MANITOWOC CO INC
Form 10-Q
August 09, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

or

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

For the transition period from to

Commission File Number
1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

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

2400 South 44th Street,
Manitowoc, Wisconsin **54221-0066**
(Address of principal executive offices) (Zip Code)

(920) 684-4410

(Registrant s telephone number, including area code)

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

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

The number of shares outstanding of the Registrant s common stock, $.01 par value, as of June 30, 2006, the most recent practicable date, was 61,567,854.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2006 and 2005
(Unaudited)
(In millions, except per-share and average shares data)

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Net sales	$ 746.2	$ 589.6	$ 1,379.1	$ 1,099.9
Costs and expenses:				
Cost of sales	574.2	475.3	1,072.0	888.7
Engineering, selling and administrative expenses	86.8	68.5	165.7	136.4
Amortization expense	0.8	0.8	1.5	1.6
Total costs and expenses	661.8	544.6	1,239.2	1,026.7
Earnings from operations	84.4	45.0	139.9	73.2
Other expenses:				
Interest expense	(10.9)	(13.3)	(22.6)	(26.1)
Loss on debt extinguishment	(14.4)	(0.8)	(14.4)	(9.1)
Other income, net	1.2	0.2	0.3	1.5
Total other expense	(24.1)	(13.9)	(36.7)	(33.7)
Earnings from continuing operations before taxes on income	60.3	31.1	103.2	39.5
Provision for taxes on income	18.1	6.6	31.0	9.1
Earnings from continuing operations	42.2	24.5	72.2	30.4
Discontinued operations:				
Earnings (loss) from discontinued operations, net of income taxes of $(0.2), $(0.2), $0.1, respectively		(0.4)	(0.3)	0.1
Net earnings	$ 42.2	$ 24.1	$ 71.9	$ 30.5
Basic earnings per share:				
Earnings from continuing operations	$ 0.69	$ 0.41	$ 1.18	$ 0.51
Earnings (loss) from discontinued operations, net of income taxes		(0.01)	(0.01)	0.00
Net earnings	$ 0.69	$ 0.40	$ 1.18	$ 0.51
Diluted earnings per share:				
Earnings from continuing operations	$ 0.67	$ 0.40	$ 1.15	$ 0.50
Earnings (loss) from discontinued operations, net of income taxes		(0.01)	(0.01)	0.00
Net earnings	$ 0.67	$ 0.39	$ 1.15	$ 0.50
Dividends per share	0.035	0.035	0.07	0.07
Weighted average shares outstanding - basic	61,406,687	60,194,930	61,076,811	60,098,072
Weighted average shares outstanding - diluted	63,150,212	61,495,810	62,752,316	61,347,592

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

THE MANITOWOC COMPANY, INC.
Consolidated Balance Sheets
As of June 30, 2006 and December 31, 2005
(Unaudited)
(In millions, except share data)

	June 30, 2006	December 31, 2005
Assets		
Current Assets:		
Cash and cash equivalents	$ 87.4	$ 229.5
Marketable securities	2.4	2.3
Accounts receivable, less allowances of $25.1 and $23.8	346.2	243.2
Inventories net	426.3	331.5
Deferred income taxes	84.3	74.4
Other current assets	79.4	72.5
Total current assets	1,026.0	953.4
Property, plant and equipment net	370.4	353.9
Goodwill	470.9	429.6
Other intangible assets net	143.7	139.9
Deferred income taxes	26.8	26.7
Other non-current assets	49.7	58.3
Total assets	$ 2,087.5	$ 1,961.8
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 721.7	$ 591.8
Short-term borrowings	15.0	19.4
Product warranties	52.6	47.3
Product liabilities	33.2	31.8
Total current liabilities	822.5	690.3
Non-Current Liabilities:		
Long-term debt, less current portion	361.6	474.0
Pension obligations	68.0	71.6
Postretirement health and other benefit obligations	53.0	52.4
Long-term deferred revenue	75.3	81.7
Other non-current liabilities	68.8	48.5
Total non-current liabilities	626.7	728.2
Commitments and contingencies (Note 7)		
Stockholders Equity:		
Common stock (150,000,000 and 75,000,000 shares authorized, respectively, 79,587,964 and 39,793,982 shares issued, 61,567,854, and 30,362,501 shares outstanding, respectively)	0.7	0.4
Additional paid-in capital	203.9	197.3
Accumulated other comprehensive income	32.5	16.6
Unearned compensation		(1.4)
Retained earnings	497.4	429.8
Treasury stock, at cost (18,020,110 and 9,431,481 shares, respectively)	(96.2)	(99.4)
Total stockholders equity	638.3	543.3
Total liabilities and stockholders equity	$ 2,087.5	$ 1,961.8

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

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2006 and 2005
(Unaudited)
(In millions)

	Six Months Ended June 30, 2006	2005
Cash Flows from Operations:		
Net earnings	$ 71.9	$ 30.5
Adjustments to reconcile net earnings to cash provided by (used for) operating activities of continuing operations:		
Discontinued operations, net of income taxes	0.3	(0.1)
Depreciation	35.5	28.7
Amortization of intangible assets	1.5	1.6
Amortization of deferred financing fees	0.8	1.2
Loss on debt extinguishment	3.1	2.6
Deferred income taxes	6.4	5.6
Gain on sale of property, plant and equipment	(2.1)	(2.6)
Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures:		
Accounts receivable	(75.9)	(65.1)
Inventories	(92.9)	(91.6)
Other assets	2.2	(19.9)
Accounts payable and accrued expenses	68.2	57.8
Other liabilities	20.7	33.8
Net cash provided by (used for) operating activities of continuing operations	39.7	(17.5)
Net cash used for operating activities of discontinued operations	(0.3)	(10.9)
Net cash provided by (used for) operating activities	39.4	(28.4)
Cash Flows from Investing:		
Business acquisition, net of cash acquired	(48.4)	
Capital expenditures	(23.2)	(21.3)
Proceeds from sale of property, plant and equipment	4.0	5.3
Purchase of marketable securities	(0.1)	
Net cash used for investing activities	(67.7)	(16.0)
Cash Flows from Financing:		
Proceeds from revolving credit facility	94.1	10.9
Payments on long-term debt	(238.5)	(68.5)
Proceeds from long-term debt	17.4	
Proceeds (payments) from notes financing	6.0	(1.8)
Dividends paid	(4.3)	(4.2)
Exercises of stock options	8.2	6.2
Debt issue costs		(1.7)
Net cash used for financing activities	(117.1)	(59.1)
Effect of exchange rate changes on cash	3.3	(3.3)
Net decrease in cash and cash equivalents	(142.1)	(106.8)
Balance at beginning of period	229.5	176.4
Balance at end of period	$ 87.4	$ 69.6

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

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Comprehensive Income (Loss)
For the Three and Six Months Ended June 30, 2006 and 2005
(Unaudited)
(In millions)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Net earnings	$ 42.2	$ 24.1	$ 71.9	$ 30.5
Other comprehensive income (loss)				
Derivative instrument fair market value adjustment - net of income taxes	0.6	(0.9)	0.8	(4.4)
Foreign currency translation adjustments	9.8	(14.7)	15.1	(32.8)
Total other comprehensive income (loss)	10.4	(15.6)	15.9	(37.2)
Comprehensive income (loss)	$ 52.6	$ 8.5	$ 87.8	$ (6.7)

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

THE MANITOWOC COMPANY, INC.
Notes to Unaudited Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2006 and 2005

1. Accounting Policies

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the results of operations, cash flows and comprehensive income (loss) for the three and six months ended June 30, 2006 and 2005 and the financial position at June 30, 2006 of the company and except as otherwise discussed such adjustments consist of only those of a normal recurring nature. The interim results are not necessarily indicative of results for a full year and do not contain information included in the company s annual consolidated financial statements and notes for the year ended December 31, 2005. The consolidated balance sheet as of December 31, 2005 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company s latest annual report.

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

Certain prior period amounts have been reclassified to conform to the current period presentation. See Note 3, Discontinued Operations, and Note 6, Stock Split, for further details.

2. Acquisition

On May 26, 2006, the company acquired substantially all of the net assets and business operated by McCann s Engineering & Mfg. Co. (McCann s). Headquartered in Los Angeles, California, McCann s is engaged in the design, manufacture and sale of beverage dispensing equipment primarily used in fast food restaurants, stadiums, cafeterias and convenience stores. McCann s primary products are backroom beverage equipment such as carbonators, water boosters and racks. McCann s also produces accessory components for beverage dispensers including specialty valves, stands and other stainless steel components. The aggregate consideration paid for the McCann s acquisition was $37.1 million, including acquisition costs of $0.7 million. The acquisition resulted in approximately $28.6 million of goodwill being recognized by the company s Foodservice segment. As of June 30, 2006, all excess purchase price over net assets acquired was assigned to goodwill. The company is in the process of valuing other intangible assets acquired in this acquisition and will assign value to these assets during the third quarter of 2006.

On January 3, 2006, the company acquired certain assets, rights and properties of ExacTech, Inc., a supplier of fabrication, machining, welding, and other services to various parties. Located in Port Washington, Wisconsin, ExacTech, Inc. will provide these services to the company s U.S. based crane manufacturing facilities. The aggregate consideration paid for the acquisition resulted in approximately $6.5 million of goodwill being recognized by the company s Crane segment.

3. Discontinued Operations

During the third quarter of 2005, the company decided to close Toledo Ship Repair Company (Toledo Ship Repair), a division of the company s wholly-owned subsidiary, Manitowoc Marine Group, LLC. Located in Toledo, Ohio, Toledo Ship Repair performed ship repair and industrial repair services. During the third quarter of 2005, the company recorded a $5.2 million pre-tax ($3.8 million after tax) charge for costs related to the closure of the business. This charge included $0.2 million related to severance agreements; $1.0 million for future lease payments; $0.3 million for the write-off of goodwill related to this business; $2.2 million for the write-down of certain assets (primarily property, plant and equipment and inventory) to estimated salvage value; and $1.5 million for closing and other related costs. This charge was recorded in gain (loss) on sale or closure of discontinued operations, net of income taxes in the Consolidated Statements of Operations during the third quarter of 2005. The closure of Toledo Ship Repair represents a discontinued operation under Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Results of Toledo Ship Repair in current and prior periods have been classified as discontinued in the Consolidated Financial Statements to exclude the results from continuing operations. The closure of Toledo was completed during the first quarter of 2006.

The following selected financial data of Toledo Ship Repair for the six months ended June 30, 2006 and the three and six months ended June 30, 2005 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business operated as a stand-alone entity. There were no operating results from Toledo Ship Repair for the three months ended June 30, 2006. There was no general corporate expense or interest expense allocated to discontinued operations for this business during the periods presented.

6

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	2005
Net sales	$ 4.5	$	$ 8.6
Pretax loss from discontinued operations	$ (2.1)	$ (0.5)	$ (3.0)
Benefit for taxes on loss	0.6	0.2	0.9
Net loss from discontinued operations	$ (1.5)	$ (0.3)	$ (2.1)

On December 30, 2005, the company completed the sale of Diversified Refrigeration, LLC, (f/k/a Diversified Refrigeration, Inc.) (DRI) to Monogram Refrigeration, LLC, a wholly-owned subsidiary of the General Electric Company. DRI was the company s private-label Foodservice contract manufacturing operation. Net proceeds from the sale of DRI were approximately $28.4 million and resulted in a pre-tax gain of $17.6 million ($9.6 million after tax). This gain was recorded in gain (loss) on sale or closure of discontinued operations, net of income taxes in the Consolidated Statements of Operations in the fourth quarter of 2005. The sale of DRI represents a discontinued operation under SFAS No. 144. Results of DRI in prior periods have been classified as discontinued in the Consolidated Financial Statements to exclude the results from continuing operations.

The following selected financial data of DRI for the three and six months ended 2005 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business operated as a stand-alone entity. There were no operating results from DRI for the three and six months ended June 30, 2006. There was no general corporate expense or interest expense allocated to discontinued operations for this business during the period presented.

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net sales	$ 22.8	$ 45.2
Pretax income from discontinued operations	$ 1.5	$ 3.2
Provision for taxes on income	(0.4)	(1.0)
Net income from discontinued operations	$ 1.1	$ 2.2

4. Inventories

The components of inventory at June 30, 2006 and December 31, 2005 are summarized as follows:

	June 30, 2006	December 31, 2005
Inventories - gross:		
Raw materials	$ 162.3	$ 131.6
Work-in-process	141.2	113.9
Finished goods	184.4	143.2
Total inventories - gross	487.9	388.7
Excess and obsolete inventory reserve	(39.6)	(36.3)
Net inventories at FIFO cost	448.3	352.4
Excess of FIFO costs over LIFO value	(22.0)	(20.9)
Inventories - net	$ 426.3	$ 331.5

Inventory is carried at lower of cost or market value using the first-in, first-out (FIFO) method for 85% of total inventory at both June 30, 2006 and December 31, 2005. The remainder of the inventory is costed using the last-in, first-out (LIFO) method.

5. Stock Based Compensation

Effective January 1, 2006, the company adopted SFAS No. 123 (R), Share-Based Payment: An Amendment of Financial Accounting Standards Board Statements No. 123 (SFAS No. 123(R)), which revised SFAS No. 123, Accounting for Stock-Based Compensation and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be measured at fair value and expensed in the consolidated statement of operations over the service period (generally the vesting period) of the grant. Upon adoption, the company transitioned to SFAS No. 123(R) using the modified prospective application, under which compensation expense is only recognized in the consolidated statements of operations beginning with the first period that SFAS No. 123(R) is effective and continuing to be expensed thereafter. Prior periods stock-based compensation expense is still presented on a pro-forma basis.

The company maintains the following stock plans:

The Manitowoc Company, Inc. 1995 Stock Plan provides for the granting of stock options, restricted stock and limited stock appreciation rights as an incentive to certain employees. Under this plan, stock options to acquire up to 5.0 million shares of common stock, in the aggregate, may be granted under the time-vesting formula at an exercise price equal to the market price of the common stock at the close of business or the business day immediately preceding the date of grant. The options become exercisable in 25% increments beginning on the second anniversary of the grant date over a four-year period and expire ten years subsequent to the grant date. The restrictions on any restricted shares granted under the plan lapse in one-third increments on each anniversary of the grant date. Awards are no longer granted under this plan. Awards surrendered under this plan become available for granting under the 2003 Incentive Stock and Awards Plan.

The Manitowoc Company, Inc. 2003 Incentive Stock and Awards Plan (2003 Stock Plan) provides for both short-term and long-term incentive awards for employees. Stock-based awards may take the form of stock options, stock appreciation rights, restricted stock, performance share or performance unit awards. The total number of shares of the company s common stock originally available for awards under the 2003 Stock Plan is 6.0 million shares subject to adjustments for stock splits, stock dividends and certain other transactions or events. Options under this plan are exercisable at such times and subject to such conditions as the compensation committee should determine. Options granted under the plan to date become exercisable in equal 25% increments beginning on the second anniversary of the grant date over a four-year period and expire ten years subsequent to the grant date. Restrictions on restricted stock awarded under this plan lapse 100% on the third anniversary of the grant date. There have been no awards of stock appreciation rights, performance shares or performance units.

The Manitowoc Company, Inc. 1999 Non-Employee Director Stock Option Plan (1995 Stock Plan) provides for the granting of stock options to non-employee members of the board of directors. Under this plan, stock options to acquire up to 0.4 million shares of common stock, in the aggregate, may be granted under a time-vesting formula and at an exercise price equal to the market price of the common stock at the date of grant. For the 1999 Stock Plan, the options become exercisable in 25% increments beginning on the first anniversary of the grant date over a four-year period and expire ten years subsequent to the grant date. During 2004, this plan was frozen and replaced with the 2004 Director Stock Plan.

The 2004 Non-Employee Director Stock and Awards Plan (2004 Stock Plan) was approved by the shareholders of the company during the 2004 annual meeting and it replaces The Manitowoc Company, Inc. 1999 Non-Employee Director Stock Option Plan. Stock-based awards may take the form of stock options, restricted stock, or restricted stock units. The total number of shares of the company s common stock originally available for awards under the 2004 Stock Plan is 0.5 million, subject to adjustments for stock splits, stock dividends, and certain other transactions and events. Stock options awarded under the plan vest immediately and expire ten years subsequent to the grant date. Restrictions on restricted stock awarded to date under the plan lapse on the third anniversary of the award date.

With the acquisition of Grove, the company inherited the Grove Investors, Inc. 2001 Stock Incentive Plan. Outstanding Grove stock options under the Grove Investors, Inc. 2001 Stock Incentive Plan were converted into options to acquire Manitowoc Stock at the date of acquisition. No future stock options may be granted under this plan. Under this plan, after the conversion of Grove stock options to Manitowoc stock options, stock options to acquire 0.1 million shares of common stock of the company were outstanding. These options are fully vested and expire on September 25, 2011. No additional options may be granted under the Grove Investors, Inc. 2001 Stock Incentive Plan.

As a result of the adoption of SFAS No. 123(R), the company recognized $2.1 million and $3.0 million of compensation expense associated with stock options for the three and six months ended June 30, 2006, respectively. The following presents pro-forma net income and per share data as if a fair-value-based method had been used to account for stock option based compensation for the three and six months ended June 30, 2005 (in millions, except per share amounts):

	Three Months ended June 30, 2005	Six Months ended June 30, 2005
Net earnings as reported	$ 24.1	$ 30.5
Stock option based employee compensation expense included in reported net earnings, net of related income tax effect		
Stock option based employee compensation expense determined under fair-value-based method excluded in reported net earnings, net of related income tax effects	(1.2)	(2.0)
Pro-forma net income	$ 22.9	$ 28.5
Earnings per share:		
Basic, as reported	$ 0.40	$ 0.51
Basic, pro-forma	$ 0.38	$ 0.48
Diluted, as reported	$ 0.39	$ 0.50
Diluted, pro-forma	$ 0.37	$ 0.47

A summary of the company s stock option activity is as follows (in millions, except weighted average exercise price):

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding as of January 1, 2005	4.0	$ 12.76	
Granted	0.7	20.41	
Exercised	(0.9)	12.08	
Cancelled	(0.3)	15.60	
Options outstanding as of December 31, 2005	3.5	$ 14.48	
Granted	0.6	44.79	
Exercised	(0.7)	12.12	
Cancelled			
Options outstanding as of June 30, 2006	3.4	$ 20.46	$ 80.9
Options exerciseable as of:			
January 1, 2005	1.6	$ 12.30	
December 31, 2005	1.5	$ 12.64	
June 30, 2006	1.1	$ 14.67	$ 32.1

The outstanding stock options at June 30, 2006 have a range of exercise prices of $8.47 to $52.2 per option. The following table shows the options outstanding and exercisable by range of exercise prices at June 30, 2006 (in millions, except weighted average exercise price).

Range of Exercise Price	Outstanding Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Exercisable Options	Weighted Average Exercise Price
$8.47 - $11.00	0.3	5.7	$ 9.54	0.2	$ 9.56
$11.01 - $13.50	1.1	6.0	12.62	0.5	12.63
$13.51 - $16.00	0.4	6.8	14.97	0.1	14.87
$16.01 - $18.50	0.3	5.8	17.28	0.2	17.33
$18.51 - $21.00	0.7	8.7	20.28		
$21.01 - $28.51	0.1	9.5	25.62		
$36.00 - $38.11	0.2	9.7	37.42		
$38.12 - $52.20	0.3	9.8	52.12	0.1	52.20
	3.4	7.0	$ 20.46	1.1	$ 14.67

The company continues to use the Black-Scholes valuation model to value stock options. The company used its historical stock prices as the basis for its volatility assumption. The assumed risk-free rates were based on ten-year U.S. Treasury rates in effect at the time of grant. The expected option life represents the period of time that the options granted are expected to be outstanding and were based on historical experience.

As of June 30, 2006, the company has $9.3 million of unrecognized compensation expense which will be recognized over the next five years.

The weighted average fair value of options granted per share during the six months ended June 30, 2006 and 2005 was $19.17 and $15.03, respectively. The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing method with the following assumptions:

	2006	2005
Expected life (years)	7.0	7.3
Risk-free interest rate	4.8 %	3.8 %
Expected volatility	34.0 %	32.0 %
Expected dividend yield	0.6 %	0.8 %

For the six months ended June 30, 2006, the total intrinsic value of stock options exercised was $18.1 million.

During the three and six months ended June 30, 2006, the company recognized approximately $0.2 million and $0.5 million of compensation expense, respectively, related to restricted stock. For both the three and six months ended June 30, 2005, the company recognized approximately $0.1 million of compensation expense related to restricted stock.

6. Stock Split

On February 24, 2006, the board of directors authorized a two-for-one stock split of the company s common stock. Record holders of Manitowoc s common stock at the close of business on March 31, 2006, received on April 10, 2006 one additional share of common stock for every share of Manitowoc common stock they owned. Manitowoc shares outstanding at the close of business on March 31, 2006 totaled 30,605,986 (pre-split). The company s common stock began trading at its post-split price at the beginning of trading on April 11, 2006. Per share and stock option amounts within this quarterly report on Form 10-Q for both periods presented have been adjusted to reflect the stock split.

7. Contingencies and Significant Estimates

The company has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act (CERLA) in connection with the Lemberger Landfill Superfund Site near Manitowoc, Wisconsin. Approximately 150 potentially responsible parties have been identified as having shipped hazardous materials to this site. Eleven of those, including the company, have formed the Lemberger Site Remediation Group and have successfully negotiated with the United

10

States Environmental Protection Agency and the Wisconsin Department of Natural Resources to fund the cleanup and settle their potential liability at this site. Estimates indicate that the total costs to clean up this site are approximately $30 million. Although liability is joint and several, the company s share of the liability is estimated to be 11% of the total cost. Prior to December 31, 1996, the company accrued $3.3 million in connection with this matter. Remediation work at the site has been substantially completed, with only long-term pumping and treating of groundwater and site maintenance remaining. The company s remaining estimated liability for this matter, included in accounts payable and accrued expenses in the Consolidated Balance Sheet at June 30, 2006 is $0.4 million. Based on the size of the company s current allocation of liabilities at this site, the existence of other viable potential responsible parties and current reserve, the company does not believe that any liability imposed in connection with this site will have a material adverse effect on its financial condition, results of operations, or cash flows.

During the due diligence process for the sale of DRI certain contaminants in the soil and ground water associated with the facility were identified. As part of the sale agreement, the company agreed to be responsible for costs associated with further investigation and remediation of the issues identified. Estimates indicate that the costs to remediate this site are approximately $2.0 million. During December 2005, the company recorded a $2.0 million reserve for these estimated costs. This charge was recorded in discontinued operations in the Consolidated Statements of Operations for the year ended December 31, 2005. The company s remaining estimated liability for this matter, included in other accounts payable and accrued expenses in the Consolidated Balance Sheet at June 30, 2006 is $1.8 million. Based upon available information, the company does not expect the ultimate costs will have a material adverse effect on its financial condition, results of operations, or cash flows.

At certain of the company s other facilities, the company has identified potential contaminants in soil and groundwater. The ultimate cost of any remediation required will depend upon the results of future investigation. Based upon available information, the company does not expect that the ultimate costs will have a material adverse effect on its financial condition, results of operations, or cash flows.

The company believes that it has obtained and is in substantial compliance with those material environmental permits and approvals necessary to conduct its various businesses. Based on the facts presently known, the company does not expect environmental compliance costs to have a material adverse effect on its financial condition, results of operations, or cash flows.

As of June 30, 2006, various product-related lawsuits were pending. To the extent permitted under applicable law, all of these are insured with self-insurance retention levels. The company s self-insurance retention levels vary by business, and have fluctuated over the last five years. The range of the company s self-insured retention levels is $0.1 million to $3.0 million per occurrence. The high-end of the company s self-insurance retention level is a legacy product liability insurance program inherited in the Grove Investors, Inc. acquisition for cranes manufactured in the United States for occurrences from January 2000 through October 2002. As of June 30, 2006, the largest self-insured retention level currently maintained by the company is $2.0 million per occurrence and applies to product liability claims for cranes manufactured in the United States.

Product liability reserves in the Consolidated Balance Sheet at June 30, 2006, were $33.2 million; $11.1 million reserved specifically for cases and $22.1 million for claims incurred but not reported which were estimated using actuarial methods. Based on the company s experience in defending product liability claims, management believes the current reserves are adequate for estimated case resolutions on aggregate self-insured claims and insured claims. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and solvency of insurance carriers.

At June 30, 2006 and December 31, 2005, the company had reserved $61.6 million and $55.4 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheets. Certain of these warranties and other related claims involve matters in dispute that ultimately are resolved by negotiations, arbitration, or litigation.

It is reasonably possible that the estimates for environmental remediation, product liability and warranty costs may change in the near future based upon new information that may arise or matters that are beyond the scope of the company s historical experience. Presently, there are no reliable methods to estimate the amount of any such potential changes.

The company is involved in numerous lawsuits involving asbestos-related claims in which the company is one of numerous defendants. After taking into consideration legal counsel s evaluation of such actions, the current political environment with respect to asbestos related claims, and the liabilities accrued with respect to such matters, in the opinion of management, ultimate resolution is not expected to have a material adverse effect on the financial condition, results of operations, or cash flows of the company.

The company is also involved in various legal actions arising out of the normal course of business, which, taking into account the liabilities accrued and legal counsel s evaluation of such actions, in the opinion of management, the ultimate resolution is not expected to have a material adverse effect on the company s financial condition, results of operations, or cash flows.

At June 30, 2006, the company is contingently liable under open standby letters of credit issued by the company s bank in favor of third parties totaling $26.1 million.

11

8. Earnings Per Share

The following is a reconciliation of the average shares outstanding used to compute basic and diluted earnings per share:

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Basic weighted average common shares outstanding	61,406,687	60,194,930	61,076,811	60,098,072
Effect of dilutive securities - stock options and restricted stock	1,743,525	1,300,880	1,675,505	1,249,520
Diluted weighted average common shares outstanding	63,150,212	61,495,810	62,752,316	61,347,592

For the three and six months ended June 30, 2006, 0.3 million common shares issuable upon the exercise of stock options, and for the three and six months ended June 30, 2005, 0.8 million common shares issuable upon the exercise of stock options were anti-dilutive and were excluded from the calculation of diluted earnings per share.

During the three and six months ended June 30, 2006 and 2005, the company paid a quarterly dividend of $0.035 per outstanding common share.

9. Guarantees

The company periodically enters into transactions with customers that provide for residual value guarantees and buyback commitments. These transactions are recorded as operating leases for all significant residual value guarantees and for all buyback commitments. These initial transactions are recorded as deferred revenue and are amortized to income on a straight-line basis over a period equal to that of the customer s third party financing agreement. The deferred revenue included in accounts payable and accrued epxneses and non-current liabilities at June 30, 2006 and December 31, 2005 was $124.9 million and $128.5 million, respectively. The total amount of residual value guarantees and buyback commitments given by the company and outstanding at June 30, 2006 was $150.9 million. This amount is not reduced for amounts the company would recover from repossessing and subsequent resale of the units. The residual value guarantees and buyback commitments expire at various times through 2011.

During the six months ended June 30, 2006 and 2005, the company sold $9.8 million and $0.9 million, respectively, of its long term notes receivable to third party financing companies. The company guarantees some percentage, up to 100%, of collection of the notes to the financing companies. The company has accounted for the sales of the notes as a financing of receivables. The receivables remain on the company s Consolidated Balance Sheet, net of payments made, in accounts payable and accrued expenses and non-current assets and the company has recognized an obligation equal to the net outstanding balance of the notes in other current and non-current liabilities in the Consolidated Balance Sheet. The cash flow benefit of these transactions, net of payments made by the customer, are reflected as financing activities in the Consolidated Statement of Cash Flows. During the six months ended June 30, 2006, the customers have paid $3.8 million of the notes to the third party financing companies. As of June 30, 2006, the outstanding balance of the notes receivables guaranteed by the company was $43.6 million.

In the normal course of business, the company provides its customers a warranty covering workmanship, and in some cases materials, on products manufactured by the company. Such warranty generally provides that products will be free from defects for periods ranging from 12 months to 60 months. If a product fails to comply with the company s warranty, the company may be obligated, at its expense, to correct any defect by repairing or replacing such defective products. The company provides for an estimate of costs that may be incurred under its warranty at the time product revenue is recognized. These costs primarily include labor and materials, as necessary, associated with repair or replacement. The primary factors that affect the company s warranty liability include the number of units shipped and historical and anticipated warranty claims. As these factors are impacted by actual experience and future expectations, the company assesses the adequacy of its recorded warranty liability and adjusts the amounts as necessary. Below is a table summarizing the warranty activity for the six months ended June 30, 2006 and 2005.

	2006	2005
Balance at beginning of period	$ 55.4	$ 46.5
Accruals for warranties issued during the period	23.1	17.7
Settlements made (in cash or in kind) during the period	(18.7)	(17.9)
Acquisition	0.2	
Currency translation	1.6	(2.5)
Balance at end of period	$ 61.6	$ 43.8

-

12

10. Accounts Receivable Securitization

The company has an accounts receivable securitization program whereby it sells certain of its domestic trade accounts receivable to a wholly owned, bankruptcy-remote special purpose subsidiary which, in turn, sells participating interests in its pool of receivables to a third-party financial institution (Purchaser). The Purchaser receives an ownership and security interest in the pool of receivables. New receivables are purchased by the special purpose subsidiary and participation interests are resold to the Purchaser as collections reduce previously sold participation interests. The company has retained collection and administrative responsibilities on the participation interests sold. The Purchaser has no recourse against the company for uncollectible receivables; however, the company s retained interest in the receivable pool is subordinate to the Purchaser and is recorded at fair value. Due to a short average collection cycle of less than 60 days for such accounts receivable and the company s collection history, the fair value of the company s retained interest approximates book value. The retained interest recorded at June 30, 2006 is $64.8 million, and is included in accounts receivable in the accompanying Consolidated Balance Sheets.

The securitization program s capacity is $60 million, and includes trade account receivables from its domestic Crane segment businesses. Trade accounts receivable sold to the Purchaser and being serviced by the company totaled $26.5 million at June 30, 2006.

Sales of trade receivables from the special purpose subsidiary to the Purchaser totaled $156.3 million for the six months ended June 30, 2006. Cash collections of trade accounts receivable balances in the total receivable pool totaled $291.1 million for the six months ended June 30, 2006.

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

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

	Balance outstanding June 30, 2006	**Balance Outstanding 60 Days or More Past Due June 30, 2006**	**Net Credit Losses Three Months Ended June 30, 2006**
Trade accounts receivable subject to securitization program	$ 91.3	$ 1.0	$
Trade accounts receivable balance sold	26.5		
Retained interest	$ 64.8		

During the six months ended June 30, 2006, the company incurred approximately $0.4 million of costs related to establishing the securitization facility.

11. Employee Benefit Plans

The company provides certain pension, health care and death benefits for eligible retirees and their dependents. The pension benefits are funded, while the health care and death benefits are not funded but are paid as incurred. Eligibility for coverage is based on meeting certain years of service and retirement qualifications. These benefits may be subject to deductibles, co-payment provisions, and other limitations. The company has reserved the right to modify these benefits.

The components of periodic benefit costs for the three and six months ended June 30, 2006 and 2005 are as follows:

	Three Months Ended June 30, 2006			Six Months Ended June 30, 2006		
	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans
Service cost - benefits earned during the period	$	$ 0.4	$ 0.2	$	$ 0.8	$ 0.4
Interest cost of projected benefit obligations	1.6	1.0	0.8	3.2	2.0	1.6
Expected return on plan assets	(1.6)	(0.8)		(3.2)	(1.6)	
Amortization of actuarial net (gain) loss	0.2		0.1	0.4	0.1	0.1
Net periodic benefit costs	$ 0.2	$ 0.6	$ 1.1	$ 0.4	$ 1.3	$ 2.1
Weighted average assumptions:						
Discount rate	5.50 %	4.53 %	5.50 %	5.50 %	4.53 %	5.50 %
Expected return on plan assets	8.25 %	5.74 %	N/A	8.25 %	5.74 %	N/A
Rate of compensation increase	N/A	3.53 %	N/A	N/A	3.53 %	N/A

	Three Months Ended June 30, 2005			Six Months Ended June 30, 2005		
	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Health and Other Plans
Service cost - benefits earned during the period	$	$ 0.3	$ 0.2	$	$ 0.6	$ 0.5
Interest cost of projected benefit obligations	1.6	1.0	0.8	3.2	2.1	1.6
Expected return on plan assets	(1.6)	(0.8)		(3.2)	(1.5)	
Amortization of actuarial net (gain) loss	0.1		0.1	0.2	(0.1)	0.1
Net periodic benefit costs	$ 0.1	$ 0.5	$ 1.1	$ 0.2	$ 1.1	$ 2.2
Weighted average assumptions:						
Discount rate	5.75 %	4.75 %	5.75 %	5.75 %	4.75 %	5.75 %
Expected return on plan assets	8.25 %	5.25 %	N/A	8.25 %	5.25 %	N/A
Rate of compensation increase	N/A	3.50 %	N/A	N/A	3.50 %	N/A

12. Debt and Loss on Debt Extinguishment

May 15, 2006, the company redeemed its 10 3/8% senior subordinated notes due 2011. Pursuant to the terms of the indenture, the company paid the note holders 105.188 percent of the principal amount plus accrued and unpaid interest up to the redemption date. As a result of this redemption, the company incurred a charge of $14.4 million ($9.4 million net of income taxes) related to the call premium ($11.2 million), write-off of unamortized debt issuance costs ($3.1 million) and other expenses ($0.1 million). The charge was recorded in loss on debt

extinguishment in the Consolidated Statement of Operations.

In June 2005, the company entered into a five-year, $300 million, secured revolving credit facility, which replaced the company s $125 million facility that was due to expire in May 2006. Borrowings under the revolving credit facility bear interest at a rate equal to the sum of a base rate or a Eurodollar rate plus an applicable margin, which is based on the company s consolidated total leverage ratio as defined by the credit agreement. During June 2005, the company recorded a charge of $0.8 million ($0.6 million net of income taxes) for deferred financing costs related to the termination of the $125 million revolving credit facility. The charge was recorded in loss on debt extinguishment in the Consolidated Statement of Operations.

In December 2004, the company sold, pursuant to an underwritten public offering, approximately 3.0 million shares of its common stock at a price of $36.25 per share. Net cash proceeds from this offering, after deducting underwriting discounts and commissions, were $104.9 million. On January 10, 2005, the company completed the redemption of $61.3 million of the 10 ½% senior subordinated notes due 2012. As a result of this redemption, the company incurred a charge of approximately $8.3 million ($5.4 million net of income taxes) for the early extinguishment of debt related to the prepayment premium paid to the note holders of $6.4 million, and the partial write-off of debt issuance costs of $1.9 million. The charge was recorded in loss on debt extinguishment in the Consolidated

Statement of Operations.

As of June 30, 2006, the company had four fixed-to-floating rate swap contracts which effectively converted $163.8 million of its fixed rate Senior Notes due 2013 and Senior Subordinated Notes due 2012 to variable rate debt. These contracts are considered to be hedges against changes in the fair value of the fixed rate debt obligation. Accordingly, the interest rate swap contracts are reflected at fair value in its Consolidated Balance Sheet as a liability of $9.5 million as of June 30, 2006. Debt is reflected at an amount equal to the sum of its carrying value plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate risk being hedged. Changes during any accounting period in the fair value of the interest rate swap contract, as well as offsetting changes in the adjusted carrying value of the related portion of fixed-rate debt being hedged, are recognized as an adjustment to interest expense in the Consolidated Statement of Operations. The change in fair value of the swaps exactly offsets the change in fair value of the hedged fixed-rate debt; therefore, there was no net impact on earnings for the three and six months ended June 30, 2006. The fair value of these contracts, which represents the cost to settle these contracts, approximated a loss of $9.5 million at June 30, 2006.

13. Goodwill and Other Intangible Assets

The changes in carrying amount of goodwill by reportable segment for the year ended December 31, 2005 and six months ended June 30, 2006 are as follows:

	Crane	Foodservice	Marine	Total
Balance as of January 1, 2005	$ 218.3	$ 186.1	$ 47.4	$ 451.8
Write-off of discontinued operations goodwill		(0.4)	(0.2)	(0.6)
Tax adjustment related to purchase accounting	(2.4)			(2.4)
Foreign currency impact	(19.2)			(19.2)
Balance as of December 31, 2005	196.7	185.7	47.2	429.6
Exactech, Inc. acquisition	6.5			6.5
McCann s acquisition		28.6		28.6
Foreign currency impact	6.2			6.2
Balance as of June 30, 2006	$ 209.4	$ 214.3	$ 47.2	$ 470.9

As discussed in Note 2, Acquisition, during the first six months of 2006, the company completed the acquisitions of McCann s and ExacTech, Inc. As of June 30, 2006 all excess purchase price over net assets acquired in the McCann s acquisition was assigned to goodwill. The company is in the process of valuing other intangible assets acquired in this acquisition and will assign value to these assets during the third quarter of 2006.

As discussed in Note 3, Discontinued Operations, during 2005 the company closed its Toledo Ship Repair and divested of DRI. As a result, the company wrote-off the entire goodwill balances related to these businesses.

During 2005, the company reversed approximately $2.4 million of a tax reserve related to a German tax issue. This reserve was established by the company during purchase accounting for the acquisition of Grove Investors, Inc. (Grove) as the tax issue related to a period prior to the company acquiring Grove. During 2005, the German tax audit was settled and the excess reserve was reversed through goodwill.

The gross carrying amount and accumulated amortization of the company s intangible assets other than goodwill were as follows as of June 30, 2006 and December 31, 2005.

	June 30, 2006			December 31, 2005		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trademarks and tradenames	$ 95.5	$	$ 95.5	$ 92.0	$	$ 92.0
Patents	29.2	(8.7)	20.5	28.5	(7.6)	20.9
Engineering drawings	11.6	(3.9)	7.7	11.2	(3.5)	7.7
Distribution network	20.0		20.0	19.3		19.3
	$ 156.3	$ (12.6)	$ 143.7	$ 151.0	$ (11.1)	$ 139.9

14. Recent Accounting Changes and Pronouncements

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments an Amendment of FASB Statement No. 133 and 140. SFAS No 155 amends certain aspects of SFAS No 133, primarily related to hybrid financial instruments and beneficial interests in securitized financial assets, as well as amends SFAS No. 140, related to eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity (SPE) may hold. SFAS No. 155 is effective for the company on January 1, 2007. The company does not believe the adoption of SFAS No. 155 will have an impact on its Consolidated Financial Statements.

In March 2006, the FASB Issued SFAS No. 156, Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140. SFAS No. 156, amends certain aspects of SFAS No. 140, by requiring that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. SFAS No. 156 is effective for the company on January 1, 2007. The company does not believe the adoption of SFAS No. 156 will have an impact on its Consolidated Financial Statements.

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. FIN No. 48 is effective for the company on January 1, 2007. The company is currently evaluating the impact of adoption of FIN No. 48 on its Consolidated Financial Statements.

15. Subsidiary Guarantors of Senior Subordinated Notes 2012 and Senior Notes due 2013

The following tables present condensed consolidating financial information for (a) the parent company, The Manitowoc Company, Inc. (Parent); (b) on a combined basis, the guarantors of the Senior Subordinated Notes due 2012 and Senior Notes due 2013, which include substantially all of the domestic wholly owned subsidiaries of the company (Subsidiary Guarantors); and (c) on a combined basis, the wholly and partially owned foreign subsidiaries of the company, which do not guarantee the Senior Subordinated Notes 2012 and Senior Notes due 2013 (Non-Guarantor Subsidiaries). Separate financial statements of the Subsidiary Guarantors are not presented because the guarantors are fully and unconditionally, jointly and severally liable under the guarantees, and 100% owned by the company.

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2006
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 473.5	$ 358.7	$ (86.0)	$ 746.2
Costs and expenses:					
Cost of sales		379.1	281.1	(86.0)	574.2
Engineering, selling and administrative expenses	10.0	43.0	33.8		86.8
Amortization expense		0.3	0.5		0.8
Total costs and expenses	10.0	422.4	315.4	(86.0)	661.8
Earnings (loss) from operations	(10.0)	51.1	43.3		84.4
Other income (expense):					
Interest expense	(8.8)	0.4	(2.5)		(10.9)
Management fee income (expense)	6.2	(6.5)	0.3		
Loss on debt extinguishment	(14.4)				(14.4)
Other income (expense), net	8.3	(5.0)	(2.1)		1.2
Total other income (expense)	(8.7)	(11.1)	(4.3)		(24.1)
Earnings (loss) from continuing operations before taxes on income (loss) and equity in earnings of subsidiaries and discontinued operations	(18.7)	40.0	39.0		60.3
Provision (benefit) for taxes on income	(4.9)	10.5	12.5		18.1
Earnings (loss) from continuing operations before equity in earnings of subsidiaries and discontinued operations	(13.8)	29.5	26.5		42.2
Equity in earnings of subsidiaries	56.0			(56.0)	
Net earnings (loss)	$ 42.2	$ 29.5	$ 26.5	$ (56.0)	$ 42.2

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Three Months Ended June 30, 2005
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 361.6	$ 303.6	$ (75.6)	$ 589.6
Costs and expenses:					
Cost of sales		304.1	246.8	(75.6)	475.3
Engineering, selling and administrative expenses	5.5	34.8	28.2		68.5
Amortization expense		0.2	0.6		0.8
Total costs and expenses	5.5	339.1	275.6	(75.6)	544.6
Earnings (loss) from operations	(5.5)	22.5	28.0		45.0
Other income (expense):					
Interest expense	(12.0)	(0.3)	(1.0)		(13.3)
Management fee income (expense)	6.0	(6.0)			
Loss on debt extinguishment	(0.8)				(0.8)
Other income (expense), net	10.2	(4.7)	(5.3)		0.2
Total other income (expense)	3.4	(11.0)	(6.3)		(13.9)
Earnings (loss) from continuing operations before taxes on income (loss) and equity in earnings of subsidiaries and discontinued operations	(2.1)	11.5	21.7		31.1
Provision (benefit) for taxes on income	0.7	(3.6)	9.5		6.6
Earnings (loss) from continuing operations before equity in earnings of subsidiaries and discontinued operations	(2.8)	15.1	12.2		24.5
Equity in earnings of subsidiaries	26.9			(26.9)	
Earnings (loss) from discontinued operations, net of income taxes		(0.4)			(0.4)
Net earnings (loss)	$ 24.1	$ 14.7	$ 12.2	$ (26.9)	$ 24.1

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2006
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 884.1	$ 653.4	$ (158.4)	$ 1,379.1
Costs and expenses:					
Cost of sales		711.4	519.0	(158.4)	1,072.0
Engineering, selling and administrative expenses	18.9	81.6	65.2		165.7
Amortization expense		0.6	0.9		1.5
Total costs and expenses	18.9	793.6	585.1	(158.4)	1,239.2
Earnings (loss) from operations	(18.9)	90.5	68.3		139.9
Other income (expense):					
Interest expense	(19.7)	0.8	(3.7)		(22.6)
Management fee income (expense)	13.4	(13.1)	(0.3)		
Loss on debt extinguishment	(14.4)				(14.4)
Other income (expense), net	17.7	(10.5)	(6.9)		0.3
Total other income (expense)	(3.0)	(22.8)	(10.9)		(36.7)
Earnings (loss) from continuing operations before taxes on income (loss) and equity in earnings of subsidiaries and discontinued operations	(21.9)	67.7	57.4		103.2
Provision (benefit) for taxes on income	(5.6)	17.0	19.6		31.0
Earnings (loss) from continuing operations before equity in earnings of subsidiaries and discontinued operations	(16.3)	50.7	37.8		72.2
Equity in earnings of subsidiaries	88.2			(88.2)	
Earnings (loss) from discontinued operations, net of income taxes		(0.3)			(0.3)
Net earnings (loss)	$ 71.9	$ 50.4	$ 37.8	$ (88.2)	$ 71.9

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2005
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 672.4	$ 558.4	$ (130.9)	$ 1,099.9
Costs and expenses:					
Cost of sales		561.5	458.1	(130.9)	888.7
Engineering, selling and administrative expenses	10.8	69.0	56.6		136.4
Amortization expense		0.4	1.2		1.6
Total costs and expenses	10.8	630.9	515.9	(130.9)	1,026.7
Earnings (loss) from operations	(10.8)	41.5	42.5		73.2
Other income (expense):					
Interest expense	(23.7)	(0.7)	(1.7)		(26.1)
Management fee income (expense)	12.1	(12.1)			
Loss on debt extinguishment	(9.1)				(9.1)
Other income (expense), net	19.7	(10.6)	(7.6)		1.5
Total other income (expense)	(1.0)	(23.4)	(9.3)		(33.7)
Earnings (loss) from continuing operations before taxes on income (loss) and equity in earnings of subsidiaries and discontinued operations	(11.8)	18.1	33.2		39.5
Provision (benefit) for taxes on income	(2.6)	(1.4)	13.1		9.1
Earnings (loss) from continuing operations before equity in earnings of subsidiaries and discontinued operations	(9.2)	19.5	20.1		30.4
Equity in earnings of subsidiaries	39.7			(39.7)	
Earnings (loss) from discontinued operations, net of income taxes		0.1			0.1
Net earnings (loss)	$ 30.5	$ 19.6	$ 20.1	$ (39.7)	$ 30.5

The Manitowoc Company, Inc.
Condensed Consolidating Balance Sheet
as of June 30, 2006
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$ 17.8	$ 16.3	$ 53.3	$	$ 87.4
Marketable securities	2.4				2.4
Accounts receivable net	0.1	141.4	204.7		346.2
Inventories net		179.3	247.0		426.3
Deferred income taxes	44.8		39.5		84.3
Other current assets	0.7	57.3	21.4		79.4
Total current assets	65.8	394.3	565.9		1,026.0
Property, plant and equipment net	11.0	153.6	205.8		370.4
Goodwill		326.1	144.8		470.9
Other intangible assets net		53.6	90.1		143.7
Deferred income taxes	27.7		(0.9)		26.8
Other non-current assets	23.7	14.4	11.6		49.7
Investment in affiliates	496.0	(116.2)	338.3	(718.1)	
Total assets	$ 624.2	$ 825.8	$ 1,355.6	$ (718.1)	$ 2,087.5
Liabilities and Stockholders Equity					
Current Liabilities:					
Accounts payable and accrued expenses	$ 38.4	$ 315.5	$ 367.8	$	$ 721.7
Short-term borrowings			15.0		15.0
Product warranties		27.2	25.4		52.6
Product liabilities		30.3	2.9		33.2
Total current liabilities	38.4	373.0	411.1		822.5
Non-Current Liabilities:					
Long-term debt, less current portion	254.3		107.3		361.6
Pension obligations	29.6	14.4	24.0		68.0
Postretirement health and other benefit obligations	53.0				53.0
Intercompany	(416.8)	(242.8)	146.1	513.5	
Long-term deferred income		12.8	62.5		75.3
Other non-current liabilities	27.4	17.1	24.3		68.8
Total non-current liabilities	(52.5)	(198.5)	364.2	513.5	626.7
Stockholders equity	638.3	651.3	580.3	(1,231.6)	638.3
Total liabilities and stockholders equity	$ 624.2	$ 825.8	$ 1,355.6	$ (718.1)	$ 2,087.5

The Manitowoc Company, Inc.
Condensed Consolidating Balance Sheet
as of December 31, 2005
(In millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$ 146.4	$ 9.7	$ 73.4	$	$ 229.5
Marketable securities	2.3				2.3
Accounts receivable - net	0.2	85.0	158.0		243.2
Inventories - net		141.8	189.7		331.5
Deferred income taxes	36.8		37.6		74.4
Other current assets	0.5	52.2	19.8		72.5
Total current assets	186.2	288.7	478.5		953.4
Property, plant and equipment - net	11.1	146.4	196.4		353.9
Goodwill	1.0	291.0	137.6		429.6
Other intangible assets - net		54.1	85.8		139.9
Deferred income taxes	26.7				26.7
Other non-current assets	27.6	17.4	13.3		58.3
Investment in affiliates	459.6	18.8	203.1	(681.5)	
Total assets	$ 712.2	$ 816.4	$ 1,114.7	$ (681.5)	$ 1,961.8
Liabilities and Stockholders Equity					
Current Liabilities:					
Accounts payable and accrued expenses	$ 47.5	$ 257.8	$ 286.5	$	$ 591.8
Short-term borrowings	4.3		15.1		19.4
Product warranties		24.0	23.3		47.3
Product liabilities		28.8	3.0		31.8
Total current liabilities	51.8	310.6	327.9		690.3
Non-Current Liabilities:					
Long-term debt, less current portion	468.6		5.4		474.0
Pension obligations	29.7	14.3	27.6		71.6
Postretirement health and other benefit obligations	52.4				52.4
Long-term deferred revenue		23.6	58.1		81.7
Intercompany	(443.6)	(108.0)	167.2	384.4	
Other non-current liabilities	10.1	16.8	21.6		48.5
Total non-current liabilities	117.2	(53.3)	279.9	384.4	728.2
Stockholders equity	543.2	559.1	506.9	(1,065.9)	543.3
Total liabilities and stockholders equity	$ 712.2	$ 816.4	$ 1,114.7	$ (681.5)	$ 1,961.8

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2006
(In millions)

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operations	$ 83.3	$ 19.2	$ 25.1	$ (88.2)	$ 39.4
Cash Flows from Investing:					
Business acquisition, net of cash acquired		(48.4)			(48.4)
Capital expenditures	(0.8)	(10.6)	(11.8)		(23.2)
Proceeds from sale of property, plant and equipment		0.1	3.9		4.0
Purchase of marketable securities	(0.1)				(0.1)
Intercompany investments	12.9	40.1	(141.2)	88.2	
Net cash provided by (used for) investing activities of continuing operations	12.0	(18.8)	(149.1)	88.2	(67.7)
Cash Flows from Financing:					
Proceeds from revolving credit facility	(4.3)		98.4		94.1
Payments on long-term debt	(223.5)		(15.0)		(238.5)
Proceeds from long-term debt			17.4		17.4
Proceeds (payments) from notes financing		6.2	(0.2)		6.0
Dividends paid	(4.3)				(4.3)
Exercises of stock options	8.2				8.2
Debt issue costs					
Net cash provided by (used for) financing activities	(223.9)	6.2	100.6		(117.1)
Effect of exchange rate changes on cash			3.3		3.3
Net increase (decrease) in cash and cash equivalents	(128.6)	6.6	(20.1)		(142.1)
Balance at beginning of period	146.4	9.7	73.4		229.5
Balance at end of period	$ 17.8	$ 16.3	$ 53.3	$	$ 87.4

The Manitowoc Company, Inc.
Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2005
(In millions)

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by (used in) operations	$ 27.2	$ (37.5)	$ 21.6	$ (39.7)	$ (28.4)
Cash Flows from Investing:					
Capital expenditures	(0.5)	(8.9)	(11.9)		(21.3)
Proceeds from sale of property, plant and equipment			5.3		5.3
Purchase of marketable securities					
Intercompany investments	(72.3)	56.5	(23.9)	39.7	
Net cash provided by (used for) investing activities of continuing operations	(72.8)	47.6	(30.5)	39.7	(16.0)
Cash Flows from Financing:					