ACCELERON PHARMA INC
Form 4
July 09, 2014

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Knopf John L

(Last) (First) (Middle)

128 SIDNEY STREET

(Street)

CAMBRIDGE, MA 02199

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ACCELERON PHARMA INC [XLRN]

3. Date of Earliest Transaction (Month/Day/Year)
07/07/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
CEO and President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	07/07/2014		S (1)		7,512	D	$ 31.43 (2)	183,988	D	
Common Stock	07/07/2014		S (1)		2,488	D	$ 32.66 (3)	181,500	D	
Common Stock	07/07/2014		S (1)		5,417	D	$ 31.42 (4)	176,083	D	
Common Stock	07/07/2014		S (1)		2,083	D	$ 32.58	174,000	D	

(5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Knopf John L 128 SIDNEY STREET CAMBRIDGE, MA 02199	X		CEO and President	

Signatures

/s/ John Quisel, as attorney-in-fact for John L. Knopf	07/09/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reported sales were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person.

(2) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $31.07 to $32.06, inclusive. The reporting person undertakes to provide Acceleron Pharma Inc., any security holder of Acceleron Pharma Inc. or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth in this footnote (2) to this Form 4.

(3)

The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $32.29 to $33.06, inclusive. The reporting person undertakes to provide Acceleron Pharma Inc., any security holder of Acceleron Pharma Inc. or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth in this footnote (3) to this Form 4.

(4) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $31.13 to $32.06, inclusive. The reporting person undertakes to provide Acceleron Pharma Inc., any security holder of Acceleron Pharma Inc. or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth in this footnote (4) to this Form 4.

(5) The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from $32.14 to $32.92, inclusive. The reporting person undertakes to provide Acceleron Pharma Inc., any security holder of Acceleron Pharma Inc. or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the range set forth in this footnote (5) to this Form 4.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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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.

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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:

- Repair and field service work; and
- 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.

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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.

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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	34,960,303
Common Stock - Par Value			
Balance at beginning of year	$1.4	$1.4	$1.4
Balance at end of year	$1.4	$1.4	$1.4
Additional Paid-in Capital			
Balance at beginning of year	$576.6	$567.6	$558.0
Stock options exercised and issuance of other stock awards	(1.0)	2.0	0.3
Stock-based compensation	8.2	7.0	9.3
Balance at end of year	$583.8	$576.6	$567.6
Accumulated Other Comprehensive Loss			
Balance at beginning of year	$(97.4)	$(162.9)	$(207.8)
Distribution of Spun-off subsidiary	—	—	68.0
Other comprehensive income (loss)	(19.2)	65.5	(23.1)
Balance at end of year	$(116.6)	$(97.4)	$(162.9)
Retained Earnings			
Balance at beginning of year - As reported	$256.7	$247.3	$539.5
Impact of change in accounting principle	—	—	22.8
Balance at beginning of year - As adjusted	256.7	247.3	562.3
Net income (loss)	(67.1)	9.4	(375.8)
Distribution of Spun-off subsidiary	—	—	60.8
Balance at end of year	$189.6	$256.7	$247.3
Treasury Stock			
Balance at beginning of year	$(59.8)	$(62.9)	$(71.6)
Stock options exercised and issuance of other stock awards	2.9	3.1	8.7
Balance at end of year	$(56.9)	$(59.8)	$(62.9)
Total equity	$601.3	$677.5	$590.5

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

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Notes to Consolidated Financial Statements

1. Company and Basis of Presentation

The Manitowoc Company, Inc. (“Manitowoc”, “MTW” and the “Company”) was founded in 1902 and has over a 116-year tradition of providing high-quality, customer-focused products and support services to its markets and for the year ended December 31, 2018, the Company had net sales of approximately $1.8 billion. Manitowoc is one of the world’s leading providers of engineered lifting solutions. Manitowoc designs, manufactures, markets, and supports one of the most comprehensive product lines of mobile telescopic cranes, tower cranes, lattice-boom crawler cranes, and boom trucks. Its Crane products are principally marketed under the Manitowoc, Grove, Potain and National Crane brand names. The Company serves 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, its Manitowoc Crane Care offering leverages Manitowoc's installed base of approximately 144,000 cranes to provide aftermarket parts and services to enable its customers to manage their fleets more effectively and improve their return on investment. Due to the ongoing and predictable maintenance needed by cranes, as well as the high cost of crane downtime, Manitowoc Crane Care provides the Company with a consistent stream of recurring revenue. Manitowoc is a Wisconsin corporation, and its principal executive offices are located at 11270 West Park Place Suite 1000, Milwaukee, Wisconsin 53224.

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”). To effect the Spin-Off, the Board declared a pro rata dividend of MFS common stock to MTW’s stockholders of record as of the close of business on February 22, 2016 (the “Record Date”) and the Company paid the dividend on March 4, 2016. Each MTW stockholder received one share of MFS common stock for every share of MTW common stock held as of the close of business on the Record Date.

In these Consolidated Financial Statements, unless otherwise indicated, references to Manitowoc, MTW and the Company refer to The Manitowoc Company, Inc. and its consolidated subsidiaries after giving effect to the Spin-Off, or, in the case of information as of dates or for periods prior to the Spin-Off, the consolidated entities of the Crane business and certain other assets and liabilities that were historically held at the Manitowoc corporate level but were specifically identifiable and attributable to the Crane business.

As a result of the Spin-Off, the Consolidated Financial Statements and related financial information reflect MFS operations, assets and liabilities, and cash flows as discontinued operations for all periods presented.

See Note 4, “Discontinued Operations,” for further details concerning the above transaction being reported as discontinued operations.

Basis of Presentation The consolidated financial statements include the accounts of The Manitowoc Company, Inc. and its wholly and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Certain prior period amounts have been reclassified to conform to the current period presentation. All amounts, except share and per share amounts, are in millions of dollars throughout the tables included in these notes unless otherwise indicated.

During the first quarter of 2018, the Company identified an adjustment to the Consolidated Balance Sheet as of December 31, 2017. The adjustment related to other current assets and property, plant and equipment – net, whereby the Company had overstated other current assets and understated property, plant and equipment – net by approximately $8.8 million. In evaluating whether the Company’s previously issued consolidated financial statements were materially misstated, the Company considered the guidance in Accounting Standard Codification (“ASC”) Topic 250, “Accounting Changes and Error Corrections” and ASC Topic 250-10-S99-1, “Assessing Materiality.” The Company determined that this error was not material to the Company’s prior period consolidated financial statements and therefore, amending the previously filed report was not required.

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2. Summary of Significant Accounting Policies

Cash Equivalents All short-term investments purchased with an original maturity of three months or less are considered cash equivalents. Cash, cash equivalents and restricted cash on the Consolidated Balance Sheets includes zero and $3.8 million of restricted cash as of December 31, 2018 and 2017, respectively.

Allowance for Doubtful Accounts Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Our estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where we have information that the customer may have an inability to meet its financial obligations together with a general provision for unknown but existing doubtful accounts based on historical experience, which are subject to change if experience improves or deteriorates.

Inventories 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. The Company determines inventory value using the first-in, first-out method.

Goodwill and Other Intangible Assets The Company accounts for its 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, but it is tested for impairment annually during the fourth quarter, or more frequently, as events dictate. See additional discussion of impairment testing under “Impairment of Long-Lived Assets” below. The Company’s other intangible assets with indefinite lives, including trademarks and tradenames and in-place distributor networks, are not amortized but are also tested for impairment annually, or more frequently, as events dictate. The Company’s other intangible assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Other intangible assets are amortized straight-line over the following estimated useful lives:

	Useful lives
Patents	20 years
Engineering drawings	15 years
Customer relationships	10 years

Property, Plant and Equipment Property, plant and equipment are stated at cost. Expenditures for maintenance, repairs and minor renewals are charged against earnings as incurred. Expenditures for major renewals and improvements that substantially extend the capacity or useful life of an asset are capitalized and are then depreciated. The cost and accumulated depreciation for property, plant and equipment sold, retired or otherwise disposed of are relieved from the accounts, and resulting gains or losses are reflected in earnings. Property, plant and equipment are depreciated over the estimated useful lives of the assets using the straight-line depreciation method for financial reporting and accelerated depreciation methods for income tax purposes.

Property, plant and equipment are depreciated over the following estimated useful lives:

	Years

Building and improvements	2 - 43
Machinery, equipment and tooling	1 - 21
Furniture and fixtures	1 - 10
Computer hardware and software	1 - 10
Rental cranes	5 - 15

Property, plant and equipment also includes cranes accounted for as operating leases. Equipment accounted for as operating leases includes equipment leased directly to the customer and equipment for which the Company has assisted in the financing arrangement, whereby it has made a buyback commitment that the customer has a significant economic incentive of exercising. Equipment that is leased directly to the customer is accounted for as an operating lease with the related assets capitalized and depreciated over their estimated economic life. Equipment involved in a financing arrangement is depreciated over the life of the underlying arrangement to the net book value at the end of the lease period which equals the buyback amount. The amount of buyback and rental equipment included in property, plant and equipment amounted to $49.4 million and $54.3 million, net of accumulated depreciation, at December 31, 2018 and 2017, respectively.

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Impairment of Long-Lived Assets The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the assets' carrying amount may not be recoverable. The Company conducts its long-lived asset impairment analyses in accordance with ASC Topic 360-10-5. 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.

For property, plant and equipment and other long-lived assets, other than goodwill and other indefinite lived intangible assets, the Company performs undiscounted operating cash flow analysis to determine impairments. If an impairment is determined to exist, any related impairment loss is calculated based upon comparison of the fair value to the net book value of the assets. Impairment losses on assets held for sale are based on the estimated proceeds to be received, less costs to sell.

The Company tests for impairment of goodwill annually in the fourth quarter. To test goodwill, the Company estimates the fair values of its reporting units using the present value of future cash flows approach, subject to a comparison for reasonableness to its market capitalization at the date of valuation. If the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. In addition, goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. For other indefinite lived intangible assets, the impairment test consists of a comparison of the fair value of the intangible assets to their carrying amount. See Note 9, "Goodwill and Other Intangible Assets," for further details on our impairment assessments.

Warranties Estimated standard manufacturing warranty costs are recorded in cost of sales at the time of sale of the warranted products based on historical warranty experience for the related product or estimates of projected costs due to specific warranty issues on new products. These estimates are reviewed periodically and are adjusted based on changes in facts, circumstances or actual experience. When a customer purchases an extended warranty, revenue is recognized over the life of the contract. Costs related to the extended warranty are expensed as incurred.

Environmental Liabilities The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Such accruals are adjusted as information develops or circumstances change. Costs of long-term expenditures for environmental remediation obligations are discounted to their present value when the timing of cash flows are estimable.

Product Liabilities The Company records product liability reserves for its self-insured portion of any pending or threatened product liability actions when losses are probable and reasonably estimable. The reserve is based upon two estimates. First, the Company tracks the population of all outstanding pending and threatened product liability cases to determine an appropriate case reserve for each based upon the Company's best judgment with the advice of legal counsel. These estimates are continually evaluated and adjusted based upon changes to facts and circumstances surrounding the case. Second, the Company determines the amount of additional reserve required to cover incurred but not reported product liability obligations and to account for possible adverse development of the established case reserves utilizing actuarially developed estimates.

Foreign Currency Translation The financial statements of the Company's non-U.S. subsidiaries are translated using the current exchange rate for assets and liabilities and the average monthly exchange rate throughout the year for income and expense items. Resulting translation adjustments are recorded to Accumulated Other Comprehensive Income ("AOCI") as a component of Manitowoc stockholders' equity.

Derivative Financial Instruments and Hedging Activities The Company has written policies and procedures that place all financial instruments under the direction of corporate treasury and restrict all derivative transactions to those intended for hedging purposes. The use of financial instruments for trading purposes is strictly prohibited. The Company uses financial instruments to manage the market risk from changes in foreign exchange rates, commodities and interest rates. The Company follows the guidance in accordance with ASC Topic 815-10, “Derivatives and Hedging.” The fair values of all derivatives are recorded in the Consolidated Balance Sheets. The change in a derivative’s fair value is recorded each period in current earnings or AOCI depending on whether the derivative is designated and qualifies as a cash flow hedge transaction.

During 2018, 2017 and 2016, minimal amounts were recognized in earnings due to ineffectiveness of certain commodity hedges. The amount reported as derivative instrument fair market value adjustment in the AOCI account within the Consolidated Statements of Comprehensive Income (Loss) represents the net gain (loss) on foreign currency exchange contracts, commodity contracts and interest rate contracts designated as cash flow hedges, net of income taxes.

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Cash Flow Hedges The Company selectively hedges anticipated transactions that are subject to foreign exchange exposure, commodity price exposure or variable interest rate exposure, primarily using foreign currency exchange contracts, commodity contracts and interest rate contracts, respectively. These instruments are designated as cash flow hedges in accordance with ASC Topic 815-10 and are recorded in the Consolidated Balance Sheets at fair value. The effective portion of the contracts' gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions, typically sales and costs related to sales and interest expense, occur and affect earnings. These contracts are highly effective in hedging the variability in future cash attributable to changes in currency exchange rates, commodity prices or interest rates.

Fair Value Hedges The Company periodically enters into interest rate swaps designated as a hedge of the fair value of a portion of its fixed rate debt. These hedges effectively result in changing a portion of its fixed rate debt to variable interest rate debt. Both the swaps and the debt are recorded in the Consolidated Balance Sheets at fair value. The change in fair value of the swaps should exactly offset the change in fair value of the hedged debt, with no net impact to earnings. Interest expense of the hedged debt is recorded at the variable rate in earnings. See Note 11, "Debt" for further discussion of fair value hedges.

The Company selectively hedges cash inflows and outflows that are subject to foreign currency exposure from the date of transaction to the related payment date. The hedges for these foreign currency accounts receivable and accounts payable are recorded in the Consolidated Balance Sheets at fair value. Gains or losses due to changes in fair value are recorded as an adjustment to earnings in the Consolidated Statements of Operations.

Stock-Based Compensation The Company recognizes expense for all stock-based compensation with graded vesting on a straight-line basis over the vesting period of the entire award. Stock-based compensation plans are described more fully in Note 16, "Stock-Based Compensation."

Research and Development Research and development costs are charged to expense as incurred and amounted to $35.2 million, $37.9 million and $44.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. Research and development costs include salaries, materials, contractor fees and other administrative costs.

Income Taxes The Company utilizes the liability method to recognize deferred tax assets and liabilities for the expected future income tax consequences of events that have been recognized in the Company's financial statements. Under this method, deferred tax assets and liabilities are determined based on the temporary difference between financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. Valuation allowances are provided for deferred tax assets where it is considered more likely than not that the Company will not realize the benefit of such assets. The Company evaluates its uncertain tax positions as new information becomes available. Tax benefits are recognized to the extent a position is more likely than not to be sustained upon examination by the taxing authority.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Tax Reform Act"). Further information on the tax impacts of the Tax Reform Act is included in Note 13, "Income Taxes."

Earnings Per Share Basic earnings per share is computed by dividing net earnings attributable to Manitowoc by the weighted average number of common shares outstanding during each year or period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding is increased to include shares of restricted stock, performance shares and the number of additional shares that would have been outstanding if stock options were exercised and the proceeds from such exercise were used to acquire shares of common stock at the average market price during the year or period.

Comprehensive Income (Loss) Comprehensive income (loss) includes, in addition to net earnings, other items that are reported as direct adjustments to Manitowoc stockholders' equity. These items are foreign currency translation adjustments, employee postretirement benefit adjustments and the change in fair value of certain derivative instruments.

Concentration of Credit Risk Credit extended to customers through trade accounts receivable potentially subjects the Company to risk. This risk is limited due to the large number of customers and their dispersion across various industries and many geographical areas. However, a significant amount of the Company's receivables are with distributors and contractors in the construction industry and government agencies. The Company currently does not foresee a significant credit risk associated with these individual groups of receivables but continues to monitor the exposure, if any.

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Recent Accounting Changes and Pronouncements

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-15 “Intangibles – Goodwill and Other – Internal-use Software (Subtopic 250-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract.” The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for annual periods beginning after December 15, 2019. The Company is evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14 “Compensation – Retirement Benefits – Defined Benefit Plans – General (subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans,” which removed disclosures and added disclosures. The standard is effective for annual periods beginning after December 15, 2020 with early adoption permitted. The Company adopted this ASU as of December 31, 2018. The updated disclosures are included in Note 21, “Employee Benefit Plans.”

In June 2018, the FASB issued ASU No. 2018-7 “Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-based Payment Accounting,” which aligns the accounting for nonemployee share-based payments with employee share-based payments under Topic 718. The standard is effective for annual periods beginning after December 15, 2018, including interim periods therein. The adoption of the ASU will not have a material impact on the Company’s consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12 “Targeted Improvements to Accounting for Hedging Activities,” which amends ASC 815, “Derivatives and Hedging.” The purpose of this ASU is to better align a company’s risk management activities and financial reporting for hedging relationships, simplify the hedge accounting requirements, and improve the disclosures of hedging arrangements. The standard is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The adoption of the ASU will not have a material impact on the Company’s consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09 “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting,” to provide clarity and reduce both diversity in practice and cost complexity when applying the guidance in Topic 718 to a change to the terms and conditions of a stock-based payment award. ASU 2017-09 also provides guidance about the types of changes to the terms or conditions of a share-based payment award that require an entity to apply modification accounting in accordance with Topic 718. The standard was effective for annual periods beginning after December 15, 2017, and for interim periods therein. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-08 “Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities,” to shorten the amortization period for the premium to the earliest call date instead of the contractual life of the instrument. This new guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 with early adoption permitted. Entities will be required to apply the new guidance using the modified retrospective method with a cumulative-effect adjustment to retained earnings upon the adoption date. The adoption of this ASU will not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07 “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” This ASU amends ASC 715, “Compensation – Retirement Benefits,” to require employers that present a measure of operating income in their statement of income to include only the service cost component of net periodic pension cost and net periodic postretirement benefit cost in operating expenses (together with other employee compensation costs). The other components of net benefit cost, including amortization of prior service cost/credit and settlement and curtailment effects, are to be included in nonoperating expenses. This ASU also allows only the service cost component of net benefit cost to be capitalized (for example, as a cost of inventory). The amendments in this ASU should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets, and is effective for public companies for fiscal years beginning after December 15, 2017. As a result of the adoption of ASU No. 2017-07, the Company reclassified approximately $7.3 million and $10.3 million to other income (expense) – net from engineering, selling, and administrative expense on the Consolidated Statement of Operations for the years ended December 31, 2017 and 2016, respectively.

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In November 2016, the FASB issued ASU No. 2016-18 “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).” The amendments of this ASU address the diversity of presentation of restricted cash by requiring a statement of cash flows to explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 was effective for fiscal years beginning after December 15, 2017. The adoption of ASU No. 2016-18 resulted in a change in certain disclosures within the Consolidated Statement of Cash Flows, including cash flows from investing activities and total cash, cash equivalents and restricted cash.

In October 2016, the FASB issued ASU No. 2016-16 - “Income Taxes (Topic 740): Intra-Entity Transfer of Assets Other than Inventory,” which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. ASU 2016-16 was effective for fiscal years beginning after December 15, 2017. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15 - “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” This Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice and affects all entities required to present a statement of cash flows under Topic 230. This standard was effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. As a result of the adoption of ASU No. 2016-15, the Company reclassified $402.8 million and $453.9 million of operating cash flows to investing cash flows for the years ended December 31, 2017 and 2016, respectively.

In May 2014, the FASB issued ASU No. 2014-09 - “Revenue from Contracts with Customers” (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This was further clarified with technical corrections issued within ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, ASU 2016-20, and ASU 2017-05. The new revenue recognition guidance was issued to provide a single, comprehensive revenue recognition model for all contracts with customers. Under the new guidance, an entity will recognize revenue to depict the transfer of promised goods or a service to a customer at an amount that the entity expects to be entitled to in exchange for those goods or services. A five-step model was introduced for an entity to apply when recognizing revenue. The new guidance also included enhanced disclosure requirements and was effective January 1, 2018. Entities had the option to apply the new guidance under a retrospective approach to each prior reporting period presented, or a modified retrospective approach with the cumulative effect of initially applying the new guidance recognized at the date of initial application within the Consolidated Statement of Changes in Stockholder's Equity. The Company has adopted the new guidance effective January 1, 2018 utilizing the modified retrospective approach. Refer to Note 3, “Revenues” for further details.

In February 2016, the FASB issued ASU 2016-02 - “Leases”, which is intended to improve financial reporting on leasing transactions. This was further clarified with technical corrections issued within ASU 2018-10 and ASU 2018-11. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by lease terms of more than 12 months. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is adopting this guidance effective January 1, 2019 using the modified retrospective approach. The adoption of this ASU will not have a material impact on the Company’s Consolidated Statement of Operations and Consolidated Statement of Cash Flows. The adoption of this ASU will result in an approximate $49.0 million to $53.0 million increase in right of use assets, $10.0 million to $13.0 million increase in short-term lease obligations and $38.0 million to $41.0 million increase in long-term lease obligations on the Consolidated Balance Sheet as it relates to operating leases. However, this estimated range is subject to change as the Company finalizes its implementation. As part of the adoption of this accounting standard, the Company plans to use the package of practical expedients which does not require the Company to reassess the lease classification for any expired or existing leases upon adoption of the standard. The Company will implement enhanced internal controls and a software solution to comply with the requirements of the standard.

3. Revenues

Adoption of Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers”

On January 1, 2018, the Company adopted ASC Topic 606, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic accounting under ASC Topic 605.

The majority of the Company’s sales revenue continues to be recognized when products are shipped from the Company’s manufacturing facilities. Additional information related to the Company’s “Performance Obligations” are listed below.

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As a result of the adoption of ASC Topic 606, no cumulative catch up adjustment to retained earnings was recorded as of January 1, 2018.

Significant Accounting Policy

Revenue is recognized when obligations under the terms of a contract with the Company's customer are satisfied; generally this occurs with the transfer of control of the Company's cranes, or parts, or completion of performance of services. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company recognizes revenue for extended warranties beyond the base warranties over the life of the contract.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, and are collected by the Company from a customer, are excluded from revenue.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are categorized as a fulfillment cost and are included in cost of sales on the Condensed Consolidated Statement of Operations.

Performance Obligations

The following is a description of principle activities from which the Company generates revenue. Disaggregation of the Company's revenue sources are disclosed in Note 17, "Segments."

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, however the variable consideration is not material to the overall contract with the customer. 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. 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. Refer to Note 19, “Guarantees” for additional information.

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.

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Other Revenues

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

- Repair and field service work; and
- 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.

Customer Advances

The Company records deferred revenue when cash payments are received or due in advance of performance, including amounts which are refundable. The table below shows the change in the customer advances balance for the year ended December 31, 2018 which is included in current liabilities in the Consolidated Balance Sheet.

	Customer Advances Balance as of January 1, 2018	Cash Received in Advance of Satisfying Performance Obligation	Revenue Recognized	Currency Translation	Customer Advances Balance as of December 31, 2018
Total	$ 12.7	$ 96.5	$ 98.5	$ 1.1	$ 9.6

Practical Expedients and Exemptions

The Company expenses sales commissions when incurred because the amortization period would be one year or less. These costs are recorded within engineering, selling and administrative expenses in the Consolidated Statement of Operations.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount to which it has the right to invoice for services performed.

4. Discontinued Operations

On March 4, 2016, Manitowoc completed the Spin-Off. The financial results of MFS are presented as loss from discontinued operations, net of income taxes in the Consolidated Statements of Operations. Concurrent with the Spin-Off, the Company received a $1,361.7 million dividend from MFS. The following table presents the financial results of MFS through the date of the Spin-Off for the indicated period and do not include corporate overhead allocations:

Major classes of line items constituting earnings from discontinued operations before income taxes related to MFS

	2016
Net sales	$219.6
Cost of sales	141.5
Engineering, selling and administrative expenses	48.3
Amortization of intangible assets	5.2
Asset impairment expense	—
Restructuring expense	0.3
Separation expense	27.7
Other	—
Total operating costs and expenses	223.0
Operating loss	(3.4)
Other expense	(2.2)
Loss from discontinued operations before income taxes	(5.6)
Provision for income taxes	0.6
Loss from discontinued operations, net of income taxes (1)	$(6.2)

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(1) For the year ended December 31, 2016, the Company recorded net losses of $(1.0) million from various other businesses disposed of prior to 2014. This is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the businesses operated as stand-alone entities.

No assets or liabilities of MFS are reflected on the Company's Consolidated Balance Sheet as of December 31, 2018 and 2017.

Costs recorded by the Company during the twelve months ended December 31, 2018 and 2017 related to the Spin-Off were not material. During the twelve months ended December 31, 2016, the Company recorded $27.7 million of costs related to the Spin-Off. These costs consisted primarily of professional and consulting fees and were included in the results of discontinued operations.

5. Fair Value of Financial Instruments

The following tables set forth the Company’s financial assets and liabilities that were accounted for at fair value as of December 31, 2018 by level within the fair value hierarchy. At December 31, 2017, there was an immaterial amount of financial assets and liabilities that were accounted for at fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Current Assets:				
Foreign currency exchange contracts	$—	$ 0.1	$ —	$ 0.1
Current Liabilities:				
Foreign currency exchange contracts	$—	$ 1.8	$ —	$ 1.8

The fair value of the Company’s 12.750% senior secured second lien notes due 2021 (the “2021 Notes”) was approximately $278.1 million and $297.3 million as of December 31, 2018 and 2017, respectively.

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

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

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company estimates fair value of its 2021 Notes based on quoted market prices of the instruments;

because these markets are typically thinly traded, the liabilities are classified as Level 2 within the valuation hierarchy. The carrying values of cash and cash equivalents, accounts receivable, accounts payable, deferred purchase price notes on receivables sold (see Note 12, “Accounts Receivable Securitization”) and short-term variable debt, including any amounts outstanding under our revolving credit facility, approximate fair value, without being discounted as of December 31, 2018 and 2017 due to the short-term nature of these instruments.

As a result of the Company’s global operating and financing activities, the Company is exposed to market risks from changes in interest rates, foreign currency exchange rates, and commodity prices, which may adversely affect its operating results and financial position. When deemed appropriate, the Company minimizes these risks through the use of derivative financial instruments. Derivative financial instruments are used to manage risk and are not used for trading or other speculative purposes, and the Company does not use leveraged derivative financial instruments. The foreign currency exchange, interest rate, and commodity contracts are valued through an independent valuation source which uses an industry standard data provider, with resulting valuations periodically validated through third-party or counterparty quotes. As such, these derivative instruments are classified within Level 2.

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6. Inventories

The components of inventories at December 31, 2018 and December 31, 2017 are summarized as follows:

	2018	2017
Raw materials	$159.2	$122.0
Work-in-process	102.0	98.9
Finished goods	248.0	227.7
Total inventories — gross	509.2	448.5
Excess and obsolete inventory reserve	(56.1)	(47.9)
Net inventories	$453.1	$400.6

7. Notes Receivable

The Company has notes receivable balances that are classified as current or long-term based on the timing of the amounts due. Long-term notes receivable are included within other non-current assets on the Consolidated Balance Sheet. Current and long-term notes receivable balances primarily relate to the Company's captive finance entity in China. The Company also has a long-term note receivable balance related to the 2014 sale of Manitowoc Dong Yue. During 2018, the Company recorded $3.6 million related to the write down of the note with Manitowoc Dong Yue to the anticipated collection amount based on current expectations. As of December 31, 2018, the Company had current and long-term notes receivable in the amount of $19.4 million and $17.0 million, respectively. As of December 31, 2017, the Company had current and long-term notes receivable in the amount of $31.1 million and $27.4 million, respectively.

8. Property, Plant and Equipment

The components of property, plant and equipment at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Land	$24.1	$25.4
Building and improvements	195.3	$196.4
Machinery, equipment and tooling	269.4	$263.6
Furniture and fixtures	16.4	$15.6
Computer hardware and software	117.1	$114.4
Rental cranes	84.0	$90.2
Construction in progress	9.6	$17.3
Total cost	715.9	722.9
Less accumulated depreciation	(427.0)	(419.2)
Property, plant and equipment-net	$288.9	$303.7

In the years ended December 31, 2018 and 2017, the Company recorded $0.4 million and $0.1 million in asset impairment charges, respectively.

Assets Held for Sale

The Company has classified the Manitowoc, Wisconsin manufacturing building as held for sale on the Consolidated Balance Sheet for the year ended December 31, 2018. The Company classified the Manitowoc, Wisconsin manufacturing building and Corporate headquarters as held for sale on the Consolidated Balance Sheet for the year ended December 31, 2017. The net book value of assets held for sale were $12.9 million and $16.2 million as of December 31, 2018 and 2017, respectively, and are included in other current assets on the balance sheet. The decrease in assets held for sale is related to the sale of the Corporate headquarters during 2018.

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These assets were carried at the lesser of the original cost or fair value, less the estimated costs to sell. The fair values were determined by the Company to be Level 3 (see Note 5, “Fair Value of Financial Instruments,” for the definition of Level 3 inputs) under the fair value hierarchy and were estimated based on broker quotes and internal expertise related to current marketplace conditions.

9. Goodwill and Other Intangible Assets

The changes in carrying amount of goodwill for the years ended December 31, 2018 and 2017 are as follows:

	Cranes	Americas	Europe and Africa ("EURAF")	Middle East and Asia Pacific ("MEAP")
Net balance as of January 1, 2017	$299.6	$ —	$ —	$ —
Foreign currency impact	16.5	—	—	—
Reallocation of goodwill at October 31, 2017	(316.1)	166.5	81.5	68.1
Foreign currency impact	—	—	4.4	0.8
Net balance as of December 31, 2017	—	166.5	85.9	68.9
Foreign currency impact	—	—	(3.7)	(2.6)
Goodwill impairment - October 31, 2018	—	—	(82.2)	—
Net balance as of December 31, 2018	$—	$ 166.5	$ —	$ 66.3

The Company accounts for goodwill and other intangible assets under the guidance of ASC Topic 350, “Intangibles — Goodwill and Other.” The Company performs impairment reviews for goodwill and indefinite-lived intangible assets using a fair-value method based on the present value of future cash flows, which involves management’s judgments and assumptions about the amounts of those cash flows and the discount rates used. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill, or indefinite-lived intangible asset. The intangible asset is then subject to risk of write-down to the extent that the carrying amount exceeds the estimated fair value.

The annual goodwill and indefinite-lived assets impairment testing was performed during the fourth quarter. Based on the results of that test, the EURAF reporting unit recorded a non-cash goodwill impairment charge of $82.2 million. 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 Company will continue to monitor changes in circumstances and test more frequently if those changes indicate that assets might be impaired.

A considerable amount of management judgment and assumptions are required in performing the impairment tests as it relates to revenue growth rates, projected operating income, discount rates and royalty rates. While the Company believes the judgments and assumptions are reasonable, different assumptions could change the estimated fair value and, therefore, additional impairment charges could be required. Weakening industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in the use of the assets or in entity structure may adversely impact the assumptions used in the valuations. The Company continually monitors market conditions and determines if any additional interim reviews of goodwill, other intangibles or long-lived assets are warranted. In the event the Company determines that assets are impaired in the future, the Company would recognize a non-cash impairment charge, which could have a material adverse effect on the Company's Consolidated Balance Sheets and Results of Operations.

The gross carrying amount and accumulated amortization of the Company's intangible assets other than goodwill are as follows as of December 31, 2018 and 2017.

	December 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization Amount	Net Book Value	Gross Carrying Amount	Accumulated Amortization Amount	Net Book Value
Trademarks and tradenames	$96.7	$ —	$96.7	$99.7	$ —	$99.7
Customer relationships	10.1	(8.4)	1.7	10.7	(8.7)	2.0
Patents	29.8	(29.0)	0.8	30.6	(29.7)	0.9
Engineering drawings	10.5	(10.5)	—	10.8	(10.7)	0.1
Distribution network	19.0	(0.1)	18.9	19.5	(0.1)	19.4
Net balance	$166.1	$ (48.0)	$118.1	$171.3	$ (49.2)	$122.1

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Amortization of intangible assets for the years ended December 31, 2018, 2017 and 2016 was $0.3 million, $0.8 million and $3.0 million, respectively. Excluding the impact of any future acquisitions, divestitures or impairments, the Company anticipates amortization will be approximately $0.3 million per year through 2022.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Trade accounts payable	$249.2	$204.9
Employee-related expenses	59.5	59.7
Accrued vacation	24.3	23.8
Miscellaneous accrued expenses	92.2	87.4
Total accounts payable and accrued expenses	$425.2	$375.8

11. Debt

Outstanding debt at December 31, 2018 and 2017 is summarized as follows:

	2018	2017
Revolving credit facility	$—	$—
Senior notes due 2021	254.2	251.9
Other	21.2	26.1
Deferred financing costs	(2.3)	(3.1)
Total debt	273.1	274.9
Less current portion and short-term borrowings	(6.4)	(8.2)
Long-term debt	$266.7	$266.7

The balance sheet values of the 2021 Notes as of December 31, 2018 and 2017 are not equal to the face value of the 2021 Notes, $260.0 million, because of original issue discounts (“OID”) included in the applicable balance sheet values.

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

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 capacity calculation is defined in the Agreement and dependent on the fair value of inventory and fixed assets of the loan parties, which secure the borrowings. The ABL Revolving Credit Facility has a term of 5 years, and includes a $75.0 million Letter of Credit sublimit, $10.0 million of which can be applied to the German borrower.

As of December 31, 2018, the Company did not have an outstanding balance 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 offer 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 U.S. 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 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 and acquisitions.

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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 credit agreement, to (ii) fixed charges, as defined in the related credit agreement. The financial covenant is triggered only if the Company fails to maintain minimum levels of availability under the credit facility. If triggered, the Company must maintain a Minimum Fixed Charge Coverage Ratio of 1.00 to 1.

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 due to $5.8 million of OID and $2.3 million of deferred financing costs.

As of December 31, 2018, the Company was in compliance with all affirmative and negative covenants in its debt instruments, inclusive of the financial covenants pertaining to the ABL Revolving Credit Facility and 2021 Notes. Based upon management's current plans and outlook, the Company believes it will be able to comply with these covenants during the subsequent twelve months.

12. Accounts Receivable Securitization and Other Factoring 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 ASC Topic 860, "Transfers and Servicing."

On March 3, 2016, the Company 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), the Company's 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.

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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. The Company acts 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.

Trade accounts receivables sold to the Purchaser and being serviced by the Company totaled $863.5 million and $691.0 million as of December 31, 2018 and 2017, respectively. Cash proceeds received from customers related to the receivables previously sold for the years ended December 31, 2018 and 2017 were $781.6 million and $609.8 million, respectively.

Sales of trade receivables under the program reflected as a reduction of accounts receivable in the accompanying Consolidated Balance Sheets were $75.0 million and $31.8 million as of December 31, 2018 and 2017, respectively. The proceeds received, including collections on the deferred purchase price notes, are included in cash flows from operating activities in the accompanying Consolidated Statements of Cash Flows. The Company deems the interest rate risk related to the deferred purchase price notes to be de minimis, primarily because the average collection cycle of the related receivables is less than 60 days; and as such, the fair value of the Company’s deferred purchase price notes approximates book value. The fair value of the deferred purchase price notes recorded as of December 31, 2018 and December 31, 2017 was $71.5 million and $60.6 million, respectively, and is included in accounts receivable in the accompanying Consolidated Balance Sheets. For the years ended December 31, 2018, 2017 and 2016 non-cash investing activities related to the increase in the deferred purchase price was $594.2 million, $538.1 million and $490.9 million, respectively.

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 per 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.

The Company has two non-U.S. accounts receivable financing programs. Under these financing programs, the Company sold €215.7 million of receivables and received €215.7 million of cash on the sold receivables. The maximum availability under these programs is €45 million.

13. Income Taxes

Income (loss) from continuing operations before income taxes for the years ended December 31, 2018, 2017 and 2016 is summarized as follows:

	2018	2017	2016
Income (loss) from continuing operations before income taxes:			

Domestic	$(76.4)	$(98.5)	$(293.0)
Foreign	4.7	59.0	24.9
Total	$(71.7)	$(39.5)	$(268.1)

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Income tax provision (benefit) from continuing operations for the years ended December 31, 2018, 2017 and 2016 is summarized as follows:

	2018	2017	2016
Current:			
Federal and state	$(7.3)	$(12.8)	$(13.0)
Foreign	13.6	7.4	12.1
Total current	$6.3	$(5.4)	$(0.9)
Deferred:			
Federal and state	$(6.2)	$(7.0)	$98.7
Foreign	(4.9)	(37.1)	2.7
Total deferred	$(11.1)	$(44.1)	$101.4
Income tax provision (benefit) from continuing operations	$(4.8)	$(49.5)	$100.5

The federal statutory income tax rate is reconciled to the Company's effective income tax rate for continuing operations for the years ended December 31, 2018, 2017 and 2016 as follows:

	2018	2017	2016
Federal income tax at statutory rate	21.0 %	35.0 %	35.0 %
State income tax provision	4.3	16.3	2.3
Manufacturing & research incentives	2.4	7.9	2.0
Taxes on foreign income which differ from the U.S. statutory rate	(3.2)	41.5	2.4
Adjustments for unrecognized tax benefits	9.6	0.5	(4.0)
Adjustments for valuation allowances	(1.8)	287.7	(69.8)
Spin-off tax costs	—	—	(1.3)
U.S. Tax Reform	2.5	(228.3)	—
Goodwill impairment	(24.6)	—	—
Other items	(3.6)	(35.4)	(4.1)
Effective tax rate	6.6 %	125.2 %	(37.5)%

On December 22, 2017, the President of the United States signed into law the Tax Reform Act. This legislation significantly changed 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 Tax Reform Act provided for a one-time deemed mandatory repatriation of post-1986 undistributed foreign subsidiary earnings and profits ("E&P") through the year ended December 31, 2017. For the year ended December 31, 2017, we were able to reasonably estimate the Transition Tax and recorded a provisional $54.0 million of federal and state income tax expense for this item, with no cash tax or income statement impact due to utilization of net operating losses. On the basis of revised E&P computations that were completed during 2018, the Company recognized an additional measurement-period adjustment of $3.2 million to the Transition Tax obligation, with no cash tax or income statement impact due to net operating loss utilization. Because of the reduced U.S. corporate income tax rate, the Company had remeasured its net operating losses, as part of its provisional Tax Reform accounting. Due to the utilization, the remeasurement was reversed and resulted in a $11.7 million tax benefit during 2018. The Transition Tax, which has now been determined to be complete, resulted in recording a total Transition Tax obligation of $57.2 million, however there was no U.S. cash tax impact due to net operating loss utilization. Because of offsetting changes in the valuation allowance against net operating losses, the effect of the measurement-period adjustment on the 2018 effective tax rate was 0 percent. On January 15, 2019, the U.S. Treasury released final regulations under amended Internal Revenue Code Section 965. The Company will account for the effects of the new regulations in the first quarter of 2019, the period in which the regulations were issued. However, based on our assessment, no material change will result from application of the new regulations.

On December 22, 2017, 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 provisional federal and state tax impacts related to deemed repatriated earnings and the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The Company has also completed analysis related to its historical assertion that all foreign earnings are permanently reinvested (see further details below). The ultimate impact differed from these provisional amounts, due to, among other things, additional analysis, changes in interpretations and assumptions the Company made, additional regulatory guidance issued, and actions the Company took as a result of the Tax Reform Act. The accounting was completed in the fourth quarter of 2018.

Beginning in 2018, the Tax Reform Act includes two new U.S. corporate tax provisions, the global intangible low-taxed income ("GILTI") and the base-erosion and anti-abuse tax ("BEAT") provisions. The GILTI provision requires the Company to include in its U.S. income tax return non-U.S. subsidiary earnings in excess of an allowable return on the non-U.S. subsidiary's tangible assets. The Company has elected to treat GILTI as a period cost. The BEAT provision in the Tax Reform Act eliminates the deduction of certain base-erosion payments made to related non-U.S. corporations, and imposes a minimum tax if the amount is greater than the regular tax. The Company evaluated the GILTI and BEAT provisions, resulting in a financial statement impact of $0.0 and $0.4 million, respectively, for the year ended December 31, 2018. While GILTI resulted in an inclusion of $30.4 million, because of the Company's net operating losses and valuation allowance, there was no net financial statement impact.

The 2018 effective tax rates were favorably impacted by income earned in jurisdictions where the statutory rate was less than the federal income tax rate of 21%. The 2017 and 2016 effective tax rates were favorably impacted by income earned in jurisdictions where the statutory rate was less than the federal income tax rate of 35%. The rate reconciling items included above, when adjusted for actual dollar values, are consistent with prior year. The percentage impacts are higher in 2017 due to the lower consolidated pretax loss.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. Due to the Spin-Off that occurred in the first quarter of 2016, management reevaluated the deferred tax assets related to the U.S. crane operations and determined that it was more likely than not that deferred tax assets related to its U.S. crane operations were not realizable and the Company recorded a valuation allowance.

The Company has recorded valuation allowances on the deferred tax assets in Brazil, China Leasing, Germany, India, Netherland Antilles, U.K., and the U.S. as it is more likely than not that they will not be utilized. Also during 2018, the Company partially released the valuation allowance in the U.K. resulting in a $12.3 million tax benefit. The 2018 tax provision was impacted by a net increase of $1.3 million primarily related to additional valuation allowances recorded in the U.S., partially offset by the U.K. valuation allowance release noted above.

The Company will continue to periodically evaluate its valuation allowance requirements in light of changing facts and circumstances and may adjust its deferred tax asset valuation allowances accordingly. It is reasonably possible that the Company will either add to, or reverse a portion of its existing deferred tax asset valuation allowances in the future. Such changes in the deferred tax asset valuation allowances will be reflected in the current operations through the Company's income tax provision and could have a material effect on operating results.

For 2018, the only significant item included in Other items was the $1.7 million of deferred taxes related to the update of the Company's permanent reinvestment of foreign earnings assertion (discussed further below). For 2017, the only significant item included in Other items was the IRS audit resolution. For 2016, the only significant item included in Other items was the net operating loss

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Temporary differences and carryforwards that give rise to deferred tax assets and liabilities include the following items:

	2018	2017
Non-current deferred income tax assets (liabilities):		
Inventories	$22.7	$16.5
Accounts receivable	(4.2)	(5.4)
Property, plant and equipment	(14.0)	(9.7)
Intangible assets	(34.8)	(33.8)
Deferred employee benefits	40.7	47.3
Product warranty reserves	6.6	5.5
Product liability reserves	4.0	5.0
Tax credits	7.1	6.7
Loss and other tax attribute carryforwards	137.8	159.2
Deferred revenue	5.1	7.4
Transition tax	—	(26.2)
Other	4.2	2.2
Total non-current deferred income tax assets	175.2	174.7
Less valuation allowance	(153.1)	(162.3)
Net deferred income tax assets, non-current	$22.1	$12.4

The net deferred tax assets are reflected in the Consolidated Balance Sheets for the years ended December 31, 2018 and 2017 as follows:

	2018	2017
Long-term income tax assets, included in other non-current assets	$27.8	$25.4
Long-term deferred income tax liability	(5.7)	(13.0)
Net deferred income tax asset	$22.1	$12.4

With the enactment of 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-United States subsidiaries that may be remitted to the United States. We have approximately $357.0 million of additional unremitted earnings of non-United States subsidiaries for which we have not currently provided deferred taxes. These earnings, if repatriated to the U.S., would not result in a material tax expense. As of December 31, 2017, the Company did not record a deferred tax liability related to its non-United States earnings that could have been remitted. Because of immateriality, the associated deferred tax liability is included with other items on the schedule of temporary differences and carryforwards above.

The Company has approximately $67.4 million of U.S. federal loss carryforwards, which are available to reduce future U.S. federal tax liabilities. $45.2 million of the federal net operating loss carryforwards expire in 2036; the remaining $22.2 million is not subject to any time restrictions for future use. However, utilization of these indefinite lived loss carryforwards is annually limited to 80% of adjusted taxable income. In addition, the Company has approximately $35.8 million of interest expense carryforwards that is also not subject to any time restrictions for future use. The utilization of the interest expense carryforwards is annually limited to 30% of adjusted taxable income. All of the U.S. loss carryforwards are offset by a valuation allowance.

The Company has approximately $692.3 million of U.S. state net operating loss carryforwards, which are available to reduce future U.S. state tax liabilities. These U.S. state net operating loss carryforwards expire at various times through 2038. The Company has recorded a full valuation allowance related to the U.S. state net operating losses.

The Company has approximately $329.2 million of non-U.S. loss carryforwards, which are available to reduce future non-U.S. tax liabilities. Substantially all of the non-U.S. loss carryforwards are not subject to any time restrictions on their future use, and $146.8 million are offset by a valuation allowance.

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The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, U.S. state and non-U.S. jurisdictions. The following table provides the open tax years for which the Company could be subject to income tax examination by the tax authorities in its major jurisdictions:

Jurisdiction	Open Years
U.S. Federal	2015 — 2018
China	2008 — 2018
France	2015 — 2018
Germany	2011 — 2018

Among other regular and ongoing examinations by U.S. federal, U.S. state and non- U.S. jurisdictions globally, the Company closed the audit with French tax authorities for calendar years 2013 to 2016. The statute is still open for 2015 and 2016; however, no adjustments are anticipated. There have been no significant developments with respect to the Company's ongoing tax audits in other jurisdictions.

The Company regularly assesses the likelihood of an adverse outcome resulting from examinations to determine the adequacy of its tax reserves. As of December 31, 2018, the Company believes that it is more likely than not that the tax positions it has taken will be sustained upon the resolution of its audits resulting in no material impact on its consolidated financial position and the results of operations and cashflows. However, the final determination with respect to any tax audits, and any related litigation, could be materially different from the Company's estimates and/or from its historical income tax provisions and accruals and could have a material effect on operating results and/or cashflows 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.

During the years ended December 31, 2018, 2017 and 2016, the Company recorded a change to gross unrecognized tax expense (benefits) including interest and penalties of $(7.6) million, $(1.7) million, and $4.9 million, respectively.

During the years ended December 31, 2018, 2017 and 2016, the Company recognized in the Consolidated Statements of Operations $(1.0) million, $0.3 million, and $2.8 million, respectively, for interest and penalties related to uncertain tax liabilities, which the Company recognizes as a part of income tax expense (benefit). As of December 31, 2018 and 2017, the Company has accrued interest and penalties of $6.7 million and $7.7 million, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Balance at beginning of year	$19.5	$21.5	$19.4
Additions based on tax positions related to the current year	0.3	0.9	1.1
Additions for tax positions of prior years	0.5	4.9	5.0
Reductions for tax positions of prior years	(1.7)	(0.5)	(3.6)

Reductions based on settlements with taxing authorities	(0.6)	(6.7)	—
Reductions for lapse of statute	(5.2)	(0.6)	(0.4)
Balance at end of year	$12.8	$19.5	$21.5

Approximately $7.2 million, $13.1 million, and $14.6 million of the Company's unrecognized tax benefits as of December 31, 2018, 2017, and 2016, respectively, would affect the effective tax rate. Note certain prior period numbers were reclassified to conform to current year presentation.

During the next twelve months, it is reasonably possible that federal, state and foreign tax audit resolutions could reduce unrecognized tax benefits by up to $8.4 million, either because the Company's tax positions are sustained on audit or settled, or the applicable statute of limitations closes.

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The Company has a Tax Matters Agreement with MFS whereby MFS shall be liable for and shall indemnify the Company against certain U.S. (including states) and foreign income taxes resulting from tax obligations arising due to operations reported on a separate company basis prior to March 4, 2016, where MFS has retained the legal entity post Spin-Off. In addition, the Company is liable for and shall indemnify MFS against certain U.S. (including states) and non-U.S. income taxes arising due to operations prior to March 4, 2016, where such taxes result from combined filings (i.e., when the legal entities of the Company filed as a combined group with legal entities of MFS prior to the Spin-Off) or relate to operations where the Company has retained the legal entity post separation.

14. Earnings Per Share

Basic earnings (loss) per share is computed as net income (loss) divided by the basic weighted average common shares outstanding of 35.5 million, 35.1 million and 34.4 million for the year ended December 31, 2018, 2017 and 2016, respectively. The calculation of diluted earnings (loss) per share includes the effect of any dilutive equity incentive instruments. The Company uses the treasury stock method to calculate the effect of outstanding dilutive equity incentive instruments, which requires the Company to compute total proceeds as the sum of the amount the employee must pay upon exercise of the award and the amount of unearned stock-based compensation costs attributable to future services.

Equity incentive instruments for which the total employee proceeds from exercise exceed the average fair value of the same equity incentive instrument over the period have an anti-dilutive effect on earnings per share during periods with net earnings, and accordingly, the Company excludes them from the calculation. Anti-dilutive equity instruments of approximately 36,300 common shares were excluded from the computation of diluted net earnings per share for the year ended December 31, 2017. Due to the net loss during the years ended December 31, 2018 and 2016, the assumed exercise of all equity incentive instruments was anti-dilutive and, therefore, not included in the diluted loss per share calculation for these periods.

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

	2018	2017	2016
Basic weighted average common shares outstanding	35,513,162	35,111,594	34,441,777
Effect of dilutive securities - stock awards	—	743,308	—
Diluted weighted average common shares outstanding	35,513,162	35,854,902	34,441,777

15. Equity

Authorized capitalization consists of 75 million shares of $0.01 par value common stock and 3,500,000 shares of $0.01 par value preferred stock. None of the preferred shares have been issued.

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 2021 Notes and the Company’s ABL Revolving Credit Facility. No cash dividends were declared or paid in the years ended December 31, 2018, 2017, and 2016.

The components of accumulated other comprehensive income (loss) as of December 31, 2018 and 2017 are as follows:

	2018	2017
Foreign currency translation	$(80.1)	$(52.4)
Derivative instrument fair market value, net of income taxes of $0.0 and $(0.3)	(0.3)	0.1
Employee pension and postretirement benefit adjustments, net of income taxes of $(13.5) and $(14.9)	(36.2)	(45.1)
Total accumulated other comprehensive loss	$(116.6)	$(97.4)

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A reconciliation of the changes in accumulated other comprehensive loss, net of tax, by component for the years ended December 31, 2017 and 2018 is as follows:

	Gains and Losses on Cash Flow Hedges	Pension & Postretirement	Foreign Currency Translation	Total
Balance at December 31, 2016	$ (0.3)	$ (51.8)	$ (110.8)	$(162.9)
Other comprehensive income (loss) before reclassifications	(0.3)	7.0	58.4	65.1
Amounts reclassified from accumulated other comprehensive income (loss)	0.7	(0.3)	—	0.4
Net current period other comprehensive income	0.4	6.7	58.4	65.5
Balance at December 31, 2017	0.1	(45.1)	(52.4)	(97.4)
Other comprehensive income (loss) before reclassifications	(5.4)	3.5	(27.7)	(29.6)
Amounts reclassified from accumulated other comprehensive income	5.0	5.4	—	10.4
Net current period other comprehensive income (loss)	(0.4)	8.9	(27.7)	(19.2)
Balance at December 31, 2018	$ (0.3)	$ (36.2)	$ (80.1)	$(116.6)

A reconciliation for the reclassifications out of accumulated other comprehensive loss, net of tax, for the years ended December 31, 2018, 2017 and 2016 are as follows:

	Amount Reclassified from Accumulated Other Comprehensive Income			Recognized
	2018	2017	2016	Location
Gains and losses on cash flow hedges				
Foreign exchange contracts	$(5.0)	$(0.7)	$(0.9)	Cost of sales
Commodity contracts	—	—	(0.2)	Cost of sales
Interest rate swap contracts: Float-to-fixed	—	—	(4.3)	Interest expense
Total before income taxes	(5.0)	(0.7)	(5.4)	

Income tax benefit	—	—	1.1		
Total, net of income taxes	$(5.0)	$(0.7)	$(4.3)		
Amortization of pension and postretirement items					
Actuarial losses	$(5.0)	$(5.2)	$(4.6)	(a)	Other expense - net
Amortization of prior service cost	2.7	1.3	(0.1)	(a)	Other expense - net
Pension settlement charge	(4.5)	—	—	(a)	Other expense - net
Total before income taxes	(6.8)	(3.9)	(4.7)		
Income tax benefit	1.4	4.2	0.2		
Total, net of income taxes	$(5.4)	$0.3	$(4.5)		
Total reclassifications for the period, net of income taxes	$(10.4)	$(0.4)	$(8.8)		

(a) These accumulated other comprehensive loss components are components of net periodic pension cost (see Note 21, “Employee Benefit Plans,” for further details).

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16. Stock-Based Compensation

The Company’s 2013 Omnibus Incentive Plan (the “2013 Omnibus Plan”) was approved by shareholders on May 7, 2013 and replaced the 2003 Incentive Stock and Awards Plan (the “2003 Stock Plan”). The 2013 Omnibus Plan also replaced the Company’s Short-Term Incentive Plan (the “STIP”) as of December 31, 2013. The 2003 Stock Plan and the STIP are referred to cumulatively as the “Prior Plans.” No new awards may be granted under the Prior Plans after the respective termination dates, but the Prior Plans continue to govern awards outstanding issued thereunder; outstanding awards will continue in force and effect until vested, exercised or forfeited pursuant to their terms. The 2013 Omnibus Plan provides for both short-term and long-term incentive awards for employees and non-employee directors. Stock-based awards may take the form of stock options, stock appreciation rights, restricted stock, restricted stock units, and performance share or performance unit awards. Following amendments to the 2013 Omnibus Plan to reflect the effect of the Spin-Off and the November 2017 1-for-4 reverse stock split, the total number of shares of the Company’s common stock available for awards under the 2013 Omnibus Plan is 7,477,395 shares.

The 2013 Omnibus Plan provides for, and the 2003 Stock Plan provided for, both short-term and long-term incentive awards for employees, and the 2013 Omnibus Plan also provides for granting of long-term incentive awards for non-employee members of the Board of Directors. Options granted prior to 2011 are all exercisable and expire ten years subsequent to the grant date. Option grants to employees beginning in 2011 became 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. Beginning in 2017, grants to officers and directors are exercisable in three annual increments over a three-year period beginning on the first anniversary of the grant date and expire 10 years subsequent to the grant date. Restrictions on restricted stock awards and restricted stock units granted to employees lapse 100% on the third anniversary of the grant date. Restrictions on restricted stock units granted to non-employee members of the Board of Directors lapse 100% on the second anniversary of the grant date. Beginning in 2018, restrictions on restricted stock units granted to non-employee members of the Board of Directors lapse 100% on the grant date. Performance shares are earned based on the extent to which performance goals are met over the applicable performance period. The performance goals and the applicable performance period vary for each grant year. An explanation of the performance goals and the applicable performance period for the 2018, 2017 and 2016 awards are set forth below.

The Company recognizes expense for all stock-based compensation on a straight-line basis over the vesting period of the entire award.

Total stock-based compensation expense recognized within engineering, selling and administrative expenses in the Consolidated Statements of Operations was $7.5 million, $6.3 million and $4.9 million during 2018, 2017 and 2016, respectively. In 2018, the Company also recognized $0.7 million of expense before income tax related to the modification of stock awards associated with employee severance which is included in “restructuring expense” within operating earnings in the Consolidated Statements of Operations. In 2017, the Company also recognized $0.1 million of expense before income tax related to restricted stock retention awards and modification of performance awards due to the Spin-Off, and $0.6 million of expense before income tax related to the modification of stock awards associated with employee severance; these expenses are included in “other expense” and “restructuring expense,” respectively, within operating earnings in the Consolidated Statements of Operations In 2016, the Company also recognized $2.8 million of expense before income tax related to restricted stock retention awards and modification of performance awards due to the Spin-Off, and $1.3 million of expense before income tax related to the modification of stock awards associated with employee severance; these expenses are included in “other expense” and “restructuring expense,” respectively, within operating earnings in the Consolidated Statements of Operations. The Company recognized stock-based compensation expense before tax of $0.0 million, $0.0 million and $0.3 million during 2018, 2017 and 2016, respectively, related to MFS which is included in “(loss) income from discontinued operations” in the Consolidated Statements of Operations.

Shares are issued out of treasury stock upon exercise for stock options and vesting of restricted stock awards and restricted stock units.

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Stock Options

Any option grants to directors are exercisable immediately upon granting and expire ten years subsequent to the grant date. Prior to 2017, unvested stock option grants to officers and directors become exercisable in 25% increments annually over a four-year period beginning on the first anniversary of the grant date and expire ten years subsequent to the grant date. Beginning in 2017, grants to officers and directors are exercisable in three annual increments over a three-year period beginning on the first anniversary of the date and expire 10 years subsequent to the grant date.

The Company granted options to acquire 187,484, 273,800 and 439,741 shares of common stock during 2018, 2017 and 2016, respectively. Stock-based compensation expense is calculated by estimating the fair value of incentive and non-qualified stock options at the time of grant and is amortized over the stock options' vesting period. The Company recognized $2.4 million, $1.9 million and $1.8 million of expense before income taxes associated with stock options during 2018, 2017 and 2016, respectively.

A summary of the Company's stock option activity is as follows:

	Shares	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value
Options outstanding as of January 1, 2017	966,060	$ 17.78	
Granted	273,800	25.68	
Exercised	(258,699)	19.86	
Forfeited	(80,727)	20.45	
Cancelled	(24,287)	26.98	
Options outstanding as of December 31, 2017	876,147	19.13	
Granted	187,484	32.31	
Exercised	(96,125)	19.81	
Forfeited	(5,215)	25.44	
Cancelled	(5,931)	24.36	
Options outstanding as of December 31, 2018	956,360	$ 21.57	$ 0.6
Options exercisable as of:			
December 31, 2018	511,899	$ 17.98	$ 0.6

The Company uses the Black-Scholes valuation model to value stock options. The Company used its historical stock prices as the basis for its volatility assumption for grants prior to the Spin-Off. For grants after the Spin-Off, the Company used an average of historical stock prices of selected peers. 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 is based on historical experience.

The weighted average fair value of options granted per share during the years ended December 31, 2018, 2017 and 2016 was $15.66, $12.16 and $8.20, 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:

	2018	2017	2016
Expected Life (years)	6.5	6.5	6.5
Risk-free Interest rate	2.8 %	2.2 %	1.6 %
Expected volatility	43.7%	45.0%	45.0%
Expected dividend yield	— %	— %	— %

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As of December 31, 2018, the Company has $3.4 million of unrecognized compensation expense before income tax related to stock options, which will be recognized over a weighted average period of 1.7 years.

For the years ended December 31, 2018, 2017 and 2016, the total intrinsic value of stock options exercised was $1.1 million, $3.0 million and $6.3 million, respectively.

Restricted Stock Awards

The Company granted 80,548 restricted stock awards to certain employees in 2015 as retention awards to provide incentive for the employees to continue in employment and contribute toward the successful completion of the Spin-Off. Under the retention agreements, the restricted stock awards vested on the second anniversary of the Spin-Off if the employee had been continuously employed with the Company or an affiliate through that second anniversary.

The Company recognized an immaterial amount of compensation expense associated with the restricted stock awards for the years ended December 31, 2018 and 2017. For the year ended December 31, 2016 the Company recognized $1.8 million of compensation expense associated with restricted stock awards. Restricted stock award expense is based on the fair value of the Company’s shares as of the grant date.

A summary of activity for restricted stock awards for the years ended December 31, 2018 and 2017 are as follows:

	Shares	Weighted Average Grant Date Fair Value Per Share
Unvested as of January 1, 2017	39,028	$ 86.92
Granted	—	—
Vested	(11,058)	86.92
Forfeited	(5,546)	86.92
Unvested as of December 31, 2017	22,424	86.92
Granted	—	—
Vested	(22,424)	86.92
Forfeited	—	—
Unvested as of December 31, 2018	—	$ —

As of December 31, 2018, the Company has zero of unrecognized compensation expense before income tax related to restricted stock awards.

Restricted Stock Units

The Company granted 111,713, 152,855 and 157,402 restricted stock units in 2018, 2017 and 2016, respectively. The restricted stock units are earned based on service over the vesting period. The Company recognized $2.6 million, $3.1 million and $0.4 million of compensation expense associated with restricted stock units during 2018, 2017 and 2016, respectively.

The restricted stock units granted to employees in 2018 generally vest on the third anniversary of the grant date, assuming continued employment. The restricted stock units granted to directors in 2018 vest immediately on the grant date. The expense is based on the fair value of the Company's shares as of the grant date.

The restricted stock units granted to employees in 2017 and 2016 generally vest on the third anniversary of the grant date, assuming continued employment. The restricted stock units granted to directors in 2017 and 2016 vest on the second anniversary of the grant date, assuming continued service. The expense is based on the fair value of the Company's shares as of the grant date.

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A summary of activity for restricted stock units for the years ended December 31, 2018 and 2017 are as follows:

	Shares	Weighted Average Grant Date Fair Value Per Share
Unvested as of January 1, 2017	241,108	$ 49.03
Granted	152,855	26.05
Vested	(45,755)	93.55
Forfeited	(28,208)	35.61
Unvested as of December 31, 2017	320,000	32.71
Granted	111,713	28.49
Vested	(203,355)	38.81
Forfeited	(8,869)	21.04
Unvested as of December 31, 2018	219,489	$ 25.37

As of December 31, 2018, the Company has $3.0 million of unrecognized compensation expense before income tax related to restricted stock units which will be recognized over a weighted average period of 1.9 years.

Performance Stock Units

The Company granted 93,298, 115,047 and 204,891 of performance stock units in 2018, 2017 and 2016, respectively. The performance stock units are earned based on service over the vesting period and on the extent to which performance goals are met over the applicable three year performance period. The performance goals vary for performance shares each grant year. The Company recognized $2.5 million, $1.3 million and $1.8 million of compensation expense associated with performance stock units during 2018, 2017 and 2016, respectively.

The performance stock units granted in 2018 are earned based on the extent to which performance goals are met by the Company over a three-year period from January 1, 2018 to December 31, 2020. The performance goals were based fifty percent (50%) on total shareholder return relative to a peer group of companies over the three-year period and fifty percent (50%) on meeting targeted adjusted EBITDA margin at the end of the three-year period. Depending on the foregoing factors, the number of shares awarded could range from zero to 185,184. The expense is based on the fair value of the Company's shares as of the grant date for the adjusted EBITDA margin criteria and a Monte Carlo valuation model for the total shareholder return criteria.

The performance stock units granted in 2017 are earned based on the extent to which performance goals are met by the Company over a three-year period from January 1, 2017 to December 31, 2019. The performance goals were based fifty percent (50%) on total shareholder return relative to a peer group of companies over the three-year period and fifty percent (50%) on meeting targeted adjusted EBITDA margin at the end of the three-year period. Depending on the foregoing factors, the number of shares awarded could range from zero to 196,316. The expense is based on the fair value of the Company's shares as of the grant date for the adjusted EBITDA margin criteria and a Monte Carlo valuation model for the total shareholder return criteria.

The performance stock units granted in 2016 are earned based on the extent to which performance goals are met by the Company over a three-year period from January 1, 2016 to December 31, 2018. The performance goals were based fifty percent (50%) on total shareholder return relative to a peer group of companies over the three-year period and fifty percent (50%) on return on invested capital over the three-year period. At the end of the performance period, approximately 75,000 shares will be awarded and will vest on the grant date of the awards. The expense is based on the fair value of the Company's shares as of the grant date for the return on invested capital criteria and a Monte Carlo valuation model for the total shareholder return criteria.

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A summary of activity for performance stock units for the years ended December 31, 2018 and 2017 are as follows:

	Shares	Weighted Average Grant Date Per Share
Unvested as of January 1, 2017	201,257	$ 28.45
Granted	115,047	30.58
Vested	(17,637)	85.03
Forfeited	(29,425)	25.59
Unvested as of December 31, 2017	269,242	25.97
Granted	93,298	33.86
Vested	—	—
Forfeited	(3,675)	30.31
Unvested as of December 31, 2018	358,865	$ 27.98

As of December 31, 2018, the Company has $3.1 million of unrecognized compensation expense before income tax related to performance stock units which will be recognized over a weighted average period of 1.8 years.

17. Segments

The Company reports segment information based on the “management” approach. The management approach designates the internal reporting used by the CEO, who is also the Company’s Chief Operating Decision Maker (“CODM”), for making decisions about the allocation of resources and assessing performance as the source of the Company’s reportable segments.

Effective in the fourth quarter of 2017, the Company changed its operating segments, which are also the Company’s reportable segments, as a result of operational changes to flatten the organization and regionalize our sales approach. Prior to the operational changes, the Company had one reportable segment, Cranes. As a result of the operational changes, which were finalized and implemented in the fourth quarter of 2017, the business began to be managed on a regional basis. Under the regional operating structure, each geographic region is managed separately to better align with the location of the Company’s customers and the unique market dynamics of each geographic region. In the fourth quarter of fiscal 2017, the Company 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, excluding the Middle East region. The MEAP operating segment includes the Asia and Australian continents and the Middle East region. The accounting policies of the various segments are the same as those described in Note 2, “Summary of Significant Accounting Policies.”

The CODM evaluates the performance of the Company’s reportable segments based on net sales and operating income. Net sales for the segments are based on the geographic region that sells the products. Operating income for each segment includes net sales to third parties, cost of sales directly attributable to the segment, and operating expenses directly attributable to the segment. Manufacturing variances generated within each reportable segment are maintained in each segment’s operating income. Operating income for each segment excludes other income and expense and certain expenses managed outside the reportable segments. Costs excluded from segment operating income include various corporate expenses such as stock-based compensation expenses, income taxes, nonrecurring charges and other separately managed general and administrative costs. The Company does not include intercompany sales between segments for management reporting purposes.

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The following table shows information by reportable segment for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
Net Sales			
Americas	$882.7	$693.6	$736.3
EURAF	680.6	628.9	560.4
MEAP	283.5	258.8	316.4
Total	$1,846.8	$1,581.3	$1,613.1
Segment Operating Income (Loss)			
Americas	$58.8	$6.8	$(37.1)
EURAF	(68.2)	5.1	(35.3)
MEAP	31.5	33.1	44.5
Total	$22.1	$45.0	$(27.9)
Depreciation			
Americas	$14.0	$15.1	$24.5
EURAF	15.3	15.0	15.7
MEAP	3.7	3.8	4.6
Corporate	3.1	4.2	0.8
Total	$36.1	$38.1	$45.6
Capital Expenditures			
Americas	$9.4	$10.6	$14.5
EURAF	16.3	14.3	26.9
MEAP	3.4	3.9	4.5
Corporate	2.6	0.1	—
Total	$31.7	$28.9	$45.9

A reconciliation of the Company’s segment operating income (loss) to the consolidated statement of operations for the years ended December 31, 2018, 2017 and 2016 was as follows:

	2018	2017	2016
Segment operating income (loss)	$22.1	$45.0	$(27.9)
Unallocated corporate expenses	(37.5)	(33.0)	(35.8)
Asset impairment expense	—	—	(77.3)
Restructuring expense	(3.9)	(3.6)	(2.0)
Total operating income (loss)	$(19.3)	$8.4	$(143.0)

Net sales from continuing operations and long-lived asset information by geographic area as of and for the years ended December 31 are included below. Long-lived assets are defined as property, plant and equipment-net and other non-current assets, excluding goodwill, other intangible assets-net and deferred tax assets.

	Net Sales			Long-Lived Assets	
	2018	2017	2016	2018	2017
United States	$796.9	$618.5	$641.3	$110.6	$117.2
Europe	659.9	601.3	520.7	145.2	142.9
Other	390.0	361.5	451.1	33.1	43.6
Total	$1,846.8	$1,581.3	$1,613.1	$288.9	$303.7

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Net sales by product for 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Cranes	$1,509.9	$1,270.5	$1,311.1
Aftermarket parts and other*	336.9	310.8	302.0
Total net sales	$1,846.8	$1,581.3	$1,613.1

* Other revenue consists of revenue related to miscellaneous CraneCare services such as

training and field service work.

18. Commitments and Contingencies

The Company is 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 of all matters is not expected to have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

As of December 31, 2018, 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 10 years. The high-end of the Company's self-insurance retention level is a legacy product liability insurance program inherited in the Grove acquisition for cranes manufactured in the United States for occurrences from January 2000 through October 2002. As of December 31, 2018, the largest self-insured retention level for new occurrences 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 are recorded as current liabilities in the Consolidated Balance Sheets at December 31, 2018 and 2017 and were $16.3 million and $20.8 million, respectively. These reserves were estimated using a combination of actual case reserves and 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 December 31, 2018, and December 31, 2017, the Company had reserved $38.5 million and $35.2 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheets. Certain of these warranty and other related claims involve matters in dispute that ultimately are resolved by negotiation, arbitration, or litigation. See Note 19, "Guarantees," for further information.

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.

It is reasonably possible that the estimates for warranty costs, product liability, asbestos-related claims and other various legal matters 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.

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19. Guarantees

The Company periodically enters into transactions with customers that provide for buyback commitments. The Company evaluates each agreement at the inception of the order to determine if the customer has a significant economic incentive to exercise the buyback option. If it is determined that the customer has a significant economic incentive to exercise that right, the revenue is deferred and the agreement is accounted for as a lease in accordance with Topic 840. 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 product is transferred to the customer. The deferred revenue included in accounts payable and accrued expenses and non-current liabilities as of December 31, 2018 and 2017 was $34.4 million and $29.7 million, respectively. The total amount of buyback commitments given by the Company and outstanding at December 31, 2018 and 2017 was $30.9 million and $28.2 million, respectively. These amounts are not reduced for amounts the Company would recover from repossessing and subsequent resale of the units. The buyback commitments expire at various times through 2021.

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 product. 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 years ended December 31, 2018 and 2017:

	2018	2017
Balance at beginning of period	$35.2	$28.6
Accruals for warranties issued during the period	32.1	34.6
Settlements made (in cash or in kind) during the period	(28.1)	(29.9)
Currency translation	(0.7)	1.9
Balance at end of period	$38.5	$35.2

20. Restructuring

During the years ended December 31, 2018, 2017 and 2016, the Company incurred $12.9 million, $27.2 million and $23.4 million of restructuring expense, respectively. 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 and 2016 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. The restructuring expense for the year ended December 31, 2018, 2017 and 2016 included $2.0 million, $2.8 million and $2.3 million, respectively, of expense related to executive severance.

The following is a roll-forward of the Company's restructuring activities for the twelve months ended December 31, 2018:

	Restructuring Reserve Balance as of December 31, 2017	Restructuring Expenses	Use of Reserve	Currency Translation	Restructuring Reserve Balance as of December 31, 2018
Total	$ 5.6	$ 12.9	$ 15.1	$ (0.1)	$ 3.3

21. Employee Benefit Plans

The Company provides defined benefit pension plans, defined contribution plans and/or other postretirement benefit plans to employees in many of the Company's locations throughout the world. The Company's defined benefit plans provide a benefit based on years of service and/or the employee's average earnings near retirement. The Company's defined contribution plans allow employees to contribute a portion of their salary to help save for retirement, and in most cases, the Company provides a matching contribution. The benefit obligation related to our non-U.S. defined benefit pension plans are for employees located primarily in Europe. For postretirement medical and other benefit plans, all of the Company's benefit obligation is for employees located in the United States.

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Defined contribution plans

The Company maintains three defined contribution retirement plans for its employees in the United States: (1) The Manitowoc Company, Inc. 401(k) Retirement Plan (the “Manitowoc 401(k) Retirement Plan”); (2) The Manitowoc Company, Inc. Retirement Savings Plan (the “Manitowoc Retirement Savings Plan”); and (3) The Manitowoc Company, Inc. Deferred Compensation Plan (the “Manitowoc Deferred Compensation Plan”). Each plan results in individual participant balances that reflect a combination of amounts contributed by the Company or deferred by the participant, amounts invested at the direction of either the Company or the participant, and the continuing reinvestment of returns until the accounts are distributed.

The Company also has various other non-U.S. defined contribution plans that allow eligible employees to contribute a portion of their salary to the plans. In most cases, the Company provides a matching contribution to the funds. Company contributions to the plans are generally based upon formulas contained in the plans. Total costs incurred under the Non-U.S. defined contribution plans were $1.3 million, $1.5 million and $1.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Manitowoc 401(k) Retirement Plan

The Manitowoc 401(k) Retirement Plan is a tax-qualified retirement plan that is available to substantially all non-union U.S. employees of Manitowoc, its subsidiaries and related entities.

The Manitowoc 401(k) Retirement Plan allows employees to make both pre- and Roth, after-tax elective deferrals, subject to certain limitations under the Internal Revenue Code of 1986, as amended (the “Tax Code”). The Company also has the right to make the following additional contributions: (1) a safe harbor matching contribution and (2) an additional contribution, which may or may not be made at the full discretion of the Company and for which the value will be fully determined by the Company based on company performance. Each participant in the Manitowoc 401(k) Retirement Plan is allowed to direct the investment of that participant’s account among a diverse mix of investment funds, including a Company stock alternative. To the extent that any funds are invested in Company stock, that portion of the Manitowoc 401(k) Retirement Plan is an employee stock ownership plan, as defined under the Tax Code (an “ESOP”).

The terms governing the retirement benefits under the Manitowoc 401(k) Retirement Plan are the same for the Company’s executive officers as they are for other eligible employees in the U.S.

Total costs incurred under this plan were $5.5 million, $3.2 million and $3.6 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Manitowoc Retirement Savings Plan

The Manitowoc Retirement Savings Plan is a tax-qualified retirement plan that is available to certain collectively bargained U.S. employees of Manitowoc, its subsidiaries and related entities.

In 2018, there were no active employees who continued to be subject to collectively bargained contracts; therefore, no employee or Company contributions were made in 2018 to The Retirement Savings Plan. Each participant in the Manitowoc Retirement Savings Plan, who has an account balance, is allowed to direct the investment among a diverse mix of investment funds, including a Company stock alternative. To the extent that any funds are invested in Company stock, that portion of the Manitowoc Retirement Savings Plan is an ESOP.

Manitowoc Deferred Compensation Plan

The Manitowoc Deferred Compensation Plan is a non-tax-qualified supplemental deferred compensation plan for highly compensated and key management employees and for non-employee directors of the Company. The Company maintains the Manitowoc Deferred Compensation Plan to allow eligible individuals to save for retirement in a tax-efficient manner despite Tax Code restrictions that would otherwise impair their ability to do so under the Manitowoc 401(k) Retirement Plan. The Manitowoc Deferred Compensation Plan also assists the Company in retaining those key employees and directors.

The Manitowoc Deferred Compensation Plan accounts are credited with: (1) elective deferrals made at the request of the individual participant; and/or (2) a discretionary Company contribution for each individual participant. Although unfunded within the meaning of the Tax Code, the Manitowoc Deferred Compensation Plan utilizes a rabbi trust to hold assets intended to satisfy the Company's corresponding future benefit obligations. Each participant in the Manitowoc Deferred Compensation Plan is credited with earnings based upon individual elections from amongst a diverse mix of investment funds that are intended to reflect investment funds similar to those offered under the Manitowoc 401(k) Retirement Plan, including Company stock. Participants do not receive preferential or above-market rates of return under the Manitowoc Deferred Compensation Plan.

Plan participants are able to direct deferrals and Company contributions into two separate investment programs, Program A and Program B.

The Company has two separate investment programs: Program A and B, which restrict the Company's use and access to the funds, but which are also subject to the claims of the Company's general creditors in rabbi trusts. Program A invests solely in the Company's stock; dividends paid on the Company's stock are automatically reinvested; and all distributions must be made in Company stock. Program B offers a variety of investment options but does not include Company stock as an investment option. All distributions from Program B must be made in cash. Participants cannot transfer assets between programs.

Program A is accounted for as a plan that does not permit diversification. As a result, the Company stock held by Program A is classified in equity in a manner similar to accounting for treasury stock. The deferred compensation obligation is classified as an equity instrument. Changes in the fair value of the Company's stock and the compensation obligation are not recognized. The asset and obligation for Program A were $0.2 million and zero at December 31, 2018 and 2017, respectively.

Program B is accounted for as a plan that permits diversification. As a result, the assets held by Program B are classified as an asset in the Consolidated Balance Sheets and changes in the fair value of the assets are recognized in earnings. The deferred compensation obligation is classified as a liability in the Consolidated Balance Sheets and adjusted, with a charge or credit to compensation cost, to reflect changes in the fair value of the obligation. The assets, which are included in other non-current assets, and obligations, which are included in other non-current liabilities, were $8.7 million and $10.6 million at December 31, 2018 and 2017, respectively. There was no net impact on the Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016.

Pension, Postretirement Medical and Other Benefit Plans

The Company provides certain pension, postretirement medical and other benefits (death benefits) for eligible retirees and their dependents. The pension benefits are funded, the postretirement medical benefits are not funded but are paid as incurred, and the death benefits are fully insured. Eligibility for coverage is based on meeting certain years of service and retirement qualifications. The healthcare benefits may be subject to deductibles, co-payment provisions, and other limitations. The Company has reserved the right to modify these benefits. As of December 31, 2010, all of the remaining U.S. defined benefit pension plans were merged into a single plan: the Manitowoc U.S. Pension Plan ("U.S. Pension Plans"). All merged plans had benefit accruals frozen prior to the merger of the plans.

In September 2018, the U.S. Pension Plans entered into and closed on a definitive agreement with an insurance company to purchase a group annuity contract to transfer $18.6 million of the Company's outstanding pension benefit obligations related to certain U.S. retirees and beneficiaries. As a result of the transaction, the insurance company is required to pay and administer the retirement benefits owed to the 622 retirees and beneficiaries of the U.S. Pension Plans starting on December 1, 2018. There was no change to their monthly benefit payment amounts. In connection with this transaction, the Company recognized a non-cash pension settlement charge of $4.5 million in other income (expense) primarily related to the accelerated recognition of actuarial losses included in accumulated other comprehensive loss for the U.S. Pension Plans.

In addition to the U.S. Pension Plans, the Company also maintains defined benefit pension plans for various Non-US subsidiaries which are sponsored directly by the Company or its subsidiaries and offered only to employees or retirees of those subsidiaries (“Non-U.S. Pension Plans”).

Effective July 1, 2017, The Manitowoc Company, Inc. Post-65 Retiree Health Plan (the “Plan”) was amended. Eligible retirees and their spouses were provided access to a Retiree Health Exchange where they may purchase Medicare Supplement Plans, including Medicare Advantage and Medigap plan prescription drug coverage. The enrollment and payment for this coverage is facilitated by an third-party, and these plans have no affiliation with the Company. To assist retirees with premium and out-of-pocket expenses, the Company funds a Health Reimbursement Account (“HRA”) for each enrolled retiree. The value of the HRA is based on the plan type and premium cost for each specific retiree before the Plan was amended.

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The components of periodic benefit costs for the years ended December 31, 2018, 2017 and 2016 are as follows:

	US Pension Plans			Non-US Pension Plans			Postretirement Medical and Other		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Service cost - benefits earned during the year	$—	$—	$—	$1.8	$1.9	$1.7	$0.2	$0.3	$0.3
Interest cost of projected benefit obligation	5.2	5.3	6.8	2.1	2.1	2.5	0.8	1.0	1.7
Expected return on assets	(5.7)	(4.9)	(5.7)	(1.4)	(1.5)	(1.8)	—	—	—
Amortization of prior service cost	—	—	—	0.1	0.1	0.1	(2.8)	(1.4)	—
Amortization of actuarial net loss (gain)	2.9	3.2	3.6	1.3	1.6	1.0	0.8	0.4	—
Pension settlement charge	4.5	—	—	—	—	—	—	—	—
Net periodic benefit cost	$6.9	$3.6	$4.7	$3.9	$4.2	$3.5	$(1.0)	$0.3	$2.0
Weighted average assumptions:									
Discount rate	3.8 %	4.2 %	4.5 %	2.2 %	2.1 %	2.9 %	3.3 %	3.8 %	4.2 %
Expected return on plan assets	5.3 %	4.7 %	5.5 %	2.7 %	3.4 %	4.0 %	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	3.5 %	2.6 %	2.4 %	N/A	N/A	N/A

The prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

To develop the expected long-term rate of return on assets assumptions, the Company considered the historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio.

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The following is a reconciliation of the changes in benefit obligation, plan assets, and funded status as of December 31, 2018 and 2017:

	US Pension Plans		Non-US Pension Plans		Postretirement Medical and Other	
	2018	2017	2018	2017	2018	2017
Change in Benefit Obligation						
Benefit obligation, beginning of year	$162.3	$155.6	$89.5	$82.8	$28.9	$41.6
Service cost	—	—	1.8	1.9	0.2	0.3
Interest cost	5.2	5.3	2.1	2.1	0.8	1.0
Participant contributions	—	—	—	—	0.7	1.4
Plan amendments	—	—	—	—	—	(13.8)
Actuarial (gain) loss	(9.2)	10.0	(3.0)	(2.2)	(7.2)	2.9
Currency translation adjustment	—	—	(4.6)	9.2	—	—
Pension settlement	(18.9)	—	—	—	—	—
Benefits paid	(8.8)	(8.6)	(3.9)	(4.3)	(2.7)	(4.5)
Benefit obligation, end of year	$130.5	$162.3	$81.9	$89.5	$20.7	$28.9
Change in Plan Assets						
Fair value of plan assets, beginning of year	$116.2	$108.6	$45.1	$41.8	$—	$—
Actual return on plan assets	(8.9)	11.5	(1.4)	1.1	—	—
Employer contributions	5.3	4.7	2.8	2.1	2.0	3.1
Participant contributions	—	—	—	—	0.7	1.4
Currency translation adjustment	—	—	(2.5)	4.4	—	—
Pension settlement	(18.9)	—	—	—	—	—
Benefits paid	(8.8)	(8.6)	(3.9)	(4.3)	(2.7)	(4.5)
Fair value of plan assets, end of year	84.9	116.2	40.1	45.1	—	—
Funded status	$(45.6)	$(46.1)	$(41.8)	$(44.4)	$(20.7)	$(28.9)
Amounts recognized in the Consolidated Balance sheet at December 31						
Pension asset	$—	$—	$—	$—	$—	$—
Pension obligation	(45.6)	(46.1)	(41.8)	(44.4)	—	—
Postretirement medical and other benefit obligations	—	—	—	—	(20.7)	(28.9)
Net amount recognized	$(45.6)	$(46.1)	$(41.8)	$(44.4)	$(20.7)	$(28.9)
Weighted-Average Assumptions						
Discount rate	4.3 %	3.6 %	2.2 %	2.2 %	4.1 %	3.3 %
Expected return on plan assets	5.3 %	4.7 %	2.7 %	3.4 %	N/A	N/A
Rate of compensation increase	N/A	N/A	3.5 %	2.6 %	N/A	N/A

The Company prepares its discount rates with advice from an independent third party. The Company uses different discount rates for each plan depending on the plan jurisdiction, the demographics of participants and the expected timing of benefit payments. For the qualified U.S. pension plan and postretirement medical plans, the Company uses a discount rate calculated based on an appropriate mix of high quality corporate bonds. For the non-U.S. pension and postretirement plans, the Company consistently uses the relevant country specific benchmark indices for determining the various discount rates.

Amounts recognized in accumulated other comprehensive loss as of December 31, 2018 and 2017, consist of the following:

	Pensions		Postretirement Medical and Other	
	2018	2017	2018	2017
Net actuarial gain (loss)	$(59.3)	$(64.2)	$0.4	$(7.6)
Prior service credit	(0.5)	(0.6)	9.7	12.5
Total amount recognized	$(59.8)	$(64.8)	$10.1	$4.9

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For measurement purposes, a 5.95% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018. The rate was assumed to decrease gradually to 4.50% in 2038 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The following table summarizes the sensitivity of our December 31, 2018 retirement obligations and 2018 retirement benefit costs of our plans to changes in the key assumptions used to determine those results:

Change in assumption:	Estimated increase (decrease) in 2019 pension cost	Estimated increase (decrease) in Projected Benefit Obligation for the year ended December 31, 2018	Estimated increase (decrease) in 2019 Other Postretirement Benefit costs	Estimated increase (decrease) in Other Postretirement Benefit Obligation for the year ended December 31, 2018
0.50% increase in discount rate	$ (0.8)	$ (12.5)	$ 0.1	$ (0.6)
0.50% decrease in discount rate	0.9	13.7	(0.1)	0.7
0.50% increase in long-term return on assets	(0.6)	N/A	N/A	N/A
0.50% decrease in long-term return on assets	0.6	N/A	N/A	N/A

It is reasonably possible that the estimate for future retirement and medical costs may change in the near future due to changes in interest rates. Presently, there is no reliable means to estimate the amount of any such potential changes.

The weighted-average asset allocations of the U.S. pension plans at December 31, 2018 and 2017, by asset category are as follows:

	2018	2017
Equity	47.8 %	48.0 %
Fixed income	51.4 %	48.3 %
Other	0.8 %	3.7 %
Total	100.0%	100.0%

The weighted-average asset allocations of the Non-U.S. pension plans at December 31, 2018 and 2017, by asset category are as follows:

	2018	2017
Equity	36.1 %	35.6 %
Fixed income	31.6 %	31.6 %
Other	32.3 %	32.8 %
Total	100.0%	100.0%

The Board of Directors has established the Retirement Plan Committee (the “Committee”) to manage the operations and administration of all benefit plans and related trusts. On a quarterly basis, the Committee reviews progress toward achieving the pension plans’ and individual investment managers’ performance objectives.

Investment Strategy The overall objective of the Company's pension assets is to earn a rate of return over time to satisfy the benefit obligations of the pension plans and to maintain sufficient liquidity to pay benefits and address other cash requirements of the pension funds. Specific investment objectives for the Company’s long-term investment strategy include reducing the volatility of pension assets relative to pension liabilities, achieving a competitive, total investment return, achieving diversification between and within asset classes and managing other risks. Investment objectives for each asset class are determined based on specific risks and investment opportunities identified.

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The Company reviews its long-term, strategic asset allocations annually. The Company uses various analytics to determine the optimal asset mix and considers plan liability characteristics, liquidity characteristics, funding requirements, expected rates of return and the distribution of returns. The Company identifies investment benchmarks for the asset classes in the strategic asset allocation that are market-based.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy changes, market value fluctuations, the length of time it takes to fully implement investment allocation positions and the timing of benefit payments and contributions. The asset allocation is monitored and rebalanced monthly.

During 2017, the Company changed the investment target allocations for the U.S. Plans from 75% debt securities and 25% equity securities to 50% debt securities and 50% equity securities.

The actual allocations for the pension assets at December 31, 2018, and target allocations by asset class, are as follows:

	Target Allocations		Weighted Average Asset Allocations	
	U.S. Plans	International Plans	U.S. Plans	International Plans
Equity Securities	50%	0 - 25%	47.8%	36.1%
Debt Securities	50%	0 - 100%	51.4%	31.6%
Other	—%	0 - 100%	0.8%	32.3%

Risk Management In managing the plan assets, we review and manage risk associated with funded status risk, interest rate risk, market risk, counterparty risk, liquidity risk and operational risk. Liability management and asset class diversification are central to our risk management approach and are integral to the overall investment strategy. Further, asset classes are constructed to achieve diversification by investment strategy, by investment manager, by industry or sector and by holding. Investment manager guidelines for publicly traded assets are specified and are monitored regularly.

Fair Value Measurements The following table presents our plan assets using the fair value hierarchy as of December 31, 2018 and 2017. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs.

	December 31, 2018				
Assets	Quoted	Significant	Unobservable	Net Asset	Total

	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Inputs (Level 3)	Value ("NAV")	
Cash	$1.7	$ —	$ —	$ —	$1.7
Insurance group annuity contracts	—	—	12.0	—	12.0
Common/collective trust funds — Government, corporate and other non-government debt	—	—	—	56.3	56.3
Common/collective trust funds — Corporate equity	—	—	—	55.1	55.1
Total	$1.7	$ —	$ 12.0	$ 111.4	$125.1

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Assets	December 31, 2017 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Net Asset Value ("NAV")	Total
Cash	$4.7	$ —	$ —	$ —	$4.7
Insurance group annuity contracts	—	—	14.4	—	14.4
Common/collective trust funds — Government, corporate and other non-government debt	—	—	—	70.4	70.4
Common/collective trust funds — Corporate equity	—	—	—	71.8	71.8
Total	$4.7	$ —	$ 14.4	$ 142.2	$161.3

Cash equivalents and other short-term investments, which are used to pay benefits, are primarily held in registered money market funds which are valued using a market approach based on the quoted market prices of identical instruments. Other cash equivalent and short-term investments are valued daily by the fund using a market approach with inputs that include quoted market prices for similar instruments.

Insurance group annuity contracts are valued at the present value of the future benefit payments owed by the insurance Company to the Non-U.S. Pension Plans' participants.

Common/collective funds are typically common or collective trusts valued at their net asset values that are calculated by the investment manager or sponsor of the fund and have daily or monthly liquidity. The Company believes that NAV is representative of fair value at the reporting date, as there are no significant restrictions on redemption on these investments or other reasons to indicate that the investment would be redeemed at an amount different than NAV.

The valuation methodologies described above may generate a fair value calculation that may not be indicative of net realizable value or future fair values. While the Company believes the valuation methodologies used are appropriate, the use of different methodologies or assumptions in calculating fair value could result in different amounts.

A reconciliation of the fair value measurements of plan assets using significant unobservable inputs (Level 3) from the beginning of the year to the end of the year is as follows:

	Insurance Contracts	
	Year Ended December 31,	
	2018	2017
Beginning Balance	$14.4	$14.5
Actual return on assets	(0.3)	—
Benefit payments	(1.3)	(1.5)
Foreign currency impact	(0.8)	1.3
Ending Balance	$12.0	$14.4

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The expected 2019 contributions for the U.S. pension plans are as follows: the minimum contribution for 2019 is $5.1 million; and no planned discretionary or non-cash contributions. The expected 2019 contributions for the non-U.S. pension plans are as follows: the minimum contribution for 2019 is $2.9 million; and no planned discretionary or non-cash contributions. Expected Company paid claims for the postretirement medical and life insurance plans are $2.5 million for 2019. Projected benefit payments from the plans as of December 31, 2018 are estimated as follows:

	U.S Pension Plans	Non-U.S. Pension Plans	Postretirement Medical and Other
2019	$ 8.3	$ 3.0	$ 2.5
2020	8.6	2.7	2.4
2021	8.7	3.1	2.4
2022	8.8	3.5	2.1
2023	8.8	3.6	2.0
Thereafter	43.5	20.6	7.4
Total	86.7	36.5	18.8

The fair value of plan assets for which the accumulated benefit obligation is in excess of the plan assets as of December 31, 2018 and 2017 is as follows:

	U.S Pension Plans		Non U.S. Pension Plans	
	2018	2017	2018	2017
Projected benefit obligation	$130.5	$162.3	$81.9	$85.6
Accumulated benefit obligation	130.5	162.3	78.1	82.1
Fair value of plan assets	84.9	116.2	40.1	41.6

The accumulated benefit obligation for all U.S. pension plans as of December 31, 2018 and 2017 was $130.5 million and $162.3 million, respectively. The accumulated benefit obligation for all non-U.S. pension plans as of December 31, 2018 and 2017 was $78.1 million and $82.1 million, respectively.

The measurement date for all plans is December 31, 2018.

The Company also maintains a target benefit plan for certain executive officers of the Company. Expenses related to the plan in the amount of $0.2 million, $1.2 million and $3.2 million were recorded in 2018, 2017 and 2016, respectively. Amounts accrued as of December 31, 2018 and 2017 related to this plan were $2.5 million and $15.1 million, respectively.

22. Leases

The Company leases various property, plant and equipment. Terms of the leases vary, but generally require the Company to pay property taxes, insurance premiums, and maintenance costs associated with the leased property. Rental expense attributed to operating leases was $20.2 million, $20.9 million and $24.4 million in 2018, 2017 and 2016, respectively.

Future minimum rental obligations under non-cancelable operating leases as of December 31, 2018 are payable as follows:

Year	
2019	$14.1
2020	11.8
2021	10.2
2022	7.5
2023	4.3
Thereafter	15.8
Total	$63.7

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23. Quarterly Financial Data (Unaudited)

The following tables present select quarterly financial data for 2018 and 2017:

Historical	2018 First	Second	Third	Fourth	2017 First	Second	Third	Fourth
Statements of operations:								
Net sales	$386.1	$495.3	$450.1	$515.3	$305.8	$394.6	$399.4	$481.5
Cost of sales	317.7	404.8	370.1	426.1	253.9	318.3	326.9	400.3
Gross profit	68.4	90.5	80.0	89.2	51.9	76.3	72.5	81.2
Operating income (loss)	1.7	24.1	16.9	(62.0)	(21.8)	11.9	9.8	8.5
Income (loss) from continuing operations before taxes	(6.1)	8.7	0.8	(75.1)	(34.5)	3.0	(3.4)	(4.6)
Provision (benefit) for taxes on income	3.9	(1.2)	(10.7)	3.2	1.5	2.3	(13.1)	(40.2)
Income (loss) from continuing operations	(10.0)	9.9	11.5	(78.3)	(36.0)	0.7	9.7	35.6
Loss from discontinued operations, net of income taxes	—	(0.2)	—	—	—	(0.2)	(0.1)	(0.3)
Net income (loss)	(10.0)	9.7	11.5	(78.3)	(36.0)	0.5	9.6	35.3
Basic (loss) income per share:								
Income (loss) income from continuing operations	$(0.28)	$0.28	$0.32	$(2.20)	$(1.03)	$0.02	$0.27	$1.01
Loss from discontinued operations	—	(0.01)	—	—	—	(0.01)	—	(0.01)
Income (loss) per share	$(0.28)	$0.27	$0.32	$(2.20)	$(1.03)	$0.01	$0.27	$1.00
Diluted (loss) income per share:								
Income (loss) from continuing operations	$(0.28)	$0.27	$0.32	$(2.20)	$(1.03)	$0.02	$0.27	$0.98
Loss from discontinued operations	—	—	—	—	—	(0.01)	—	(0.01)
Income (loss) per share	$(0.28)	$0.27	$0.32	$(2.20)	$(1.03)	$0.01	$0.27	$0.97
Dividends per common share	$—	$—	$—	$—	$—	$—	$—	$—

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Management’s Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company’s management has concluded that, as of December 31, 2018, the Company’s internal control over financial reporting was effective.

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 the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2018, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference from the sections in the Company's definitive Proxy Statement for its 2019 Annual Meeting of Shareholders (the "2019 Proxy Statement") captioned "Ownership of Securities — Section 16(a) Beneficial Ownership Reporting Compliance," Corporate Governance — Governance of the Company," "Corporate Governance — Audit Committee" and "Election of Directors." See also "Executive Officers of the Registrant" in Part I hereof, which is incorporated herein by reference.

The Company has a Global Ethics Policy and other policies relating to business conduct, that pertain to all employees, which can be viewed at the Company's website (www.manitowoc.com). The Company has adopted a code of ethics that applies to the Company's principal executive officer, principal financial officer, and controller, which is part of the Company's Global Ethics Policy and other policies related to business conduct. Any amendments to the Global Ethics Policy, or information about any waivers granted to directors or executive officers with respect to the Global Ethics Policy will be posted on the Company's website (www.manitowoc.com).

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the sections of the 2019 Proxy Statement captioned "Non-Employee Director Compensation," "Compensation Discussion and Analysis and Compensation Committee Report," "Risk Assessment of Compensation Practices," Executive Compensation Tables," "Post-Employment Compensation" and "CEO Pay Ratio."

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item with respect to security ownership of certain beneficial owners and management is incorporated by reference from the section of the 2019 Proxy Statement captioned "Ownership of Securities."

The following table sets forth information with respect to compensation plans under which equity securities of the Company are authorized for issuance as of December 31, 2018.

	A	B	C
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in

			column A)
Equity compensation plans not approved by security holders(1)	0 (2)	$0 (2)	0 (2)
Equity compensation plans approved by security holders(2)(3)	1,353,090 (3(a))(4) 168,912 (3(b))(4)	$11.83 (3(a))(4) $23.67 (3(c))(4)	5,616,815 (3(a))(4) 0 (3(b))
Total	1,522,002		5,616,815

(1) Reflects the Company’s Deferred Compensation Plan, which is discussed within the 2019 Proxy Statement under Compensation Discussion and Analysis and Compensation Committee Report under the subsection captioned “Retirement Benefits and Deferred Compensation” and under Non-Employee Director Compensation.

(2) Column (A) does not include 28,965 common stock units issued under the Deferred Compensation Plan as of December 31, 2018. Each common stock unit under the Deferred Compensation Plan represents the right to receive one share of Company common stock following the participant’s death, disability, termination of service as a director or employee, a date specified by the participant, or the earlier of any such events to occur. Since the common stock units are acquired by participants through a deferral of fees or compensation, there is no “exercise price” associated with the common stock units. Thus, the weighted-average exercise price in column (B) is calculated solely on the basis of outstanding options issued under the 2003 Incentive Stock and Awards Plan (the “2003 Stock Plan”) and the 2013 Omnibus Incentive Plan and does not take into account the common stock units issued under the Deferred

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Compensation Plan. The operation of the Deferred Compensation Plan requires the plan trustees to make available as and when needed a sufficient number of shares of Company common stock to meet the needs of the plan. Accordingly, since there is no specific number of shares reserved for issuance under the Deferred Compensation Plan, column (C) includes only those shares remaining available for issuance under the 2003 Stock Plan and the 2013 Omnibus Incentive Plan.

(3) Consists of the Company's: (a) 2013 Omnibus Incentive Plan and (b) 2003 Stock Plan. No new awards may be issued under the 2003 Stock Plan; however, the plan continue to govern awards outstanding as of the date it was terminated, and the outstanding awards under this plan continue in force and effect until vested, exercised or forfeited pursuant to the terms.

(4) Includes stock options, performance share awards issued at target and restricted stock units. Does not include restricted shares. The weighted-average price does not factor in performance share awards or restricted stock units.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference from the section of the 2019 Proxy Statement captioned "Corporate Governance — Governance of the Company" and "Corporate Governance — Transactions with Related Persons."

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference from the section of the 2019 Proxy Statement captioned "Audit Committee Report."

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PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Report.

(1) Financial Statements:

The following Consolidated Financial Statements are filed as part of this report under Item 8, "Financial Statements and Supplementary Data."

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Operations

Consolidated Statements of Comprehensive Income (Loss)

Consolidated Balance Sheets

Consolidated Statements of Cash Flows

Consolidated Statements of Equity

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule:

Schedule II — Valuation and Qualifying Accounts

Schedule	Description	Filed Herewith
II	Valuation and Qualifying Accounts	X

All other financial statement schedules not listed have been omitted since the required information is included in the Consolidated Financial Statements or the Notes thereto, or is not applicable or required under rules of Regulation S-X.

(b) Exhibits:

The exhibits listed in the Exhibit Index below are filed or furnished as part of this Annual Report on Form 10-K.

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EXHIBIT INDEX

Exhibit No.	Description	Filed/Furnished Herewith
2	Mater Separation and Distribution Agreement, dated March 4, 2016, between The Manitowoc Company, Inc. and Manitowoc Foodservice, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, dated March 3, 2016.	
3.1	Amended and Restated Articles of Incorporation, effective as of November 17, 2017 (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on November 22, 2017 and incorporated herein by reference).	
3.2	Restated By-laws, as amended to date (filed as Exhibit 3 to the Company’s Current Report on Form 8-K filed on November 13, 2018 and incorporated herein by reference).	
4.1(a)	Indenture, dated February 18, 2016, between MTW Cranes Escrow Corp. and Wells Fargo Bank, National Association, as trustee and collateral agent (the “2016 Indenture”) (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, dated February 18, 2016).	
4.1(b)	Form of 12.75% Senior Secured Second Lien Note due 2021 (included as Exhibit A to the 2016 Indenture) (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, dated February 18, 2016).	
4.1(c)	First Supplemental Indenture, dated March 3, 2016, by and among MTW Cranes Escrow Corp., The Manitowoc Company, Inc., the guarantors party thereto and Wells Fargo Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, dated March 3, 2016).	
10.1**	The Manitowoc Company, Inc. Deferred Compensation Plan, as amended and restated through December 31, 2008 (filed as exhibit 10.1 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and incorporated herein by reference).	
10.2(a)**	Form of Contingent Employment Agreement between The Manitowoc Company, Inc. and executive officers hired beginning in fiscal 2015 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 29, 2015 and incorporated herein by reference).	
10.2(b)**	Form of Contingent Employment Agreement between The Manitowoc Company, Inc. and the following executive officers of the Company: Thomas G. Musial and Larry J.	

	Weyers. (filed as Exhibit 10.3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and incorporated herein by reference).
10.3**	Form of Indemnity Agreement between the Company and each of the directors, executive officers and certain other employees of the Company (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and incorporated herein by reference).
10.4**	Supplemental Retirement Plan, as amended and restated through December 31, 2008 (filed as Exhibit 10.6(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and incorporated herein by reference).

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Exhibit No.	Description	Filed/Furnished Herewith
10.5**	The Manitowoc Company, Inc. 2003 Incentive Stock and Awards Plan, as amended, effective May 1, 2012 (filed as Exhibit 10.7(c) to the Company's Proxy Statement for its 2012 annual meeting, filed on March 22, 2012 and incorporated herein by reference).	
10.6**	The Manitowoc Company, Inc. 2004 Non-Employee Director Stock and Awards Plan, as amended on December 17, 2008, (filed as Exhibit 10.7(e) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and incorporated herein by reference).	
10.7**	The Manitowoc Company, Inc. Incentive Stock Option Agreement with Vesting Provisions, applicable to the Company's 2003 Incentive Stock and Awards Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of February 25, 2005 and incorporated herein by reference).	
10.8**	The Manitowoc Company, Inc. Non-Qualified Stock Option Agreement with Vesting Provisions, applicable to the Company's 2003 Incentive Stock and Awards Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of February 25, 2005 and incorporated herein by reference).	
10.9(a)**	The Manitowoc Company, Inc. Award Agreement for Restricted Stock Awards under the Company's 2003 Incentive Stock and Awards Plan, amended February 27, 2007 (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and incorporated herein by reference).	
10.9(b)**	The Manitowoc Company, Inc. Performance Share Award Agreement, applicable to the Company's 2003 Incentive Stock and Awards Plan (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and incorporated herein by reference).	
10.10**	The Manitowoc Company, Inc. Award Agreement for the 2004 Non-Employee Director Stock and Awards Plan, as amended effective May 3, 2006 and February 27, 2007 (filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and incorporated herein by reference).	
10.11**	The Manitowoc Company, Inc. 2013 Omnibus Incentive Plan, as amended and restated, (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 22, 2017 and incorporated herein by reference).	
10.11(a)**	Form of Performance Share Award Agreement under The Manitowoc Company, Inc. 2013 Omnibus Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 2, 2013 and incorporated herein by	

reference).

10.11(b)**	Form of Restricted Stock Award Agreement for Directors under The Manitowoc Company, Inc. 2013 Omnibus Incentive Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 2, 2013 and incorporated herein by reference).
10.11(c)**	Form of Restricted Stock Award Agreement for Employees under The Manitowoc Company, Inc. 2013 Omnibus Incentive Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 2, 2013 and incorporated herein by reference).
10.11(d)**	Form of Restricted Stock Unit Award Agreement for Directors under The Manitowoc Company, Inc. 2013 Omnibus Incentive Plan (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on August 2, 2013 and incorporated herein by reference).

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Exhibit No.	Description	Filed/Furnished Herewith
10.11(e)**	Form of Restricted Stock Unit Award Agreement for Employees under The Manitowoc Company, Inc. 2013 Omnibus Incentive Plan (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on August 2, 2013 and incorporated herein by reference).	
10.11(f)**	Form of Non-Qualified Stock Option Award Agreement under The Manitowoc Company, Inc. 2013 Omnibus Incentive Plan (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on August 2, 2013 and incorporated herein by reference).	
10.11(g)**	Form of Incentive Award Agreement under The Manitowoc Company, Inc. 2013 Omnibus Incentive Plan (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on August 2, 2013 and incorporated herein by reference).	
10.12**	The Manitowoc Company, Inc. Severance Pay Plan adopted by the Board of Directors as of May 4, 2009 (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2009, and incorporated herein by reference.)	
10.13**	Form of Retention Award Agreement, dated April 8, 2015 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 13, 2015 and incorporated herein by reference).	
10.14**	Offer Letter, accepted as of December 28, 2015, by and between Barry L. Pennypacker and The Manitowoc Company, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 29, 2015 and incorporated herein by reference).	
10.15**	Offer Letter, accepted as of April 27, 2016, by and between David J. Antoniuk and The Manitowoc Company, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 27, 2016 and incorporated herein by reference).	
10.16	Note Purchase Agreement, dated February 8, 2016, between MTW Cranes Escrow Corp., The Manitowoc Company, Inc., the guarantors named therein, and Goldman, Sachs & Co., for itself and on behalf of the several initial purchasers listed on Schedule 1 thereto (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, dated February 5, 2016).	
10.17	Tax Matters Agreement, dated March 4, 2016, between The Manitowoc Company, Inc. and Manitowoc Foodservice, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, dated March 3, 2016).	
10.18(a)		

	Employee Matters Agreement, dated March 4, 2016, between The Manitowoc Company, Inc. and Manitowoc Foodservice, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, dated March 3, 2016).
10.18(b)	Amendment, dated March 28, 2016, to the Employee Matters Agreement, effective as of March 4, 2016, by and between The Manitowoc Company, Inc. and Manitowoc Foodservice, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated March 28, 2016).
10.19	Intellectual Property Matters Agreement, dated March 4, 2016, between The Manitowoc Company, Inc. and Manitowoc Foodservice, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, dated March 3, 2016).

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Exhibit No.	Description	Filed/Furnished Herewith
10.20(a)	Credit Agreement, dated March 3, 2016, among Wells Fargo Bank, National Association, as administrative agent, the financial institutions from time to time party thereto, as lenders, and The Manitowoc Company, Inc., Manitowoc Cranes, LLC, Grove U.S. L.L.C., and Manitowoc Crane Group Germany GmbH, as borrowers (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, dated March 3, 2016).	
10.20(b)	Amendment No. 1, dated October 31, 2016, to Credit Agreement, dated March 3, 2016, among Wells Fargo Bank, National Association, as administrative agent, the financial institutions from time to time party thereto, as lenders, and The Manitowoc Company, Inc., Manitowoc Cranes, LLC, Grove U.S. L.L.C., and Manitowoc Crane Group Germany GmbH, as borrowers (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).	
10.20(c)	Consent and Amendment No. 2 to Credit Agreement and Amendment No. 1 to Guaranty Security Agreement, dated April 21, 2017, to Credit Agreement, dated March 3, 2016, among Wells Fargo Bank, National Association, as administrative agent, the financial institutions from time to time party thereto, as lenders, and The Manitowoc Company, Inc., Manitowoc Cranes, LLC, Grove U.S. L.L.C., and Manitowoc Crane Group Germany GmbH, as borrowers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017).	
10.21(a)	Receivables Purchase Agreement, dated March 3, 2016, by and among Manitowoc Funding, LLC, as seller, The Manitowoc Company, Inc., as servicer, and Wells Fargo Bank, N.A., as purchaser and as agent (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, dated March 3, 2016).	
10.21(b)	Purchase Agreement, dated February 8, 2016, between MTW Cranes Escrow Corp., The Manitowoc Company, Inc., the guarantors named therein, and Goldman, Sachs & Co., for itself and on behalf of the several initial purchasers listed on Schedule 1 thereto (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 11, 2016 and incorporated herein by reference).	
10.22**	Severance Agreement and Release, executed August 31, 2017, by and between The Manitowoc Company, Inc. and Lawrence J. Weyers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated August 31, 2017).	
10.23**	Severance Agreement and Release, executed November 30, 2017, by and between The Manitowoc Company, Inc. and Louis F. Raymond (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and incorporated herein by reference).	
10.24**		

	Severance Agreement and Release, executed February 21, 2018, by and between The Manitowoc Company, Inc. and Thomas G. Musial (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and incorporated herein by reference).	
11	Statement regarding computation of basic and diluted earnings per share (see Note 14, "Earnings Per Share" to the Consolidated Financial Statements included herein).	
21	Subsidiaries of The Manitowoc Company, Inc.	X(1)
23	Consent of PricewaterhouseCoopers LLP, the Company's Independent Registered Public Accounting Firm	X(1)

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Exhibit No.	Description	Filed/Furnished Herewith
31	Rule 13a - 14(a)/15d - 14(a) Certifications	X(1)
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350	X(2)
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350	X(2)
101	The following materials from the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statement of Equity and (vi) related notes.	X(1)

(1) Filed Herewith
(2) Furnished Herewith
** Management contracts and executive compensation plans and arrangements.

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(c) Financial Statement Schedule

THE MANITOWOC COMPANY, INC

AND SUBSIDIARIES

Schedule II: Valuation and Qualifying Accounts

For The Years Ended December 31, 2018, 2017 and 2016

(dollars in millions)

	Balance at Beginning of Year	Charge to Costs and Expenses	Utilization of Reserve	Other, Primarily Impact of Foreign Exchange Rates	Balance at end of Year
Year End December 31, 2016					
Allowance for doubtful accounts	$ 12.8	$ 1.0	$ (2.9)	$ 0.2	$ 11.1
Deferred tax valuation allowance	$ 86.5	$ 199.2	$ (4.1)	$ (12.0)	$ 269.6
Year End December 31, 2017					
Allowance for doubtful accounts	$ 11.1	$ 1.7	$ (2.7)	$ 0.8	$ 10.9
Deferred tax valuation allowance	$ 269.6	$ 15.2	$ (128.7)	$ 6.2	$ 162.3
Year End December 31, 2018					
Allowance for doubtful accounts	$ 10.9	$ 2.6	$ (2.4)	$ (0.8)	$ 10.3
Deferred tax valuation allowance	$ 162.3	$ 14.4	$ (13.1)	$ (10.5)	$ 153.1

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Item 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized:

Date: February 13, 2019

The Manitowoc Company, Inc.
(Registrant)

/s/ Barry L. Pennypacker
Barry L. Pennypacker
President and Chief Executive Officer

/s/ David J. Antoniuk
David J. Antoniuk
Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Barry L. Pennypacker Barry L. Pennypacker, President and Chief Executive Officer	February 13, 2019
(Principle Executive Officer)	
/s/ David J. Antoniuk David J. Antoniuk, Senior Vice President and Chief Financial Officer	February 13, 2019
(Principle Financial Officer)	
/s/ Brian P. Regan Brian P. Regan, Vice President and Corporate Controller	February 13, 2019
(Principle Accounting Officer)	
/s/ Robert G. Bohn Robert G. Bohn, Director	February 13, 2019
/s/ Donald M. Condon, Jr. Donald M. Condon, Jr., Director	February 13, 2019

/s/ Anne M. Cooney Anne M. Cooney, Director	February 13, 2019
/s/ Kenneth W. Krueger Kenneth W. Krueger, Chairman of the Board	February 13, 2019
/s/ Roy V. Armes Roy V. Armes, Director	February 13, 2019
/s/ C. David Myers C. David Myers, Director	February 13, 2019
/s/ John C. Pfeifer John C. Pfeifer, Director	February 13, 2019