long-term Dong Yue receivable and other expense - net. The Company defines Adjusted operating income (loss) as Adjusted EBITDA excluding the addback of depreciation. The Company believes these non-GAAP measures provide important supplemental information to readers regarding business trends that can be used in evaluating its results of operations because these financial measures provide a consistent method of comparing financial performance and are commonly used by investors to assess performance. These non-GAAP financial measures should be considered together with the GAAP financial information provided herein.

The Company's Adjusted EBITDA and Adjusted operating income for the year ended December 31, 2018 was $116.2 million and $80.1 million, respectively. The reconciliation of GAAP net income (loss) from continuing operations to EBITDA, and further to Adjusted EBITDA, Adjusted operating income (loss) and GAAP operating income (loss) is as follows:

	2018	2017	2016
Net income (loss) from continuing operations	$(66.9)	$10.0	$(368.6)
Interest expense and amortization of deferred financing fees	40.9	41.1	41.8
Provision (benefit) for income taxes	(4.8)	(49.5)	100.5
Depreciation expense	36.1	38.1	45.6
Amortization of intangible assets	0.3	0.8	3.0
EBITDA	5.6	40.5	(177.7)
Restructuring expense	12.9	27.2	23.4
Asset impairment expense	82.6	0.1	96.9
Loss on long-term Dong Yue receivable	3.6	—	—
Other expense - net (1)	11.5	6.9	85.9
Adjusted EBITDA	116.2	74.7	28.5
Depreciation expense	(36.1)	(38.1)	(45.6)
Adjusted operating income (loss)	80.1	36.6	(17.1)
Restructuring expense	(12.9)	(27.2)	(23.4)
Loss on long-term Dong Yue receivable	(3.6)	—	—
Asset impairment expense	(82.6)	(0.1)	(96.9)
Amortization of intangible assets	(0.3)	(0.8)	(3.0)
Other operating costs and expenses	—	(0.1)	(2.6)
GAAP operating income (loss)	$(19.3)	$8.4	$(143.0)

(1)

Other expense - net includes foreign currency transaction (gains) losses, loss on debt extinguishment, other components of net periodic pension costs, pension settlement charges and other miscellaneous items.

Covenant compliant EBITDA was $105.0 million as of December 31, 2018 on a trailing twelve-month basis, as defined by the ABL Revolving Credit Facility. The calculation of covenant compliant EBITDA has certain limitations and restrictions on addbacks and has been included for informational purposes only.

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As a result of the adoption of Accounting Standards Update ("ASU") 2016-15 - "Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments," the Company records cash collections on accounts receivable from the Company's securitization program which are collected at a later date within cash flows from investing activities. The Company uses a non-GAAP measure, Adjusted Operating Cash Flows, to evaluate the business, which is defined as cash flows provided by (used for) operating activities plus cash receipts on sold accounts receivable. Adjusted Operating Cash Flows for the years ended December 31, 2018 and 2017 is as follows:

	Year Ended December 31,	
	2018	2017
Net cash used for operating activities:	$(513.0)	$(324.9)
Cash receipts on sold accounts receivable	553.1	402.8
Non-GAAP adjusted operating cash flow:	40.1	77.9

Liquidity and Capital Resources

Cash Flows

The table below shows a summary of cash flows for years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
Net cash used for operating activities of continuing operations	$(512.8)	$(324.3)	$(576.3)
Net cash used for operating activities of discontinued operations	(0.2)	(0.6)	(49.9)
Net cash used for operating activities	$(513.0)	$(324.9)	$(626.2)
Net cash provided by investing activities of continuing operations	$534.4	$381.3	$416.6
Net cash used for investing activities of discontinued operations	—	—	(2.4)
Net cash provided by investing activities	$534.4	$381.3	$414.2
Net cash provided by (used for) financing activities of continuing operations	$(1.3)	$(9.7)	$219.2
Net cash provided by financing activities of discontinued operations	—	—	0.2
Net cash provided by (used for) financing activities	$(1.3)	$(9.7)	$219.4

Cash flows used for operating activities of continuing operations in 2018 were $512.8 million compared to $324.3 million in 2017. A total of $140.3 million in cash, cash equivalents and restricted cash were on-hand as of December 31, 2018 versus $123.0 million on-hand as of December 31, 2017.

The decrease in cash flow from operating activities from continuing operations for the year ended December 31, 2018 compared to 2017 was primarily due to an increase in accounts receivable and inventory. This was partially offset by cash collections on notes receivable, higher accounts payable and a lower advance rate on receivables sold to the accounts receivable securitization program.

Cash flow used for operating activities of continuing operations in 2017 were $324.3 million compared to $576.3 million in 2016. We had $123.0 million in cash and cash equivalents on-hand as of December 31, 2017 versus $73.9 million on-hand as of December 31, 2016.

The increase in cash flows from operating activities from continuing operations for the year ended December 31, 2017 compared to 2016 was primarily due to improved inventory management and an increase in accounts payable. This was partially offset by an increase in accounts receivable year over year.

Cash flows provided by investing activities of continuing operations were $534.4 million in 2018. Cash provided by investing activities in 2018 consisted of $553.1 million of cash collections on accounts receivable sold to the Company’s securitization program and $13.0 million of cash proceeds on the sale of property, plant and equipment. This was partially offset by $31.7 million of capital expenditures.

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Cash flows provided by investing activities of continuing operations were $381.3 million in 2017. Cash provided by investing activities in 2017 primarily consisted of $402.8 million of cash collections on accounts receivable sold to the Company’s securitization program and $7.0 million of cash proceeds on the sale of property, plant and equipment. This was partially offset by capital expenditures of $28.9 million.

Cash flows provided by investing activities of continuing operations were $416.6 million in 2016. Cash provided by investing activities in 2016 primarily consisted of $453.9 million of cash collections on accounts receivable sold to the Company’s securitization program and $8.4 million of cash proceeds on the sale of property, plant and equipment. This was partially offset by capital expenditures of $45.9 million.

Cash flows used for financing activities of continuing operations during 2018 totaled $1.3 million and consisted primarily of payments on long-term debt of $3.8 million, partially offset by the exercise of stock options of $2.5 million.

Cash flows used for financing activities of continuing operations during 2017 totaled $9.7 million and consisted primarily of $15.6 million of long-term debt payments partially offset by $5.7 million of proceeds from stock option exercises.

Cash flows provided by financing activities of continuing operations during 2016 totaled $219.2 million and consisted primarily of a dividend received from the spun-off subsidiary in the amount of $1,361.7 million along with long-term debt proceeds of $272.1 million, offset by payments on long-term debt of $1,389.0 million.

Debt

On March 3, 2016, the Company entered into a $225.0 million Asset Based Revolving Credit Facility (as amended, the “ABL Revolving Credit Facility”) with Wells Fargo Bank, N.A. as administrative agent, and JP Morgan Chase Bank, N.A. and Goldman Sachs Bank USA as joint lead arrangers. The ABL Revolving Credit Facility includes a $75.0 million Letter of Credit Facility, $10.0 million of which is available to the German borrower, and a maturity of March 3, 2021. Borrowings under the ABL Revolving Credit Facility are secured by inventory and fixed assets of the loan parties.

As of December 31, 2018, the Company had no borrowings outstanding on the ABL Revolving Credit Facility. During the year ended December 31, 2018, the highest daily borrowing was $47.0 million and the average borrowing was $7.0 million, while the average annual interest rate was 3.99%. The interest rate of the ABL Revolving Credit Facility fluctuates based on excess availability. As of December 31, 2018, the spreads for London Interbank Offered Rate and Prime Rate borrowings were 1.50% and 0.50%, respectively, with excess availability of approximately $96.5 million, which represents revolver borrowing capacity of $107.8 million less letters of credit outstanding of $11.3 million.

On February 18, 2016, the Company entered into an indenture with Wells Fargo Bank, N.A., as trust and collateral agent, and completed the sale of $260.0 million aggregate principal amount of its 12.750% Senior Secured Second Lien Notes due August 15, 2021 (the “2021 Notes”). Interest on the 2021 Notes is payable semi-annually in February and August of each year. The 2021 Notes were sold pursuant to exemptions from registration under the Securities Act of 1933.

Both the ABL Revolving Credit Facility and indenture governing the 2021 Notes include customary covenants and events of default which include, without limitation, restrictions on indebtedness, capital expenditures, restricted payments, disposals, investments, dividends and acquisitions.

Additionally, the ABL Revolving Credit Facility contains a Fixed Charge Coverage springing financial covenant, which measures the ratio of (i) consolidated earnings before interest, taxes, depreciation, amortization and other adjustments as defined in the related credit agreement, to (ii) fixed charges, as defined in the credit agreement. The financial covenant is triggered only if the Company fails to maintain minimum levels of availability under the facility. If triggered, the Company must maintain a Minimum Fixed Charge Coverage Ratio of 1.00 to 1.

The balance sheet values of the 2021 Notes as of December 31, 2017 were not equal to the face value of the 2021 Notes because of original issue discounts included in the applicable balance sheet values.

As of December 31, 2018, the Company has outstanding $21.2 million of other indebtedness with a weighted-average interest rate of approximately 5.3%. This debt includes balances on local credit lines and capital lease obligations.

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The aggregate scheduled maturities of outstanding debt obligations in subsequent years are as follows:

Year	
2019	$6.4
2020	4.2
2021	269.4
2022	0.6
2023	—
Thereafter	0.7
Total	$281.2

- The table of scheduled maturities above does not agree to the Company's total debt as of December 31, 2018 as shown on the Consolidated Balance Sheet and in Note 11, "Debt" to the Consolidated Financial Statements due to $5.8 million of Original Issue Discount ("OID") and $2.3 million of deferred financing costs.

As of December 31, 2018, we were in compliance with all affirmative and negative covenants in our debt instruments, inclusive of the financial covenants pertaining to the ABL Revolving Credit Facility and 2021 Notes. Based upon our current plans and outlook, we believe the Company will be able to comply with these covenants during the subsequent 12 months.

Accounts Receivable Securitization and Other Financing Arrangements

The Company has various U.S. and Non-U.S. accounts receivable financing programs. The Company accounts for transactions under these arrangements as sales in accordance with Accounting Standards Codification ("ASC") Topic 860, "Transfers and Servicing."

On March 3, 2016, we replaced the Fifth Amended and Restated Receivables Purchase Agreement dated December 15, 2014 and entered into a Receivables Purchase Agreement ("RPA") among Manitowoc Funding, LLC ("MTW Funding"), as Seller, The Manitowoc Company, Inc., as Servicer, and Wells Fargo Bank, N.A., as Purchaser and as Agent. The commitment size of the RPA is $75.0 million.

Under the RPA (and the related Purchase and Sale Agreements referenced in the RPA), our domestic trade accounts receivable are sold to MTW Funding which, in turn, sells, conveys, transfers and assigns to a third-party financial institution ("Purchaser") all of MTW Funding's rights, title and interest in a pool of receivables.

The Purchaser receives ownership of the pool of receivables in each instance. New receivables are purchased by MTW Funding and resold to the Purchaser to replace previously sold investments discharged through normal cash collection processes. We act as the servicer (in such capacity, the "Servicer") of the receivables and, as such, administers, collects and otherwise enforces the receivables. The Servicer is compensated for doing so on terms that are generally consistent with what would be charged by an unrelated servicer. The Servicer initially receives payments made by obligors on the receivables but is required to remit those payments to the Purchaser in accordance with the RPA. The Purchaser has no recourse for uncollectible receivables.

The securitization program contains customary affirmative and negative covenants. Among other restrictions, these covenants require the Company to meet specified financial tests, which include a minimum fixed charge coverage ratio which is the same as the covenant ratio required by the ABL Revolving Credit Facility. As of December 31, 2018, the Company was in compliance with all affirmative and negative covenants inclusive of the financial covenants pertaining to the RPA, as amended. Based on management’s current plans and outlook, the Company believes it will be able to comply with these covenants during the subsequent twelve months.

See further details at Note 12, “Accounts Receivable Securitization and Other Financing Arrangements” to the Consolidated Financial Statements.

Capital Expenditures

We spent a total of $31.7 million during 2018 for capital expenditures. We continued to fund capital expenditures intended to improve the cost structure of our business, invest in new processes, products and technology and maintain high-quality production standards. For the year ended December 31, 2018, depreciation was $36.1 million.

Liquidity

Our debt position at various times increases our vulnerability to general adverse industry and economic conditions, and results in a meaningful portion of our cash flow from operations being used for payment of interest on our debt. This could potentially limit our ability to respond to market conditions or take advantage of future business opportunities. Our ability to service our debt is dependent upon many factors, some of which are not subject to our control, such as general economic, financial, competitive, legislative, and regulatory factors. In addition, our ability to borrow additional funds under the revolving credit facility in the future will depend on our meeting the financial covenants contained in the ABL Revolving Credit Facility, even after taking into account such new borrowings.

Our revolving credit facility, or other future facilities, may be used for working capital requirements, capital expenditures, funding future acquisitions (within our debt limitations), and other operating, investing and financing needs. We believe that our available cash, ABL Revolving Credit Facility, cash generated from future operations, and access to public debt and equity markets will be adequate to fund our capital and debt financing requirements for the foreseeable future.

Our liquidity positions as of December 31, 2018 and 2017 were as follows:

	2018	2017
Cash and cash equivalents	$140.3	$119.2
Revolver borrowing capacity	107.8	118.1
Less: outstanding letters of credit	(11.3)	(14.4)
Total liquidity	$236.8	$222.9

With the enactment of U.S. tax reform, we believe that our offshore cash can be accessed in a more tax efficient manner. Therefore, the Company has updated its assertion that foreign earnings are permanently reinvested such that jurisdictions where cash can be tax efficiently repatriated are no longer permanently reinvested. As of December 31, 2018, $1.7 million of deferred taxes were provided on approximately $322.0 million of unremitted earnings of non-U.S. subsidiaries that may be remitted to the U.S. We have approximately $357.0 million of additional unremitted earnings of non-U.S. subsidiaries for which we have not currently provided deferred taxes. These earnings, if repatriated to the U.S., would not result in material tax expense. As of December 31, 2017, the Company did not record a deferred tax liability related to its non-U.S. earnings that could have been remitted.

Management also considers the following regarding liquidity and capital resources to identify trends, demands, commitments, events and uncertainties that require disclosure:

A. Our ABL Revolving Credit Facility and indenture governing the 2021 Notes require us to comply with certain financial ratios and tests. We were in compliance with these covenants as of December 31, 2018, the latest measurement date. The occurrence of any default of these covenants could result in acceleration of any outstanding balances under the ABL Revolving Credit Facility. Further, such acceleration would constitute an event of default under the indenture governing our 2021 Notes and other debt, and could trigger cross default provisions in other agreements.

B. Circumstances that could impair our ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential, or that could render that activity commercially impracticable, such as the inability to maintain a specified credit rating, level of earnings, earnings per share, financial ratios, or collateral. We do not believe that these risk factors are reasonably likely to impair our ability to continue to engage in our planned activities at this time.

C. Factors specific to us and our markets that we expect to be given significant weight in the determination of our credit rating or will otherwise affect our ability to raise short-term and long-term financing. We do not presently believe that events covered by these risk factors applicable to our business could materially affect our credit ratings or could adversely affect our ability to raise short-term or long-term financing.

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D. We have disclosed information related to certain guarantees in Note 19, “Guarantees,” to our Consolidated Financial Statements.

E. Written options on non-financial assets (for example, real estate puts). We do not have any written options on non-financial assets.

OFF-BALANCE SHEET ARRANGEMENTS

Our disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of or requirements for capital resources are as follows:

- We have disclosed in Note 19, “Guarantees,” to the Consolidated Financial Statements our buyback commitments.
- We lease various assets under operating leases. The future estimated payments under these arrangements are disclosed in Note 22, “Leases,” to the Consolidated Financial Statements and in the table below.
- We have disclosed our accounts receivable securitization arrangement in Note 12, “Accounts Receivable Securitization,” to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

A summary of our significant contractual obligations as of December 31, 2018 is as follows:

	Total Committed	2019	2020	2021	2022	2023	Thereafter
Debt (including capital lease obligations)	$ 281.2	$ 6.4	$ 4.2	$ 269.4	$ 0.6	—	$ 0.7
Interest on long-term debt (including capital lease obligations)	86.9	33.1	33.1	20.7	—	—	—
Operating leases	63.7	14.1	11.8	10.2	7.5	4.3	15.8
Purchase obligations	689.4	555.3	134.1	—	—	—	—
Total committed	$ 1,121.2	$ 608.9	$ 183.2	$ 300.3	$ 8.1	$ 4.3	$ 16.5

- Unrecognized tax benefits totaling $12.8 million as of December 31, 2018, excluding related interests and penalties, are not included in the table because the timing of their resolution cannot be estimated. See Note 13, “Income Taxes,” to the Consolidated Financial Statements for disclosures surrounding uncertain income tax positions under ASC Topic 740.
- The table of contractual maturities above does not agree to the Company’s total debt as of December 31, 2018 as shown on the Consolidated Balance Sheet and in Note 11, “Debt” to the Consolidated Financial Statements due to $5.8 million of OID and $2.3 million of deferred financing costs.

At December 31, 2018, we had outstanding letters of credit that totaled $11.3 million. We also had buyback commitments with a balance outstanding of $30.9 million as of December 31, 2018. This amount is not reduced for amounts the Company would recover from the repossession and subsequent resale of collateral.

We maintain defined benefit pension plans for some of our operations. The Company has established the Retirement Plan Committee to manage the operations and administration of all benefit plans and related trusts. The Company also maintains Non-US benefit plans in various countries. For further information see Note 21, “Employee benefit plans” to the Consolidated Financial Statements.

In 2018, cash contributions by the Company to all pension plans were $8.1 million, and we estimate that our pension plan contributions will be approximately $8.0 million in 2019. Cash contributions to the Company’s 401(k) plan was $5.5 million in 2018.

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Financial Risk Management

We are exposed to market risks from changes in interest rates, commodities and changes in foreign currency exchange rates. To reduce these risks, we selectively use derivative financial instruments and other proactive management techniques. We have written policies and procedures that place financial instruments under the direction of corporate finance and restrict all derivative transactions to those intended for hedging purposes. The use of financial instruments for trading purposes or speculation is strictly prohibited.

For a more detailed discussion of our accounting policies and the financial instruments that we use, please refer to Note 2, "Summary of Significant Accounting Policies," Note 5, "Fair Value of Financial Instruments," and Note 11, "Debt," to the Consolidated Financial Statements.

Interest Rate Risk

We are exposed to fluctuating interest rates for our debt. At any time, the Company could be party to various interest rate swaps in connection with its fixed or floating rate debt.

As of December 31, 2018 and 2017, the Company had no outstanding interest rate swaps of any kind.

Commodity Prices

We are exposed to fluctuating market prices for commodities, including steel, copper, aluminum, and petroleum-based products. Our business is subject to the effect of changing raw material costs caused by movements in underlying commodity prices. We have established programs to manage the negotiations of commodity prices. From time to time the Company may use commodity financial instruments to hedge commodity prices. No new commodity financial instruments were entered into or outstanding during 2018 and 2017.

Currency Risk

We have manufacturing, sales and distribution facilities around the world and thus make investments and enter into transactions denominated in various currencies. International sales, including those sales that originated outside of the United States, were approximately 57% of our total sales for 2018, with the largest percentage (36%) being sales into various European countries.

Regarding transactional currency exchange risk, we enter into foreign exchange contracts to 1) reduce the impact of changes in foreign currency rates between a budgeted rate and the rate realized at the time we recognize a particular purchase or sale transaction and 2) reduce the earnings and cash flow impact on non-functional currency denominated receivables and payables. Gains and losses resulting from hedging instruments either impact our Consolidated Statements of Operations in the period of the underlying purchase or sale transaction, or offset the foreign exchange gains and losses on the underlying receivables and payables being hedged. The maturities of these foreign exchange contracts coincide with either the underlying transaction date or the settlement date of the related cash inflow or outflow. The hedges of anticipated transactions are designated as cash flow hedges under the guidance of ASC Topic 815-10, "Derivatives and Hedging." At December 31, 2018, we were party to eleven foreign currency forward contracts with a notional value of $76.8 million, all of which are carried on our balance sheet at fair value. As of December 31, 2018, a 10% increase or decrease in the exchange rate in our portfolio of foreign currency contracts would have increased or decreased our unrealized losses by $7.7 million. Consistent with the use of these contracts to neutralize the effect of exchange rate fluctuations, such unrealized losses or gains would be offset by corresponding gains or losses, respectively, in the remeasurement of the underlying transactions being hedged.

Amounts invested in non-U.S. based subsidiaries are translated into U.S. dollars at the exchange rate in effect at year-end. Results of operations are translated into U.S. dollars at an average exchange rate for the period. The resulting translation adjustments are recorded in stockholders' equity as cumulative translation adjustments. The translation adjustment recorded in accumulated other comprehensive loss at December 31, 2018 was a loss of $80.1 million.

Environmental, Health, Safety, Contingencies and Other Matters

Please refer to Part II, Item 8, Note 18, "Commitments and Contingencies," where we have disclosed our environmental, health, safety, contingencies and other matters.

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Critical Accounting Policies

The Consolidated Financial Statements include the accounts of the Company and all its subsidiaries. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements and related footnotes. In preparing these Consolidated Financial Statements, we have made our best estimates and judgments of certain amounts included in the Consolidated Financial Statements giving due consideration to materiality. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Although we have listed a number of accounting policies below which we believe to be most critical, we also believe that all of our accounting policies are important to the reader. Therefore, please refer also to the Notes to the Consolidated Financial Statements for more detailed description of these and other accounting policies of the Company.

Revenue Recognition – The Company records revenue in accordance with ASC Topic 606 – “Revenue from Contracts with Customers.” Below are our revenue recognition policies by performance obligation.

- Crane Revenue

Crane revenue is primarily generated through the sale of new and used cranes. Contracts with customers are generally in the form of a purchase order. Based on the nature of the Company’s contracts, the Company does not have any significant financing terms. Contracts may have variable consideration in the form of early pay discounts or rebates. Revenue is earned under these contracts when control of the product is transferred to the customer. Control transfers to the customer generally upon delivery to the carrier or acceptance through an independent inspection company that acts as an agent of the customer.

From time to time, the Company enters into agreements where the customer has the right to exercise a buyback option for the repurchase of a crane by the Company at an agreed upon price. The Company evaluates each agreement at the inception of the order to determine if the customer has a significant economic incentive to exercise that right. If it is determined that the customer has a significant economic incentive to exercise that right, the agreement is accounted for as a lease in accordance with ASC Topic 840 - “Leases.” If it is determined that the customer does not have a significant economic incentive to exercise that right, then revenue is recognized when control of the asset is transferred to the customer.

Given the nature of the Company’s products, from time to time, the customer may request that the product be held until a delivery location is identified. Under these “bill and hold” arrangements, revenue is recognized when all of the following criteria are met: 1) the reason for the bill-and-hold arrangement is substantive, 2) the product is separately identified as belonging to the customer, 3) the product is ready for transfer to the customer, and 4) the Company does not have the ability to use the product or direct it to another customer.

- Aftermarket Part Sales

Aftermarket part sales are generated through the sale of new and used parts to end customers and distributors. Aftermarket parts revenue is recognized when control of the product is transferred to the customer. Control transfers to the customer generally upon delivery to the carrier. Customers generally have a right of return which the Company estimates using historical information. The amount of estimated returns is deducted from revenue.

- Other Revenues

The Company’s other revenues consist primarily of revenues from:

- o Repair and field service work; and
- o Training and technical publications.

As it relates to the Company’s other revenues, the Company’s performance obligations generally relate to performing specific agreed upon services. Revenue is earned upon the completion of those services.

Inventories and Related Reserve for Obsolete and Excess Inventory - Inventories are valued at the lower of cost or net realizable value. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. Inventories are reduced by a reserve for excess and obsolete inventories. The estimated reserve is based upon specific identification of excess or obsolete inventories based on historical usage, estimated future usage, sales requiring the inventory and historical write-off experience and are subject to change if experience improves or deteriorates.

Goodwill, Other Intangible Assets and Other Long-Lived Assets - The Company accounts for goodwill and other intangible assets under the guidance of ASC Topic 350-10, "Intangibles - Goodwill and Other." Under ASC Topic 350-10, goodwill is not amortized; instead, the Company performs an annual impairment review. The date for the annual impairment review is October 31, or more frequently if events or changes in circumstances indicate that the assets might be impaired. To perform its goodwill impairment review, the Company uses a fair-value method, primarily the income approach, based on the present value of future cash flows. The Company adopted Accounting Standards Update No. 2017-4 "Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment," in 2017. The guidance eliminates Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment is now determined by the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. To perform its indefinite lived intangible assets impairment test, the Company uses a fair-value method, based on a relief of royalty valuation approach. Management's judgments and assumptions about the amounts of those cash flows and the discount rates are inputs to these analyses. The estimated fair value is then compared with the carrying amount of the reporting unit or indefinite lived intangible asset. Goodwill and other intangible assets are then subject to risk of write-down to the extent that the carrying amount exceeds the estimated fair value.

The Company has three reporting units: Americas, EURAF and MEAP.

As of October 31, 2018, the Company performed its annual goodwill and indefinite-lived assets impairment tests. Based on the results of these tests, the EURAF reporting unit recorded a non-cash goodwill impairment charge of $82.2 million which wrote down the goodwill to zero in the reporting unit. The goodwill impairment charge resulted from a reduction in the estimated fair value of the reporting unit based on the continued decline in the Company's equity market capitalization and lower forecasted results in the region. The valuation of goodwill is particularly sensitive to management's assumptions of revenue growth rates, projected operating income, discount rates and royalty rates, and an unfavorable change in those assumptions could put goodwill at risk for impairment in future periods.

Other intangible assets with definite lives continue to be amortized over their estimated useful lives. Definite lived intangible assets are also subject to impairment testing whenever events or circumstances indicate that the carrying value of the assets may not be recoverable. A considerable amount of management judgment and assumptions are required in performing the impairment tests, principally in determining the fair value of the assets, of a potential impairment. While the Company believes its judgments and assumptions were reasonable, different assumptions could change the estimated fair values and, therefore, impairment charges could be required.

The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC Topic 360-10-5, "Property, Plant, and Equipment." ASC Topic 360-10-5 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and to evaluate the asset group against the sum of the undiscounted future cash flows. Property, plant and equipment are depreciated over the estimated useful lives of the assets using the straight-line depreciation method for financial reporting and on accelerated methods for income tax purposes.

The Company will continue to monitor market conditions and determine if any additional interim reviews of goodwill, other intangibles or long-lived assets are warranted. Deterioration in the market or actual results as compared with the Company's projections may ultimately result in a future impairment. In the event the Company determines that assets are impaired in the future, the Company would need to recognize a non-cash impairment charge, which could have a material adverse effect on the Company's Consolidated Balance Sheet and Results of Operations.

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Employee Benefit Plans - We provide a range of benefits to our employees and retired employees, including pensions and postretirement health care coverage. Plan assets and obligations are recorded annually based on the Company's measurement date utilizing various actuarial assumptions such as discount rates, expected return on plan assets, compensation increases, retirement and mortality rates and health care cost trend rates as of that date. The approach we use to determine the annual assumptions are as follows:

- Discount Rate - Our discount rate assumptions are based on the interest rate of noncallable high-quality corporate bonds, with appropriate consideration of our pension plans' participants' demographics and benefit payment terms. Our discount rate is provided by an independent third party calculated based on an appropriate mix of high quality bonds.
- Expected Return on Plan Assets - Our expected return on plan assets assumptions are based on our expectation of the long-term average rate of return on assets in the pension funds, which is reflective of the current and projected asset mix of the funds and considers the historical returns earned on the funds.
- Compensation increase - Our compensation increase assumptions reflect our long-term actual experience, the near-term outlook and assumed inflation.
- Retirement and Mortality Rates - Our retirement and mortality rate assumptions are based primarily on actual plan experience and mortality tables.
- Health Care Cost Trend Rates - Our health care cost trend rate assumptions are developed based on historical cost data, near-term outlook and an assessment of likely long-term trends.

Measurements of net periodic benefit cost are based on the assumptions used for the previous year-end measurements of assets and obligations. We review our actuarial assumptions on an annual basis and make modifications to the assumptions when appropriate. As required by GAAP, the effects of the modifications are recorded currently or amortized over future periods. We have developed the assumptions with the assistance of our independent actuaries and other relevant sources, and we believe that the assumptions used are reasonable; however, changes in these assumptions could impact the Company's financial position, results of operations or cash flows. Refer to Note 21, "Employee Benefit Plans" to the Consolidated Financial Statements, for a summary of the impact of a 0.50% change in the discount rate and rate of return on plan assets would have on our financial statements.

Product Liability - We are subject in the normal course of business to product liability lawsuits. To the extent permitted under applicable laws, our exposure to losses from these lawsuits is mitigated by insurance with self-insurance retention limits. We record product liability reserves for our self-insured portion of any pending or threatened product liability actions. Our reserve is based upon two estimates. First, we track the population of all outstanding pending and threatened product liability cases to determine an appropriate case reserve for each based upon our best judgment and the advice of legal counsel. These estimates are continually evaluated and adjusted based upon changes to the facts and circumstances surrounding the case. Second, we determine the amount of additional reserve required to cover incurred but not reported product liability issues and to account for possible adverse development of the established case reserves (collectively referred to as "IBNR"). We have established a position within the actuarially determined range, which we believe is the best estimate of the IBNR liability.

Income Taxes - We account for income taxes under the guidance of ASC Topic 740-10, "Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We record a valuation allowance that represents a reserve on deferred tax assets for which utilization is not more likely than not. Management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against our net deferred tax assets. We do not currently provide for additional

U.S. and non-U.S. income taxes which would become payable upon repatriation of undistributed earnings of non-U.S. subsidiaries.

We measure and record income tax contingency accruals under the guidance of ASC Topic 740-10. We recognize liabilities for uncertain income tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we must determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis or when new information becomes available to management. These reevaluations are based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, successfully settled issues under audit, expirations due to statutes, and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an increase to the tax accrual.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the “Tax Reform Act”). The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The Tax Reform Act permanently reduced the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. The SEC staff issued Staff Accounting Bulletin No. 118 to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. The Company recognized the tax impacts, as of December 31, 2018, related to the deemed repatriated earnings, Global Intangible Low Taxed Income and Base Erosion Anti-abuse Tax. The initial revaluation of deferred tax assets and liabilities were remeasured as of December 31, 2017, and these amounts were included in the Company’s consolidated financial statements. The accounting was completed in the fourth quarter of 2018. See additional details in Note 13, “Income Taxes,” to the Consolidated Financial Statements.

Warranties - In the normal course of business, we provide our customers warranties covering workmanship, and in some cases materials, on products manufactured by us. Such warranties generally provide that products will be free from defects for periods ranging from 12 months to 60 months with certain equipment having longer-term warranties. If a product fails to comply with our warranties, we may be obligated, at our expense, to correct any defect by repairing or replacing such defective product. We provide for an estimate of costs that may be incurred under our warranties at the time product revenue is recognized based on historical warranty experience for the related product or estimates of projected losses due to specific warranty issues on new products. These costs primarily include labor and materials, as necessary, associated with repair or replacement. The primary factors that affect our warranty liability include the number of shipped units and historical and anticipated rates or warranty claims. As these factors are impacted by actual experience and future expectations, we assess the adequacy of our recorded warranty liability and adjust the amounts as necessary.

Recent Accounting Changes and Pronouncements

See Note 2, “Summary of Significant Accounting Policies,” under the caption “Recent Accounting Changes and Pronouncements,” to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Liquidity and Capital Resources, and Financial Risk Management in Management’s Discussion and Analysis of Financial Condition and Results of Operations for a description of the quantitative and qualitative disclosure about market risk.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements and Financial Statement Schedule:

Financial Statements:

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of The Manitowoc Company, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Manitowoc Company and its subsidiaries (the “Company”) as of December 31, 2018 and December 31, 2017, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and of equity for each of the three years in the period ended 2018, including the related notes and financial statement schedule listed in the index appearing under item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP

Milwaukee, WI

February 13, 2019

We have served as the Company’s auditor since 1995.

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The Manitowoc Company, Inc.

Consolidated Statements of Operations

For the years ended December 31, 2018, 2017 and 2016

Millions of dollars, except per share data	2018	2017	2016
Net sales	$1,846.8	$1,581.3	$1,613.1
Cost of sales	1,518.7	1,299.4	1,359.8
Gross profit	328.1	281.9	253.3
Operating costs and expenses:			
Engineering, selling and administrative expenses	251.6	245.3	270.4
Asset impairment expense	82.6	0.1	96.9
Amortization of intangible assets	0.3	0.8	3.0
Restructuring expense	12.9	27.2	23.4
Other expense	—	0.1	2.6
Total operating costs and expenses	347.4	273.5	396.3
Operating income (loss)	(19.3)	8.4	(143.0)
Other expense:			
Interest expense	(39.1)	(39.2)	(39.6)
Amortization of deferred financing fees	(1.8)	(1.9)	(2.2)
Loss on debt extinguishment	—	—	(76.3)
Other expense — net	(11.5)	(6.8)	(7.0)
Total other expense	(52.4)	(47.9)	(125.1)
Loss from continuing operations before income taxes	(71.7)	(39.5)	(268.1)
Provision (benefit) for income taxes	(4.8)	(49.5)	100.5
Income (loss) from continuing operations	(66.9)	10.0	(368.6)
Discontinued operations:			
Loss from discontinued operations, net of income taxes of $0.0, $0.0 and $0.6, respectively	(0.2)	(0.6)	(7.2)
Net income (loss)	$(67.1)	$9.4	$(375.8)
Amounts attributable to the Manitowoc common shareholders:			
Income (loss) from continuing operations	$(66.9)	$10.0	$(368.6)
Loss from discontinued operations, net of income taxes	(0.2)	(0.6)	(7.2)
Net income (loss) attributable to Manitowoc common shareholders	$(67.1)	$9.4	$(375.8)
Per Share Data			
Basic income (loss) per common share:			
Income (loss) from continuing operations attributable to Manitowoc common shareholders	$(1.88)	$0.28	$(10.70)
Loss from discontinued operations attributable to Manitowoc common shareholders	(0.01)	(0.02)	(0.21)
Basic income (loss) per share attributable to Manitowoc common	$(1.89)	$0.26	$(10.91)

shareholders			
Diluted income (loss) per common share:			
Income (loss) from continuing operations attributable to Manitowoc common shareholders	$(1.88)	$0.28	$(10.70)
Loss from discontinued operations attributable to Manitowoc common shareholders	(0.01)	(0.02)	(0.21)
Diluted income (loss) per share attributable to Manitowoc common shareholders	$(1.89)	$0.26	$(10.91)

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

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The Manitowoc Company, Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2018, 2017 and 2016

Millions of dollars	2018	2017	2016
Net income (loss)	$(67.1)	$9.4	$(375.8)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(27.7)	58.4	(20.4)
Unrealized income (loss) on derivatives, net of income tax benefit of $0.0, $0.0 and $0.9, respectively	(0.4)	0.4	1.4
Employee pension and postretirement benefit costs, net of income tax expense (benefit) of $1.4, $4.2 and $(0.2), respectively	8.9	6.7	(4.1)
Total other comprehensive income (loss), net of tax	(19.2)	65.5	(23.1)
Comprehensive income (loss)	$(86.3)	$74.9	$(398.9)

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

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The Manitowoc Company, Inc.

Consolidated Balance Sheets

As of December 31, 2018 and 2017

Millions of dollars, except shares data	2018	2017
Assets		
Current Assets:		
Cash, cash equivalents and restricted cash	$140.3	$123.0
Accounts receivable, less allowances of $10.3 and $10.9, respectively	171.8	179.2
Inventories — net	453.1	400.6
Notes receivable — net	19.4	31.1
Other current assets	58.3	56.5
Total current assets	842.9	790.4
Property, plant and equipment — net	288.9	303.7
Goodwill	232.8	321.3
Other intangible assets — net	118.1	122.1
Other non-current assets	59.2	70.3
Total assets	$1,541.9	$1,607.8
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$425.2	$375.8
Short-term borrowings	6.4	8.2
Product warranties	39.1	35.5
Customer advances	9.6	12.7
Other liabilities	16.3	20.8
Total current liabilities	496.6	453.0
Non-Current Liabilities:		
Long-term debt	266.7	266.7
Deferred income taxes	5.7	13.0
Pension obligations	85.7	88.9
Postretirement health and other benefit obligations	18.3	25.5
Long-term deferred revenue	25.2	20.8
Other non-current liabilities	42.4	62.4
Total non-current liabilities	444.0	477.3
Commitments and contingencies (Note 18)		
Total stockholders' equity:		
Preferred stock (3,500,000 shares authorized of $.01 par value; none outstanding)	—	—
Common stock (75,000,000 shares authorized, 40,793,983 shares issued, 35,588,833 and 35,273,864 shares outstanding, respectively)	1.4	1.4
Additional paid-in capital	583.8	576.6
Accumulated other comprehensive loss	(116.6)	(97.4)
Retained earnings	189.6	256.7
Treasury stock, at cost (5,205,150 and 5,520,119 shares, respectively)	(56.9)	(59.8)

Total stockholders' equity	601.3	677.5
Total liabilities and equity	$1,541.9	$1,607.8

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

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The Manitowoc Company, Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2018, 2017 and 2016

Millions of dollars	2018	2017	2016
Cash Flows From Operating Activities			
Net income (loss)	$(67.1)	$9.4	$(375.8)
Adjustments to reconcile net (loss) income to cash (used for) provided by operating activities of continuing operations:			
Asset impairment expense	82.6	0.1	96.9
Loss from discontinued operations, net of income taxes	0.2	0.6	7.2
Depreciation expense	36.1	38.1	45.6
Amortization of intangible assets	0.3	0.8	3.0
Amortization of deferred financing fees	1.8	1.9	2.2
Deferred income tax (benefit) - net	(11.1)	(44.1)	101.4
Noncash loss on early extinguishment of debt	—	—	15.4
Loss (gain) on sale of property, plant and equipment	0.9	0.1	1.1
Stock-based compensation expense and other	7.4	8.5	(0.7)
Changes in operating assets and liabilities, excluding the effects of business divestitures:			
Accounts receivable	(553.4)	(435.5)	(435.5)
Inventories	(72.7)	51.1	52.7
Notes receivable	18.6	18.8	32.2
Other assets	2.7	4.0	(6.9)
Accounts payable	56.5	27.1	(105.8)
Accrued expenses and other liabilities	(15.6)	(5.2)	(9.3)
Net cash used for operating activities of continuing operations	(512.8)	(324.3)	(576.3)
Net cash used for operating activities of discontinued operations	(0.2)	(0.6)	(49.9)
Net cash used for operating activities	(513.0)	(324.9)	(626.2)
Cash Flows From Investing Activities			
Capital expenditures	(31.7)	(28.9)	(45.9)
Proceeds from sale of property, plant and equipment	13.0	7.0	8.4
Cash receipts on sold accounts receivable	553.1	402.8	453.9
Other	—	0.4	0.2
Net cash provided by investing activities of continuing operations	534.4	381.3	416.6
Net cash used for investing activities of discontinued operations	—	—	(2.4)
Net cash provided by investing activities	534.4	381.3	414.2
Cash Flows From Financing Activities			
Payments on long-term debt	(3.8)	(10.9)	(1,389.0)
Proceeds from long-term debt	—	0.2	272.1
Payments on notes financing - net	—	(4.7)	(8.4)

Debt issuance costs	—	—	(8.9)
Exercises of stock options including windfall tax benefits	2.5	5.7	9.4
Dividend from spun-off subsidiary	—	—	1,361.7
Cash transferred to spun-off subsidiary	—	—	(17.7)
Net cash provided by (used for) financing activities of continuing operations	(1.3)	(9.7)	219.2
Net cash provided by financing activities of discontinued operations	—	—	0.2
Net cash provided by (used for) financing activities	(1.3)	(9.7)	219.4
Effect of exchange rate changes on cash	(2.8)	2.4	0.9
Net increase (decrease) in cash, cash equivalents and restricted cash	17.3	49.1	8.3
Cash, cash equivalents and restricted cash at beginning of period, including cash of discontinued operations of $0.0, $0.0 and $31.9, respectively	123.0	73.9	65.6
Cash, cash equivalents and restricted cash at end of period, including cash of discontinued operations of $0.0, $0.0, and $0.0, respectively	$ 140.3	$ 123.0	$ 73.9
Supplemental Cash Flow Information			
Interest paid	$ 36.8	$ 37.0	$ 49.6
Income taxes (refunded) paid	2.6	(7.6)	8.9

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

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The Manitowoc Company, Inc.

Consolidated Statements of Equity

For the years ended December 31, 2018, 2017 and 2016

Millions of dollars, except shares data	2018	2017	2016
Common Stock - Shares Outstanding			
Balance at beginning of year	35,273,864	34,960,303	34,154,290
Stock options exercised	95,019	262,118	687,619
Restricted stock, net	165,404	23,566	(9,112)
Performance shares issued	54,546	27,877	127,506
Balance at end of year	35,588,833	35,273,864	